



The Town of
Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2015



This page intentionally left blank



Town of Highland Beach, Florida

Finance Department

Memorandum

To: Honorable Mayor and Town Commission
Via: Beverly Brown, Town Manager
From: Cale Curtis, Finance Director
Date: June 2, 2016

Re: 2015 Comprehensive Annual Financial Report

I am pleased to report that the 2015 Comprehensive Annual Financial Report (CAFR) is complete. Please find attached a printed copy of this report. A representative from the Town's auditing firm, Grau & Associates, will make a presentation on the report at the June 28th Workshop Meeting of the Town Commission.

Please note that the completion of this report was delayed due to circumstances beyond control of the Town and its Staff. This delay effected not only the Town but all agencies who participate in the Florida Retirement System and have fiscal year end dates of September 30th. The Town and other participating agencies rely on financial information from the FRS as it pertains to the new Government Accounting Standards Board (GASB) 68 pronouncement. More information on GASB 68 may be found beginning on page 29 of the 2015 CAFR.

Financial Highlights

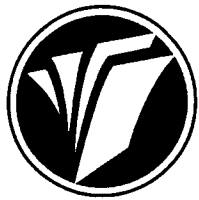
- Total Assets (General Fund and Enterprise Funds) exceeded liabilities by \$19.4 million, an increase of approximately \$1.96 million over the prior year's restated net position. The restatement of net position is due to the implementation of the new reporting standard GASB 68.
- General Fund revenues were \$11.6 million; exceeding budget projections by \$652,000. The additional revenues were mainly a result of increased activity in building permits.
- General Fund expenditures (including transfers out) were \$8.9 million; beating budget projections by approximately \$678,000.
- The General Fund's Unassigned Fund Balance finished the year at \$5.01 million dollars. Assigned Fund Balances for Budget Stabilization and Disaster Recovery \$1.89 million and \$550,000, respectively. Total General Fund fund balances increased \$927,000.
- Water Fund activities experienced an operating loss of approximately \$536,000 (the operating loss does not include a transfer in of \$1,286,000 from the General Fund to

cover debt payments on the Reverse Osmosis Water Plant). Overall, net position increased by \$463,000.

- Sewer Fund activities reported operating income of \$29,000. Total net position increased by \$58,000.

A Synopsis of the 2015 CAFR begins on page 3 (Management's Discussion and Analysis).

Should you have any comments or questions regarding the 2015 CAFR, please do not hesitate to contact me.



Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

May 25, 2016

To the Town Commission
Town of Highland Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Palm Beach County, Florida ("Town") for the fiscal year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on information obtained from the experience of other governments as adapted for differences in application and environment. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 25, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Current year findings are reported in the Report to Management included in the Compliance Section of the current year Comprehensive Annual Financial Report.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

GRAU + ASSOCIATES

Grau & Associates

***The Town of
Highland Beach, Florida***

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2015

**Prepared by:
Finance Department**

**Cale Curtis
Finance Director**

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2015
TABLE OF CONTENTS

| | <u>Pages</u> |
|---|--------------|
| INTRODUCTORY SECTION | |
| Letter of Transmittal | i-v |
| Certificate of Achievement for Excellence in Financial Reporting | vi |
| Organizational Chart | vii |
| List of Principal Officials | viii |
| FINANCIAL SECTION | |
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-8 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 9 |
| Statement of Activities | 10 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 11 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position | 12 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 13 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| Statement of Net Position – Proprietary Funds | 15 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds | 16 |
| Statement of Cash Flows – Proprietary Funds | 17-18 |
| Notes to Financial Statements | 19-60 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 61-62 |
| Notes to the Budgetary Required Supplemental Information | 63 |
| Schedule of Funding Progress – Other Postemployment Benefits | 64 |
| Schedule of Proportionate Share of Net Pension Liability – FRS | 65 |
| Schedule of Town's Contribution - FRS | 66 |

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2015
TABLE OF CONTENTS

| | <u>Pages</u> |
|---|--------------|
| FINANCIAL SECTION (Continued) | |
| Combining Financial Statements | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 67 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 68 |
| STATISTICAL SECTION (UNAUDITED) | |
| Government-Wide Information: | |
| Table of Contents | |
| Schedule 1 – Net Position by Component | 69-70 |
| Schedule 2 – Changes in Net Position | 71-72 |
| Fund Information: | |
| Schedule 3 – Fund Balances, Governmental Funds | 73-74 |
| Schedule 4 – Changes in Fund Balances, Governmental Funds | 75-76 |
| Schedule 5 – Assessed Value and Actual Value of Taxable Property | 77 |
| Schedule 6 – Direct and Overlapping Property Tax Rates | 78 |
| Schedule 7 – Principal Property Tax Payers | 79 |
| Schedule 8 – Property Tax Levies and Collections | 80 |
| Schedule 9 – Ratios of Outstanding Debt by Type | 81 |
| Schedule 10 – Ratios of General Bonded Debt Outstanding | 82 |
| Schedule 11 – Direct and Overlapping Governmental Activities Debt | 83 |
| Schedule 12 – Legal Debt Margin Information | 84 |
| Schedule 13 – Pledged Revenue Coverage | 85 |
| Schedule 14 – Demographic and Economic Information | 86 |
| Schedule 15 – Principal Employers | 87 |
| Schedule 16 – Full-Time Equivalent Town Employees by Function/Program | 88 |
| Schedule 17 – Operating Indicators by Function/Program | 89 |
| Schedule 18 – Capital Asset Statistics by Function/Program | 90 |
| 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 <i>Government Auditing Standards</i> | 91-92 |
| Independent Accountant’s Report on Compliance with Section 218.415, Florida Statutes | 93 |
| Management Letter in Accordance With the Rules of the Auditor General of the State of Florida | 94-95 |



Town of Highland Beach

3614 SOUTH OCEAN BOULEVARD • HIGHLAND BEACH, FLORIDA 33487

Palm Beach County, Florida

561-278-4548
FAX 561-265-3582

Mayor:
Bernard Featherman
Vice Mayor:
William Weitz, Ph.D.
Commissioners:
Louis P. Stern
Carl Feldman
Rhoda Zelniker
Town Manager:
Beverly M. Brown

May 25, 2016

Honorable Mayor and Members of the Town Commission
Town of Highland Beach, Florida

Pursuant to the Town's Charter and in accordance with State law, all general purpose local governments publish, within nine months of the close of the fiscal year, a complete set of financial statements. These are presented in conformity with generally accepted accounting principles (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Commensurate with this requirement, we are pleased to present the Town of Highland Beach's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015.

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

The Town of Highland Beach's financial statements have been audited by Grau & Associates., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Highland Beach for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor has concluded and issued an unmodified ("clean") opinion on the Town of Highland Beach's financial statements for the fiscal year ended September 30, 2015. The independent auditor's report is presented as the first component of the financial section of this report.

The organization and content of this report are based primarily on the financial reporting standards set by the Governmental Accounting Standards Board (GASB) and recommendations of the Government Finance Officers Association of the United States and Canada. The report is designed to meet the needs of a wide variety of readers and is divided into four principal sections. These sections consist of an introductory section, financial section, statistical section, and a compliance section. The Management's Discussion and Analysis (MD&A), a narrative designed to assist the reader by providing an overview and analysis of the financial activities of the Town, can be found immediately following the report of independent auditors starting on page 1.

The financial reporting entity includes all the funds of the primary government (i.e., the Town of Highland Beach, Florida as legally defined), as well as all of its component units in accordance with GASB *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity."* Although the Palm Beach County Board of County Commissioners, Palm Beach County School Board, and South Florida Water Management District, among other governments, levy and collect taxes on property located within the corporate limits of the Town of Highland Beach, financial information on these taxing authorities is not included in this report since the Town is not financially accountable for these agencies. Annual financial reports of these other taxing authorities are available upon request from each respective authority.

THE TOWN

The Town of Highland Beach is located in the southern portion of eastern Palm Beach County, which is in the southeastern part of the State of Florida. The Town encompasses 0.6 square miles and is bounded on the north and northwest by the City of Delray Beach and on the south and southwest by the City of Boca Raton. The Atlantic Ocean lies adjacent to the Town on the east and the Intracoastal Waterway lies to the west. The Town is a residential community with a year round population of 3,600 (2015 Estimate- University of Florida's Bureau of Economic & Business Research), which increases to approximately 7,900 during the winter months. According to www.city-data.com the most recently reported (2013) median age in Highland Beach is 65.2 years. Males make up approximately 48% and females 52% of the total population in Highland Beach.

The governing body of the Town consists of a five member Town Commission, each of whom is elected for three year overlapping terms. Commission members may serve two consecutive terms. The Town was incorporated under the laws of Florida governing municipal corporations in 1949 and operates under a Charter adopted by its citizens. Day-to-day operations of the Town are under the leadership of a Town Manager who is appointed by the Town Commission.

The Town provides general municipal services such as police protection, water and wastewater utility services, public works, street maintenance, landscaping as well as a municipal library. The Town also provides fire protection, solid waste services and a postal substation through contracts with others.

ECONOMIC CONDITION AND OUTLOOK

The overall economic condition of the general operations of the Town of Highland Beach is healthy. General Fund Ad Valorem (property tax) tax revenues continue to exceed operating expenditures. During the course of the past few years, re-development has added substantially to the tax base of the community. In addition, increases in assessed values assigned by the Palm Beach County Property Appraiser's Office have insured a reliable increase in ad valorem tax revenues year over year. The Town is nearly built-out, with just a few remaining parcels that are available for low-density development. During the fiscal year, ground-breaking began on the construction of a 22-unit condominium on one of the larger vacant parcels. The units are estimated to range in price from \$1.25 million to \$3.5 million. The trend of replacing the older single-family homes with larger homes continues throughout the community and several condominiums have undergone major restoration work. The Palm Beach County Property Appraiser anticipates a 9-12% overall increase in property values for Highland Beach.

The water and wastewater enterprise funds are in stable financial condition. A revenue sufficiency and rate

study is planned for the 2016 fiscal year. The results of this study will be used to make recommendations on sustaining the stable financial condition.

The overall economic outlook for the Town appears to be bright. The increase in assessed value of existing and new residential units and condominiums will allow the Town's assessed value to continue in growth mode. Through the enforcement of Town codes and ordinances, the Town will continue to attempt to enhance the aesthetic appearance of the Town, and maintain the high quality of life that exists in the community.

The following chart is an illustration of the previously mentioned points regarding the growth (or decline) in assessed value in the Town:

| Year | Taxable Assessed Valuation | Population | Assessed Value Per Capita |
|------|----------------------------------|------------|---------------------------------|
| 2004 | 1,356,599,854 | 4,019 | \$ 337,547 |
| 2005 | 1,546,615,892 | 4,157 | \$ 372,051 |
| 2006 | 1,875,187,592 | 4,157 | \$ 451,092 |
| 2007 | 2,300,831,999 | 4,155 | \$ 553,750 |
| 2008 | 2,238,941,501 | 4,164 | \$ 537,690 |
| 2009 | 2,140,106,933 | 4,164 | \$ 513,955 |
| 2010 | 1,932,060,374 | 3,989 | \$ 484,347 |
| 2011 | 1,815,718,250 | 3,539 | \$ 513,060 |
| 2012 | 1,732,047,474 | 3,539 | \$ 489,417 |
| 2013 | 1,752,273,484 | 3,572 | \$ 490,558 |
| 2014 | 1,824,011,226 | 3,581 | \$ 509,358 |
| 2015 | 1,937,184,804 | 3,600 | \$ 538,107 |

Long-term financial planning

At September 30, 2015, the unassigned fund balance in the general fund was \$5.01 million, an increase of \$1.15 million for the fiscal year. This balance is considered to be healthy, consisting of approximately 47% of total general fund expenditures for the FY ended 2015. The Town Commission continues to take an aggressive approach toward preserving the financial future of the Town by adopting policies that create cash reserve designations labeled as assigned fund balance. These cash reserves are assigned for a specific use such as recovering from natural disasters and providing a "cash cushion" during months when cash flows fall stagnant. Future cash reserve designations will include an assigned fund balance for capital improvements and replacements.

MAJOR INITIATIVES

For the Year:

In Fiscal Year 2015, the Town continued its endeavor to enhance and improve municipal services. The Town Clerk's Department began a project to scan and electronically archive all files, permits, plans and other documents. Significant enhancements and repairs were made to the walking path in Highland Beach. Large

sections of the path were repaired and the old trash receptacles and benches were replaced along the entire pathway. Interior renovations began on the Post Office and Building Department. These renovations included new counters, paint, and flooring. Through a successful bidding, the Town was able to lower the annual cost of solid waste and recycling services by \$112,000 (23%) and renew its relationship with Waste Management.

For the Future:

By way of a public referendum, the citizens of Highland Beach approved a not-to-exceed amount of \$5 million to replace the water mains on all of the Town's side streets and retrofit the RO Water Plant with an automated Calcite System. The Town's Capital Improvement Plan includes a \$1 million streetscape project to enhance and repave the walking path. The Town's fire apparatus and rescue vehicles are planned to be replaced through a lease arrangement with the City of Delray, the Town's contracted fire protection service provider.

FINANCIAL INFORMATION

Budgetary Control

The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Commission. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level within an individual fund. The Town utilizes the encumbrance accounting system.

Financial Standards

The Town implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. The objective of GASB 54 is to provide a clearer distinction between available and unavailable financial resources by establishing 5 categories (non-spendable, restricted, committed, assigned, and unassigned) of fund balance. With the adoption of the Fund Balance policy, the Commission established two "assigned" reservations of fund balance: the first is a Target Reserve of 16.7% of general fund revenues. This reserve provides budget stabilization during periods of cash flow shortfalls and had a balance of \$1,899,960 at the 2015 fiscal year end. The second is a Disaster Recovery reserve. The Disaster Recovery had a balance of \$550,000 at the 2015 fiscal year end.

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Highland Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2014. This was the twenty-fourth consecutive year that the Town received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive

annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA in anticipation of its eligibility for another certificate.

