

**TOWN OF JUPITER INLET COLONY**  
**FINANCIAL STATEMENTS WITH INDEPENDENT**  
**AUDITOR'S REPORT THEREON**  
**ANNUAL AUDIT FOR THE YEAR ENDING**  
**SEPTEMBER 30, 2016**

TOWN OF JUPITER INLET COLONY  
SEPTEMBER 30, 2016

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1- 3
Management's Discussion and Analysis (required supplementary information)	4- 10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of the Governmental Funds to the Statement of Activities – Governmental Activities	16
Notes to the Financial Statements	17-34
Required Supplemental Information Other Than MD&A	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	35
Other Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting an on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	36-37
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	38-40
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	41



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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Commission  
Town of Jupiter Inlet Colony, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Inlet Colony, Florida's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida as of September 30, 2016, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, and budgetary comparison information on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2017 on our consideration of the Town of Jupiter Inlet Colony, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jupiter Inlet Colony, Florida's internal control over financial reporting and compliance.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
April 24, 2017

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Town of Jupiter Inlet Colony’s 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 years ended September 30, 2016, and 2015. 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.

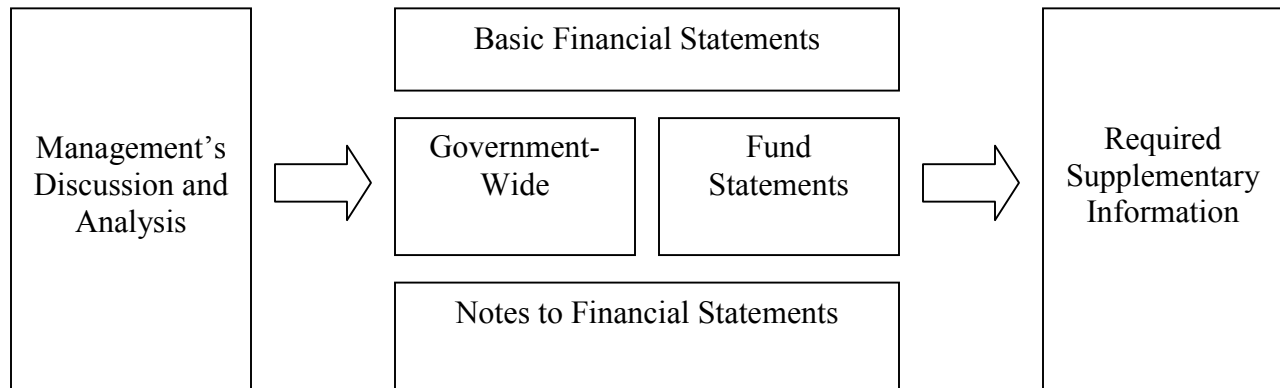
**FINANCIAL HIGHLIGHTS**

The following are the highlights of financial activity for the fiscal years ended September 30, 2016, and 2015.

- The Town’s total assets exceeded its liabilities at September 30, 2016, and 2015 by \$806,584 and \$1,100,945, respectively (net position). Of this 2016 amount, unrestricted governmental funds was a negative \$148,468, \$256,039 was restricted, and \$699,013 was from fixed assets.
- The Town’s revenues for the governmental funds were \$1,951,443 and \$1,924,826 for the years ended September 30, 2016, and 2015, respectively. The expenditures for governmental funds were \$2,337,817 and \$3,388,552, respectively.
- The General Fund unassigned fund balances went from \$240,861 in 2015 to a negative \$36,935 in 2016.
- The Town’s long-term liabilities consists of two notes payable and compensated absences.

**OVERVIEW OF FINANCIAL STATEMENTS**

The Town is reporting under the GASB 34 reporting model. Management’s Discussion and Analysis is only a portion of the features of this format.



The basic financial statements are comprised of government-wide statements that offer a summary of financial activity and more specific fund statements that present more detailed information.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (pages 11 and 12) are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to private-sector business. The statements include the statement of net position and the statement of activities. The *statement of net position* shows the total assets and liabilities for the Town with the difference being 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**

Traditional users of government financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than the previous reporting model's fund types. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations. The Town has three major funds; the General Fund and the Debt Service Fund.

***Governmental Funds*** (beginning on page 13) 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. The Town's basic services are reported in the General Fund. The Debt Service Fund is used to account for resources accumulated and payments made for principal and interest financed by the proceeds of a loan relating to the undergrounding of the electric, cable television, and telephone utility facilities in the Town, which are payable from a non-ad valorem special assessment.

***Notes to the Financial Statements*** (beginning on page 17) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$806,584 as of September 30, 2016, and by \$1,100,945 as of September 30, 2015.

