TOWN OF PALM BEACH SHORES, FLORIDA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

ANNUAL AUDIT FOR THE YEAR ENDED SEPTEMBER 30, 2025

TOWN OF PALM BEACH SHORES, FLORIDA
SEPTEMBER 30, 2025

TABLE OF CONTENTS

	Pages
Independent Auditor's Report	1- 3
Management's Discussion and Analysis (required supplementary information)	4-13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	19
Notes to the Financial Statements	20-53
Required Supplemental Information Other Than Management's Discussion and Analysis	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	54
Notes to the Budgetary Required Supplementary Information – General Fund	55
Schedule of Changes in Total OPEB Liability	56
Schedule of Employer Contributions – Florida Retirement System Pension Plan	57
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	58
Schedule of Employer Contributions – Florida Retirement System Retiree Health Insurance Subsidy Program	59
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Retiree Health Insurance Subsidy Program	60
Other Supplemental Information	
Schedule of Departmental Revenues – Budget to Actual – General Fund	61
Schedule of Departmental Expenditures – Budget to Actual – General Fund	62-63

TOWN OF PALM BEACH SHORES, FLORIDA
SEPTEMBER 30, 2025

TABLE OF CONTENTS

(Continued)

	Pages
Other Reports	
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*	64-65
Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General	66 - 68
Schedule of Expenditures of State Financial Assistance	69
Schedule of Findings and Questioned Costs	70 - 71
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	72-75
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	76

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach Shores, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Palm Beach Shores, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach Shores, Florida, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Palm Beach Shores, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Palm Beach Shores, Florida's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Palm Beach Shores, Florida's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Palm Beach Shores, Florida's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on pages and 54 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Palm Beach Shores, Florida's basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.550, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance and the other supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026, on our consideration of the Town of Palm Beach Shores, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Palm Beach Shores, Florida'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 of Palm Beach Shores, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 26, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Palm Beach Shores' discussion and analysis is designed to assist the reader by providing a narrative overview and analysis of the financial activities of the Town for the year ended September 30, 2025. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ended September 30, 2025:

- The Town's net position decreased by $152,650 from the prior year. The Town's total assets and deferred outflows were more than its liabilities and deferred inflows on September 30, 2025, by $1,927,067 (net position). Of this amount, there is a deficit of $3,587,411 in unrestricted net position. Normally, unrestricted net position would be used to meet the Town's ongoing obligations to citizens and creditors. The components that put the Town in a deficit position are the debt to funding the undergrounding project and the debt related to the pension.
    - The undergrounding project benefits Town residents, but the assets created are not owned by the Town. The assets were turned over to the utility companies who will also maintain them. This leaves the Town with debt, but no assets. The undergrounding debt service is funded with future ad valorem taxes and utility taxes.
    - The net pension liability and related items result from the Town's participation in the Florida Retirement System (FRS). FRS is one of the largest pension plans in the nation. The Town's share of the net pension liability and related items is based on the proportion of contributions made. Funding for FRS is determined actuarially at the state level.

- The Town's revenues for governmental activities were $10,107,636 an increase of $2,782,185 from the prior year. This increase was attributable grant funding for the dredging project. The expenses for governmental activities were $10,260,286, an increase of 49% from the prior year. This increase is attributable to the dredging project and increased legal fees .

- The General Fund unassigned fund balance as of September 30, 2025, was $1,629,805 or 21% of total general fund expenditures, excluding capital outlay. The ideal financial position for the Town would be an unreserved fund balance of at least 25% of total general fund expenditures, excluding capital outlay. The reason for this is property taxes are not received until December and 25% of fund balance represents enough funds for three months of expenditures. This money also serves as an emergency fund for unanticipated costs, such as hurricanes or other disasters.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements (pages 14 and 15) are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to private-sector business. These statements include the statement of net position and the statement of activities which are designed to provide a broad overview of the Town as a whole.

The *statement of net position* shows the total assets, liabilities, and deferred inflows/outflows of resources for the Town with the difference reported as net position. The change in net position over time may be an indicator of the Town's financial health. The *statement of activities* provides a breakdown of revenues and expenditures by function. The functions primarily supported by taxes and intergovernmental revenues, such as police, fire and other public services are considered governmental activities.

Fund Financial Statements

The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations. The fund financial statements focus on major funds. The Town uses governmental funds to account for all of its activities.

Governmental Funds (beginning on page 16) are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirement. All of the Town's basic services are reported in the governmental funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on pages 61-63.

The Town has six other governmental funds: Public Buildings Impact Fund, Parks and Recreation Impact Fund, Fire Impact Fund, Police Impact Fund, Underground Utilities Fund and Dredging Fund. The impact fee funds are capital projects funds used to account for impact fees that must be spent on specific types of capital expenditures. All of the impact fee funds are non-major funds.

The Underground Utilities Fund is a special revenue fund used to account for the costs associated with relocating the utility lines throughout town underground. The Underground Utilities Fund is a non-major fund. The Dredging Fund is a capital project fund used to account for dredging the Singer Island Channel. The Dredging Fund is a major fund.

Notes to the Financial Statements (beginning on page 20) 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. The Town had a net position of $1,927,067 as of September 30, 2025.

Net Position
(In thousands of dollars)

Governmental Activities	2025	2024	Increase (Decrease)
Assets:			
Current and other assets	$ 3,546	$ 3,648	$ (102)
Capital	5,151	5,185	(34)
Total assets	**$ 8,697**	**$ 8,833**	**$ (136)**
Deferred Outflows:			
Pension related items	**$ 312**	**$ 265**	**$ 47**
Liabilites:			
Long-term debt outstanding	$ 4,496	$ 4,788	$ (292)
Net pension liability	1,054	1,167	(113)
OPEB liability	24	18	6
Other liabilities	1,054	384	670
Total liabilities	**$ 6,628**	**$ 6,357**	**$ 271**
Deferred Inflows:			
Pension related items	$ 449	$ 656	$ (207)
Unearned revenue	5	5	-
Total deferred inflows	**$ 454**	**$ 661**	**$ (207)**
Net Position:			
Net investment in capital assets	$ 5,106	$ 5,118	$ (12)
Restricted	408	320	$ 88
Unrestricted	(3,587)	(3,358)	$ (229)
Total net position	**$ 1,927**	**$ 2,080**	**$ (153)**

Unrestricted net position normally would be used to meet the Town's ongoing obligations to citizens and creditors. The Unrestricted net position changed dramatically in 2019 due to the issuance of $6 million in debt to fund the undergrounding project. This debt will be repaid with ad valorem taxes and utility taxes. These taxes are levied for the purpose of repaying the debt. Another contributing factor on the deficit unrestricted net position is the net pension liability. The Town participates in the Florida Retirement System (FRS) for its pension. The liability allocated to the Town is directly attributable to its proportionate share of contributions to FRS.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents unspent funds with legal restrictions on their use. The restricted net position represents impact fees received but not used, discretionary sales tax to be used on infrastructure, and contributions to be used for public safety and the community center.

Governmental Activities

Governmental activities decreased the Town's net position by $152,650. Key elements of this decrease are as follows:

Change in Net Position

(In thousands of dollars)

Governmental Activities			
	2025	**2024**	**Increase (Decrease)**
Revenue:			
Program revenue:			
Charges for services	$ 502	$ 716	$ (214)
Grants and contributions	2,757	17	2,740
General revenue:			
Property taxes	5,554	5,018	536
Utility taxes and franchise fees	720	781	(61)
Intergovernmental	356	360	(4)
Investment earnings	136	228	(92)
Miscellaneous	82	134	(52)
Total revenue	**$ 10,107**	**$ 7,254**	**$ 2,853**
Expenses:			
Program expenses:			
General government	$ 2,119	$ 1,704	$ 415
Public safety	4,092	3,719	373
Physical environment	3,294	546	2,748
Culture and recreation	596	537	59
Grants and aid	-	190	(190)
Interest on long term debt	159	172	(13)
Total expenses	**$ 10,260**	**$ 6,868**	**$ 3,392**
Change in net position	$ (153)	$ 386	$ (539)
Net position - October 1	2,080	1,694	386
Net position - September 30	**$ 1,927**	**$ 2,080**	**$ (153)**

Property taxes remain the main source of revenues and represent approximately 55 percent of the revenue for governmental activities. Property taxes increased by approximately $536,000 over the prior year. The Town's assessed value increased by $71 million, or 9.3%, and the operating millage rate of 6.3500 mills remained unchanged. Charges for services decreased by approximately by $214,000 primarily due to decreased building permits. Grants and contributions increased by approximately by $2,740,000 due to the dredging project.