Acknowledgments

The preparation of this report in a timely basis could not have been accomplished without the efficient and dedicated services of the Town of Highland Beach's Finance Department. We also wish to thank the Mayor and Commission members for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Beverly M. Brown
Town Manager



Cale Curtis
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Highland Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

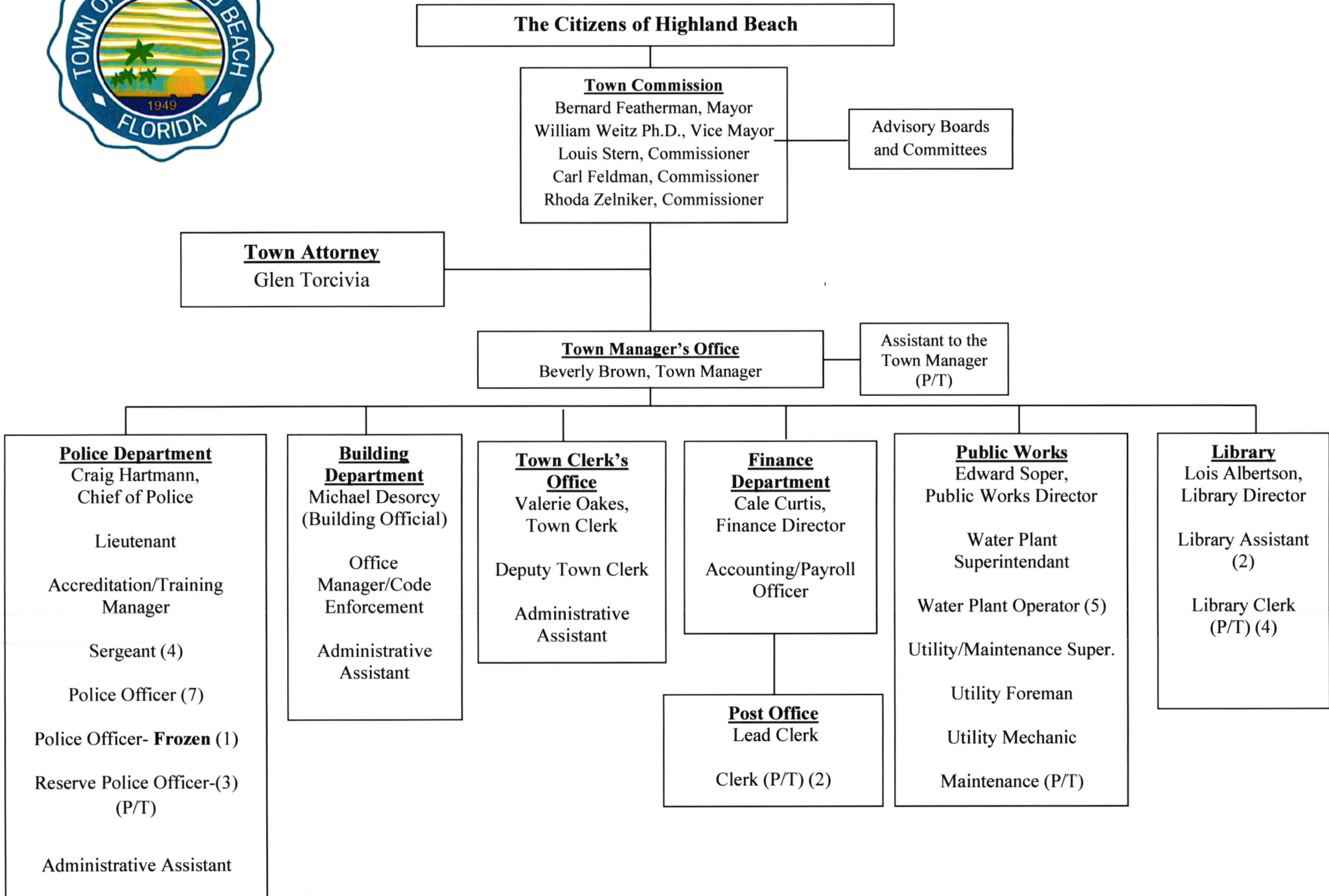
September 30, 2014

Executive Director/CEO



TOWN OF HIGHLAND BEACH

Organization Chart



2014-2015

ANNUAL OPERATING BUDGET OF THE TOWN OF HIGHLAND BEACH, FLORIDA

FOR THE

FISCAL YEAR ENDING SEPTEMBER 30, 2015

TOWN COMMISSION

Bernard Featherman, Mayor

William Weitz, Ph.D., Vice-Mayor

Louis P. Stern, Commissioner

Carl Feldman, Commissioner

Rhoda Zelniker, Commissioner

TOWN MANAGER

Beverly Brown

TOWN ATTORNEY

Glen Torcivia

DEPARTMENT HEADS

Valerie Oakes

Town Clerk

Cale D. Curtis

Finance Director

Craig Hartmann

Chief of Police

Michael Desorcy

Building Official

Edward Soper

Public Works Director

Lois Albertson

Library Director



Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Commission
Town of Highland Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, (the "Town") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the accompanying financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68, effective October 1, 2014. The net position balances of the governmental activities and business-type activities as of October 1, 2014 have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated May 25, 2016, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

David J. Associates

May 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Highland Beach's management 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 fiscal year ended September 30, 2015. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting in changes and currently known facts, please read it in conjunction with the accompanying transmittal letter in the introductory section (beginning on page i) and the Town's financial statements (beginning on page 9).

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2015.

- The Town's assets exceeded its liabilities at September 30, 2015 by \$19.4 million (net position), an increase of approximately \$1.96 million over the prior year's restated ending net position of \$17.4 million. Of this amount, \$14.5 million may be used to meet the ongoing obligations to citizens and creditors. The restatement of net position is due to the implementation of new reporting standard GASB 68.
- The Town's revenues for governmental activities were \$11.6 million, an increase of \$661k or 6% over the previous year. The expenses for governmental activities were \$8.9 million, a 7.14% increase from the prior year.
- The business-type activities generated \$3.3 million in operating revenues, an increase of \$79k over the prior year. The increase is primarily due to an increase in water consumption. Customers used approximately 18 million more gallons than the prior year, a 4% increase in consumption. Operating expenses decreased by \$226,000 due to depreciation expenses. The Water and Sewer Funds had a combined operating loss of \$508,000 compared to an operating loss of \$813,000 in the prior year.
- At September 30, 2015, the General Fund's unassigned fund balance was \$5.01 million, an increase of \$1.45 million. The General Fund has designated two assignments of fund balance. One is for budget stabilization and totaled \$1.9 million. The second is for disaster recovery at an amount of \$550,000.
- The Town's total long-term liabilities increased by \$1.4 million, or 1.9 percent. The key factors of the increase are due annual principal payments on current debt and the first time recording of the Town's pension liability (GASB 68).

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Highland Beach's basic financial statements. The Town of Highland Beach's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* (pages 9 through 10) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two 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 expenses by function. The functions primarily supported by taxes and intergovernmental revenues, such as police, fire, and other public services are considered governmental activities. Those functions that are primarily funded through user fees and charges are identified as business-type activities. In the Town of Highland Beach, the latter consist of the water and sewer 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 funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds (beginning on page 11) 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. Most of the Town's basic services are reported in the governmental funds.

Proprietary Funds (beginning on page 15) provide the same type of information as the government-wide financial statements, only in more detail. The Town's proprietary funds consist of the water and sewer funds. These enterprise funds are the equivalent of business-type activities in the government-wide statements.

Notes to the Financial Statements (beginning on page 19) 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

The government-wide financial statements were designed so that the user could determine if the Town is in a better or worse financial condition from the prior year. 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 plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19.4 million at September 30, 2015.

Town of Highland Beach Net Position (In Thousands)

| | Governmental Activities 2015 | Business Activities 2015 | Total Activities 2015 | Governmental Activities 2014 | Business Activities 2014 | Total Activities 2014 |
|--|------------------------------------|--------------------------------|-----------------------------|------------------------------------|--------------------------------|-----------------------------|
| Assets: | | | | | | |
| Current and other assets | \$ 7,915 | \$ 7,149 | \$ 15,064 | \$ 7,139 | \$ 6,990 | \$ 14,129 |
| Capital assets | 5,457 | 14,523 | \$19,980 | 5,599 | 15,100 | \$20,699 |
| Total assets | \$ 13,372 | \$ 21,672 | \$ 35,044 | \$ 12,738 | \$ 22,090 | \$ 34,828 |
| Deferred Outflows of Resources: | | | | | | |
| FRS Pension | 509 | 78 | 587 | | | |
| Liabilities: | | | | | | |
| Long-term debt outstanding | - | 10,921 | 10,921 | 1,016 | 12,868 | 13,884 |
| Other liabilities | 3,238 | 1,562 | 4,800 | 396 | 154 | 550 |
| Total liabilities | \$ 3,238 | \$ 12,483 | \$ 15,721 | \$ 1,412 | \$ 13,022 | \$ 14,434 |
| Deferred Inflows of Resources: | | | | | | |
| FRS Pension | 443 | 68 | 511 | | | |
| Net position: | | | | | | |
| Net investment in capital assets | 5,457 | 2,741 | 8,198 | 5,457 | 2,394 | 7,851 |
| Restricted for: | | | | | | |
| Debt service | | 227 | 227 | | 235 | 235 |
| Special projects | 228 | | 207 | 207 | | 207 |
| Unrestricted | 4,515 | 6,231 | 10,768 | 5,662 | 6,438 | 12,100 |
| Total net position | \$ 10,200 | \$ 9,199 | \$ 19,400 | \$ 11,326 | \$ 9,067 | \$ 20,393 |

The largest portion of the Town's net position (55%) reflects its unrestricted cash reserves. The unrestricted cash reserves (\$10.8 million) may be used to meet the Town's ongoing obligations to citizens and creditors. Approximately 50% of these cash reserves are earmarked in the Town's 5-year Capital Improvement Plan (CIP).

A portion of the Town's net position (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$8.2 million) for the Town 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.

Net position of the Governmental Activities at September 30, 2015, was \$10.2 million. Property taxes are the main source of revenues and represent approximately 75% of the revenue for governmental activities. Expenses for Public Safety (Police, Fire Rescue, and Building Inspection) represent approximately 62% of Governmental Activities expenses. Tax revenues were down over \$79,000 for the year due to the adoption of a "rolled back" tax rate. The Town's capital outlay expenses decreased \$725,000 year over year due to a major renovation project coming to completion. Outstanding Governmental Activities debt decreased \$211,000. The net effect of these major changes primarily contributed to an increase in net position of the Governmental Activities of approximately \$948k.

Net position of the Business Type Activities (water and sewer) at September 30, 2015, was \$9.2 million, an increase of \$131k. The cost of providing all Business-Type Activities this year was \$3.8 million.

REMAINDER OF PAGE LEFT BLANK

Town of Highland Beach

Changes in Net Position

(In Thousands)

| | Governmental Activities 2015 | Business Activities 2015 | Total Activities 2015 | Governmental Activities 2014 | Business Activities 2014 | Total Activities 2014 |
|---|------------------------------------|--------------------------------|-----------------------------|------------------------------------|--------------------------------|-----------------------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,421 | \$ 3,154 | \$ 4,575 | \$ 1,017 | \$ 3,054 | \$ 4,071 |
| Operating grants and contributions | 14 | | 14 | 14 | | 14 |
| General revenues: | | | | | | |
| Property taxes | 8,696 | | \$8,696 | 8,452 | | 8,452 |
| Utility taxes | 285 | | \$285 | 291 | | 291 |
| Franchise Fees | 443 | | \$443 | 440 | | 440 |
| Sales and use taxes | 310 | | \$310 | 296 | | 296 |
| State revenue sharing | 95 | | \$95 | 108 | | 108 |
| Investment earnings | 21 | 15 | \$36 | 19 | 8 | 27 |
| Miscellaneous | 357 | - 210 | \$567 | 53 | 19 | 72 |
| Net decrease in fair value of investments | | | | (5) | (1) | (6) |
| Gain on disposal of fixed assets | 4 | 7 | \$11 | 4 | 2,228 | 2,232 |
| Total revenues | 11,646 | 3,386 | 15,032 | 10,689 | 5,308 | 15,997 |
| Expenses: | | | | | | |
| Program expenses: | | | | | | |
| General government | 1,933 | | 1,933 | 1,627 | | 1,627 |
| Public safety | 5,800 | | 5,800 | 5,497 | | 5,497 |
| Sanitation | 536 | | 536 | 573 | | 573 |
| Culture and recreation | 647 | | 647 | 609 | | 609 |
| Interest on long-term debt | 6 | | 6 | 21 | | 21 |
| Water and sewer | | 4,150 | 4,150 | | 4,264 | 4,264 |
| Total expenses | 8,922 | 4,150 | 13,072 | 8,327 | 4,264 | 12,591 |
| Excess (deficiency) before transfers | 2,724 | (764) | 1,960 | 2,362 | 1,044 | 3,406 |
| Transfers | (1,286) | 1,286 | | (1,286) | 1,286 | |
| Increase (decrease) in net position | 1,438 | 522 | 1,960 | 1,076 | 2,330 | 3,406 |
| Net position (restated) – October 1, | 8,762 | 8,677 | 17,439 | 10,250 | 6,738 | 16,988 |
| Net position – September 30, | \$ 10,200 | \$ 9,199 | \$ 19,399 | \$ 11,326 | \$ 9,068 | \$ 20,394 |

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2015 totaled \$19.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during the current fiscal year included the following:

| Town of Highland Beach | | | | |
|-----------------------------------|---------------------|-------------------|------------------|------------------|
| Capital Assets | | | | |
| (In Thousands) | | | | |
| | Governmental | Business | | |
| | Activities | Activities | Total | Total |
| | 2015 | 2015 | 2015 | 2014 |
| Land | \$ 324 | \$ - | \$ 324 | \$ 324 |
| Construction in progress | | | | |
| Buildings and improvements | 5,174 | 9,472 | 14,646 | 14,646 |
| Improvements other than buildings | 3,212 | 8,426 | 11,638 | 11,517 |
| Furniture, fixtures and equipment | 2,580 | 8,254 | 10,834 | 11,299 |
| Total assets | \$ 11,290 | \$ 26,152 | \$ 37,442 | \$ 37,786 |
| Less accumulated depreciation | (5,833) | (11,629) | (17,462) | (17,087) |
| Total | \$ 5,457 | \$ 14,523 | \$ 19,980 | \$ 20,699 |

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

Long-Term Liabilities

The Town's long-term liabilities, excluding OPEB and net pension liabilities (considering debt retirement) decreased by \$1,418,000 as follows:

| Town of Highland Beach | | | | |
|-------------------------------|---------------------|-------------------|------------------|------------------|
| Long-Term Liabilities | | | | |
| (In Thousands) | | | | |
| | Governmental | Business | | |
| | Activities | Activities | Total | Total |
| | 2015 | 2015 | 2015 | 2014 |
| Promissory Notes | \$ - | \$ 3,192 | \$ 3,192 | \$ 3,812 |
| Revolving Fund Loan | | 8,590 | 8,590 | 9,319 |
| Compensated Absences | 264 | 89 | 353 | 422 |
| Total | \$ 264 | \$ 11,871 | \$ 12,135 | \$ 13,553 |

Additional information on the Town's long-term liabilities can be found in Note 5 of this report.

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 serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2015 the Town's ending fund balances of the General Fund totaled \$7.7 million, an increase of approximately \$948,000 from the prior year. Approximately 65% (\$5.03 million) of the ending fund balances constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the balance is assigned, indicating that it is not available for new spending because it has either been assigned to provide 1) budget stabilization (\$1.90 million), or 2) disaster relief (\$550,000). Current year governmental fund expenditures decreased approximately \$405,000 due primarily to a reduction in capital expenditures.

Budgetary Highlights-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 61). 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. Total General Fund expenditures of \$9.4 million were less than the final amended budget of \$10.1 million, a difference of approximately \$678,000.

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 included enhancing the level of services, increasing the responsiveness of the local government to the needs of the public and to technologically improve the operation of the Town government.

Property taxes are the main source of revenues for governmental activities and represent approximately 72 percent of the General Fund budgeted revenues. The Town's total tax millage rate decreased from a total of 4.6412 mills in FY 2015 to 4.1454 mills in FY 2016.

Notwithstanding one-time capital expenditures, property taxes combined with all other estimated General Fund revenues are projected to be sufficient to cover the expenditures in the fiscal year 2016 budget.

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 questions about this report or need additional financial information, contact the Town's Finance Department, at the Town of Highland Beach, 3614 S. Ocean Boulevard, Highland Beach, Florida 33487.