### Town of Jupiter Inlet Colony Net Position

	Governmental Activities 2016	Governmental Activities 2015
<b>Assets:</b>		
Current and other assets	\$ 2,429,584	\$ 2,982,799
Capital assets	1,395,095	1,403,702
<b>Total assets</b>	<b>\$ 3,824,679</b>	<b>\$ 4,386,501</b>
<b>Liabilities:</b>		
Current liabilities	\$ 115,924	\$ 140,176
Noncurrent liabilities	2,902,171	3,145,380
<b>Total liabilities</b>	<b>\$ 3,018,095</b>	<b>\$ 3,285,556</b>
<b>Net position:</b>		
Net investment in capital assets	\$ 699,013	\$ 639,938
Restricted net position	256,039	267,995
Unrestricted	(148,468)	193,012
<b>Total net position</b>	<b>\$ 806,584</b>	<b>\$ 1,100,945</b>

The deficit unrestricted net position is due to the Town incurring costs for the Neighborhood Rehabilitation Project. Approximately \$670,000 of expenses will be reimbursed with debt proceeds in fiscal year 2017.

The largest portion of the Town's net position reflects its investment capital assets and special assessment receivable. Noncurrent liabilities continue to reflect applicable balances relating to the 2011 issuance of a note payable to fund the underground utilities project and the note payable for the purchase of the new Town Hall.



## Governmental Activities

Governmental activities decreased the Town's net position by \$294,361 for the year ended September 30, 2016, and net position for the year ended September 30, 2015, were decreased by \$228,837. Key elements of the changes for both years are as follows:

### Town of Jupiter Inlet Colony Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
<b>Revenues:</b>		
Program revenue:		
Charges for services	\$ 223,342	\$ 297,928
General revenues:		
Property taxes	1,366,731	1,284,858
Franchise fees	36,787	36,499
Intergovernmental	105,632	80,997
Investment earnings	72,635	83,742
<b>Total revenue</b>	<b>\$1,805,127</b>	<b>\$ 1,784,024</b>
<b>Expenses:</b>		
Program expenses:		
General government	\$ 637,367	\$ 518,585
Public safety	978,677	944,514
Physical environment	377,835	344,345
Underground utilities		101,858
Interest	105,609	103,559
<b>Total expenses</b>	<b>\$ 2,099,488</b>	<b>\$ 2,012,861</b>
Increase/(decrease) in net position	(294,361)	(228,837)
Net position – October 1, 2015 and 2014	1,100,945	1,329,782
<b>Net position – September 30, 2016 and 2015</b>	<b>\$ 806,584</b>	<b>\$ 1,100,945</b>

The decreases in net position were primarily due to expenses relating to the Neighborhood Rehabilitation Project. The Town incurred approximately \$360,000 and \$310,000 in expenses related to this project in fiscal years 2016 and 2015.

## **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.

At September 30, 2016, and 2015, the Town's general fund reported an ending fund balance of \$253,638 and \$597,725 respectively, a decrease of \$344,087 and of \$519,683, respectively, from prior years. This decrease was due primarily to increased expenses relating to the Jupiter Inlet Colony Neighborhood Rehabilitation Project, a project to replace the existing septic tanks with a sewer system and also upgrade the existing storm water drainage and water systems, see note 10 to the financial statements for additional information. Unassigned fund balance dropped to a negative \$36,935 in 2016. Unassigned fund balance is expected to increase in 2017 when approximately \$680,000 of Project costs are reimbursed with debt proceeds. The unassigned fund balance is within the General Fund, the operating fund of the Town.

At September 30, 2016, and 2015, the Town's Debt Service Fund reported an ending fund balance of \$62,708 and of \$104,995, respectively.

***Budgetary Highlights*** - Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 35). The budget and actual schedule show the original budget, the final 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, 2016, and 2015 amounted to \$1,395,095 and \$1,403,702, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment.

The additions in the Town's capital assets for the current fiscal year was \$36,709. The 2015 increase was \$1,192,650 and included the new Town Hall.

**Town of Jupiter Inlet Colony  
Capital Assets**

	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
Land	\$ 940,753	\$ 940,753
Buildings and improvements	477,725	457,297
Infrastructure	93,842	90,289
Equipment	172,951	169,201
Total capital assets	1,685,271	1,657,540
Less accumulated depreciation	(290,176)	(253,838)
<b>Total</b>	<b>\$ 1,395,095</b>	<b>\$ 1,403,702</b>

Additional information on the Town’s capital assets can be found in Footnote 5 of this report.

**Debt Outstanding**

At September 30, 2016, and 2015, the Town had notes payable in the amount of \$2,888,983 and \$3,134,352, respectively. The two notes are for the underground utility project and the purchase of the new Town Hall. Additional information on the Town’s long term debt can be found in Footnote 6 of this report.