Total expenses increased by approximately $3,392,000. Expenses for Public Safety continue to represent the largest category of Governmental activity expenses. Public Safety includes the Police, Fire, Dispatch, Emergency Medical Service, Emergency Disaster, and Building departments. Public Safety expenses increased by 10% compared to the prior year. This was due to increased cost of services. Physical environment expenses increase by approximately $2,748,000 due to the dredging project.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

As of September 30, 2025, the Town's governmental funds reported ending fund balances of $2.688 million, a decrease of $651,387 in comparison with the prior year. Approximately 61% of ending fund balances ($1,629,805) constitutes unassigned fund balance, which is available for spending at the government's discretion. The unassigned fund balance is within the General Fund, the chief operating fund of the Town. The Town Commission has assigned portions of fund balance for certain future projects: $77,488 for hurricanes; $353,867 for debt service; $54,893 for future sewer system repairs; and $22,000 for the compensated absences. The restricted portion of the general fund balance is composed of the following: $276,936 discretionary sales tax to be used on infrastructure and $44,511 from grants and donations to be used for public safety. The non-spendable portion of fund balance is not available because it has already been spent on inventories and prepaid items. Fund balance in the other governmental funds is restricted or assigned due to the nature of the revenue which by law may only be spent for specific purposes. The Dredging Fund had ending fund balance of $140,000.

Budgetary Highlights - Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 54). The budget and actual schedules show the original budgets, the final revised budget, actual results, and variance between the final budget and actual results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of September 30, 2025 amounted to $5.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

The Town's investment in capital assets decreased by $33,942 during the current fiscal year. Additions during the year totaled $423,201.

- Building improvements cost $301,125
- Fire department improvements cost $74,990.
- The remaining capital outlay consists of a variety of items of smaller scale than those identified herein.

Capital Assets
(In thousands of dollars)

Governmental Activities	2025	2024	Increase (Decrease)
Land	$ 101	$ 101	$ -
Construction in progress	4	30	(26)
Buildings and improvements	4,570	4,165	405
Parks and beach improvements	778	778	-
Equipment	1,110	1,066	44
Vehicles	910	964	(54)
Streets and sewers	5,649	5,649	-
Total capital assets	13,122	12,753	369
Less accumulated depreciation	(7,971)	(7,568)	(403)
Capital assets, net of depreciation	**$ 5,151**	**$ 5,185**	**$ (34)**

Additional information on the Town's capital assets can be found in Note 4 of this report.

Debt Outstanding

No new debt was issued during the year. All scheduled debt service payments were made on existing debt reducing the Town's long-term liabilities. The following table summarizes the Town's debt as of September 30, 2025.

Outstanding Debt
(In thousands of dollars)

Governmental Activities						
		2025		2024		Increase (Decrease)
Notes payable	$	404	$	453	$	(49)
Loans payable		3,949		4,254		(305)
Compensated absences		143		81		62
OPEB liability		24		18		6
Net pension liability		1,054		1,167		(113)
Total debt	**$**	**5,574**	**$**	**5,973**	**$**	**(399)**

Additional information on the Town's debt can be found in Note 5 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2026 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals include sustaining the level of services, the responsiveness of the local government to the needs of the public, and the technological operation of the Town government as well as maintaining all Town's facilities.

Property taxes are the main source of revenues for governmental activities and represent approximately 79.7% of the General Fund budgeted revenues. The Town's assessed value increased by approximately $103 million or 12.0%. The Town Commission maintained the operating millage rate of 6.3500 mills and the debt millage rate of 0.4290 mills. The millage rates meet all state-imposed requirements. The 2026 budget will provide sufficient revenue to cover expenditures for the upcoming fiscal year. The budget gives the Town the ability to continue to provide the expected level of governmental services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Finance Department, at the Town of Palm Beach Shores, 247 Edwards Lane, Palm Beach Shores, Florida, 33404.

TOWN OF PALM BEACH SHORES, FLORIDA
Statement of Net Position
September 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,531,575
Investments	1,909,699
Receivables (net)	
Accounts	59,513
Special assessments	4,077
Due from other governments	40,654
Inventories	1,234
Capital assets	
Non-depreciable	105,293
Depreciable (net of depreciation)	5,045,274
Total assets	8,697,319
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	311,912
LIABILITIES	
Current liabilities	
Accounts payable	667,184
Accrued payroll	37,173
Accrued interest	77,940
Retainage payable	126,906
Due to other governments	129,573
Unearned revenue	15,662
Non-current liabilities	
Due within one year	392,695
Due in more than one year	
Compensated absences	117,457
Notes and bonds payable	3,986,375
OPEB liability	23,777
Net pension liability	1,053,867
Total liabilities	6,628,609
DEFERRED INFLOWS OF RESOURCES	
Pension related items	448,507
Deferred revenue	5,048
Total deferred inflows of resources	453,555
NET POSITION	
Net investment in capital assets	5,105,730
Restricted for capital improvements	117,125
Restricted for infrastructure	276,936
Restricted for dredging project	14,687
Unrestricted	(3,587,411)
Total net position	$ 1,927,067

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Statement of Activities
Year Ended September 30, 2025

		Program Revenues			
Function / Program Activities	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
General government	$ 2,119,280	$ 18,636	$	$	$ (2,100,644)
Public safety	4,091,476	382,162		1,865	(3,707,449)
Physical environment	3,293,979	60,253	2,751,536		(482,190)
Culture recreation	596,282	40,413		2,940	(552,929)
Interest on long term debt	159,269				(159,269)
Total governmental activities	$ 10,260,286	$ 501,464	$ 2,751,536	$ 4,805	(7,002,481)
General revenues					
Property taxes					5,554,119
Utility taxes and franchise fees					720,356
Intergovernmental					355,778
Investment earnings - unrestricted					136,487
Gain on disposal of assets					33,650
Miscellaneous					49,441
Total general revenues					6,849,831
Change in net position					(152,650)
Net position, beginning of year					2,079,717
Net position, end of year					$ 1,927,067

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2025

	General	Dredging	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 691,386	$ 707,802	$ 132,387	$ 1,531,575
Investments	1,909,699			1,909,699
Receivables				
Accounts	59,513			59,513
Special assessments	4,077			4,077
Due from other governments	40,654			40,654
Due from other funds	575			575
Inventories	1,234			1,234
Total assets	$ 2,707,138	$ 707,802	$ 132,387	$ 3,547,327
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	$ 228,955	$ 438,229	$	$ 667,184
Accrued payroll	37,173			37,173
Due to other governments		129,573		129,573
Due to other funds			575	575
Unearned revenue	15,662			15,662
Total liabilities	281,790	567,802	575	850,167
Deferred inflows of resources				
Deferred revenue	5,048			5,048
Unavailable revenue	4,077			4,077
Total deferred inflows of resources	9,125			9,125
Fund balances				
Nonspendable				
Prepaid items and inventories	1,234			1,234
Restricted				
Underground utilities/debt service			14,687	14,687
Capital improvements			117,125	117,125
Infrastructure	276,936			276,936
Assigned				
Sewer service	54,893			54,893
Compensated absences	22,000			22,000
Debt service	353,867			353,867
Hurricane	77,488			77,488
Capital projects		140,000		140,000
Unassigned	1,629,805			1,629,805
Total fund balances	2,416,223	140,000	131,812	2,688,035
Total liabilities, deferred inflows of resources, and fund balances	$ 2,707,138	$ 707,802	$ 132,387	$ 3,547,327