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position
September 30, 2015

| | Primary Government | | |
|--|---------------------------|----------------------|----------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 5,906,432 | \$ 4,821,518 | \$ 10,727,950 |
| Investments | 1,795,553 | 1,544,342 | 3,339,895 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 245,841 | 245,841 |
| Accounts receivable, net | 78,258 | 527,932 | 606,190 |
| Due from other governments | 130,268 | - | 130,268 |
| Prepaid costs and inventories | 4,798 | 8,928 | 13,726 |
| Total current assets | 7,915,309 | 7,148,561 | 15,063,870 |
| Noncurrent assets: | | | |
| Nondepreciable capital assets | 323,889 | - | 323,889 |
| Depreciable capital assets, net | 5,133,496 | 14,523,401 | 19,656,897 |
| Total noncurrent assets | 5,457,385 | 14,523,401 | 19,980,786 |
| Total assets | 13,372,694 | 21,671,962 | 35,044,656 |
| Deferred Outflows of resources | | | |
| FRS Pension | 509,380 | 77,598 | 586,978 |
| Total deferred outflows of resources | 509,380 | 77,598 | 586,978 |
| Liabilities and Net Position | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 220,864 | 123,156 | 344,020 |
| Accrued interest payable | - | 18,974 | 18,974 |
| Noncurrent liabilities due within one year | 27,714 | 950,681 | 978,395 |
| Total current liabilities | 248,578 | 1,092,811 | 1,341,389 |
| Noncurrent liabilities: | | | |
| Net OPEB obligation | 271,426 | 91,307 | 362,733 |
| Net pension liability | 2,481,679 | 378,057 | 2,859,736 |
| Due in more than one year | 236,230 | 10,920,513 | 11,156,743 |
| Total liabilities | 3,237,913 | 12,482,688 | 15,720,601 |
| Deferred Inflows of resources | | | |
| FRS Pension | 443,298 | 67,532 | 510,830 |
| Total deferred inflows of resources | 443,298 | 67,532 | 510,830 |
| Net position: | | | |
| Net investment in capital assets | 5,457,385 | 2,741,513 | 8,198,898 |
| Restricted for: | | | |
| Recreational land acquisition | 215,245 | - | 215,245 |
| Library activities | 6,089 | - | 6,089 |
| Law enforcement | 6,886 | - | 6,886 |
| Restricted for debt service | - | 226,867 | 226,867 |
| Unrestricted | 4,515,258 | 6,230,960 | 10,746,218 |
| Total net position | \$ 10,200,863 | \$ 9,199,340 | \$ 19,400,203 |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2015

| Function/Program | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|---------------|----------------------------|--|--|-----------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Primary Government | | Total |
| | | | | Governmental Activities | Business-Type Activities | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,933,634 | \$ 116,323 | \$ 14,113 | \$ (1,803,198) | \$ - | \$ (1,803,198) |
| Public safety | 5,800,175 | 808,930 | - | (4,991,245) | - | (4,991,245) |
| Culture and recreation | 646,909 | 26,548 | - | (620,361) | - | (620,361) |
| Sanitation | 536,672 | 468,757 | - | (67,915) | - | (67,915) |
| Interest | 6,404 | - | - | (6,404) | - | (6,404) |
| Total government activities | 8,923,794 | 1,420,558 | 14,113 | (7,489,123) | - | (7,489,123) |
| Business-type activities: | | | | | | |
| Water utility | 3,164,762 | 2,117,789 | - | - | (1,046,973) | (1,046,973) |
| Sewer utility | 985,294 | 1,035,901 | - | - | 50,607 | 50,607 |
| Total business-type activities | 4,150,056 | 3,153,690 | - | - | (996,366) | (996,366) |
| Total primary government | \$ 13,073,850 | \$ 4,574,248 | \$ 14,113 | \$ (7,489,123) | \$ (996,366) | \$ (8,485,489) |
| General revenues: | | | | | | |
| Property taxes | | | | 8,696,269 | - | 8,696,269 |
| Utility taxes | | | | 284,714 | - | 284,714 |
| Franchise fees | | | | 443,409 | - | 443,409 |
| Sales and use taxes | | | | 310,488 | - | 310,488 |
| Intergovernmental | | | | 95,491 | - | 95,491 |
| Investment earnings | | | | 21,043 | 15,477 | 36,520 |
| Gain on disposal of capital assets | | | | 4,392 | 6,925 | 11,317 |
| Miscellaneous | | | | 357,917 | 209,802 | 567,719 |
| Transfers | | | | (1,286,000) | 1,286,000 | - |
| Total general revenues and transfers | | | | 8,927,723 | 1,518,204 | 10,445,927 |
| Change in net position | | | | 1,438,600 | 521,838 | 1,960,438 |
| Net position, beginning - restated | | | | 8,762,263 | 8,677,502 | 17,439,765 |
| Net position, ending | | | | \$ 10,200,863 | \$ 9,199,340 | \$ 19,400,203 |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2015

| | Major Fund General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------------|-----------------------------------|--------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,730,703 | \$ 175,729 | \$ 5,906,432 |
| Investments | 1,743,062 | 52,491 | 1,795,553 |
| Receivables: | | | |
| Accounts receivable, net | 78,258 | - | 78,258 |
| Due from other governments | 130,268 | - | 130,268 |
| Inventory | 503 | - | 503 |
| Prepays | 4,295 | - | 4,295 |
| Total assets | <u>\$ 7,687,089</u> | <u>\$ 228,220</u> | <u>\$ 7,915,309</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 132,058 | \$ - | \$ 132,058 |
| Accrued liabilities | 88,806 | - | 88,806 |
| Total liabilities | <u>220,864</u> | <u>-</u> | <u>220,864</u> |
| Fund balances: | | | |
| Non-spendable for inventories and prepaid costs | 4,798 | - | 4,798 |
| Restricted for: | | | |
| Recreational land acquisition | - | 215,245 | 215,245 |
| Library activities | - | 6,089 | 6,089 |
| Law enforcement | - | 6,886 | 6,886 |
| Assigned to: | | | |
| Disaster recovery | 550,000 | - | 550,000 |
| Mandatory reserves | 1,899,960 | - | 1,899,960 |
| Subsequent year expenditures | - | - | - |
| Unassigned: | 5,011,467 | - | 5,011,467 |
| Total fund balances | <u>7,466,225</u> | <u>228,220</u> | <u>7,694,445</u> |
| Total liabilities and fund balances | <u>\$ 7,687,089</u> | <u>\$ 228,220</u> | <u>\$ 7,915,309</u> |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position
September 30, 2015

Fund balance - governmental funds \$ 7,694,445

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

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

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | 11,291,023 | |
| Accumulated depreciation | <u>(5,833,638)</u> | 5,457,385 |

| | | |
|--|--|---------|
| Deferred outflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements | | 509,380 |
|--|--|---------|

| | | |
|---|--|-----------|
| Deferred inflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements | | (443,298) |
|---|--|-----------|

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

| | | |
|---|--|-----------------------------|
| Compensated absences | | (263,944) |
| OPEB obligation | | (271,426) |
| Net pension liability | | <u>(2,481,679)</u> |
| Net position of governmental activities | | <u><u>\$ 10,200,863</u></u> |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------------|--------------------------------|
| Revenues: | | | |
| Property taxes | \$ 8,696,269 | \$ - | \$ 8,696,269 |
| Franchises fees | 443,409 | - | 443,409 |
| Permits and fees | 813,708 | - | 813,708 |
| Intergovernmental | 704,806 | - | 704,806 |
| Charges for services | 521,207 | - | 521,207 |
| Fines and forfeitures | 6,816 | - | 6,816 |
| Interest income | 20,530 | 513 | 21,043 |
| Rent & Leases | 56,827 | 22,000 | 78,827 |
| Miscellaneous | 362,089 | 220 | 362,309 |
| Total revenues | <u>11,625,661</u> | <u>22,733</u> | <u>11,648,394</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,885,669 | - | 1,885,669 |
| Public safety | 5,811,416 | - | 5,811,416 |
| Culture and recreation | 616,228 | 1,494 | 617,722 |
| Sanitation | 413,271 | - | 413,271 |
| Capital outlay | 250,880 | - | 250,880 |
| Debt service: | | | |
| Principal | 425,913 | - | 425,913 |
| Interest | 9,154 | - | 9,154 |
| Total expenditures | <u>9,412,531</u> | <u>1,494</u> | <u>9,414,025</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,213,130</u> | <u>21,239</u> | <u>2,234,369</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(1,286,000)</u> | <u>-</u> | <u>(1,286,000)</u> |
| Total other financing sources (uses) | <u>(1,286,000)</u> | <u>-</u> | <u>(1,286,000)</u> |
| Net change in fund balances | 927,130 | 21,239 | 948,369 |
| Fund balances, beginning | <u>6,539,095</u> | <u>206,981</u> | <u>6,746,076</u> |
| Fund balances, ending | <u>\$ 7,466,225</u> | <u>\$ 228,220</u> | <u>\$ 7,694,445</u> |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 948,369 |
|--|----|---------|

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

| | | |
|--|--|---------|
| Capital assets are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of certain of these assets are eliminated and capitalized as capital assets. | | 250,880 |
|--|--|---------|

| | | |
|---|--|-----------|
| Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities. | | (382,149) |
|---|--|-----------|

| | | |
|---|--|----------|
| Loss on disposal of capital assets is not reported on the governmental fund statements. However, these amounts are reported as expenses on the statement of activities. | | (10,045) |
|---|--|----------|

| | | |
|--|---|---------|
| Repayment of long-term liabilities are reported as expenditures in the governmental fund, but such repayments reduce liabilities in the statement of net position and are eliminated from the statement of activities. | - | 425,913 |
|--|---|---------|

| | | |
|--|--|-------|
| The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements. | | 2,750 |
|--|--|-------|

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:

| | | |
|---------------------------------------|--|----------|
| Current change in compensated absence | | 78,529 |
| Current change in OPEB obligation | | (23,851) |
| Pension expense | | 148,204 |

| | | |
|---|----|-----------|
| Change in net position of governmental activities | \$ | 1,438,600 |
|---|----|-----------|

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position - Proprietary Funds
September 30, 2015

| | Water Utility Fund | Sewer Utility Fund | Total |
|---------------------------------------|-----------------------|-----------------------|---------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 3,474,331 | \$ 1,347,187 | \$ 4,821,518 |
| Investments | 1,133,770 | 410,572 | 1,544,342 |
| Accounts receivable (net) | 359,192 | 168,740 | 527,932 |
| Prepaid Items | 2,666 | - | 2,666 |
| Supplies inventory | 6,262 | - | 6,262 |
| Restricted cash and cash equivalents | 245,841 | - | 245,841 |
| Total current assets | <u>5,222,062</u> | <u>1,926,499</u> | <u>7,148,561</u> |
| Non-current Assets | | | |
| Capital Assets | | | |
| Building and improvements | 7,746,507 | 1,725,534 | 9,472,041 |
| Improvements other than buildings | 7,221,850 | 1,204,616 | 8,426,466 |
| Equipment | 7,861,419 | 392,654 | 8,254,073 |
| Total capital assets | <u>22,829,776</u> | <u>3,322,804</u> | <u>26,152,580</u> |
| Less accumulated depreciation | (8,961,424) | (2,667,755) | (11,629,179) |
| Total non-current assets | <u>13,868,352</u> | <u>655,049</u> | <u>14,523,401</u> |
| Total assets | <u>19,090,414</u> | <u>2,581,548</u> | <u>21,671,962</u> |
| Deferred Outflows of Resources | | | |
| FRS Pension | 77,598 | - | 77,598 |
| Total deferred outflows of resources | <u>77,598</u> | <u>-</u> | <u>77,598</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 28,345 | \$ 73,232 | \$ 101,577 |
| Accrued liabilities | 21,579 | - | 21,579 |
| Accrued interest payable | 18,974 | - | 18,974 |
| Compensated absences | 9,377 | - | 9,377 |
| Long-Term Debt | 941,304 | - | 941,304 |
| Total current liabilities | <u>1,019,579</u> | <u>73,232</u> | <u>1,092,811</u> |
| Long-Term Liabilities | | | |
| Compensated absences | 79,929 | - | 79,929 |
| OPEB obligation | 91,307 | - | 91,307 |
| Net pension liability | 378,057 | - | 378,057 |
| Long-Term Debt | 10,840,584 | - | 10,840,584 |
| Total long-term liabilities | <u>11,389,877</u> | <u>-</u> | <u>11,389,877</u> |
| Total Liabilities | <u>12,409,456</u> | <u>73,232</u> | <u>12,482,688</u> |
| Deferred Inflows of Resources | | | |
| FRS Pension | 67,532 | - | 67,532 |
| Total deferred inflows of resources | <u>67,532</u> | <u>-</u> | <u>67,532</u> |
| Net Position | | | |
| Net investment in capital assets | 2,086,464 | 655,049 | 2,741,513 |
| Restricted for debt service | 226,867 | - | 226,867 |
| Unrestricted | 4,377,693 | 1,853,267 | 6,230,960 |
| Total net position | <u>\$ 6,691,024</u> | <u>\$ 2,508,316</u> | <u>\$ 9,199,340</u> |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2015

| | Water Fund | Sewer Fund | Total |
|--|---------------|---------------|--------------|
| Operating revenues: | | | |
| Charges for services | \$ 2,117,789 | \$ 1,013,901 | \$ 3,131,690 |
| Administrative fee | 140,000 | - | 140,000 |
| Total operating revenues | 2,257,789 | 1,013,901 | 3,271,690 |
| Operating expenses: | | | |
| Salaries and fringe benefits | 1,041,327 | - | 1,041,327 |
| Cost of sales and services | 583,475 | 745,861 | 1,329,336 |
| General and administrative | 491,973 | 148,833 | 640,806 |
| Depreciation | 677,339 | 90,600 | 767,939 |
| Total operating expenses | 2,794,114 | 985,294 | 3,779,408 |
| Operating income (loss) | (536,325) | 28,607 | (507,718) |
| Nonoperating revenues (expenses): | | | |
| Interest income | 11,538 | 3,939 | 15,477 |
| Gain on disposal and capital assets | 3,463 | 3,462 | 6,925 |
| Connection fees | 66,000 | 22,000 | 88,000 |
| Other revenue | 3,590 | 212 | 3,802 |
| Interest expense | (370,648) | - | (370,648) |
| Total nonoperating revenues (expenses) | (286,057) | 29,613 | (256,444) |
| Income before transfers | (822,382) | 58,220 | (764,162) |
| Transfers in | 1,286,000 | - | 1,286,000 |
| Total transfers | 1,286,000 | - | 1,286,000 |
| Net income | 463,618 | 58,220 | 521,838 |
| Net position - beginning, restated | 6,227,406 | 2,450,096 | 8,677,502 |
| Total net position, ending | \$ 6,691,024 | \$ 2,508,316 | \$ 9,199,340 |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2015

| | Business-Type Activities - Enterprise Funds | | |
|--|--|--------------------------|---------------------|
| | Water Utility | Sewer Utility | Total |
| Cash Flows From Operating Activities | | | |
| Receipts from customers | \$ 2,106,337 | \$ 1,013,144 | \$ 3,119,481 |
| Receipts from interfund services provided | 140,000 | - | 140,000 |
| Payments to suppliers | (763,660) | (730,611) | (1,494,271) |
| Payments for interfund services used | (298,550) | (140,000) | (438,550) |
| Payments to employees | (1,046,047) | - | (1,046,047) |
| Other revenue | 3,590 | 212 | 3,802 |
| Net cash provided by (used in) operating activities | 141,670 | 142,745 | 284,415 |
| Cash Flows From Noncapital Financing activities: | | | |
| Connection fees received | 66,000 | 22,000 | 88,000 |
| Transfers from other funds | 1,286,000 | - | 1,286,000 |
| Net cash provided by (used in) noncapital financing | 1,352,000 | 22,000 | 1,374,000 |
| Cash Flows From Capital and Related Financing Activities | | | |
| Purchase to acquire and construct capital assets | (185,849) | (13,582) | (199,431) |
| Proceeds from the disposal of capital assets | 7,600 | 7,600 | 15,200 |
| Principal paid on debt and leases | (923,654) | - | (923,654) |
| Interest paid on long-term debt | (372,020) | - | (372,020) |
| Net cash provided by (used in) capital and related financing activities | (1,473,923) | (5,982) | (1,479,905) |
| Cash Flows From Investing Activities | | | |
| Purchase of investments | (1,133,770) | (410,572) | (1,544,342) |
| Interest received | 11,538 | 3,939 | 15,477 |
| Net cash provided by (used in) investing activities | (1,122,232) | (406,633) | (1,528,865) |
| Net increase (decrease) in cash and cash equivalents | (1,102,485) | (247,870) | (1,350,355) |
| Cash and cash equivalents, beginning | 4,822,657 | 1,595,057 | 6,417,714 |
| Cash and cash equivalents, ending | \$ 3,720,172 | \$ 1,347,187 | \$ 5,067,359 |
| Reconciliation to the statement of net position: | | | |
| Cash and equity in pooled cash | \$ 3,474,331 | \$ 1,347,187 | \$ 4,821,518 |
| Restricted assets, cash | 245,841 | - | 245,841 |
| | \$ 3,720,172 | \$ 1,347,187 | \$ 5,067,359 |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended September 30, 2015

| | Business-Type Activities - Enterprise Funds | | |
|---|--|--------------------------|--------------|
| | Water Utility | Sewer Utility | Total |
| Reconciliation of Operating Income (loss) to Net Cash Provided By (Used In) Operating Activities | | | |
| Operating income (loss) | \$ (536,325) | \$ 28,607 | \$ (507,718) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 677,339 | 90,600 | 767,939 |
| GASB 68 Pension expense | (22,577) | - | (22,577) |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (11,452) | (757) | (12,209) |
| (Increase) decrease in other assets | 49,150 | 2,361 | 51,511 |
| Increase (decrease) in accounts payable | (33,839) | 21,934 | (11,905) |
| Increase (decrease) in other liabilities | 1,517 | - | 1,517 |
| Increase (decrease) in compensated absences | 9,833 | - | 9,833 |
| Increase (decrease) in OPEB | 8,024 | - | 8,024 |
| Total adjustments | 677,995 | 114,138 | 792,133 |
| Net cash provided by (used in) operating activities | \$ 141,670 | \$ 142,745 | \$ 284,415 |

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Highland Beach, Florida (the Town) was incorporated in 1949 pursuant to Senate Bill No. 418. The Town is governed by a Town Commission comprised of an elected Mayor, Vice Mayor and three Town Commissioners. The Town Commission appoints a Town Manager. The Town provides the following services: public safety, water and sewer systems, sanitation, streets and roads, planning and zoning, library, contract postal substation, and general administrative services.