**NEXT YEAR’S BUDGET AND ECONOMIC FACTORS**

The Town’s 2016 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals include enhancing the level of services so as to provide the residents with the highest quality services at the lowest possible cost, increasing the responsiveness of the local government to the needs of the public, and planning and budgeting for Town improvement and beautification projects.

Property taxes are the main source of revenues for governmental activities and represent approximately 76% (78% in 2015) of the General Fund budgeted revenues. An increase in property values was experienced for the years ended September 30, 2016 and 2015. At September 30, 2016, the Town’s property tax millage rate was 5.1, which represented a 1% decrease from the prior year millage rate. At September 30, 2015, the Town’s property tax millage rate was 5.15, which represents a 10.4% increase from the fiscal year 2014 millage rate.

Our total assessed property values for 2016 and 2015 were \$277,769,348 and \$271,567,158, respectively. The assessed taxable value of the Town increased by 2.3% in the 2016 fiscal year and by 4.90% in the 2015 fiscal year. Tax revenues, along with other estimated General Fund revenue and fund balance appropriations, were sufficient to cover the expenditures in the fiscal year 2016 and 2015 budgets.

For the fiscal year 2017 budget the town was able to lower the millage to 5.05, which represents a 1% decrease from the fiscal year 2016 millage rate.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 any questions about this report or need additional financial information, please contact the Town Administrating Officer at the Town of Jupiter Inlet Colony, 50 Colony Road, Jupiter Inlet Colony, Florida 33469-3507.

**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Statement of Net Position**  
**September 30, 2016**

ASSETS

Current assets	
Cash and cash equivalents	\$ 239,584
Restricted cash and cash equivalents	87,190
Investments	9,211
Accounts receivable	7,802
Special assesments receivable	1,964,696
Accrued interest on special assesments	76,937
Due from other governments	12,692
Prepays	31,472
Total current assets	<u>2,429,584</u>
Capital assets	
Nondepreciable	940,753
Depreciable (net of depreciation)	<u>454,342</u>
Total assets	<u>3,824,679</u>

LIABILITIES

Accounts payable	47,280
Accrued liabilities	24,325
Accrued interest payable	44,319
Noncurrent liabilities:	
Due within one year	267,298
Due in more than one year	<u>2,634,873</u>
Total liabilities	<u>3,018,095</u>

NET POSITION

Net investment in capital assets	699,013
Restricted for debt service	84,128
Restricted for transportation	25,075
Restricted for administration of the Florida building code	146,836
Unrestricted net position	<u>(148,468)</u>
Total net position	<u>\$ 806,584</u>

Notes to the financial statements are an integral part of this statement.

**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

FUNCTIONS/PROGRAMS	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL ACTIVITIES</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CONTRIBUTIONS</u>	
Governmental activities:				
General government	\$ 637,367	\$ 215,401	\$	\$ (421,966)
Police	578,677	7,941		(570,736)
Fire	400,000			(400,000)
Public works	111,325			(111,325)
Roads and walkways	266,510			(266,510)
Interest expense	105,609			(105,609)
	<u>\$ 2,099,488</u>	<u>\$ 223,342</u>	<u>\$</u>	<u>(1,876,146)</u>

**GENERAL REVENUES:**

Ad valorem taxes	1,366,731
Franchise fees	36,787
Interest - unrestricted	72,635
Intergovernmental	105,632
Total general revenues	<u>1,581,785</u>
Change in net position	(294,361)
Beginning net position	<u>1,100,945</u>
Ending net position	<u>\$ 806,584</u>

Notes to the financial statements are an integral part of this statement.

**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2016**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 176,876	\$ 62,708	\$ 239,584
Restricted cash and cash equivalents	87,190		87,190
Investments	9,211		9,211
Accounts receivable	7,802		7,802
Special assesments receivable		1,964,696	1,964,696
Accrued interest on special assesments		76,937	76,937
Due from other governments	12,692		12,692
Prepays	31,472		31,472
Total assets	<u>\$ 325,243</u>	<u>\$ 2,104,341</u>	<u>\$ 2,429,584</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 47,280	\$	\$ 47,280
Accrued liabilities	24,325		24,325
Total liabilities	<u>71,605</u>		<u>71,605</u>
Deferred inflows of resources			
Unavailable revenue	\$	\$ 2,041,633	\$ 2,041,633
Fund Balance			
Nonspendable:			
Prepays	31,472		31,472
Restricted for debt service	87,190		87,190
Restricted for underground utlities/debt service		62,708	62,708
Restricted for transportation	25,075		25,075
Restricted for administration of the Florida building code	146,836		146,836
Unassigned	(36,935)		(36,935)
Total fund balance	<u>253,638</u>	<u>62,708</u>	<u>316,346</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 325,243</u>	<u>\$ 2,104,341</u>	<u>\$ 2,429,584</u>

Notes to the financial statements are an integral part of this statement.