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2025

Fund balances total governmental funds		$ 2,688,035
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	$ 13,121,472	
Less accumulated depreciation	(7,970,905)	5,150,567
Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.		
Unavailable revenue		4,077
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Net pension liability	(1,053,867)	
OPEB liability	(23,777)	
Compensated absences	(143,457)	
Notes payable	(4,353,070)	
Retainage payable	(126,906)	
Accrued interest on long-term debt	(77,940)	(5,779,017)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:		
Pension related deferred outflows	311,912	
Pension related deferred inflows	(448,507)	(136,595)
Net position of governmental activities		$ 1,927,067

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
Year Ended September 30, 2025

	General	Dredging	Underground Utilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 6,274,475		$	$	$ 6,274,475
Special assessments and impact fees				2,254	2,254
Licenses and permits	368,121				368,121
Intergovernmental	365,338	2,741,976			3,107,314
Fines and forfeitures	14,041				14,041
Charges for services	119,302				119,302
Interest	133,532			2,955	136,487
Contributions	4,805	35,000			39,805
Miscellaneous	12,187				12,187
Total revenues	7,291,801	2,776,976		5,209	10,073,986
Expenditures					
Current					
General government	2,245,004				2,245,004
Public safety	4,128,812				4,128,812
Physical environment	356,024	2,656,931			3,012,955
Culture and recreation	428,961			575	429,536
Debt service					
Principal	353,900				353,900
Interest	165,614				165,614
Capital outlay	423,202				423,202
Total expenditures	8,101,517	2,656,931		575	10,759,023
Excess (deficiency) of revenues ov sources (uses)	(809,716)	120,045		4,634	(685,037)
Other financing sources (uses)					
Sale of surplus property	33,650				33,650
Total other financing sources (uses)	33,650				33,650
Net change in fund balances	(776,066)	120,045		4,634	(651,387)
Fund balances, beginning of year, as previously reported	3,192,289		15,262	131,871	3,339,422
Change within financial reporting entity (major/nonmajor fund changes)		19,955	(15,262)	(4,693)	
Fund balances, end of year	$ 2,416,223	$ 140,000	$	$ 131,812	$ 2,688,035

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2025

Net change in fund balances - total governmental funds		$ (651,387)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	$ 423,201	
Less: current year depreciation	(457,143)	(33,942)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payments on debt		353,900
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	6,345	
Change in retainage payable	(126,906)	
Change in OPEB liability	(6,209)	
Change in net pension liability and related deferred amounts	368,334	
Change in long-term compensated absences	(62,785)	178,779
Change in net position		$ (152,650)

See notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Palm Beach Shores, Florida (the "Town") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

Reporting Entity

The Town of Palm Beach Shores, Florida is a municipal corporation organized pursuant to Chapter 24792, 1947 Laws of Florida. The Town operates under the Commission/Mayor form of government. The Town's major operations include general government, public safety, streets, sanitation, and culture/recreation.

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. 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.

Organizations for which the Town is not financially accountable are also included when doing so is necessary in order to prevent the Town's financial statements from being misleading.

Based upon application of the above criteria, the Town of Palm Beach Shores has determined that there are no legally separate entities to consider as potential component units.

Government-wide and Fund Financial Statements

The basic financial statements include both 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 primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds. The Town has no fund types other than governmental funds. Major individual governmental funds are reported in 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. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

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 afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and 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)

Governmental Funds (Continued)

The Town reports the following major governmental funds:

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

The Dredging Fund is a capital projects fund used to account for the costs associated dredging the Singer Island Channel.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts, money market accounts, and certificates of deposit with original maturities of three months or less.

Investments

Investments are reported at fair value as required by generally accepted accounting principles. The fair value of an investment is the amount that the Town could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application.

Accounts Receivable

Accounts receivable of the General Fund consists of billed receivables for special assessments, sewer services and other miscellaneous services. The Town has not established an allowance for doubtful accounts because the Town considers all receivables to be collectible.

Prepaid Items

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

Inventory

Inventory is valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventory are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental columns in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $5,000. Capital assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively.

Additions, improvements, and other capital outlay that significantly extend the useful life of the asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and improvements	10-40 years
Equipment	5 - 7 years
Vehicles	5-10 years
Streets and sewers	20 years
Parks and beach improvements	20 years

Interest Cost

Interest costs in governmental funds are charged to expenditures as incurred. Construction period interest incurred in governmental funds is not capitalized.

Unearned Revenue

The government reports unearned revenue on its government wide statement of net position and governmental funds balance sheet. Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized.

Unavailable Revenue

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow of Resources

In addition to assets, the statement of net 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows for pension items in connection with its participation in the Florida Retirement System in the government-wide statement of net position. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods.

Deferred Inflow of Resources

In addition to liabilities, the statement of net 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are three types of items that qualify for reporting in this category:

1. Pension items in connection with the Town's participation in the Florida Retirement System are reported in the government-wide statement of net position. These deferred pension charges are amortized in a systematic and rational method as pension expense in future periods.

2. Business tax receipts that are received by the Town prior to the period for which the taxes are levied are reported as deferred inflows on both the government-wide statement of net position and on the governmental funds balance sheet.

3. Sewer assessments that are not received within 60 days of the end of the fiscal year do not meet the availability criterion of the modified accrual basis of accounting, and therefore are reported as deferred inflows only on the governmental funds balance sheet.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.Compensated absences are calculated under a first-in, first-out (FIFO) flow assumption.

Town employees may carry over vacation to the next fiscal year at a rate equal to the maximum time earned during the previous fiscal year. Accumulated vacation is payable to employees upon termination or retirement at the rate of pay on that date. Town employees receive 96 hours of sick time each year. Employees, who reach ten years of service or more, are eligible to receive 50% of their unused sick time up to a 500-hour maximum upon retirement or termination. In addition, any full-time employee who has accrued 960 hours of sick time is eligible to be paid for 40 hours each year. All other employees upon termination do not receive any sick accumulation pay.

Interfund Transactions

Basic types of interfund transactions include transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund. In addition, interfund transactions include transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them. These transactions are recorded as operating transfers in and out. Lastly, interfund transactions include transfers to close funds.

Net Position

Equity in the government-wide statement of net position is displayed in three categories: 1) Net investment in capital assets, 2) restricted, 3) unrestricted. Net investment in capital assets consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consist of all net position that do not meet the definition of either of the other two components.

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)

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. Fund balance is reported under the following categories:

1. Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. The Town's nonspendable fund balance is for inventories and prepaid items.

2. Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the Town consists of unspent impact fees that are to be used for capital improvements, the discretionary sales tax to be used for infrastructure, contributions to be used for public safety, and loan proceeds to be used for the underground utility project.

3. Committed fund balance represents amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town's highest level of decision-making Town. The Town has no committed funds.

4. Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Town Commission, that are neither considered restricted or committed.

5. Unassigned fund balance is the residual fund balance classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The Town will first use restricted fund balance, followed by committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund. All budgets are legally enacted.

An annual appropriated budget for the General Fund is adopted in accordance with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to mid-August, the Town Treasurer submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. 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 1, the budget is legally enacted through passage of a resolution.

4. The Mayor or Town Manager is authorized to transfer budgeted amounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the Town Commission, by a legally enacted resolution.

5. Appropriations along with encumbrances lapse on September 30.

6. Appropriations are controlled at the department level within funds, and expenditures may not legally exceed budgeted appropriation at that level.