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

Financial Reporting Entity

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise funds:

Water Utility System Fund

The Water Utility System Fund accounts for the activities of providing water treatment and distribution service to the property owners of the Town.

Sewer Utility System Fund

The Sewer Utility System Fund accounts for the operation of the sewage pumping stations and collection systems to customers inside the Town's boundaries.

Additionally, the Town reports the following non-major funds:

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town reports the following special revenue funds:

Open Space and Recreation Land Fund
Library Donation Fund
Cultural Society Fund
Law Enforcement Fund

The special revenue funds do not have legally adopted budgets.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Assets, Liabilities, and Net Position or Equity

Pooled Cash and Investments

Pooled cash and investments include cash on hand and investments with the State Board Investment Pool and certificates of deposit. Resources of all funds have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated monthly based upon equity balances of the individual funds.

Investments are reported at fair value, which is determined by using various third party pricing sources. The Investment Pool, administered by the Florida State Board of Administration, is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price.

Cash and cash equivalents, for purposes of the statement of cash flows, includes pooled cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

Receivables

Receivables include amounts due from other governments and others for services provided by the Town. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of receivables. Based on the high collection rates no allowance amounts are reported.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the enterprise funds consist of expendable parts and supplies held for consumption. The initial cost is recorded as an asset at the time the individual items are purchased and is charged against operations in the period when used. Inventories in the governmental funds consist of fuel. The Town accounts for these inventories using the consumption method, under which an expenditure is recognized only when inventory items are used. Reported inventories are equally offset by a fund balance reserve which indicates that it does not constitute “available spendable resources” even though it is a component of net current assets.

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired in years prior to implementation of the Statement.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

| <u>Asset</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 40-50 |
| Improvements other than buildings | 5-50 |
| Equipment and vehicles | 3-10 |
| Library books and materials | 3-5 |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

The Town's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service. Unused compensated absences are payable upon separation from service. Vacation and sick pay are accrued when incurred in the government-wide and Enterprise Fund financial statements. A liability is reported in the governmental funds only if it has matured, for example, as a result of employee resignations or retirement. The General Fund is used to liquidate such amounts.

Long-Term Obligations

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the Town would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the Town reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Property Taxes

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes (Continued)

of State law. The assessed value of property within the corporate limits of the Town at January 1, 2014, upon which the levy for the current fiscal year was based, was approximately \$1.94 billion. State Statutes permit municipalities to levy ad valorem property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special Town tax requirements. The millage rate assessed by the Town for the year ended September 30, 2015, was 4.6413 (\$4.6413 for each \$1,000 of assessed valuation).

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

The Town does not accrue property taxes receivable based on the County's allocation of the Town's portion of County-held certificates for prior years, since they are immaterial.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Town 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 removes or changes the specified use by taking the same type of action employed to previously commit those amounts.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

4. Assigned fund balance – Includes amounts the Town intends to be used for specific purposes, but are neither restricted nor committed. Under the Town's adopted policy, assignments can be made by action of the Town Commission or authority may be delegated to the Town Manager.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The Town Commission has assigned fund balance for mandatory reserves for the purpose of protection against cash flow shortfalls related to the timing of projected revenue receipts and to maintain a budget stabilization commitment. This amount shall be equal to but not less than 16.67% of General Fund operating expenditures, net of funds set aside for reserves.

The Town Commission has assigned fund balance for disaster recovery in order to provide the resources necessary to ensure continued operations and maintenance of services to the public. The amount shall be increased by \$100,000 per fiscal year up to a maximum amount of one-half or 8.5% of the then in effect general fund balance.

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

Disbursement of committed or assigned fund balances shall be authorized by a resolution of the Town Commission and may be approved by inclusion in the approved annual budget (and amendments thereto), or shall be authorized pursuant to any ordinances, resolutions or procedures adopted by the Town Commission (such as the Town's procurement code).

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

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

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

Use of Estimates

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. Appropriations expire at year end, even if encumbered, but it is the Town's policy to reappropriate such amounts at the beginning of the next fiscal year.

New Accounting Standards Adopted

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2015.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers, as well as the requirements* of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans.

This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Adopted (Continued)

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

The objective of this Statement is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations by providing guidance specific to the situations and circumstances encountered within the governmental environment.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The implementation of GASB 68 had the following effect on beginning net positions in fiscal year 2015:

| | Governmental Activities | Business-Type Activities | Water Fund |
|--|----------------------------|-----------------------------|---------------------|
| Net position - beginning, previously stated | \$ 11,326,064 | \$ 9,068,070 | \$ 6,617,974 |
| Recognize beginning net pension liability, 10/1/2014 | (2,563,801) | (390,568) | (390,658) |
| Net position - beginning, as restated | <u>\$ 8,762,263</u> | <u>\$ 8,677,502</u> | <u>\$ 6,227,316</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted

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

GASB Statement No. 72, Fair Value Measurement and Application

The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures* -

This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The Town has adopted an investment policy to establish guidelines for the efficient management of its cash reserves. The policy permits investments as follows:

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Chapter 280, Florida Statutes.
4. Direct obligations of the U.S. Treasury.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

5. Securities of, or other interests in, any open-end or closed-end management-type investment company, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof, and to repurchase agreements fully collateralized by such United States Government obligations.
6. Repurchase agreements whose underlying purchased securities consist of the permitted investments listed above.
7. Other investments authorized by ordinance of the Town of Highland Beach.

The State Board of Administration's Local Government Surplus Funds Trust Fund (Florida PRIME) is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Town has reported its investment in Florida PRIME at the same value as the pooled shares allocated to the Town.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2015, the Town had the following investments:

| | Fair Value | Credit Risk | Maturities |
|---|---------------------|-------------|---|
| Investment in Local Government Surplus Funds Trust Fund (Florida PRIME) | \$ 340,711 | S&P AAAM | Weighted average of the fund portfolio: 29 days |
| Certificate of deposit | 3,000,000 | Not rated | 10/31/2015 |
| Total Investments | <u>\$ 3,340,711</u> | | |

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceeding summary of investments. The Town's investment policy limits its investments to high quality investments to control credit risk.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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 3 – RECEIVABLES

Receivables as of September 30, 2015, for the Town's individual major fund's governmental activities and business-type activities are as follows:

| | Governmental Activities | Business-Type Activities | | |
|-----------------------------------|------------------------------------|-------------------------------------|-------------------------------|--------------|
| | General Fund | Water Utility Fund | Sewer Utility Fund | Total |
| Receivables: | | | | |
| Accounts | \$ 78,258 | \$ 359,192 | \$ 168,740 | \$ 606,190 |
| Franchise fees | 79,003 | - | - | 79,003 |
| Due from other governments: | | | | |
| State of Florida: | | | | |
| Half cent sales tax | 19,638 | - | - | 19,638 |
| Communciation service | 21,833 | - | - | 21,833 |
| Local option gas tax | 2,634 | - | - | 2,634 |
| Palm Beach County | 5,077 | - | - | 5,077 |
| Other | 2,083 | - | - | 2,083 |
| | 208,526 | 359,192 | 168,740 | 736,458 |
| Less allowance for uncollectibles | - | - | - | - |
| Net total receivables | \$ 208,526 | \$ 359,192 | \$ 168,740 | \$ 736,458 |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 – CAPITAL ASSETS

For the fiscal year ended September 30, 2015, depreciation expense was charged to functions as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| General government | \$ 170,407 |
| Public safety | 55,283 |
| Sanitation | 33,058 |
| Culture and recreation | 123,401 |
| Total depreciation expense, governmental activities | <u>382,149</u> |
| Business-type activities: | |
| Water utility system | 677,339 |
| Sewer utility system | 90,600 |
| Total depreciation expense, business-type activities | <u>\$ 767,939</u> |

**TOWN OF HIGHLAND BEACH,
FLORIDA NOTES TO FINANCIAL
STATEMENTS SEPTEMBER 30, 2015**

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended September 30, 2015, was as follows:

| | Beginning Balance | Additions | Deletions/ Transfers | Ending Balance |
|--|----------------------|--------------|-------------------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 323,889 | \$ - | \$ - | \$ 323,889 |
| Total capital assets, not being depreciated | 323,889 | - | - | 323,889 |
| Capital assets, being depreciated: | | | | |
| Buildings | 5,174,519 | - | - | 5,174,519 |
| Improvements other than buildings | 3,103,534 | 108,727 | - | 3,212,261 |
| Equipment, furniture, and books | 3,157,129 | 142,153 | (718,928) | 2,580,354 |
| Total capital assets, being depreciated | 11,435,182 | 250,880 | (718,928) | 10,967,134 |
| Less accumulated depreciation: | | | | |
| Buildings | (1,935,040) | (127,975) | - | (2,063,015) |
| Improvements other than buildings | (1,469,440) | (130,315) | - | (1,599,755) |
| Equipment, furniture, and books | (2,755,892) | (123,859) | 708,883 | (2,170,868) |
| Total accumulated depreciation | (6,160,372) | (382,149) | 708,883 | (5,833,638) |
| Total capital assets being depreciated, net | 5,274,810 | (131,269) | (10,045) | 5,133,496 |
| Governmental activities capital assets, net | \$ 5,598,699 | \$ (131,269) | \$ (10,045) | \$ 5,457,385 |
| Business-type activities | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 9,472,041 | \$ - | \$ - | \$ 9,472,041 |
| Improvements other than buildings | 8,413,574 | 12,892 | - | 8,426,466 |
| Equipment, furniture, and books | 8,141,588 | 186,539 | (74,054) | 8,254,073 |
| Total capital assets, being depreciated | 26,027,203 | 199,431 | (74,054) | 26,152,580 |
| Less accumulated depreciation: | | | | |
| Buildings | (3,408,126) | (240,157) | - | (3,648,283) |
| Improvements other than buildings | (2,417,490) | (215,803) | - | (2,633,293) |
| Equipment, furniture, and books | (5,101,403) | (311,979) | 65,779 | (5,347,603) |
| Total accumulated depreciation | (10,927,019) | (767,939) | 65,779 | (11,629,179) |
| Total capital assets, being depreciated, net | 15,100,184 | (568,508) | (8,275) | 14,523,401 |
| Business-type activities capital assets, net | \$ 15,100,184 | \$ (568,508) | \$ (8,275) | \$ 14,523,401 |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – LONG-TERM LIABILITIES

During the year ended September 30, 2015, the following changes occurred in long-term liabilities:

| Business type: | Beginning Balances | Additions | Reductions | Total | Due Within One Year |
|-------------------------------|-----------------------|------------------|---------------------|----------------------|------------------------|
| Promissory note, 2005 | \$ 9,681 | \$ - | \$ (9,681) | \$ - | \$ - |
| Promissory note, 2007 | 3,376,587 | - | (184,485) | 3,192,102 | 190,883 |
| Revolving fund loan DW500200 | 2,539,550 | - | (127,589) | 2,411,961 | 131,212 |
| Revolving fund loan DW500201 | 678,355 | - | (34,656) | 643,699 | 35,566 |
| Revolving fund loan DW502901 | 6,101,369 | - | (567,243) | 5,534,126 | 583,644 |
| Total notes and loans payable | 12,705,542 | - | (923,654) | 11,781,888 | 941,305 |
| Compensated Absences | 79,473 | 69,635 | (59,802) | 89,306 | 9,377 |
| | <u>\$ 12,785,015</u> | <u>\$ 69,635</u> | <u>\$ (983,456)</u> | <u>\$ 11,871,194</u> | <u>\$ 950,682</u> |

| Governmental: | Beginning Balances | Additions | Reductions | Total | Due Within One Year |
|-------------------------------|-----------------------|-------------------|---------------------|-------------------|------------------------|
| Promissory note, 2005 | \$ 425,913 | \$ - | \$ (425,913) | \$ - | \$ - |
| Total notes and loans payable | 425,913 | - | (425,913) | - | - |
| Compensated Absences | 342,473 | 247,380 | (325,909) | 263,944 | 27,714 |
| | <u>\$ 768,386</u> | <u>\$ 247,380</u> | <u>\$ (751,822)</u> | <u>\$ 263,944</u> | <u>\$ 27,714</u> |

Interest Expense

Total interest costs incurred and paid on all Town debt for the years ended September 30, 2014 and 2015, were \$421,976 and \$360,860, respectively. No interest cost was capitalized during the year.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Long-term debt at September 30, 2015, consists of the following individual issues:

Promissory Note, 2007

The \$4,400,000 promissory note was obtained for the purpose of financing the expansion of the Town's water treatment plant. As of September 30, 2015, proceeds in the amount of \$4,299,000 have been received from the note. Interest only was due for the first twenty-four months. Thereafter, interest and principal is due in monthly installments through February, 2029. For the interest only period, the annual interest rate was 0.67% plus 63.7% of the LIBOR. After the interest only period, the interest rate will be a fixed rate at 84% of the ask yield on the non-callable U.S. Treasury obligation with a maturity closest to but not less than 10 years after the Fixed Rate Conversion Date, as quoted in the Wall Street Journal on the date two business days before the Fixed Rate Conversion Date. As of September 30, 2015, the interest rate was 3.41%.

Based on the rate as of September 30, 2015, annual debt service requirements to maturity are as follows:

| Year Ending September 30 | Principal | Interest | Total |
|-----------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 190,883 | \$ 105,998 | \$ 296,881 |
| 2017 | 197,501 | 99,379 | 296,880 |
| 2018 | 204,350 | 92,531 | 296,881 |
| 2019 | 211,436 | 85,445 | 296,881 |
| 2020 | 218,767 | 78,113 | 296,880 |
| 2021-2025 | 1,213,023 | 271,378 | 1,484,401 |
| 2026-2029 | 956,142 | 58,200 | 1,014,342 |
| | <u>\$ 3,192,102</u> | <u>\$ 791,044</u> | <u>\$ 3,983,146</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan - DW 502901

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the purpose of constructing a reverse osmosis water treatment facility. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$738,424 and pledged ad valorem taxes were \$8,696,269. At September 30, 2015, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$6,276,602. As of September 30, 2015, outstanding principal, including capitalized interest, was \$5,534,126. The loan bears interest at 2.87%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 583,644 | \$ 154,780 | \$ 738,424 |
| 2017 | 600,521 | 137,903 | 738,424 |
| 2018 | 617,887 | 120,536 | 738,423 |
| 2019 | 635,758 | 102,666 | 738,424 |
| 2020 | 654,146 | 84,277 | 738,423 |
| 2020-2024 | 2,442,170 | 142,314 | 2,584,484 |
| | <u>\$ 5,534,126</u> | <u>\$ 742,476</u> | <u>\$ 6,276,602</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan – DW 500200

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$198,311 and pledged ad valorem taxes were \$8,696,269. At September 30, 2015, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$2,974,662. As of September 30, 2015, outstanding principal, including capitalized interest, was \$2,411,960. The loan bears interest at 2.82%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 131,212 | \$ 67,099 | \$ 198,311 |
| 2017 | 134,938 | 63,372 | 198,310 |
| 2018 | 138,771 | 59,540 | 198,311 |
| 2019 | 142,711 | 55,599 | 198,310 |
| 2020 | 146,764 | 51,547 | 198,311 |
| 2021-2025 | 798,760 | 192,796 | 991,556 |
| 2026-2030 | 918,805 | 72,749 | 991,554 |
| | <u>\$ 2,411,961</u> | <u>\$ 562,702</u> | <u>\$ 2,974,663</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan - DW500201

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$52,136 and pledged ad valorem taxes were \$8,696,269. At September 30, 2015, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$782,043. As of September 30, 2015, outstanding principal, including capitalized interest, was \$643,698. The loan bears interest at 2.61%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|-------------------|-------------------|-------------------|
| 2016 | \$ 35,566 | \$ 16,570 | \$ 52,136 |
| 2017 | 36,501 | 15,636 | 52,137 |
| 2018 | 37,459 | 14,677 | 52,136 |
| 2019 | 38,443 | 13,693 | 52,136 |
| 2020 | 39,454 | 12,683 | 52,137 |
| 2021-2025 | 213,369 | 47,312 | 260,681 |
| 2026-2029 | 242,907 | 17,774 | 260,681 |
| | <u>\$ 643,699</u> | <u>\$ 138,345</u> | <u>\$ 782,044</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2015:

| | Transfers In | Transfers Out |
|--------------------|-------------------------|--------------------------|
| General Fund | \$ - | \$ 1,286,000 |
| Water Utility Fund | 1,286,000 | |
| | <u>\$ 1,286,000</u> | <u>\$ 1,286,000</u> |

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been allocated for use.