**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**September 30, 2016**

Fund balance of total governmental funds		\$ 316,346
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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	\$ 1,685,271		
Less: accumulated depreciation	<u>(290,176)</u>		1,395,095

Revenue is recognized when earned in the government wide statements regardless of when it is collected. Governmental funds recognize revenue when it is both measurable and available.

Unavailable revenue			2,041,633
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued interest payable	(44,319)		
Compensated absences	(13,188)		
Notes payable	<u>(2,888,983)</u>		<u>(2,946,490)</u>

Net position of governmental activities			<u>\$ 806,584</u>
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Notes to the financial statements are an integral part of this statement.



**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 1,366,731	\$	\$ 1,366,731
Franchise fees	36,787		36,787
Licenses & permits	215,401		215,401
Fines & forfeitures	7,941		7,941
Interest	1,084	77,065	78,149
Special assessments		140,802	140,802
Intergovernmental	105,632		105,632
Total revenues	<u>1,733,576</u>	<u>217,867</u>	<u>1,951,443</u>
<b>Expenditures</b>			
Current			
General government	606,376		606,376
Public safety	965,962		965,962
Public works	111,283		111,283
Roads and walkways	260,247		260,247
Capital outlay	39,244		39,244
Debt Service	87,402	267,303	354,705
Total expenditures	<u>2,070,514</u>	<u>267,303</u>	<u>2,337,817</u>
Excess of revenues over (under) expenditures	<u>(336,938)</u>	<u>(49,436)</u>	<u>(386,374)</u>
<b>Other financing sources (uses)</b>			
Transfers in		7,149	7,149
Transfer out	(7,149)		(7,149)
Total other financing sources (uses)	<u>(7,149)</u>	<u>7,149</u>	<u></u>
Net change in fund balances	(344,087)	(42,287)	(386,374)
Beginning fund balances	<u>597,725</u>	<u>104,995</u>	<u>702,720</u>
Ending fund balances	<u>\$ 253,638</u>	<u>\$ 62,708</u>	<u>\$ 316,346</u>

Notes to the financial statements are an integral part of this statement.

**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of the Governmental Funds to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended September 30, 2016**

Net change in fund balances of governmental funds \$ (386,374)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful life.

Expenditures for capital assets	\$ 31,783	
Less: net book value of capital asset disposals	(3,681)	
Less: current year depreciation	<u>(36,709)</u>	(8,607)

Repayment of long-term debt is reported as an expenditure on the governmental funds, but as a reduction of long-term liabilities in the statement of net position:

245,369

Governmental funds include revenues not collected within 60 days of year end as deferred revenue. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

Special assessments	(140,802)	
Accrued interest on special assessments	<u>(5,514)</u>	(146,316)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures of governmental funds.

Change in accrued interest payable	3,727	
Change in long-term compensated absences	<u>(2,160)</u>	<u>1,567</u>

Change in net position of governmental activities \$ (294,361)

Notes to the financial statements are an integral part of this statement.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Jupiter Inlet Colony (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 Jupiter Inlet Colony was incorporated on June 20, 1959, and the Town’s charter was approved by the Laws of Florida 59-1634. The Town operates under the Commission/Mayor form of government. The Town’s major operations include general government, public safety, streets, sanitation, environmental, public works, civil defense, prospective inspections, and general and administrative services.

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:

- it appoints a voting majority of the organization’s governing board and (1) it 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

- 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 Jupiter Inlet Colony has determined that there are no legally separate entities to consider as potential component units.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Government-wide and Fund Financial Statements – GASB Statement #34*

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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.

*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 90 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.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Governmental Funds (Continued)

Fines and permit revenues are not susceptible to accrual because generally, they are not measurable until received in cash. Property taxes, 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.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources.

Debt Service Fund

The Debt Service Fund is used to account for the proceeds from the special assessment for the underground utility project and repay the note payable with SunTrust Bank.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts.

Investments

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. 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*.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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 column in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$750 and an estimated life greater than one year. Such assets are recorded at cost if purchased by the Town or at the fair market value of the assets at the time of contribution if the assets are donated to the Town. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	10-40 years
Equipment	3-10 years
Infrastructure	15-50 years

Other Post Employment Benefits (OPEB)

The Town was required to implement Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* for the fiscal year ending September 30, 2010. The Town has determined that it does not provide any benefits that qualify as other post-employment benefits under GASB 45.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical 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.