The emergency medical services department was over budget by $62,583 which was due to increased costs.

Budgeted amounts are as originally adopted, or as amended by appropriate action. During the year, three supplementary appropriations were necessary.

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. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Property Taxes (Continued)

The tax levy of the Town is established by the Town Commission prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2025, was 6.350 for operations and 0.4290 for debt service.

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. Taxes may be paid less a discount beginning November 1. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1, following the year in which they are assessed.

On or prior, to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 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 3 – CASH AND INVESTMENTS

Deposits

As of September 30, 2025, the carrying amount of the Town's deposits was $1,531,475 and the bank balances totaled $1,839,902. The Town also had cash on hand of $100 resulting in a total cash and cash equivalents of $1,531,575. Deposits are either covered by insurance provided by the Federal Depository Insurance Corporation or are qualified public deposits held in banking institutions approved by the Treasurer of the State of Florida. 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 other 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments

The Town has not adopted a written investment policy. Florida Statutes authorize units of local government electing not to adopt a written investment policy to invest in the following instruments:

a. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
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.

In 2016, the Town implemented GASB Statement No. 72, Fair Value Measurement and Application issued in February 2015. The Town categorizes its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79) and is exempt from reporting under the fair value hierarchy of GASB 72. The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

As of September 30, 2025, the Town reported the following investments in the balance sheet and statement of net position:

	Maturity	Fair Value
State Board of Administration Investment Pool:		
Florida PRIME	47 days	$ 1,909,699

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill their obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. At September 30, 2025, Florida PRIME was rated "AAA(m) by Standard and Poor's Ratings Services.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 100,792	$	$	$	$ 100,792
Construction in progress	30,096		(25,595)		4,501
Capital assets being depreciated:					
Buildings and improvements	4,165,121	404,601			4,569,722
Parks and beach improvements	777,592				777,592
Equipment	1,065,770	44,195			1,109,965
Vehicles	964,316		(54,217)		910,099
Streets and sewers	5,648,801				5,648,801
Total at historical cost	12,752,488	448,796	(79,812)		13,121,472
Less accumulated depreciation for:					
Buildings	1,767,769	161,302			1,929,071
Parks and beach improvements	670,539	36,457			706,996
Equipment	927,895	72,187			1,000,082
Vehicles	465,933	74,337	(54,217)		486,053
Streets and sewers	3,735,843	112,860			3,848,703
Total accumulated depreciation	7,567,979	457,143	(54,217)		7,970,905
Governmental activities capital assets, net	$ 5,184,509	$ (8,347)	$ (25,595)	$	$ 5,150,567

Depreciation expense was charged to functions and programs of the primary government as follows:

Governmental activities:	
General government	$ 29,828
Public safety	112,404
Physical environment	148,165
Culture and recreation	166,746
Total depreciation expense for governmental activities	$ 457,143

NOTE 5 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term liabilities during the fiscal year.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Placements and Borrowings					
CenterState Bank					
Note	$ 386,741	$	$ (27,722)	$ 359,019	$ 28,723
Bond	4,254,156		(304,942)	3,949,214	315,957
Leasing 2, Inc.	66,073		(21,236)	44,837	22,015
Compensated absences	80,672	62,785		143,457	26,000
OPEB liability	17,568	6,209		23,777	
Net pension Liability	1,167,466		(113,599)	1,053,867	
	$ 5,972,676	$ 68,994	$ (467,499)	$ 5,574,171	$ 392,695

The change in compensated absences is reported as a net change.

CenterState Bank Public Service Tax Revenue Note

On October 31, 2018, the Town issued a $500,000 Town of Palm Beach Shores, Florida, Public Service Tax Revenue Note. The Note was issued to provide for payment of a portion of the costs of placing the electric, cable television and telephone utility facilities that serve the Town and its inhabitants underground. The Town will pay the accrued interest on April 1, 2019 and October 1, 2019. Commencing April 1, 2020, the Town will pay installments of principal and interest in equal semi-annual payments of $20,661, due on April 1, 2020 and on the first day of each April and October thereafter. The entire unpaid principal balance, together with all accrued and unpaid interest, shall be due and payable in full on October 1, 2035. The interest rate on the loan is 3.58% and is subject to adjustment in the event of taxability of the interest on this Note.

<u>NOTE 5 – LONG-TERM LIABILITIES</u> (Continued)

<u>CenterState Bank Public Service Tax Revenue Note</u> (Continued)

The debt service for the Note is payable from and secured by a lien upon and pledge of the amounts received by the Town pursuant to the tax (the "Public Service Tax") levied on the purchase within the geographic jurisdiction of the Town of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, water service and services competitive with the foregoing, pursuant to Florida Statute Section 166.231.

The Bond agreement includes a provision that upon the occurrence of an event of default the lender may declare the Bond to be immediately due and payable without further action of any kind.

<u>CenterState Bank General Obligation Bond</u>

On October 31, 2018, the Town issued a $5,500,000 Town of Palm Beach Shores, Florida, General Obligation Bond, Series 2018. The Bond was issued to provide for payment of a portion of the costs of placing the electric, cable television and telephone utility facilities that serve the Town and its inhabitants underground. The Town will pay the accrued interest on April 1, 2019 and October 1, 2019. Commencing April 1, 2020, the Town will pay installments of principal and interest in equal semi-annual payments of $227,267, due on April 1, 2020 and on the first day of each April and October thereafter. The entire unpaid principal balance, together with all accrued and unpaid interest, shall be due and payable in full on October 1, 2035. The interest rate on the loan is 3.58% and is subject to adjustment in the event of taxability of the interest on this Bond.

The debt service for the Bond is payable from a separate ad valorem tax levy and is also payable from the Public Service Tax. The pledge of the Public Service Tax to the repayment of this Bond is junior and subordinate to the pledge thereof given to secure the payment of the obligations of the Town pursuant to the Town's Public Service Tax Revenue Note.

The Bond agreement includes a provision that upon the occurrence of an event of default the lender may declare the Bond to be immediately due and payable without further action of any kind.

<u>Leasing 2, Inc. Fire Equipment</u>

On April 1, 2022, the Town entered into an agreement with Leasing 2, Inc for the purchase of a 2021 Spartan Firetruck. The agreement was for $106,316. The Town is required to appropriate funds annually to pay the current amount due. Principal and interest on the note is payable annually on April 1 and with a final maturity date of April 1, 2027. The agreement bears an annual interest rate of 3.67%. Since the Town has title of the asset, this is a contract that transfers ownership and is exempt from GASB Statement No. 87, *Leases.*

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Pledged Revenues and Related Debt Service

For the fiscal year ended September 30, 2025, pledged Public Service Tax revenues were $406,405 and the pledged ad valorem tax levy was $351,385. Principal and interest paid for the year was $495,855 and principal and interest to maturity is $5,206,473.

Annual Maturities

The aggregate maturities for all long-term debt of the Town with scheduled maturities (excluding compensated absences, net pension liabilities and claims and settlements), are as follows:

Year Ending September 30	Principal	Interest	Total Amount
2026	$ 366,695	$ 152,819	$ 519,514
2027	379,953	139,561	519,514
2028	370,030	125,824	495,854
2029	383,396	112,459	495,855
2030	397,244	98,611	495,855
2031-2035	2,212,100	267,173	2,479,273
2036	243,652	4,275	247,927
Total	$ 4,353,070	$ 900,722	$ 5,253,792

NOTE 6 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees participate in the Florida Retirement System (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 (DROP) 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 Florida Retirement System 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.

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 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.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Plan

Plan Description

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

- Regular Class
- Special Risk Class
- Senior Management Service Class

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.

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, except that certain instructional personnel may participate for up to 96 months. 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.