NOTE 7 – DEFINED CONTRIBUTION PLANS

Town of Highland Beach Retirement Plan

The Town of Highland Beach Retirement Plan is a defined contribution Money Purchase 401(a) Plan established by the Town to provide benefits at retirement to the employees of the Town. All full-time employees age 21 or over must participate in the Plan after six (6) months of continuous service. Employees' interest in the Town's contributions vest as follows:

Employees hired before September 30, 1991:

| Years of Service Completed | Specified Percent Vested |
|---------------------------------------|-------------------------------------|
| One | 50% |
| Two | 75% |
| Three | 100% |

Employees hired after September 30, 1991:

| Years of Service Completed | Specified Percent Vested |
|---------------------------------------|-------------------------------------|
| Three | 33% |
| Four | 66% |
| Five | 100% |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Retirement Plan (Continued)

The total payroll for all employees and payroll for employees covered by the Plan for the current year were \$2,950,519 and \$160,696, respectively. The Town is required to contribute 8% of each eligible employee's base salary. Plan members are required to contribute 2% of their base salary. If an employee contributes an additional 1% of base salary, the Town will contribute an additional 2% of the employee's base salary. If an employee contributes an additional 2% of base salary, the Town will contribute an additional 4% of the employee's base salary. For the year ended September 30, 2015, the Town and the covered employees made the required contributions of \$19,283 and \$6,428, respectively, for a total of \$25,711.

Plan revisions and contribution requirements are established and may be amended by the Town Commission. The Plan is administered by the International City Management Association Retirement Corporation, which provides various pooled investment alternatives. Participants direct the allocation of contributions to investment alternatives offered under the Plan. Because the Town does not hold or administer funds for the Plan, the Plan does not meet the criteria for inclusion in the Town's financial statements as a fiduciary fund.

On August 2, 2005, the Town approved Resolutions 841 and 842 regarding participation in retirement plans for the Town's employees. Resolution 841 established the policy that all general employees of the Town, except those excluded by law, shall participate in the Florida Retirement System effective October 1, 2005. Resolution 842 amended the Money Purchase Pension Plan effective October 1, 2005. Plan assets were transferred directly to the Florida Retirement System.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Retirement Plan (Continued)

Employees participating in the Money Purchase Pension Plan, on October 1, 2005 had the option to:

- a. Elect to remain in the Money Purchase Pension Plan and to continue to participate according to plan provisions.
- b. Elect to withdraw from the Money Purchase Pension Plan and join the Florida Retirement System. Employees allowed funds to revert back to the Town to purchase past service as follows:
 - 1) The entire ending account balance of the Town's portion of the Money Purchase Pension Plan as of September 30, 2006.
 - 2) The employee's ending account balance of the Money Purchase Pension Plan to the extent of the Florida Retirement System's buy back of past service amounts as of September 30, 2006.
- c. Elect to retain their vested membership credit with the Money Purchase Pension Plan and begin membership in the Florida Retirement System effective October 1, 2005, with the understanding that they may not purchase past service in the Florida Retirement system for time credited under the Money Purchase Pension Plan.

Town of Highland Beach Voluntary Retirement Plan

On September 5, 2006, the Town approved Resolution 864 establishing the Town of Highland Beach Voluntary Retirement Plan. The Plan is a defined contribution Money Purchase 401 Plan to provide benefits at retirement to the employees of the Town. The effective date of the Plan was October 1, 2006. All employees age 21 or over may participate in the Plan. Participants may make voluntary pretax contributions to the Plan based upon a percentage of their base payroll. The Town does not make contributions to the Plan. For the year ended September 30, 2015, Town employees did not make any voluntary contributions to the Plan.

The Plan is administered by the International City Management Association Retirement Corporation, which provides various pooled investment alternatives. Participants direct the allocation of contributions to investment alternatives offered under the Plan. Plan revisions and contribution requirements are established and may be amended by the Town Commission. Because the Town does not hold or administer funds for the Plan, the Plan does not meet the criteria for inclusion in the Town's financial statements as a fiduciary fund.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM

Florida Retirement System Pension Plan

General Information about the FRS

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

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

The Town's pension expense totaled \$153,110 for the fiscal year ended September 30, 2015.

FRS Pension Plan

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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

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

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015 fiscal year were as follows:

| Class | Percent of Gross Salary October 1, 2014 to June 30, 2015 | | Percent of Gross Salary July 1, 2015 to September 30, 2015 | |
|--|--|--------------|--|--------------|
| | Employee | Employer (1) | Employee | Employer (1) |
| FRS, Regular | 3.00 | 7.37 | 3.00 | 7.26 |
| FRS, Special Risk - Regular | 3.00 | 19.82 | 3.00 | 22.04 |
| FRS, Special Risk - Admin | 3.00 | 42.07 | 3.00 | 32.95 |
| FRS, Elected Officials | 3.00 | 43.24 | 3.00 | 45.80 |
| FRS, Senior Management Service Class | 3.00 | 21.14 | 3.00 | 21.43 |
| DROP, Applicable to all members in the above classes | 0.00 | 12.28 | 0.00 | 12.88 |

(1) Employer rates include a postemployment HIS contribution rate of 1.26% through June 30, 2015 and 1.66% from July 1 to September 30, 2015. Also, employer rates include .04% for administrative costs of the Investment plan.

The Town's contributions to the Plan totaled \$286,753 for the fiscal year ended September 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Town reported a liability of \$1,909,208 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2015 relative to the contributions made during the year ended June 30, 2014 of all participating members. At June 30, 2015, the Town's proportionate share was .0148%, which was an increase of .0005% from its proportionate share measured as of June 30, 2014.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

For the fiscal year ended September 30, 2015 the Town recognized pension expense of \$153,110 related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 201,556 | \$ (45,281) |
| Change of assumptions | 126,721 | - |
| Net difference between projected and actual earnings on FRS pension plan investments | 672,476 | (1,128,363) |
| Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions | 82,998 | - |
| Town FRS contributions subsequent to the measurement date | 88,840 | - |
| Total | <u>\$ 1,172,591</u> | <u>\$ (1,173,644)</u> |

The deferred outflows of resources related to pensions, totaling \$88,840, 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending September 30,</u> | <u>Amount</u> |
|----------------------------------|--------------------|
| 2016 | \$ (134,420) |
| 2017 | (134,420) |
| 2018 | (134,420) |
| 2019 | 241,701 |
| 2020 | 56,789 |
| Thereafter | 14,877 |
| Total | <u>\$ (89,893)</u> |

Actuarial Assumptions – The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.60 percent |
| Salary increases | 3.25 percent, average, including inflation |
| Investment rate of return | 7.65 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions – The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

| Asset Class | Target Allocation (1) | Arithmetic Return | Geometric Return | Standard Deviation |
|--------------------------|------------------------------|--------------------------|-------------------------|---------------------------|
| Cash | 1.0% | 3.2% | 3.1% | 1.7% |
| Fixed income | 18.0% | 4.8% | 4.7% | 4.7% |
| Global equity | 53.0% | 8.5% | 7.2% | 17.7% |
| Real estate (property) | 10.0% | 6.8% | 3.2% | 12.0% |
| Private equity | 6.0% | 11.9% | 8.2% | 30.0% |
| Strategic investments | 12.0% | 6.7% | 6.1% | 11.4% |
| Total | 100.0% | | | |
| | | | | |
| Assumed inflation - mean | | 2.6% | | 1.9% |

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

| | 1% Decrease | Current | 1% Increase |
|-----------------------|--------------------|----------------------|--------------------|
| | 6.65% | Discount Rate | 8.65% |
| Net Pension Liability | \$ 4,947,189 | \$ 1,909,208 | \$ (618,892) |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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

Payables to the Pension Plan – At September 30, 2015, the Town reported a payable of \$20,683 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2015.

Retiree Health Insurance Subsidy Program

Plan Description

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

Benefits Provided – For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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, 2015, the contribution rate was 1.26% of payroll from October 1, 2014 through June 30, 2015 and 1.66% of payroll for July 1, 2015 through September 30, 2015 pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$37,938 for the fiscal year ended September 30, 2015.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Town reported a net pension liability of \$950,528 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the year ended June 30, 2015 contributions relative to the year ended June 30, 2014 contributions of all participating members. At June 30, 2015, the Town's proportionate share was .0093%, which did not significantly change compared to its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$69,103 related to the HIS Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Change of assumptions | 74,782 | - |
| Net difference between projected and actual earnings on FRS pension plan investments | 515 | - |
| Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions | - | (9,663) |
| Town FRS contributions subsequent to measurement date | 11,567 | - |
| Total | <u>\$ 86,864</u> | <u>\$ (9,663)</u> |

The deferred outflows of resources related to pensions, totaling \$11,567, 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30, | Amount |
|---------------------------|------------------|
| 2016 | \$ 11,312 |
| 2017 | 11,312 |
| 2018 | 11,312 |
| 2019 | 11,208 |
| 2020 | 11,157 |
| Thereafter | 9,333 |
| Total | <u>\$ 65,634</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-----------------------------|
| Inflation | 2.60 percent |
| Salary increases | 3.25% average, including in |
| Investment rate of return | 3.80 percent |

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014.

Discount Rate – The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

| | 1% Decrease | Current | 1% Increase |
|-----------------------|--------------|---------------------|-------------|
| | 2.80% | Discount Rate 3.80% | 4.80% |
| Net Pension Liability | \$ 1,083,082 | \$ 950,528 | \$ 839,997 |

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

Payables to the Pension Plan – At September 30, 2015, the Town reported a payable of \$3,340 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2015.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Investment Plan

Plan Description

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

Funding Policy

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town's employees at September 30, 2015, were as follows: regular employees 10.26%, special risk employees 25.04%, senior management service employees 24.43%, and elected officials 45.27%. These rates include a 3.00% employee contribution, 1.66% for the Retiree Health Insurance Subsidy Program, and a 0.04% administrative fee.

The Town's total payroll for the year ended September 30, 2015 was \$2,950,519 and payroll for employees covered by the Plan was \$706,159. The Town and the covered employees made the required contributions of \$101,430 and \$21,185, respectively.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Town implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2008. The Town elected to implement prospectively, and the change in accounting principle had no effect on changes in net assets/fund equity for prior periods. Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description

The Town provides postemployment benefits to its retired employees through a single employer defined benefit health care plan administered by the Town. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Town and eligible dependents, may continue to participate in the Town's medical and prescription drug plan. The Town subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan has no assets and does not issue a separate financial report.

Funding Policy

Currently, the Town's other postemployment benefits are unfunded. That is, the Town Commission has not established a separate trust fund or equivalent arrangement into which the Town would make contributions to advance fund the obligation. The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an employer contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year. As of September 30, 2015, there were four retirees receiving other postemployment benefits, including one retiree covered under the Town's health plan. The Town provided required contributions of \$4,653 toward the annual OPEB cost, in the form of age adjusted premiums paid on behalf of retirees, and net of retiree contributions totaling \$9,690.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Town has elected to calculate the ARC and related information using the Alternative Measurement Method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The annual OPEB cost and the net OPEB obligation for the Town for the current year and the related information are as follows:

| | |
|---|---------------|
| Required contribution rates: | |
| Employer | Pay-as-you-go |
| Plan members | N/A |
| Annual Required Contribution | \$ 38,426 |
| Interest on net OPEB Obligation | 9,926 |
| Adjustment to ARC | (11,824) |
| Annual OPEB cost | 36,528 |
| Interest on Employer Contributions | - |
| Contributions made* | (4,653) |
| Increase in net OPEB obligation | 31,875 |
| Net OPEB obligation - beginning of year | 330,858 |
| Net OPEB obligation - end of year | \$ 362,733 |

*Represents a credit for the implied subsidy

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year information for the years ended September 30 is presented as follows:

| Fiscal Year Ended September 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation/(Asset) |
|---------------------------------------|---------------------|--|-----------------------------------|
| 2013 | \$ 38,234 | 19% | \$ 303,437 |
| 2014 | 39,886 | 31% | 330,858 |
| 2015 | 36,528 | 13% | 362,733 |

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL), Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as Percent of Covered Payroll |
|-----------------------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
| September 30, 2015 | \$ - | \$ 198,272 | \$ 198,272 | - % | \$ 3,139,398 | 6.0 % |

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Town implemented GASB 45 during the fiscal year ended September 30, 2009, and elected to apply the statement prospectively. Consequently, there are no disclosures for prior years. The Plan is required to have an actuarial valuation every three years. The next valuation is scheduled for September 30, 2018.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 3.00% was used. An inflation rate of 1.8% was assumed. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2015 was 30 years. The expected rate of increase in health insurance premiums start at 8.00% for the fiscal year ending in 2016 and 7.50% for 2017, grading down to 3.50% at the ultimate trend rate by 2025.

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

- Assumptions of marital status for active employees have been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 75%. For active employees, spouses' genders were assumed to be the opposite of the members' genders and females were assumed three years younger than their spouses. Covered spouse data were collected for current retired plan members as of the valuation date, and were assumed to remain unchanged until the assumed death of the spouses.
- Life expectancies were based on the 2004 United States Male and Female life tables.
- Non-group-specific age based turnover data provided in GASB 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits paid.
- Health insurance premiums for retirees in effect on the fiscal year ending date were used as the basis for calculation of the present value of benefits to be paid.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 – ADMINISTRATIVE CHARGE BY THE GENERAL FUND TO THE ENTERPRISE FUND

During the year ended September 30, 2015, the cost of administrative services rendered by the General Fund to the Water Utility Enterprise Fund was shown as revenue in the General Fund and as an operating expense in the enterprise. The amount charged by the General Fund was \$298,550.

NOTE 11 – ADMINISTRATIVE CHARGE BY THE WATER DEPARTMENT TO THE SEWER DEPARTMENT

During the year ended September 30, 2015, the cost of administrative services rendered by the Water Utility Enterprise Fund to the Sewer Utility Enterprise Fund was shown as revenue in the Water Fund and as an operating expense in the Sewer Fund. The amount charged by the Water Fund was \$140,000.

NOTE 12 – 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 and \$300,000 for all claims relating to the same accident. However, under certain circumstance, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

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

NOTE 13 – CONTINGENCIES

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 14 – COMMITMENTS

Solid Waste and Recycling Collection Services

The Town has entered into an agreement with Waste Management Inc. of Florida to provide solid waste and recycling collection services. The term of the agreement ended December 14, 2014. In November 2014, Waste Management was awarded a new contract as the result of a competitive bidding process. The term of the new agreement is for the period beginning January 1, 2015 and expiring May 31, 2020. The agreement may be renewed for one three year term, at the discretion of the Town. Under the terms of the new agreement, the Town received a significant reduction in rates. Under the terms of both agreements, the Town pays an established rate per month per unit picked up curbside or containerized. Waste Management bills the Town monthly for services provided. For the year ended September 30, 2015, the Town made payment of \$411,239 pursuant to the agreements.

Encumbrances

At September 30, 2015, the Town had encumbrances of \$135,503 in the General Fund.