All vacation, sick leave, and sabbatical leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Compensated Absences* (Continued)

The Town passed Resolution 2011-22 to amend its Sick Leave Policy effective October 1, 2011. According to the amended policy, Town employees accrue sick time at a rate of four hours per pay period. Town employees may accrue up to 30 days, or a maximum of 240 hours, after which, no additional time may be accrued. Employees are not entitled to any payout or compensation for accrued and unused sick leave at the time the employee retires or otherwise leaves the employment of the Town.

Town employees also earn vacation time based upon the employee's anniversary date of hire. After one year of continuous employment, an employee will receive ten days of vacation time. Additional vacation time is received based upon length of service. This vacation time must be taken during the employee's anniversary year and cannot be accrued. In the case of resignation, removal, termination, etc., the employee will be paid only for the vacation time earned on his/her anniversary date prior to separation from employment.

*Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Deferred Outflow of Resources*

In addition to assets, the statement of net position/balance sheet 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. Currently, the Town does not report any deferred outflows of resources.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Deferred Inflows of Resources*

In addition to liabilities, the statement of net position/balance sheet 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. The Town has unavailable revenues that consists of receivables that are not collected within 90 days of the end of the fiscal year and do not meet the availability criterion of the modified accrual basis of accounting. These items are reported as deferred inflows only on the governmental funds balance sheet.

*Net Position*

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net position invested in capital 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 does not meet the definition of any of the other two components.

*Fund Equity*

Fund balance is the assets and deferred outflows of resources less the liabilities and deferred inflows of resources reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- 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.



**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Fund Equity* (Continued)

- Committed fund balance represents amounts that can be used only for specific purposes pursuant to constraints imposed by the Town Commission by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town Commission removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Administrative Officer, that are neither considered restricted or committed. Any funds set aside as Assigned Fund Balance must be reported to the Town Commission at the next regular meeting. The Town Commission has the authority to remove or change the assignment of funds with a simple majority vote.
- 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.

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. The Town will first use committed fund balance, then 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.

*Use of Estimates*

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

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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.

Budgets are prepared in accordance with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures. The Underground Utility Special Revenue Fund and Debt Service Fund do not have an adopted budget.

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

1. Prior to August 1, the Mayor 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. Changes or amendments to the total budgeted expenditures of the Town must be approved by the Town Commission. Accordingly, the legal level of control is at the fund level.
5. Appropriations along with encumbrances lapse on September 30.

Budgeted amounts are as originally adopted, or as amended by appropriate action.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*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.

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.

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. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. 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.

Delinquent taxes on real property bear interest of 18% per year. 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.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS**

As of September 30, 2016, the carrying amounts of the Town's deposits were \$326,774 and the bank balances totaled \$372,431. All cash deposits are covered by the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes. The collateral pool consists of assets pledged to the State Treasurer by financial institutions that comply with the requirements of Florida Statutes and have been thereby designated as "qualified public depositories". Therefore, the Town's entire bank balance of \$372,431 is insured either by Federal Depository Insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act.

The Town has adopted an investment policy in accordance Florida Statutes 218.415 (17). The policy authorizes investments in direct obligations of the U.S. Treasury, interest-bearing time deposits or savings accounts in qualified public depositories, the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida Statutes 163.01 and Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.

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 Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for an SEC Rule 2a-7 like external investment pool, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. 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. As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS** (Continued)

As of September 30, 2016, the Town of Jupiter Inlet Colony had \$9,211 invested in Florida PRIME.

*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.

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk.

*Custodial Credit Risk*

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2016, the Town did not have any investments subject to custodial credit risk.

*Concentrations of Credit Risk*

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Town places no limit on the amount they may invest in any one issuer.

**NOTE 4 – SPECIAL ASSESSMENT**

On January 18, 2011, the Town adopted Resolution 2011-1, levying non-ad valorem special assessments on properties specially benefitted by a capital improvement project to place underground the overhead electric, cable television, and telephone utility facilities that serve a portion of the Town and its inhabitants. The special assessments were calculated using a methodology that fairly and reasonably apportions the cost of the project among the benefitted parcels in proportion to the benefits to such parcels. The calculation methodology used an equivalent benefit unit assigned for three categories: 1) improved safety 2) improved reliability and 3) improved aesthetics.