<u>NOTE 6 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Pension Plan (Continued)

<u>Benefits Provided</u>

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. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation 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 table shows the percentage value for each year of service credit earned:

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 or more 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 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Senior Management Service Class	2.00%

As provided in 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 percent 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 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

The employer contribution rates by job class for the fiscal year ended September 30, 2025 were as follows:

Class	10/1/24 through 6/30/25	07/01/25 through 09/30/25
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
DROP	21.13%	22.02%

The employer contribution rates include a 2% HIS Plan subsidy. Except for the DROP, the rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2025, the Town made contributions of $156,349 to the Pension Plan and the Town's employees made contributions of $18,357 for total contributions of $174,706.

Pension Liabilities and Pension Expense

At September 30, 2025, the Town reported a liability of $778,866 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Town's proportionate share of the net pension liability was based on the Town's 2024-25 plan year contributions relative to the 2024-25 plan year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.00002509627 percent, which was an increase of 0.000002573 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the Town recognized pension revenue of $154,799 related to the Plan.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Deferred Outflows and Inflows of Resources Related to Pensions

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
Difference between expected and actual experience	$ 83,191	$
Change of assumptions	90,447	
Net difference between projected and actual earnings on Pension Plan investments		130,040
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	67,158	167,787
Pension Plan contributions subsequent to the measurement date	38,475	
Total	$ 279,271	$ 297,827

The deferred outflows of resources related to the Pension Plan, totaling $38,475 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, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	$ 33,263
2027	(29,026)
2028	(39,885)
2029	(21,383)
2030	
Thereafter	
	$ (57,031)

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2025
Measurement date	June 30, 2025
Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Mortality	PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2021
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2025; valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return on investments is 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	Allocation	Return	Return	Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global Equity	45.0%	8.5%	6.9%	18.3%
Real Estate (Property)	12.0%	8.4%	7.1%	16.8%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
Total	100.0%			
Assumed Inflation - Mean			2.4%	1.5%

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

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.70%. The Pension 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 represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.70%, 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 one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
Proportionate share of the net pension liability	$ 1,528,513	$ 778,866	$ 150,373

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2025, the Town did had a payable of $12,464 for outstanding contributions to the Pension Plan for the fiscal year ended September 30, 2025.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program

Plan Description

The 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 Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of $7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $45 and a maximum HIS payment of $225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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, 2025, the HIS contribution was 2%. The Town contributed 100% 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town’s contributions to the HIS Plan totaled $20,568 for the fiscal year ended September 30, 2025.

Pension Liabilities and Pension Expense

At September 30, 2025, the Town reported a liability of $275,001 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Pension Liabilities and Pension Expense (Continued)

The Town's proportionate share of the net pension liability was based on the Town's 2024-25 plan year contributions relative to the 2024-25 plan year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.00002145524 percent, which was an increase of 0.000198089 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the Town recognized pension revenue of $35,957.

Deferred Outflows and Inflows of Resources Related to Pensions

In addition, the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	$ 1,642	$ 436
Change of assumptions	2,434	66,516
Net difference betwwen projected and actual earnings on Pension Plan investments		229
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	23,892	83,499
Pension Plan contributions subsequent to the measurement date	4,673	
	$ 32,641	$ 150,680

For the July 1, 2025 valuation, the municipal bond rate increased from 3.93% to 5.20%.

The deferred outflows of resources related to the HIS Plan, totaling $4,673 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, 2026.

<u>NOTE 6 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

<u>Deferred Outflows and Inflows of Resources Related to Pensions</u> (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2026	$ (59,012)
2027	(31,354)
2028	(16,150)
2029	(11,519)
2030	(4,677)
Thereafter	
	$ (122,712)

<u>Actuarial Assumptions</u>

The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2024
Measurement date	June 30, 2025
Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Municipal bond rate	5.20%
Long-term expected rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP 2021
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2025, were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

<u>Discount Rate</u>

The discount rate used to measure the total pension liability was 5.20%. 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.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Discount Rate (Continued)

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.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 5.2%, 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
Proportionate share of the net pension liability	$ 310,108	$ 275,001	$ 245,558

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2025, the Town had a payable of $1,516 for outstanding contributions to the HIS Plan for the fiscal year ended September 30, 2025.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Summary Data

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2025.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	$ 6,113,965	$ 293,673	$ 6,407,638
Proportionate share of plan fiduciary net position	5,335,099	18,672	5,353,771
Proportionate share of net pension liability	778,866	275,001	1,053,867
Proportionate share of deferred outflows of resources	279,271	32,641	311,912
Proportionate share of deferred inflows of resources	297,827	150,680	448,507
Pension expense (revenue)	(154,799)	(35,957)	(190,756)

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. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan.Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

<u>NOTE 6 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Investment Plan (Continued)

<u>Funding Policy</u>

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the defined benefit Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town's employees for the fiscal year ended September 30, 2025, are as follows:

Class	10/1/24 through 6/30/24	07/01/24 through 09/30/24
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
DROP	21.13%	22.02%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

<u>NOTE 6 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Investment Plan (Continued)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town's Investment Plan pension expense totaled $49,022 for the fiscal year ended September 30, 2025, and as of the fiscal year end, the Town had a payable of $5,236 for outstanding contributions to the Investment Plan.

<u>NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)</u>

Effective October 1, 2017, the Town implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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 less than they would pay on their own. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 75.

<u>Plan Description</u>

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.

<u>Employees Covered by Benefit Terms</u>

At September 30, 2025, the following employees were covered by benefit terms:

Participants	
Active employees	11
Inactive employees currently receiving benefits	
Inactive employees entitled to but not receiving benefits	
Total	11

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Contribution Requirements

The Town does not make direct contributions to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group health rates as active employees. 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 annual age-adjusted costs paid by the Town, or its active employees, for coverage of the retirees and their dependents net of the retiree's own payments for the year.

Total OPEB Liability

The Town's total OPEB liability of $23,777 was measured as of September 30, 2025 and was determined by the actuarial valuation as of that date.

Actuarial Assumptions and Methods

The total OPEB liability was determined using the following actuarial assumptions and other methods:

Valuation Date:	September 30, 2025
Measurement Date:	September 30, 2025
Discount Rate:	4.50% per annum
Salary Increase Rate:	3.33%
Age adjustment factor	1.794533
Health Care Trend Rate:	Medical – 5.80% initially trending to 4.10% in 10 years Pharmacy – 11.70% initially trending to 4.10% in 10 years Dental – 3.50% initially trending to 3.00% in 10 years Vision – 3.00%
Actuarial Cost Method:	Entry Age Normal
Plan Participation Percentage:	10%
Mortality Rates:	PUB-2010 Public Retirement Plan Mortality Tables, with mortality improvement projected for 10 years

The valuation was prepared using the Alternate Measurement Model in accordance with GASB 75.

Discount Rate

The Town does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate is a yield or index rate for 20-year, tax-exempt municipal bonds. As a result, the calculation used a rate of 4.50%.

<u>NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)</u> (Continued)

<u>Changes in the Total OPEB Liability</u>

	Total OPEB Liability
Balance at September 30, 2024	$ 17,568
Changes for the Year:	
Service Cost	3,439
Interest Cost	853
Effects of Economic/Demographic Gains or Losses	3,805
Changes of Assumptions and Other Inputs	(1,888)
Differences Between Expected and Actual Experience	
Benefit Payments	
Net Change in Total OPEB Liability	6,209
Balance at September 30, 2025	$ 23,777

<u>Changes in Assumptions</u>

The discount rate was 4.06% at 9/30/24 and 4.50% at 9/30/25.

<u>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</u>

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) then the current discount rate:

	1.0% Decrease (3.50%)	Discount Rate (4.50%)	1.0% Increase (5.50%)
Total OPEB Liability	$ 28,321	$ 23,777	$ 20,049

<u>Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates</u>

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher (then the current healthcare cost trend rates:

	1.0% Decrease	Healthcare cost Trend Rates	1.0% Increase
Total OPEB Liability	$ 18,944	$ 23,777	$ 29,931

<u>OPEB Expense</u>

For the year ended September 30, 2025, the Town recognized OPEB expense of $6,209.