Fire Protection and Fire Rescue Services

The Town has an agreement with the City of Delray Beach (the City) under which the City provides fire protection and fire rescue services. The term of the agreement is for fifteen years, beginning October 1, 2002, and extending through September 30, 2017, with options to renew for additional periods of ten years each upon the mutual agreement of both parties. Under the terms of the agreement, the City charges the Town a flat rate, which is adjusted annually based on changes in the consumer price index. The amount paid for the year ended September 30, 2015 was \$3,113,565.

NOTE 15 – INTERLOCAL GOVERNMENTAL AGREEMENTS

Sewage Disposal Services

The Town has a second Interlocal Agreement with the City of Delray Beach under which the City provides sewage disposal services to the Town. Under the terms of the agreement, which will expire in 2030, the City charges the Town a rate per gallon based on the cost of providing the services. For the year ended September 30, 2015, the Town was charged \$645,831 for sewage disposal services.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual General Fund
For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variance with |
|----------------------------------|-------------------------|-------------------|-------------------|--|
| | Original | Final | Amounts | Final Budget- Positive (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 8,639,000 | \$ 8,639,000 | \$ 8,696,269 | \$ 57,269 |
| Franchise fees | 399,000 | 399,000 | 443,409 | 44,409 |
| Permits and fees | 365,000 | 365,000 | 813,708 | 448,708 |
| Intergovernmental | 671,000 | 671,000 | 704,806 | 33,806 |
| Charges for services | 507,000 | 507,000 | 521,207 | 14,207 |
| Fines and forfeitures | 17,000 | 17,000 | 6,816 | (10,184) |
| Interest income | 15,000 | 15,000 | 20,530 | 5,530 |
| Rent & Leases | 56,800 | 56,800 | 56,827 | 27 |
| Miscellaneous | 303,550 | 303,550 | 362,089 | 58,539 |
| Total revenues | 10,973,350 | 10,973,350 | 11,625,661 | 652,311 |
| Expenditures: | | | | |
| General Government: | | | | |
| Town Commission | 155,150 | 155,150 | 140,999 | 14,151 |
| Town Manager | 369,025 | 369,025 | 313,259 | 55,766 |
| Town Clerk | 339,150 | 339,150 | 293,700 | 45,450 |
| Finance | 321,245 | 321,245 | 297,186 | 24,059 |
| Legal | 135,000 | 135,000 | 100,587 | 34,413 |
| Public Works | 253,900 | 253,900 | 274,401 | (20,501) |
| Post office | 134,530 | 134,530 | 122,459 | 12,071 |
| Non-departmental and contingency | 638,130 | 407,545 | 343,078 | 64,467 |
| Total general government | 2,346,130 | 2,115,545 | 1,885,669 | 229,876 |
| Public safety: | | | | |
| Police | 2,135,195 | 2,135,195 | 2,105,998 | 29,197 |
| Fire Rescue | 3,265,100 | 3,265,100 | 3,126,461 | 138,639 |
| Protective Inspections | 347,030 | 577,230 | 566,957 | 10,273 |
| Ambulance Services | 12,000 | 12,000 | 12,000 | - |
| Total public safety | 5,759,325 | 5,989,525 | 5,811,416 | 178,109 |

(See notes to budgetary required supplementary information)

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|--|-------------------|-------------------|---------------------|--|
| | Original | Final | Amounts | |
| Sanitation: | | | | |
| Refuse Collection | 497,000 | 497,000 | 413,271 | 83,729 |
| Total physical environment | 497,000 | 497,000 | 413,271 | 83,729 |
| Culture and recreation: | | | | |
| Library | 628,350 | 628,350 | 616,229 | 12,121 |
| Total culture and recreation | 628,350 | 628,350 | 616,229 | 12,121 |
| Debt service: | | | | |
| Principal retirement | 425,500 | 425,885 | 425,913 | (28) |
| Interest | 9,400 | 9,400 | 9,154 | 246 |
| Total debt service | 434,900 | 435,285 | 435,067 | 218 |
| Capital outlay | 424,800 | 424,800 | 250,880 | 173,920 |
| Total Capital Outlay | 424,800 | 424,800 | 250,880 | 173,920 |
| Total expenditures | 10,090,505 | 10,090,505 | 9,412,532 | 677,973 |
| Excess (deficiency) of revenues over expenditures | 882,845 | 882,845 | 2,213,129 | 1,330,284 |
| Other financing sources (uses): | | | | |
| Interfund Transfer Out | (1,286,500) | (1,286,500) | (1,286,000) | 500 |
| Use of fund balance | 403,655 | 403,655 | - | (403,655) |
| Total other financing sources (uses) | (882,845) | (882,845) | (1,286,000) | (403,155) |
| Net change in fund balance | \$ - | \$ - | 927,129 | \$ 927,129 |
| Fund balance, beginning | | | 6,539,095 | |
| Fund balance, ending | | | <u>\$ 7,466,224</u> | |

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplementary
Information September 30, 2015

NOTE 1. Budgets and Budgetary Accounting

Florida Statutes require all municipal governments to establish budgetary systems and approve balanced annual operating budgets. The Town Commission adopts an operating budget and appropriates funds for the General Fund, the Library Donation Special Revenue Fund, and all Proprietary Funds. The procedures for establishing budgetary data are as follows:

- In July of each year, the Town Manager submits a proposed operating budget to the Commission for the next fiscal year commencing the following October 1st.
- In September, the Commission holds public meetings to obtain taxpayer comments.
- Upon completion of the public hearings and prior to October 1, a final operating budget is legally enacted through the passage of a resolution. Estimated beginning fund balances are considered in the budgetary process

Changes or amendments to the total budgeted expenditures of the Town or a department must be approved by the Commission. Changes within a department which do not affect department totals may be approved on the administrative level. Budgets are adopted on a basis consistent with generally accepted accounting principles.

NOTE 2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and control. Because appropriations expire at year end, even if encumbered, it is the Town's policy to reappropriate such amounts at the beginning of the next fiscal year.

NOTE 3. Excess of Expenditures Over Appropriations

No departments had expenditures in excess of appropriations for the fiscal year ended September 30, 2015.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2015

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL), Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as Percent of Covered Payroll |
|-----------------------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
| September 30, 2009 | \$ - | \$ 339,134 | \$ 339,134 | - % | \$ 2,197,591 | 15.4 % |
| September 30, 2012 | - | 175,617 | 175,617 | - % | 1,942,955 | 9.0 % |
| September 30, 2015 | - | 198,272 | 198,272 | - % | 3,139,398 | 6.0 % |

The schedule of funding progress presented above presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Town implemented GASB 45 during the fiscal year ended September 30, 2009, and elected to apply the statement prospectively. Consequently, there are no disclosures for prior years. The Town is required to have an actuarial valuation every three years. The next valuation is schedule for September 30, 2018.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
For the Year Ended September 30, 2015

Schedule of Town's Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last 10 Years (Measurement Date)*

| | 2015 | 2014 |
|--|--------------|--------------|
| Town's proportion of the FRS net pension liability | 0.014781336% | 0.014314377% |
| Town's proportionate share of the FRS net pension liability | 1,909,208 | 873,387 |
| Town's covered employee payroll | 2,827,626 | 2,786,472 |
| Liability as a percentage of its covered employee payroll | 68% | 31% |
| FRS plan fiduciary net position as a percentage of the total pension liability | 92.00% | 96.09% |

Schedule of Town's Proportionate Share of Net Pension Liability
Health Insurance Subsidy Pension Plan
Last 10 Years (Measurement Date)*

| | 2015 | 2014 |
|--|--------------|--------------|
| Town's proportion of the FRS net pension liability | 0.009320335% | 0.009381402% |
| Town's proportionate share of the FRS net pension liability | 950,528 | 877,184 |
| Town's covered employee payroll | 2,827,626 | 2,786,472 |
| Liability as a percentage of its covered employee payroll | 34% | 31% |
| FRS plan fiduciary net position as a percentage of the total pension liability | 0.50% | 0.99% |

*Information is not available for periods prior to 2014.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
For the Year Ended September 30, 2015

Schedule of Town Contributions
Florida Retirement System Pension Plan
Last 10 Fiscal Years*

| | 2015 |
|--|------------------|
| Contractually required FRS contribution | \$ 286,753 |
| FRS contributions in relation to the contractually required contribution | <u>(286,753)</u> |
| FRS contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered employee payroll | \$ 2,083,665 |
| FRS contributions as a percentage of covered employee payroll | 14% |

Schedule of Town Contributions
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years*

| | 2015 |
|--|-----------------|
| Contractually required FRS contribution | \$ 37,938 |
| HIS contributions in relation to the contractually required contribution | <u>(37,938)</u> |
| HIS contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered employee payroll | \$ 2,083,665 |
| HIS contributions as a percentage of covered employee payroll | 2% |

*Information is not available for periods prior to 2015.

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2015

| | <u>Special Revenue Funds</u> | | | <u>Total</u> |
|--------------------------------------|------------------------------|-----------------|--------------------|---------------------|
| | <u>Open Space</u> | <u>Library</u> | <u>Law</u> | <u>Governmental</u> |
| | <u>Recreation Land</u> | <u>Donation</u> | <u>Enforcement</u> | <u>Funds</u> |
| Assets | | | | |
| Cash and cash equivalents | \$ 165,739 | \$ 4,689 | \$ 5,302 | \$ 175,729 |
| Investments | 49,506 | 1,400 | 1,584 | 52,491 |
| Total assets | <u>215,245</u> | <u>6,089</u> | <u>6,886</u> | <u>228,220</u> |
| Liabilities and Fund Balances | | | | |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Recreation land acquisition | \$ 215,245 | \$ - | \$ - | \$ 215,245 |
| Library activities | - | - 6,089 | - | 6,089 |
| Law enforcement | - | - | 6,886 | 6,886 |
| Total fund balances | <u>215,245</u> | <u>6,089</u> | <u>6,886</u> | <u>228,220</u> |
| Total liabilities and fund balances | <u>\$ 215,245</u> | <u>\$ 6,089</u> | <u>\$ 6,886</u> | <u>\$ 228,220</u> |

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2015

| | Special Revenue Funds | | | | Total |
|--|---|-----------------------------|-----------------------------|----------------------------|----------------------------|
| | Open Space and Recreation Land | Library Donation | Cultural Society | Law Enforcement | Non-major Funds |
| Revenues: | | | | | |
| Interest | \$ 487 | \$ 14 | \$ 1 | \$ 11 | \$ 513 |
| Miscellaneous | 22,000 | 214 | - | 6 | 22,220 |
| Total revenues | 22,487 | 228 | 1 | 17 | 22,733 |
| Expenditures: | | | | | |
| Operating supplies | - | - | 1,494 | - | 1,494 |
| Total expenditures | - | - | 1,494 | - | 1,494 |
| Excess (deficiency) of revenues over expenditures | 22,487 | 228 | (1,493) | 17 | 21,239 |
| Net change in fund balances | 22,487 | 228 | (1,493) | 17 | 21,239 |
| Fund balances, beginning | 192,758 | 5,861 | 1,493 | 6,869 | 206,981 |
| Fund balances, ending | \$ 215,245 | \$ 6,089 | \$ - | \$ 6,886 | \$ 228,220 |

This page intentionally left blank

STATISTICAL SECTION

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

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:

| | |
|---|-------|
| Net Position by Component..... | 69-70 |
| Changes in Net Position..... | 71-72 |
| Fund Balances, Governmental Funds..... | 73-74 |
| Changes in Fund Balances, Governmental Funds..... | 75-76 |

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

| | |
|--|----|
| Assessed Value and Actual Value of Taxable Property..... | 77 |
| Direct and Overlapping Property Tax Rates..... | 78 |
| Principal Property Tax Payers..... | 79 |
| Property Tax Levies and Collections..... | 80 |

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

| | |
|--|----|
| Ratios of Outstanding Debt by Type..... | 81 |
| Ratios of General Bonded Debt Outstanding..... | 82 |
| Direct and Overlapping Governmental Activities Debt..... | 83 |
| Legal Debt Margin Information..... | 84 |
| Pledged-Revenue Coverage..... | 85 |

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

| | |
|---|----|
| Demographic and Economic Information..... | 86 |
| Principal Employers..... | 87 |

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

| | |
|---|----|
| Full-Time Equivalent Town Government Employees by Function/Program..... | 88 |
| Operating Indicators by Function/Program..... | 89 |
| Capital Asset Statistics by Function/Program..... | 90 |

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

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

| Fiscal Year Ended 9/30 | 2006 | 2007 | 2008 | 2009 |
|---------------------------------------|---------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | |
| Net investment in capital assets | \$ 3,187,681 | \$ 2,736,193 | \$ 3,891,288 | \$ 4,055,665 |
| Restricted | 196,464 | 206,652 | 215,900 | 208,117 |
| Unrestricted | (206,984) | 2,804,943 | 3,099,905 | 4,125,914 |
| Total governmental activities | \$ 3,177,161 | \$ 5,747,788 | \$ 7,207,093 | \$ 8,389,696 |
| Business type activities | | | | |
| Net investment in capital assets | \$ 5,152,365 | \$ 4,806,874 | \$ 4,643,383 | \$ 4,440,519 |
| Restricted | | | | |
| Unrestricted | 1,092,036 | 1,385,963 | 730,965 | 1,321,947 |
| Total business type activities | \$ 6,244,401 | \$ 6,192,837 | \$ 5,374,348 | \$ 5,762,466 |
| Primary Government | | | | |
| Net investment in capital assets | \$ 8,340,046 | \$ 7,543,067 | \$ 8,534,671 | \$ 8,496,184 |
| Restricted | 196,464 | 206,652 | 215,900 | 208,117 |
| Unrestricted | 885,052 | 4,190,906 | 3,830,870 | 5,447,861 |
| Total primary government | \$ 9,421,562 | \$ 11,940,625 | \$ 12,581,441 | \$ 14,152,162 |

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 4,105,395 | \$ 4,721,472 | \$ 4,272,876 | \$ 4,498,697 | \$ 5,456,728 | \$ 5,457,385 |
| 206,674 | 203,401 | 204,025 | 210,012 | 206,981 | 228,220 |
| 4,648,565 | 3,996,161 | 4,537,572 | 5,541,258 | 5,662,355 | 4,515,258 |
| <u>\$ 8,960,634</u> | <u>\$ 8,921,034</u> | <u>\$ 9,014,473</u> | <u>\$10,249,967</u> | <u>\$11,326,064</u> | <u>\$10,200,863</u> |

| | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 4,824,750 | \$ 4,109,700 | \$ 3,983,977 | \$ 3,817,724 | \$ 2,394,642 | \$ 2,741,513 |
| 226,211 | 227,426 | 233,095 | 233,174 | 234,891 | 226,867 |
| 1,288,498 | 2,370,880 | 2,636,441 | 2,779,070 | 6,438,537 | 6,230,960 |
| <u>\$ 6,339,459</u> | <u>\$ 6,708,006</u> | <u>\$ 6,853,513</u> | <u>\$ 6,829,968</u> | <u>\$ 9,068,070</u> | <u>\$ 9,199,340</u> |

| | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 8,930,145 | \$ 8,831,172 | \$ 8,256,853 | \$ 8,316,421 | \$ 7,851,370 | \$ 8,198,898 |
| 432,885 | 430,827 | 437,120 | 443,186 | 441,872 | 455,087 |
| 5,937,063 | 6,367,041 | 7,174,013 | 8,320,328 | 12,100,892 | 10,746,218 |
| <u>\$15,300,093</u> | <u>\$15,629,040</u> | <u>\$15,867,986</u> | <u>\$17,079,935</u> | <u>\$20,394,134</u> | <u>\$19,400,203</u> |