Assessments shall be payable in 15 yearly installments. The amount assessed was \$2,496,860. See Note 6 for a discussion of the related financing for the project.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 940,753	\$	\$	\$ 940,753
Capital Assets being depreciated:				
Buildings and Improvements	457,297	24,480	(4,052)	477,725
Infrastructure	90,289	3,553		93,842
Equipment	169,201	3,750		172,951
	<u>1,657,540</u>	<u>31,783</u>	<u>(4,052)</u>	<u>1,685,271</u>
Total at historical cost				
Less accumulated depreciation for:				
Buildings and Improvements	77,823	16,149	(371)	93,601
Infrastructure	57,013	6,305		63,318
Equipment	119,002	14,255		133,257
Total accumulated depreciation	<u>253,838</u>	<u>36,709</u>	<u>(371)</u>	<u>290,176</u>
Total Capital Assets	<u>\$ 1,403,702</u>	<u>\$ (4,926)</u>	<u>\$ (3,681)</u>	<u>\$ 1,395,095</u>

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

General government	\$ 19,521
Police department	10,883
Public works	42
Roads and walkways	<u>6,263</u>
	<u>\$ 36,709</u>

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 6 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 3,134,352	\$	\$ (245,369)	\$ 2,888,983	\$ 254,110
Compensated absences payable	11,028	2,160		13,188	13,188
Total	<u>\$ 3,145,380</u>	<u>\$ 2,160</u>	<u>\$ (245,369)</u>	<u>\$ 2,902,171</u>	<u>\$ 267,298</u>

*SunTrust Bank Promissory Note*

The Town Commission adopted Resolution No. 2011-11 authorizing the issuance of a note in the amount of \$3,022,986 with SunTrust Bank to finance expenditures relating to the undergrounding of the electric, cable television, and telephone utility facilities in the Town. The Town has levied a non-ad valorem special assessment against the properties specifically benefited by the project in accordance with Resolution No. 2011-1, and these revenues are pledged for the payment of debt service on the note. The note agreement also requires the Town to budget sufficient non-ad valorem revenues to pay the principal and interest on the note if the pledged revenue is not adequate. Principal and interest payments are due annually in the amount of \$267,303, with a final maturity date of April 1, 2026. The interest rate on the loan is 3.77 % and is subject to adjustment in the event of taxability of the interest on this note, if the maximum federal corporate tax rate drops to below 35%, or if a change in the banking regulations affects the banks rate of return on the note. In the event of prepayment on the note, the Town may be required to pay a prepayment charge.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

*SunTrust Bank Promissory Note* (Continued)

Annual debt service requirements to maturity are as follows:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 184,630	\$ 82,673	\$ 267,303
2018	191,591	75,712	267,303
2019	198,814	68,489	267,303
2020	206,142	61,161	267,303
2021	214,081	53,222	267,303
2022	222,151	45,152	267,303
2023	230,527	36,776	267,303
2024	239,140	28,163	267,303
2025	248,233	19,070	267,303
2026	257,592	9,711	267,303
	<u>\$ 2,192,901</u>	<u>\$ 480,129</u>	<u>\$ 2,673,030</u>

*TD Bank Promissory Note*

The Town Commission adopted Resolution No. 2015-05 authorizing the issuance of a note in the amount of \$800,000 with TD Bank to finance the purchase of the new Town Hall. Principal and interest payments are due bi-annually in the amount of \$43,701.61, with a final maturity date of February 1, 2025. The interest rate on the loan is 2.64 % and is subject to adjustment in the event of taxability of the interest on this note. In the event of prepayment on the note, the Town may be required to pay a prepayment charge. Pledged revenues for the note are “Available Non Ad Valorem Revenues” less the amount “Essential Service Expenditures” exceeded ad valorem revenues, as defined by loan agreement. For the fiscal year ended September 30, 2016, pledged revenues were \$140,771. Principal and interest paid for the year was \$87,402 and principal and interest to maturity is \$786,611.



**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

*TD Bank Promissory Note* (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2017	\$ 69,480	\$ 17,921	\$ 87,401
2018	71,327	16,075	87,402
2019	73,222	14,179	87,401
2020	75,168	12,233	87,401
2021	77,165	10,236	87,401
2022	79,216	8,185	87,401
2023	81,321	6,080	87,401
2024	83,482	3,919	87,401
2025	85,701	1,701	87,402
	<u>\$ 696,082</u>	<u>\$ 90,529</u>	<u>\$ 786,611</u>

**NOTE 7 - DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN**

On October 7, 1996, the Town authorized the establishment of a 403(b) plan (the "Plan"); in April 2006, the plan was converted to a 401(a) plan. All full-time employees who have completed one year of uninterrupted service from the date of hire are eligible to participate in the Plan. This defined contribution pension plan is administered by Florida Municipal Pension Trust Fund, which is a third party administrator. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. In prior years, the Town contributed an amount equal to 12.5% of the employee's yearly salary, paid quarterly, and, in October 2005, the Town increased its contribution percentage to 15% of the employee's yearly salary, paid quarterly. However, in October 2011, the Town reduced its contribution percentage to 12% of the employee's yearly salary, paid quarterly. The Town's contribution for each employee and investment earnings allocated to the employee's account vest immediately. Employees are eligible for normal retirement upon attainment of the age of 59-1/2.