NOTE 8 – COMMITMENTS

Waste Management Services

On September 26, 2017, the Town entered into an agreement with Waste Management, Inc. of Florida (Waste Management) to collect and dispose of all solid waste, recyclable material, and vegetative waste. The agreement was effective on October 1, 2017 for a period of five years with two renewal options. Waste Management is paid monthly based on the rate schedule in the contract and the actual number of customers/units. Charges from Waste Management for the year ended September 30, 2025, totaled $251,265.

Landscape Services

On November 28, 2022, the Town entered into an agreement with Foliage Concepts for lawn maintenance services. The contract was for three years at $120,252 per year. The contract may be renewed for an additional three-year period. On April 24, 2023, the Town amended the agreement to revise the bid specifications and lower the annual price to $103,452. Payments to Foliage Concepts for the year ended September 30, 2025 totaled $108,740.

Supplemental Fire Services, EMS Services, and Emergency Transport Services

On August 2, 2023, the Town entered into a new agreement with the City of Riviera Beach for Supplemental Fire Services, EMS Services, and Emergency Transport Services with the City for the period beginning on July 1, 2023 and ending June 30, 2029. For the first year the Town will pay $750,000 annually in equal quarterly installments commencing July 1, 2023, for EMS and Emergency Transport Services. If the Town payments plus collections for services are less the $890,010 minimum payment amount, the Town agrees to pay the difference in the next fiscal year. Both the $750,000 payment and the $890,010 minimum payment will increase annually by the lower of the Annual Consumer Price Index for All Urban Consumers (CPI-U) or 5%. After the third fire-related response in a calendar year, the Town agrees to pay a fee for service as set out in the agreement. Payments to the City for the year ended September 30, 2025, for EMS and Emergency Transport Services totaled $854,760 and there were no additional fees for fire-related responses.

Law Enforcement Services

On August 9, 2019, the Town approved an agreement for Law Enforcement Services with the Palm Beach County Sheriff's Office effective November 1, 2019 thru September 30, 2029. Monthly payments for the first year are $137,365. The total amount due for all law enforcement services for subsequent years shall be based upon the proposal submitted by the Sheriff during the Town's budget process and approved by the Town Commission. However, for contract years beginning 2021, and 2022, the annual increase shall not be more than 2% for each year; for contract years beginning 2023, and 2024, the annual increase shall be from 2% to 5% for each year; and the annual increase shall not be more than 5% for each contract year beginning 2025 to 2029. Payments for the year ended September 30, 2025 totaled $1,871,970.

NOTE 8 – COMMITMENTS (Continued)

Lake Worth Inlet Flood Shoal Dredging Project

The Town awarded contracts for engineering and construction administration for $436,940 and dredging for $3,473,000. The Town has been awarded grants of $3.5 million from the Florida Inland Navigation District and $1 million from the State of Florida for this project. At September 30, 2025 remaining construction commitments were $1,798,612.

NOTE 9 – 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.

The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of $200,000/$300,000 for all claims relating to the same accident. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

There have been no significant reductions in insurance coverage from the prior year. No settlements exceeded insurance coverage for the past three years.

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2025:

GASB Statement No. 101, *Compensated Absences*. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absences and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. This statement did not have a significant impact on the Town.

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 102, *Certain Risk Disclosures.* The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

Recently Issued Accounting Pronouncements

A brief description of the new accounting pronouncements that might have a significant impact on the Town's financial statements are presented below. Management is currently evaluating the impact of adoption of this statement in the Town's financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement is effective for the fiscal year ending September 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. This Statement is effective for the fiscal year ending September 30, 2026.

<u>NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS</u> (Continued)

<u>Recently Issued Accounting Pronouncements</u> (Continued)

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The requirements of this Statement will improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement users. This Statement is effective for the fiscal year ending September 30, 2027.

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
Year Ended September 30, 2025

	General Fund			
	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	$ 6,152,106	$ 6,274,473	$ 6,274,475	$ 2
Licenses and permits	368,500	363,370	368,121	4,751
Intergovernmental	600,766	365,334	365,338	4
Fines and forfeitures	1,500	14,040	14,041	1
Charges for services	108,700	112,583	119,302	6,719
Interest	107,500	133,000	133,532	532
Contributions		4,803	4,805	2
Miscellaneous	5,000	10,143	12,187	2,044
Total revenues	7,344,072	7,277,746	7,291,801	14,055
Expenditures				
Current				
General government	1,501,742	2,239,406	2,245,004	(5,598)
Public safety	3,888,615	4,068,392	4,128,812	(60,420)
Physical environment	339,760	355,433	356,024	(591)
Culture and recreation	417,240	427,682	428,961	(1,279)
Debt service				
Principal	353,900	353,901	353,900	1
Interest	165,615	165,614	165,614	
Capital outlay	664,500	423,199	423,202	(3)
Contingency	85,000			
Total expenditures	7,416,372	8,033,627	8,101,517	(67,890)
Excess (deficiency) of revenues over (under) expenditures	(72,300)	(755,881)	(809,716)	(53,835)
Other financing sources (uses)				
Sale of surplus property		33,650	33,650	
Total other financing sources (uses)		33,650	33,650	
Net change in fund balance	$ (72,300)	$ (722,231)	(776,066)	$ (53,835)
Fund balance, beginning of year			3,192,289	
Fund balance, end of year			$ 2,416,223	

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2025

Note 1 - Basis of Accounting

Generally accepted accounting principles (GAAP) serve as the budgetary basis of accounting.

Note 2 - Stewardship, Compliance, and Accountability

The following departments had an excess of expenditures over appropriations:

Legislative	$	77
Finance and administrative		2,066
Public works		3,455
Fire		4,591
Emergency medical services		62,853
Lift station sewer service		591
Beach facilities		1,201
Community center		78
Capital outlay		3

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Changes in the Total OPEB Liability

Last Ten Fiscal Years

	2018	2019	2020	2021	2022
Service cost	$ 16,035	$ 14,567	$ 15,307	$ 15,307	$ 10,771
Interest on total OPEB liability	4,867	4,988	1,664	2,033	1,452
Effect of economic/demographic gains or losses	(13,846)	(96,466)	5,309	(46,227)	4,006
Effect of assumption changes	3,011	9,545	4,326	(2,876)	(8,923)
Net change in total OPEB Liability	10,067	(67,366)	26,606	(31,763)	7,306
Total OPEB liability - beginning	109,083	119,150	51,784	78,390	46,627
Total OPEB liability - ending	$ 119,150	$ 51,784	$ 78,390	$ 46,627	$ 53,933
Covered employee payroll	$ 1,557,382	$1,055,815	$ 859,141	$ 795,870	$ 898,086
Total OPEB liability as a percentage of covered-employee payroll	7.65%	4.90%	9.12%	5.86%	6.01%
Change of Assumptions					
Discount rate (3.89% at 10/1/17)	3.73%	2.48%	2.17%	2.53%	3.45%

	2023	2024	2025
Service cost	$ 10,771	$ 3,567	$ 3,439
Interest on total OPEB liability	2,232	606	853
Effect of economic/demographic gains or losses	(49,874)	1,700	3,805
Effect of assumption changes	(4,034)	(1,333)	(1,888)
Net change in total OPEB Liability	(40,905)	4,540	6,209
Total OPEB liability - beginning	53,933	13,028	17,568
Total OPEB liability - ending	$ 13,028	$ 17,568	$ 23,777
Covered employee payroll	$ 892,856	$ 892,398	$ 1,024,805
Total OPEB liability as a percentage of covered-employee payroll	1.46%	1.97%	2.32%
Change of Assumptions			
Discount rate	4.87%	4.06%	4.50%