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

| Fiscal Year Ended 9/30 | 2006 | 2007 | 2008 | 2009 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,337,885 | \$ 1,963,868 | \$ 2,082,101 | \$ 1,985,394 |
| Public Safety | 4,386,918 | 4,676,540 | 5,224,278 | 4,994,823 |
| Culture/recreation | 364,037 | 499,442 | 512,999 | 586,308 |
| Sanitation | 369,965 | 403,190 | 437,217 | 452,133 |
| Interest | 168,583 | 155,786 | 145,818 | 110,327 |
| Total governmental activities | \$ 7,627,388 | \$ 7,698,826 | \$ 8,402,413 | \$ 8,128,985 |
| Business type activities: | | | | |
| Water utility | 2,392,210 | 2,594,317 | 2,800,840 | 2,961,803 |
| Sewer utility | 737,138 | 856,529 | 876,225 | 1,024,162 |
| Interest on long term debt | 351,393 | 304,552 | 427,622 | 420,614 |
| Total business type activities | 3,480,741 | 3,755,398 | 4,104,687 | 4,406,579 |
| Total primary government expenses | \$ 11,108,129 | \$ 11,454,224 | \$ 12,507,100 | \$ 12,535,564 |
| Program Revenues | | | | |
| Charges for Services- Governmental Activities | | | | |
| General Government | 50,983 | 71,754 | 70,861 | 54,539 |
| Public Safety | 443,549 | 453,299 | 463,487 | 261,729 |
| Culture recreation | 4,992 | 4,879 | 4,047 | 6,273 |
| Sanitation | 350,127 | 381,775 | 412,813 | 476,579 |
| Total Charges for Services | \$ 849,651 | \$ 911,707 | \$ 951,208 | \$ 799,120 |
| Operating Grants and Contributions | 4,500 | 10,575 | | 7,605 |
| Capital Grants and Contributions | 200,000 | | 75,436 | 184,387 |
| Total governmental activities program revenues | \$ 1,054,151 | \$ 922,282 | \$ 1,026,644 | \$ 991,112 |
| Business type activities program revenue: | | | | |
| Water utility | 1,282,171 | 1,705,302 | 1,941,274 | 2,147,620 |
| Sewer utility | 844,200 | 847,096 | 842,837 | 851,892 |
| Capital Grants and Contributions | 3,000 | | | |
| Total business type activities program revenues | 2,129,371 | 2,552,398 | 2,784,111 | 2,999,512 |
| Total primary government program revenue | \$ 3,183,522 | \$ 3,474,680 | \$ 3,810,755 | \$ 3,990,624 |
| Net (expense) revenue | | | | |
| Governmental activities | (6,573,237) | (6,776,544) | (7,375,769) | (7,137,873) |
| Business type activities | (1,351,370) | (1,203,000) | (1,320,576) | (1,407,067) |
| Total primary government net expense | \$ (7,924,607) | \$ (7,979,544) | \$ (8,696,345) | \$ (8,544,940) |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Property taxes | \$ 7,227,968 | \$ 8,901,807 | \$ 8,553,333 | \$ 7,938,812 |
| Utility service taxes | 701,028 | 732,989 | 781,749 | 824,927 |
| Sales and use taxes | 357,251 | 345,079 | 323,586 | 290,488 |
| State revenue sharing | 97,404 | 95,488 | 88,678 | 87,777 |
| Investment earnings | 221,860 | 287,194 | 167,790 | 109,958 |
| Miscellaneous revenues | 164,599 | 53,679 | 24,372 | 123,751 |
| Loss on disposal of capital assets | | | | |
| Gain (loss) on disposal of assets | 50 | | | 1,500 |
| Transfers | (1,477,035) | (1,069,065) | (1,104,435) | (1,056,737) |
| Total general revenues | \$ 7,293,125 | \$ 9,347,171 | \$ 8,835,073 | \$ 8,320,476 |
| Business type activities program revenue | | | | |
| Investment earnings | \$ 70,343 | \$ 77,393 | \$ 24,731 | \$ 16,342 |
| Other miscellaneous revenues | 1,747 | 4,979 | 2,920 | (3,781) |
| Gain (loss) on disposal of assets | 1,586 | | | 900 |
| Transfers | 1,477,035 | 1,069,065 | 1,104,435 | 1,056,737 |
| Total business type activities program revenues | 1,550,711 | 1,151,437 | 1,132,086 | 1,070,198 |
| Total primary government | \$ 8,843,836 | \$ 10,498,608 | \$ 9,967,159 | \$ 9,390,674 |
| Changes in Net Position | | | | |
| Government activities | \$ 719,888 | \$ 2,570,627 | \$ 1,459,304 | \$ 1,182,603 |
| Business type activities | 199,341 | (51,563) | (188,490) | (241,881) |
| Total primary government | \$ 919,229 | \$ 2,519,064 | \$ 1,270,814 | \$ 940,722 |

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 1,742,170 | \$ 1,704,445 | \$ 1,656,544 | \$ 1,566,138 | \$ 1,626,937 | \$ 1,933,634 |
| 5,058,750 | 5,207,887 | 5,152,662 | 5,326,258 | 5,496,560 | 5,800,175 |
| 607,773 | 559,744 | 524,797 | 599,345 | 609,624 | 646,909 |
| 437,106 | 530,279 | 572,668 | 578,934 | 573,240 | 536,672 |
| 99,866 | 80,526 | 61,143 | 40,924 | 20,812 | 6,404 |
| <u>\$ 7,945,665</u> | <u>\$ 8,082,881</u> | <u>\$ 7,967,814</u> | <u>\$ 8,111,599</u> | <u>\$ 8,327,173</u> | <u>\$ 8,923,794</u> |
| 2,870,516 | 2,946,428 | 2,884,123 | 3,024,558 | 3,024,044 | 2,794,114 |
| 965,202 | 933,160 | 976,631 | 853,988 | 842,387 | 985,294 |
| 379,477 | 415,749 | 448,728 | 423,472 | 397,554 | 370,648 |
| 4,215,195 | 4,295,337 | 4,309,482 | 4,302,018 | 4,263,985 | 4,150,056 |
| <u>\$ 12,160,860</u> | <u>\$ 12,378,218</u> | <u>\$ 12,277,296</u> | <u>\$ 12,413,617</u> | <u>\$ 12,591,158</u> | <u>\$ 13,073,850</u> |
| 56,688 | 62,767 | 60,880 | 94,508 | 106,466 | 116,323 |
| 294,618 | 333,943 | 412,314 | 496,821 | 438,037 | 808,930 |
| 6,160 | 4,780 | 5,106 | 5,451 | 4,904 | 26,548 |
| 478,931 | 466,732 | 467,004 | 467,051 | 468,008 | 468,757 |
| <u>\$ 836,397</u> | <u>\$ 868,222</u> | <u>\$ 945,304</u> | <u>\$ 1,063,831</u> | <u>\$ 1,017,415</u> | <u>\$ 1,420,558</u> |
| 1,600 | 13,016 | 13,134 | 13,304 | 13,702 | 14,113 |
| 7,316 | 5,000 | - | - | - | - |
| <u>\$ 845,313</u> | <u>\$ 886,238</u> | <u>\$ 958,438</u> | <u>\$ 1,077,135</u> | <u>\$ 1,031,117</u> | <u>\$ 1,434,671</u> |
| 2,059,032 | 2,123,564 | 1,992,304 | 1,981,222 | 2,048,100 | 2,117,789 |
| 982,696 | 1,033,147 | 1,002,973 | 1,022,232 | 1,005,431 | 1,035,901 |
| 3,041,728 | 3,156,711 | 2,995,277 | 3,003,454 | 3,053,531 | 3,153,690 |
| <u>\$ 3,887,041</u> | <u>\$ 4,042,949</u> | <u>\$ 3,953,715</u> | <u>\$ 4,080,589</u> | <u>\$ 4,084,648</u> | <u>\$ 4,588,361</u> |
| (7,100,352) | (7,196,643) | (7,009,376) | (7,034,464) | (7,296,056) | (7,489,123) |
| (1,173,467) | (1,138,626) | (1,314,205) | (1,298,564) | (1,210,454) | (996,366) |
| <u>\$ (8,273,819)</u> | <u>\$ (8,335,269)</u> | <u>\$ (8,323,581)</u> | <u>\$ (8,333,028)</u> | <u>\$ (8,506,510)</u> | <u>\$ (8,485,489)</u> |
| \$ 7,999,103 | \$ 7,338,543 | \$ 7,285,358 | \$ 8,246,672 | \$ 8,452,116 | \$ 8,696,269 |
| 775,264 | 723,808 | 688,278 | 716,468 | 730,249 | 728,123 |
| 289,248 | 296,928 | 261,339 | 273,625 | 296,259 | 310,488 |
| 102,500 | 109,768 | 113,482 | 104,220 | 108,289 | 95,491 |
| 57,242 | 42,230 | 34,136 | 24,141 | 14,621 | 21,043 |
| 53,549 | 6,522 | 8,622 | 187,537 | 52,919 | 357,917 |
| | | | 3,295 | 3,700 | 4,392 |
| (1,605,416) | (1,360,956) | (1,288,400) | (1,286,000) | (1,286,000) | (1,286,000) |
| <u>\$ 7,671,490</u> | <u>\$ 7,156,843</u> | <u>\$ 7,102,815</u> | <u>\$ 8,269,958</u> | <u>\$ 8,372,153</u> | <u>\$ 8,927,723</u> |
| \$ 9,641 | \$ 10,091 | \$ 7,761 | \$ 7,281 | \$ 7,265 | \$ 15,477 |
| 9,477 | 2,214 | 3,979 | 3,400 | 18,551 | 209,802 |
| | (356) | | | 2,228,176 | 6,925 |
| 1,605,416 | 1,360,956 | 1,288,400 | 1,286,000 | 1,286,000 | 1,286,000 |
| 1,624,534 | 1,372,905 | 1,300,140 | 1,296,681 | 3,539,992 | 1,518,204 |
| <u>\$ 9,296,024</u> | <u>\$ 8,529,748</u> | <u>\$ 8,402,955</u> | <u>\$ 9,566,639</u> | <u>\$ 11,912,145</u> | <u>\$ 10,445,927</u> |
| \$ 571,138 | \$ (39,800) | \$ 93,439 | \$ 1,235,494 | \$ 1,076,097 | \$ 1,438,600 |
| 576,993 | 368,547 | 123,863 | (1,883) | 2,329,538 | 521,838 |
| <u>\$ 1,148,131</u> | <u>\$ 328,747</u> | <u>\$ 217,302</u> | <u>\$ 1,233,611</u> | <u>\$ 3,405,635</u> | <u>\$ 1,960,438</u> |

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

| <u>Fiscal Year Ended 9/30</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | |
| Reserved | \$ 188,670 | \$ 199,727 | \$ 244,903 | \$ 221,095 |
| Unreserved | 2,142,908 | 4,079,285 | 4,905,265 | 5,822,211 |
| <u>GASB 54 Reporting Fund Balance</u> | | | | |
| Nonspendable | | | | |
| Restricted | | | | |
| Assigned | | | | |
| Unassigned | | | | |
| <u>Total general fund</u> | <u>\$ 2,331,578</u> | <u>\$ 4,279,012</u> | <u>\$ 5,150,168</u> | <u>\$ 6,043,306</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 196,464 | \$ 206,652 | \$ 215,900 | \$ 208,117 |
| <u>GASB 54 Reporting Fund Balance</u> | | | | |
| Restricted | | | | |
| <u>Total all other governmental funds</u> | <u>\$ 196,464</u> | <u>\$ 206,652</u> | <u>\$ 215,900</u> | <u>\$ 208,117</u> |

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 44,898 | | | | | |
| 6,327,935 | | | | | |
| | 8,020 | 104,653 | 82,039 | 44,561 | 4,798 |
| | | 4,311 | 4,311 | - | - |
| | 2,797,500 | 2,083,391 | 3,077,455 | 2,931,908 | 2,449,960 |
| | 3,293,303 | 3,694,921 | 3,493,852 | 3,562,626 | 5,011,467 |
| <u>\$ 6,372,833</u> | <u>\$ 6,098,823</u> | <u>\$ 5,887,276</u> | <u>\$ 6,657,657</u> | <u>\$ 6,539,095</u> | <u>\$ 7,466,225</u> |

| | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 206,874 | | | | | |
| | 203,401 | 204,025 | 205,701 | 206,981 | 228,220 |
| <u>\$ 206,874</u> | <u>\$ 203,401</u> | <u>\$ 204,025</u> | <u>\$ 205,701</u> | <u>\$ 206,981</u> | <u>\$ 228,220</u> |

Town of Highland Beach, Florida

Schedule 4

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

| Fiscal Year Ended 9/30 | 2006 | 2007 | 2008 | 2009 |
|--|--------------------|--------------------|--------------------|---------------------|
| Revenues | | | | |
| Taxes | \$7,967,255 | \$9,671,871 | \$8,869,061 | \$ 8,304,641 |
| Licenses and permits | 405,004 | 445,304 | 955,718 | 742,493 |
| Intergovernmental | 639,256 | 430,738 | 470,174 | 530,054 |
| Charges for services | 356,373 | 388,118 | 418,218 | 479,888 |
| Fines and forfeitures | 23,837 | 14,905 | 13,978 | 19,603 |
| Impact fees | 1,000 | | | |
| Interest | 221,860 | 287,194 | 198,144 | 109,958 |
| Net decrease in fair value of investments | | | (30,354) | (27,301) |
| Miscellaneous revenues | 272,758 | 276,020 | 187,810 | 321,915 |
| Total revenues | 9,887,343 | 11,514,150 | 11,082,749 | 10,481,251 |
| Expenditures | | | | |
| General government | 2,266,915 | 1,933,810 | 2,056,825 | 1,880,794 |
| Public Safety | 4,217,648 | 4,530,219 | 5,141,800 | 4,787,035 |
| Culture/Recreation | 251,043 | 331,850 | 364,961 | 414,559 |
| Sanitation | 328,209 | 361,924 | 398,871 | 416,728 |
| Capital outlay | 634,409 | 582,654 | 396,819 | 309,980 |
| Debt service | | | | |
| Principal | 362,985 | 588,403 | 597,856 | 607,756 |
| Interest | 175,273 | 158,603 | 140,778 | 122,307 |
| Total expenditures | 8,236,482 | 8,487,463 | 9,097,910 | 8,539,159 |
| Excess of revenues over (under) expenditures | 1,650,861 | 3,026,687 | 1,984,839 | 1,942,092 |
| Other Financing Sources (Uses) | | | | |
| Loan Proceeds | | | | |
| Transfers in | 314,054 | 2,464 | | |
| Transfers out | (1,791,089) | (1,071,529) | (1,104,435) | (1,056,737) |
| Proceeds from lease revenue bonds | | | | |
| Payment to refunded bond escrow | | | | |
| Total other financing sources (uses) | (1,477,035) | (1,069,065) | (1,104,435) | (1,056,737) |
| Net Change in fund balances | 173,826 | 1,957,622 | 880,404 | 885,355 |
| Fund balances - beginning | 2,354,216 | 2,528,042 | 4,485,664 | 5,366,068 |
| Fund balance - ending | \$2,528,042 | \$4,485,664 | \$5,366,068 | \$ 6,251,423 |
| Debt services (principal & interest) as a percentage of non-capital expenditures | 7.08% | 9.45% | 8.49% | 8.87% |

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 8,349,714 | \$ 7,666,791 | \$ 7,593,593 | \$ 8,584,777 | \$ 8,775,709 | \$ 8,696,269 |
| 741,511 | 750,713 | 809,022 | 854,123 | 872,586 | 1,257,117 |
| 366,110 | 391,226 | 358,103 | 361,367 | 387,021 | 704,806 |
| 484,117 | 477,960 | 476,145 | 506,403 | 516,835 | 521,207 |
| 18,923 | 18,395 | 19,832 | 57,870 | 9,979 | 6,816 |
| 57,242 | 32,268 | 17,511 | 16,853 | 19,267 | 21,043 |
| 29,148 | 9,962 | 16,625 | 7,288 | (4,646) | |
| 287,315 | 311,395 | 316,454 | 542,960 | 411,069 | 441,136 |
| 10,334,079 | 9,658,710 | 9,607,285 | 10,931,641 | 10,987,820 | 11,648,394 |
| 1,786,346 | 1,771,183 | 1,735,593 | 1,652,393 | 1,740,984 | 1,885,669 |
| 4,923,985 | 5,088,694 | 5,092,071 | 5,289,583 | 5,430,246 | 5,811,416 |
| 426,016 | 513,386 | 484,848 | 492,452 | 569,339 | 617,722 |
| 401,783 | 364,942 | 421,181 | 450,651 | 455,234 | 413,271 |
| 150,917 | 121,233 | 91,629 | 210,892 | 977,443 | 250,880 |
| 618,331 | 629,143 | 639,833 | 651,646 | 621,434 | 425,913 |
| 103,163 | 83,736 | 64,653 | 44,337 | 24,422 | 9,154 |
| 8,410,541 | 8,572,317 | 8,529,808 | 8,791,954 | 9,819,102 | 9,414,025 |
| 1,923,538 | 1,086,393 | 1,077,477 | 2,139,687 | 1,168,718 | 2,234,369 |
| (1,605,416) | (1,360,956) | (1,288,400) | (1,286,000) | (1,286,000) | (1,286,000) |
| (1,605,416) | (1,360,956) | (1,288,400) | (1,286,000) | (1,286,000) | (1,286,000) |
| 318,122 | (274,563) | (210,923) | 853,687 | (117,282) | 948,369 |
| 6,251,423 | 6,579,707 | 6,302,224 | 6,091,301 | 6,863,358 | 6,746,076 |
| \$ 6,569,545 | \$ 6,305,144 | \$ 6,091,301 | \$ 6,944,988 | \$ 6,746,076 | \$ 7,694,445 |
| 8.74% | 8.44% | 8.35% | 8.11% | 7.30% | 4.75% |