The Town's total payroll for the fiscal year ended September 30, 2016, was \$511,850, with covered payroll of \$383,936. The Town's pension expense for the year was \$46,072, equaling 12% of covered payroll. There were no forfeitures during the year and \$17,723 was payable at year end.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 8 – INTERLOCAL AGREEMENTS**

*Interlocal Agreements with the Town of Tequesta*

On August 19, 2003, the Town entered into an agreement with the Town of Tequesta whereby the Town of Tequesta will provide the Town with emergency fire and medical services. The term of the agreement was for 10 years beginning on October 1, 1993, and extending through September 30, 2003. The agreement was amended on July 30, 2002, which extended the term for an additional ten years until September 30, 2015. The agreement was amended again on August 14, 2013, for 20 years on October 1, 2013, and extending through September 30, 2033. The current fiscal year annual service fee the Town paid under the agreement was \$400,000. For the first five years of the revised agreement the annual fee shall be \$400,000 per year. For years six through ten the annual fee shall be an amount equal to the previous years annual fee increased by 4%. For years eleven through twenty the annual fee shall be an amount equal to the previous years annual fee increased by 6%.

*Interlocal Agreement for Public Safety Dispatch Services*

On September 13, 2012, the Town entered into an agreement with the City of Palm Beach Gardens whereby the City of Palm Beach Gardens will provide the Town public safety dispatch services. The term of the agreement was for four years beginning on October 1, 2012, and extending through September 30, 2016. The fee for each year under the contract will be based upon the budget of the North County Dispatch (NCDC) center prorated to each contracting municipality based on that municipalities cost share. If at the end any contract year a budget shortfall exists, each contracting municipality shall pay its share of the shortfall. Conversely, if at the end of any contract year a budget surplus exists, such surplus shall represent a committed fund balance to be utilized specifically for NCDC budgetary purposes. The current fiscal year annual service fee the Town paid under the agreement was \$38,067.

**NOTE 9 – INTERFUND TRANSFERS**

The transfer in the amount of \$7,149 from the General Fund to the Debt Service Fund was to pay for the Town's current year's assessment relating to the underground utility project.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 10 – NEIGHBORHOOD REHABILITATION PROJECT**

The Town along with the Loxahatchee River Environmental Control District (the District) and the Village of Tequesta (the Village) have entered into an interlocal agreement regarding the Jupiter Inlet Colony Neighborhood Rehabilitation Project (the Project). The Project includes (a) construction of a gravity sewer system, (b) replacement of the existing potable water system, (c) rehabilitation of and improvements to the existing storm water system, (d) road restoration, and (e) reconfiguration of the entry road.

Initially the gravity sewer system costs, including all expenses necessary or incident to completion of the sewer system installation which includes the road restoration, will be borne by the District. Ultimately, 90% of these costs will be recovered via a special assessment paid by affected property owners or Town.

The costs of the replacement of the existing potable water system will be borne by the Village.

The costs of the rehabilitation of and improvements to the existing storm water system and the reconfiguration of the entry road will be borne by the Town.

General costs will be allocated 15% to the Town, 50% to the District and 35% to the Village.

The Town, the District and the Village have also entered into an agreement to apportion the costs as follows:

General	\$ 898,000
Sewer system	3,472,594
Water system	1,421,328
Storm water system	2,053,720
Road restoration	1,272,010
Entry road	233,673
	<u>\$ 9,351,325</u>

The Town has been awarded approximately \$1.3 million in grant funds to date for its portion of the project and is seeking additional grant funding. The Town secured a loan for the net cost after grants and levied a non-ad valorem special assessment against the properties specifically benefited by the project to repay the loan. Construction of the project started in May 2016 and is expected to be completed in December 2017.

**TOWN OF JUPITER INLET COLONY**  
**Notes to the Financial Statements**  
**September 30, 2016**

**NOTE 11 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town is 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 incident. 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 in the prior year. No settlements exceeded insurance coverage for the past three years.

**NOTE 12 – LITIGATION, CLAIMS, AND ASSESSMENT**

At September 30, 2016, the Town was involved in various legal proceedings, as a defendant. All ongoing proceedings seek monetary damages as well as declaratory injunctive relief. The Town believes that losses, if any, resulting from the ultimate resolution of these proceedings will have no material adverse effect on the Town's financial position or changes in net position as the range of loss is within the Town's limits of liability insurance coverage.

**NOTE 12 – SUBSEQUENT EVENTS**

On October 24, 2016, the Town adopted Resolution 2011-1, levying non-ad valorem special assessments on properties specially benefitted by a capital improvement project to construct a sanitary sewer system and drainage upgrades serving the Town and its inhabitants. Assessments shall be payable in 15 yearly instalments, starting in the fiscal year ending September 30, 2018. The amount assessed was \$9,550,000.