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

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Employer Contributions
Florida Retirement System - Pension Plan

Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Contractually required FRS contribution	$ 153,471	$ 148,444	$ 189,869	$ 222,025	$ 99,482
FRS contributions in relation to the contractually required contribution	(153,471)	(148,444)	(189,869)	(222,025)	(99,482)
FRS contribution deficiency (excess)	$	$	$	$	$
Town's covered payroll	$ 1,091,487	$ 1,023,623	$ 1,177,855	$ 1,275,658	$ 585,455
FRS contributions as a percentage of covered payroll	14.06%	14.50%	16.12%	17.40%	16.99%

	2021	2022	2023	2024	2025
Contractually required FRS contribution	$ 89,010	$ 108,216	$ 108,180	$ 115,027	$ 156,349
FRS contributions in relation to the contractually required contribution	(89,010)	(108,216)	(108,180)	(115,027)	(156,349)
FRS contribution deficiency (excess)	$	$	$	$	$
Town's covered payroll	$ 536,618	$ 646,407	$ 541,870	$ 455,539	$ 611,895
FRS contributions as a percentage of covered payroll	16.59%	16.74%	19.96%	25.25%	25.55%

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Proportinate Share of Net Pension Liability
Florida Retirement System - Pension Plan

Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Proportion of the FRS net pension liability	0.0063720%	0.0062743%	0.0072759%	0.0077863%	0.0049088%
Proportionate share of the FRS net pension liability	$ 1,751,648	$ 1,855,890	$ 2,191,554	$ 2,681,484	$ 2,127,561
Town's covered payroll	$ 1,045,091	$ 992,549	$ 1,159,511	$ 1,219,885	$ 803,676
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	167.61%	186.98%	189.01%	219.81%	264.73%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	83.89%	84.26%	82.61%	78.85%

	2021	2022	2023	2024	2025
Proportion of the FRS net pension liability	0.0026396%	0.0026695%	0.0026423%	0.0022523%	0.0025096%
Proportionate share of the FRS net pension liability	$ 199,393	$ 993,282	$ 993,282	$ 871,293	$ 778,866
Town's covered payroll	$ 520,012	$ 625,828	$ 627,996	$ 536,395	$ 576,190
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	38.34%	158.71%	158.17%	162.43%	135.18%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.40%	82.89%	82.89%	83.70%	87.26%

NOTE: The above amounts are as of the plan fiscal year, which ends on June 30.

Assumption Changes
The discount rate decreased from 7.65% in 2015 to 7.60% in 2016; 7.10% in 2017, 7.00% in 2018, 6.90% in 2019, 6.80% in 2020, 6.70% in 2022.

The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Employer Contributions
Florida Retirement System
Retiree Health Insurance Subsidy Program

Last Ten Fiscal Years

Retiree Health Insurance Subsidy Program	2016	2017	2018	2019	2020
Contractually required HIS contribution	$ 24,557	$ 23,976	$ 31,429	$ 28,970	$ 14,850
HIS contributions in relation to the contractually required contribution	(24,557)	(23,976)	(31,429)	(28,970)	(14,850)
HIS contribution deficiency (excess)	$	$	$	$	
Town's covered payroll	$ 1,479,321	$ 1,444,317	$ 1,593,971	$ 1,745,205	$ 892,003
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.97%	1.66%	1.66%

	2021	2022	2023	2024	2025
Contractually required HIS contribution	$ 13,627	$ 13,732	$ 13,860	$ 17,223	$ 20,568
HIS contributions in relation to the contractually required contribution	(13,627)	(13,732)	(13,860)	(17,223)	(20,568)
HIS contribution deficiency (excess)					
Town's covered payroll	$ 820,921	$ 827,234	$ 798,104	$ 861,156	$ 1,028,410
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.74%	2.00%	2.00%

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Proportinate Share of Net Pension Liability
Florida Retirement System
Retiree Health Insurance Subsidy Program

Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Proportion of the HIS net pension liability	0.0046624%	0.0044220%	0.0048131%	0.0050416%	0.0033647%
Proportionate share of the HIS net pension liability	$ 543,380	$ 472,872	$ 509,420	$ 564,108	$ 410,822
Town's covered payroll	$ 1,428,352	$ 1,404,567	$ 1,572,329	$ 1,664,192	$ 1,167,789
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	38.04%	33.67%	32.40%	33.90%	35.18%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	1.64%	2.15%	2.63%	3.00%

	2021	2022	2023	2024	2025
Proportion of the HIS net pension liability	0.0022937%	0.0022783%	0.0021396%	0.0019744%	0.0021455%
Proportionate share of the HIS net pension liability	$ 281,194	$ 241,304	$ 339,804	$ 296,173	$ 275,001
Town's covered payroll	$ 811,552	$ 830,265	$ 847,674	$ 885,144	$ 1,000,362
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	34.65%	29.06%	40.09%	33.46%	27.49%
HIS Plan fiduciary net position as a percentage of the total pension liability	3.56%	4.81%	4.81%	4.80%	6.36%

Assumption Changes
The discount rate decreased to 2.85% in 2016.
The discount rate increased to 3.58% in 2017.
The discount rate increased to 3.87% in 2018.
The discount rate decreased to 3.50% in 2019.
The discount rate decreased to 2.21% in 2020.
The discount rate decreased to 2.16% in 2021.
The discount rate increased to 3.54% in 2022.
The discount rate increased to 3.65% in 2023.
The discount rate increased to 3.93% in 2024.
The discount rate increased to 5.20% in 2025.

The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Departmental Revenues - Budget to Actual
General Fund
Year Ended September 30, 2025

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Taxes			
Ad valorem taxes	$ 5,554,119	$ 5,554,119	$
Franchise fees and utility taxes	720,354	720,356	2
Total taxes	6,274,473	6,274,475	2
Licenses and permits			
Special permits	37,513	37,514	1
Business tax receipts	49,025	53,773	4,748
Building permits	248,072	248,074	2
Development fees	28,760	28,760	
Total licenses and permits	363,370	368,121	4,751
Intergovernmental revenues			
Half-cent sales tax	127,309	127,309	
Infrastructure sur-tax	133,856	133,856	
Local option gas tax	40,688	40,689	1
State revenue sharing	45,554	45,555	1
Alcoholic beverage licenses	2,691	2,692	1
Recycling revenue sharing	135	136	1
County occupational licenses	5,174	5,174	
Grants	9,560	9,560	
Other intergovernmental revenues	367	367	
Total intergovernmental revenues	365,334	365,338	4
Fines and forfeitures			
Fines and forfeitures	14,040	14,041	1
Total fines and forfeitures	14,040	14,041	1
Charges for services			
Sewer service	59,949	60,253	304
Beach parking	14,000	15,190	1,190
Community center rental	20,000	25,223	5,223
Miscellaneous services	18,634	18,636	2
Total charges for services	112,583	119,302	6,719
Interest	133,000	133,532	532
Contributions from private sources	4,803	4,805	2
Miscellaneous			
Sale of surplus property			
Insurance reimbursement			
Other	10,143	12,187	2,044
Total miscellaneous	10,143	12,187	2,044
Total revenues	7,277,746	7,291,801	14,055
Other financing sources			
Sale of surplus property	33,650	33,650	
Appropriated fund balance	722,231		(722,231)
Total revenues and other financing sources	$ 8,033,627	$ 7,325,451	$ (708,176)

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Departmental Expenditures - Budget to Actual
General Fund
Year Ended September 30, 2025