On December 16, 2016, the Town executed a \$2,191,750 promissory note to refund SunTrust Bank promissory note.

On March 3, 2017, the Town executed promissory notes of \$4,763,333 and \$3,000,000 for the Town's share of the costs for the Jupiter Inlet Colony Neighborhood Rehabilitation Project.

**TOWN OF JUPITER INLET COLONY, FLORIDA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 1,379,440	\$ 1,379,440	\$ 1,366,731	\$ (12,709)
Special assessments	229,483	229,483		(229,483)
Franchise fees	36,500	36,500	36,787	287
Licenses & permits	235,775	235,775	215,401	(20,374)
Fines & forfeitures	1,450	1,450	7,941	6,491
Interest	1,500	1,500	1,084	(416)
Intergovernmental	82,175	82,175	105,632	23,457
	1,966,323	1,966,323	1,733,576	(232,747)
Total revenues				
Expenditures				
General government	424,502	608,820	606,376	2,444
Public safety	946,808	958,037	965,962	(7,925)
Public works	125,485	134,486	111,283	23,203
Roads and walkways	94,700	296,796	260,247	36,549
Capital outlay	100,401	124,494	39,244	85,250
Debt service	267,303	267,303	87,402	179,901
	1,959,199	2,389,936	2,070,514	319,422
Total expenditures				
Excess of revenues over (under) expenditures	7,124	(423,613)	(336,938)	86,675
Other financing sources (uses)				
Debt proceeds				
Transfers in				
Transfers out	(7,124)	(7,124)	(7,149)	(25)
Appropriated fund balance		430,737		(430,737)
Total other financing sources (uses)	(7,124)	423,613	(7,149)	(430,762)
Net change in fund balance	\$	\$	(344,087)	\$ (344,087)
Beginning fund balance			597,725	
Ending fund balance			\$ 253,638	

**Note 1 - Basis of Accounting**

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



# NOWLEN, HOLT & MINER, P.A.

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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

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To the Honorable Mayor and Members of the Town Commission  
Town of Jupiter Inlet Colony, 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 and each major fund of the Town of Jupiter Inlet Colony, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Inlet Colony, Florida’s basic financial statements and have issued our report thereon dated April 24, 2017.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

West Palm Beach, Florida  
April 24, 2017

*Nowlen, Holt & Mimer, P.A.*



# 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

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FAX (561) 996-6248

The Honorable Mayor and Members of the Town Commission  
Town of Jupiter Inlet Colony, Florida

### Report on the Financial Statements

We have audited the financial statements of the Town of Jupiter Inlet Colony, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated April 24, 2017.

### Auditor's Responsibility

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

### Other Reports

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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 24 2017, should be considered in conjunction with this Management Letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Findings reported in the prior year were corrected.



### **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**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town of Jupiter Inlet Colony, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Jupiter Inlet Colony, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2016.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Jupiter Inlet Colony, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our 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.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town of Jupiter Inlet Colony, Florida for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in substantial agreement.

### **Special District Component Units**

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

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 Jupiter Inlet Colony, Florida.

## **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations

### ***Finding: 2016-1 Policies and Procedures Manual***

*Condition:* We noted that the Town's Policies and Procedures Manual has not been updated to reflect changes in the Town's personnel and fund structure. We also noted areas such as monthly and year end closings where the current procedures could be improved.

*Criteria:* A Policies and Procedures Manual needs to be periodically updated to reflect changes in the Town's structure and current best practices.

*Recommendation:* We recommend that management review the existing Policies and Procedures Manual and make changes where appropriate.

*Management Response:* The Town has hired a consultant to assist in the process of reviewing and updating the Policies and Procedures Manual.

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

## **Single Audits**

The Town expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the year ended September 30, 2016, and was not required to have a federal single audit or a state single audit.

## **Response to Management Letter**

The Town's response to the finding identified in our audit is described above. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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, management, Town Commission, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

April 24, 2017  
West Palm Beach, Florida



**NOWLEN, HOLT & MINER, P.A.**

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

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The Honorable Mayor and Members of the Town Commission  
Town of Jupiter Inlet Colony, Florida

We have examined the Town of Jupiter Inlet Colony, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for the Town of Jupiter Inlet Colony, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Jupiter Inlet Colony, Florida’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town of Jupiter Inlet Colony, Florida’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Jupiter Inlet Colony, Florida’s compliance with specified requirements.

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

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

West Palm Beach, Florida  
April 24, 2017

*Nowlen, Holt & Miner, P.A.*