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures			
General government			
Legislative			
Operating expenses	$ 20,492	$ 20,569	$ (77)
Finance and administrative			
Personal services	443,915	445,019	(1,104)
Operating expenses	147,230	148,192	(962)
Total finance and administrative	591,145	593,211	(2,066)
Legal counsel			
Operating expenses	967,769	967,769	
Public works			
Personal services	353,077	356,189	(3,112)
Operating expenses	95,093	95,436	(343)
Total public works	448,170	451,625	(3,455)
Risk management			
Operating expenses	211,830	211,830	
Total general government	2,239,406	2,245,004	(5,598)
Public safety			
Police			
Operating expenses	1,880,210	1,880,210	
Total police	1,880,210	1,880,210	
Fire			
Personal services	689,250	693,373	(4,123)
Operating expenses	274,883	275,351	(468)
Debt Service	23,660	23,660	
Total fire	987,793	992,384	(4,591)
Emergency medical services			
Operating	791,907	854,760	(62,853)
Total emergency medical services	791,907	854,760	(62,853)

(Continued)

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Departmental Expenditures - Budget to Actual
General Fund
Year Ended September 30, 2025

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Public safety (continued)			
Emergency disaster			
Operating expenses	$ 5,800	$ 5,800	$
Total emergency disaster	5,800	5,800	
Building department			
Personal services	105,885	106,487	(602)
Operating expenses	320,457	312,831	7,626
Total building department	426,342	419,318	7,024
Total public safety	4,092,052	4,152,472	(60,420)
Physical environment			
Garbage/solid waste disposal			
Operating expenses	275,512	275,512	
Lift station sewer service			
Operating	36,115	36,706	(591)
Streets/storm sewers			
Operating	43,806	43,806	
Total physical environment	355,433	356,024	(591)
Cultural/recreation			
Parks			
Operating expenses	173,638	173,638	
Beach facilities			
Personal services	109,719	110,923	(1,204)
Operating expenses	17,895	17,892	3
Total beach facilities	127,614	128,815	(1,201)
Community center			
Operating expenses	126,430	126,508	(78)
Total cultural/recreation	427,682	428,961	(1,279)
Capital Outlay	423,199	423,202	(3)
Debt Service	495,855	495,854	1
Total expenditures	$ 8,033,627	$ 8,101,517	$ (67,890)

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

The Honorable Mayor and Members of the Town Commission
Town of Palm Beach Shores, 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, each major fund, and the aggregate remaining fund information of the Town of Palm Beach Shores, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Palm Beach Shores, Florida's basic financial statements, and have issued our report thereon dated June 26, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 26, 2026

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&|M

NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for the Major State Project

Opinion on the Major State Project

We have audited Town of Palm Beach Shores, Florida's compliance with the types of compliance requirements identified as subject to audit in the *Department of Financial Services'* State Projects Compliance Supplement that could have a direct and material effect on the Town of Palm Beach Shores, Florida's major State Project for the year ended September 30, 2025. The Town of Palm Beach Shores, Florida's major State Project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Palm Beach Shores, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State Project for the year ended September 30, 2025.

Basis for Opinion on the Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and Chapter 10.550, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Palm Beach Shores, Florida and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major State Project. Our audit does not provide a legal determination of the Town of Palm Beach Shores, Florida's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Palm Beach Shores, Florida's State Project.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Palm Beach Shores, Florida's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Palm Beach Shores, Florida's compliance with the requirements of the major State Project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Palm Beach Shores, Florida's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Palm Beach Shores, Florida's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Town of Palm Beach Shores, Florida's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 26, 2026

Town of Palm Beach Shores, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2025

State Grantor/Program Title	CSFA Number	Contract Number	State Expenditures
Florida Department of Environmental Protection			
Statewide Water Quality Restoration Projects	37.039	L0039	$ 1,000,000
Resilient Florida Program	37.098	22P74	9,560
Total			$ 1,009,560

NOTE 1 - BASIS OF PRESENTATION

The above schedule of expenditures of state financial assistance includes State grant activity of the Town of Palm Beach Shores, Florida and is presented in accordance with the requirements of the Florida Single Audit Act. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedule presents only a portion of the operations of the Town of Palm Beach Shores, Florida it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town of Palm Beach Shores, Florida.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Florida Department of Financial Services' State Projects Compliance Supplement, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Town of Palm Beach Shores, Florida did not have any loan programs.

NOTE 3 - CONTINGENCIES

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

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2025

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified Opinion
Internal control over financial reporting:	
· Material weakness identified?	No
· Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

State Financial Assistance

Internal control over major projects:	
· Material weakness identified?	No
· Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major project:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?	No

Identification of Major State Project

CSFA Number	Name of State Project
37.039	Florida Department of Environmental Protection · Statewide Water Quality Restoration Projects

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2025

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III— STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Major State Project

Florida Department of Environmental Protection
Statewide Water Quality Restoration Projects– CSFA 37.039

None

SECTION IV— SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

NOWLEN, HOLT & MINER, P.A.
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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

The Honorable Mayor and Members of the Town Commission
Town of Palm Beach Shores

Report on the Financial Statements

We have audited the financial statements of the Town of Palm Beach Shores, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 26, 2026.

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 on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each State Project and on Internal Control over Compliance, the Schedule of Findings and Questioned Costs; and Independent Accountant'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 and schedule, which are dated June 26, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Palm Beach Shores, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Palm Beach Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2025.

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

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

Property Assessed Clean Energy (PACE) Programs

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

A PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Town of Palm Beach Shores, Florida's geographical boundaries during the fiscal year under audit. A list of all program administrators and third- party administrators that administered the program and the full legal names and contact information of each such program administrator and third-party administrator follows:

Program Administrators	Third-Party Administrators
Florida Green Finance Authority Todd Wodraska, Manager, Special District Services, Inc 501A Burns Rd. Palm Beach Gardens, Florida 33410	**Petros Pace Finance, LLC** Tommie Deavenport, COO 300 Colorado St., Ste 2000 Austin, Texas 78701 **Renew Financial Group LLC** David Crichton, COO 555 12th St., Ste 1650 Oakland, California 94607
Florida PACE Funding Agency Mike Moran, Executive Director 6650 Professional Pkwy Ste 102 Sarasota FL 34240	**Home Run Financing** 750 University Ave., Ste 140 Los Gatos, CA 95032 **FortiFi Financial, Inc.** 12770 High Bluff Dr Ste 260 San Diego, CA 92130
Florida Resiliency and Energy District Ahisha Rodriguez, Programs Manager 156 Tuskawilla Rd, Ste 2340 Winter Springs, FL 32709	**Florida Development Finance Corp** Ahisha Rodriguez 156 Tuskawilla Rd, Ste 2340 Winter Springs, FL 32709

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit, of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Palm Beach Shores, Florida.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we had one finding which follows.

Finding 2025-01 Grant Reimbursements

Condition: We noted on two of the reimbursement requests for the Florida Inland Navigation District's grant for the dredging project, the reimbursement requests were submitted at 100% instead of the required 75% match. This resulted in an overbilling of $129,573 as of September 30, 2025, which is recorded as due to other governments in the financial statements.

Recommendation: We recommend that management review and update the Town's policies to ensure adequate safeguards are in place for accurate reimbursement requests. Specifically, implementing a compliance checklist based on grant conditions would ensure all requirements are met prior to approval and submission.

Management Response: Management's policies and procedures regarding Grants will be reviewed and updated as needed.

Town of Palm Beach Shore, Florida's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Town of Palm Beach Shores, Florida's response to the findings identified in our audit and described above. The Town of Palm Beach Shores, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Letter

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

Nowlen, Holt + Miner, P.A.

West Palm Beach, Florida
June 26, 2026

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NOWLEN, HOLT & MINER, P.A.

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

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

We have examined the Town of Palm Beach Shores, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2025. Management of the Town of Palm Beach Shores, Florida is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Palm Beach Shores, Florida's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Palm Beach Shores, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Palm Beach Shores, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the Town of Palm Beach Shores, Florida's compliance with the specified requirements.

In our opinion, the Town of Palm Beach Shores, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2025.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 26, 2026