Town of Highland Beach, Florida
Schedule 5
Assessed Value and Actual Value of Taxable Property (Unaudited)

| Fiscal Year Ended 9/30 | Residential Property | Commercial Property | Personal Property | Total Taxable Assessed Value | Total Direct Tax Rate | Total Actual Just Value |
|---------------------------------|-------------------------|------------------------|----------------------|------------------------------------|--------------------------------|----------------------------------|
| 2006 | 1,854,650,291 | 11,200,099 | 9,337,202 | 1,875,187,592 | 4.00 | 2,213,968,392 |
| 2007 | 2,271,637,312 | 20,004,323 | 9,190,364 | 2,300,831,999 | 4.00 | 2,844,277,082 |
| 2008 | 2,213,255,555 | 16,600,099 | 9,085,847 | 2,238,941,501 | 3.95 | 2,682,469,538 |
| 2009 | 2,114,725,997 | 16,600,000 | 8,780,936 | 2,140,106,933 | 3.85 | 2,546,895,895 |
| 2010 | 1,906,562,451 | 16,000,000 | 9,497,923 | 1,932,060,374 | 4.27 | 2,231,562,060 |
| 2011 | 1,790,003,250 | 16,000,000 | 9,715,000 | 1,815,718,250 | 4.19 | 2,051,532,163 |
| 2012 | 1,707,337,791 | 15,040,000 | 9,669,683 | 1,732,047,474 | 4.34 | 1,939,540,909 |
| 2013 | 1,727,623,028 | 15,040,000 | 9,610,456 | 1,752,273,484 | 4.87 | 1,966,422,907 |
| 2014 | 1,798,567,981 | 15,400,000 | 10,043,245 | 1,824,011,226 | 4.81 | 2,072,656,191 |
| 2015 | 1,910,980,084 | 15,400,000 | 10,683,925 | 1,937,064,009 | 4.64 | 2,260,380,097 |

Source: Palm Beach County Property Appraiser's Office

Town of Highland Beach, Florida
Schedule 6
Direct and Overlapping Property Tax Rates
(Unaudited) (Per \$1,000 of Assessed Value)

| Fiscal Year | Highland Beach | | | Overlapping Rates (1) | | | | | | |
|----------------|-----------------|-------------------------|-----------------------|-------------------------|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------|-------|
| | General Fund | Debt Service Fund | Total Town Rate | Palm Beach | | Palm Beach | South Florida | | FIND(2) And Everglades | Total |
| | | | | Palm Beach County | County School Board | Children's Services Council | County Health Care District | Water Management District | | |
| 2006 | 3.59 | 0.41 | 4.00 | 4.72 | 8.11 | 0.69 | 1.08 | 0.60 | 0.14 | 19.34 |
| 2007 | 3.58 | 0.42 | 4.00 | 4.48 | 7.87 | 0.62 | 0.97 | 0.60 | 0.14 | 18.68 |
| 2008 | 3.52 | 0.43 | 3.95 | 3.98 | 7.35 | 0.58 | 0.89 | 0.53 | 0.12 | 17.40 |
| 2009 | 3.40 | 0.45 | 3.85 | 3.97 | 7.25 | 0.60 | 1.00 | 0.53 | 0.12 | 17.32 |
| 2010 | 3.35 | 0.92 | 4.27 | 4.56 | 7.98 | 0.69 | 1.15 | 0.62 | 0.04 | 19.31 |
| 2011 | 3.25 | 0.94 | 4.19 | 5.00 | 8.15 | 0.75 | 1.15 | 0.00 | 0.12 | 19.36 |
| 2012 | 3.41 | 0.93 | 4.34 | 4.99 | 8.18 | 0.75 | 1.13 | 0.37 | 0.10 | 19.86 |
| 2013 | 3.95 | 0.92 | 4.87 | 4.99 | 7.78 | 0.73 | 1.12 | 0.37 | 0.10 | 19.95 |
| 2014 | 3.95 | 0.86 | 4.81 | 4.99 | 7.59 | 0.70 | 1.08 | 0.35 | 0.09 | 19.61 |
| 2015 | 3.95 | 0.69 | 4.64 | 4.97 | 7.59 | 0.67 | 1.08 | 0.33 | 0.09 | 19.38 |

Source: Palm Beach County Property Appraiser's office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the Town of Highland Beach

(2) Florida Inland Navigation District.

**Town of Highland
Beach, Florida
Schedule 7
Principal Property Tax Payers (Unaudited)
Current Year and Ten Years Ago**

| Fiscal Year 2015 | | | Fiscal Year 2006 | | |
|-------------------------|------------------------------|---|------------------------|------------------------------|---|
| Taxpayers | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | Taxpayers | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value |
| Leeds, Bruce | \$ 15,295,306 | 0.79% | Musa, Marc A | \$ 12,810,905 | 0.68% |
| Decoy Investments, LLC | 9,821,829 | 0.51% | Maldonado, Kathleen | 10,699,570 | 0.57% |
| Hamister, Mark E | - 8,626,228 | 0.45% | Dagesse, Daniel | 10,435,180 | 0.56% |
| Florida Power and Light | 8,335,176 | 0.43% | Kappel, James | 10,000,000 | 0.53% |
| Wheeler, Daniel | 8,058,184 | 0.42% | Kappel, James | 10,000,000 | 0.53% |
| Muller, Ralph | 7,842,066 | 0.40% | Muller, Ralph | 9,582,094 | 0.51% |
| Kappel, James | 7,700,000 | 0.40% | Knight, William | 9,289,641 | 0.50% |
| Montgomery, Joel | 7,700,000 | 0.40% | Tulin, Stanley | 8,682,870 | 0.46% |
| Goetz, David | 7,233,228 | 0.37% | Chaifetz, Jill B Trust | 8,518,300 | 0.45% |
| Bendin Financial LLC | 7,226,552 | 0.37% | Musa, Marco | 7,998,660 | 0.43% |
| Total | \$ 87,838,569 | 4.53% | Total | \$ 98,017,220 | 5.23% |

Source: Palm Beach County Property Appraiser's Office.

Town of Highland Beach, Florida
Schedule 8
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

| <u>Fiscal Year Ended 9/30</u> | <u>Taxes Levied for the Fiscal Year</u> | <u>Collected within the Fiscal Year of the Levy</u> | | <u>Collections in Subsequent Years</u> | <u>Total Collections to Date</u> | |
|---|---|---|-------------------------------|--|----------------------------------|-------------------------------|
| | | <u>Amount</u> | <u>Percentage of Levy</u> | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 2006 | 7,500,750 | 7,228,241 | 96.37% | 117 | 7,228,358 | 96.37% |
| 2007 | 9,203,328 | 8,921,067 | 96.93% | 1,545 | 8,922,612 | 96.95% |
| 2008 | 8,846,761 | 8,553,333 | 96.68% | 419 | 8,553,752 | 96.69% |
| 2009 | 8,239,412 | 7,938,812 | 96.35% | 413 | 7,939,225 | 96.36% |
| 2010 | 8,254,728 | 7,999,103 | 96.90% | 2,677 | 8,001,780 | 96.94% |
| 2011 | 7,539,269 | 7,338,543 | 97.34% | 9,131 | 7,347,674 | 97.46% |
| 2012 | 7,518,298 | 7,285,358 | 96.90% | 200,288 | 7,485,646 | 99.57% |
| 2013 | 8,209,000 | 8,032,937 | 97.86% | | 8,032,937 | 97.86% |
| 2014 | 8,765,104 | 8,246,672 | 94.09% | | 8,246,672 | 94.09% |
| 2015 | 8,996,821 | 8,681,402 | 96.49% | 14,867 | 8,696,269 | 96.66% |

Source: Tax Collector, Palm Beach County.

Town of Highland Beach, Florida
Schedule 9
Ratios of Outstanding Debt by Type (Unaudited)

| Fiscal Year Ended | Population ⁽¹⁾ | Median Family Income | Governmental Activities | Business Type Activity | | | Percentage Personal Income | Per Capita |
|-------------------------|---------------------------|----------------------------|-------------------------|------------------------|------------------------|-----------------------------|----------------------------------|---------------|
| | | | Promissory Notes | Promissory Notes | Revolving Loan Fund | Total Primary Government | | |
| 2006 | 4,157 | N/A | 5,380,314 | 655,872 | 10,101,701 | 16,137,887 | N/A | 3,882 |
| 2007 | 4,155 | N/A | 4,791,912 | 4,529,938 | 9,650,076 | 18,971,926 | N/A | 4,566 |
| 2008 | 4,164 | N/A | 4,194,055 | 4,697,307 | 9,185,402 | 18,076,764 | N/A | 4,341 |
| 2009 | 4,164 | N/A | 3,586,300 | 4,471,066 | 8,707,301 | 16,764,667 | N/A | 4,026 |
| 2010 | 3,989 | N/A | 2,967,969 | 4,171,986 | 11,207,287 | 18,347,242 | N/A | 4,599 |
| 2011 | 3,539 | N/A | 2,338,826 | 3,931,241 | 11,386,558 | 17,656,625 | N/A | 4,989 |
| 2012 | 3,539 | N/A | 1,698,993 | 3,755,525 | 10,717,770 | 16,172,288 | N/A | 4,570 |
| 2013 | 3,572 | N/A | 1,047,347 | 3,573,961 | 10,028,414 | 14,649,722 | N/A | 4,101 |
| 2014 | 3,581 | N/A | 425,913 | 3,386,268 | 9,319,274 | 13,131,455 | N/A | 3,667 |
| 2015 | 3,600 | N/A | - | 3,192,102 | 8,589,786 | 11,781,888 | N/A | 3,273 |

Source: (1) Bureau of Economic & Business Research (BEBR).

Town of Highland Beach, Florida
Schedule 10
Ratios of General Bonded Debt Outstanding (Unaudited)

| Fiscal Year Ended 9/30 | Population(1) | Taxable Value(2) | General Bonded Debt | Percentage of Actual Taxable Value of Property | Per Capita |
|---------------------------------|---------------|---------------------|---------------------------|---|---------------|
| 2006 | 4,157 | 1,875,187,592 | 8,987,303 | 0.48% | 2,162 |
| 2007 | 4,155 | 2,300,831,999 | 8,333,002 | 0.36% | 2,006 |
| 2008 | 4,164 | 2,238,941,501 | 7,959,302 | 0.36% | 1,911 |
| 2009 | 4,164 | 2,141,822,291 | 7,088,868 | 0.33% | 1,702 |
| 2010 | 3,989 | 1,932,060,374 | 16,220,765 | 0.84% | 4,066 |
| 2011 | 3,539 | 1,815,718,250 | 16,026,132 | 0.88% | 4,528 |
| 2012 | 3,539 | 1,732,047,474 | 14,903,429 | 0.86% | 4,211 |
| 2013 | 3,572 | 1,752,273,484 | 13,791,636 | 0.79% | 3,861 |
| 2014 | 3,581 | 1,824,011,226 | 12,695,861 | 0.70% | 3,545 |
| 2015 | 3,600 | 1,937,064,009 | 11,781,888 | 0.61% | 3,273 |

Source: (1) Bureau of Economic & Business Research (BEBR).
(2) Palm Beach County Property Appraiser's Office.

Town of Highland Beach, Florida
Schedule 11
Direct and Overlapping Governmental Activities Debt (Unaudited)

As of September 30, 2015

| Governmental Unit | Net General Obligation Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|-------------------|---|---------------------------------------|--|
|-------------------|---|---------------------------------------|--|

Town direct debt:

| | | | |
|------------------------|---------------|---------|----------------------|
| Town of Highland Beach | \$ 11,781,888 | 100.00% | <u>\$ 11,781,888</u> |
|------------------------|---------------|---------|----------------------|

Overlapping debt:

| | | | |
|----------------------------|-----------------------|-------|---------------------|
| Palm Beach School District | \$ 17,430,000 | | |
| Palm Beach County | 141,605,000 | | |
| | <u>\$ 159,035,000</u> | 1.43% | <u>\$ 2,274,201</u> |

Total direct and overlapping debt: \$ 14,056,089

Estimated population: 3,600

Direct and overlapping net debt per capita: \$ 3,904

Source: Palm Beach County School District.
Town of Highland Beach.

Note: Overlapping rate is determined by dividing taxable assessed valuation of the
Town of Highland Beach by the total taxable valuation of Palm Beach County.

Town of Highland Beach, Florida
Schedule 12
Legal Debt Margin Information (Unaudited)

The Town of Highland Beach has no legal debt margin.

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

| Fiscal Year Ended 9/30 | State Revolving Loan(s) | | | | 2005 Promissory Note | | | |
|------------------------------|-------------------------|--------------|----------|----------|----------------------|--------------|----------|----------|
| | Pledged Revenue | Debt Service | | Coverage | Pledged Revenue | Debt Service | | Coverage |
| | | Principal | Interest | | | Principal | Interest | |
| 2006 | 1,073,105 | 390,696 | 282,475 | 1.59 | 562,171 | 328,646 | 115,548 | 1.27 |
| 2007 | 1,087,143 | 451,625 | 286,798 | 1.47 | 568,421 | 346,120 | 98,074 | 1.28 |
| 2008 | 1,117,162 | 464,674 | 273,750 | 1.51 | 568,363 | 355,789 | 88,406 | 1.28 |
| 2009 | 1,108,490 | 478,102 | 260,322 | 1.50 | 587,353 | 366,323 | 77,871 | 1.32 |
| 2010 | 1,176,815 | 491,917 | 246,507 | 1.59 | 571,254 | 376,836 | 67,358 | 1.29 |
| 2011 | 1,193,275 | 506,133 | 232,291 | 1.62 | 557,064 | 379,121 | 55,169 | 1.28 |
| 2012 | 7,285,358 | 669,455 | 320,215 | 7.36 | 508,331 | 398,957 | 45,237 | 1.14 |
| 2013 | 8,246,672 | 689,356 | 299,512 | 8.34 | 550,590 | 410,775 | 33,556 | 1.24 |
| 2014 | 8,452,116 | 709,140 | 279,731 | 8.55 | 555,655 | 422,503 | 21,692 | 1.25 |
| 2015 | 8,696,269 | 729,488 | 259,383 | 8.79 | 713,738 | 435,913 | 8,600 | 1.61 |

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

| Fiscal Year Ended 9/30 | Population(1) | Median Family Income(1) | Per Capita Income(1) | Median House Value (1) | School Enrollment(1) | Unemployment Rate(1) |
|---------------------------------|---------------|-------------------------------|----------------------------|------------------------------|-------------------------|-------------------------|
| 2006 | 4,157 | \$ 83,415 | \$ 81,091 | N/A | 39 | 3.6% |
| 2007 | 4,155 | N/A | N/A | N/A | 38 | 4.8% |
| 2008 | 4,164 | \$ 93,915 | \$ 79,036 | N/A | 45 | 6.3% |
| 2009 | 4,164 | \$ 94,662 | \$ 84,430 | N/A | 64 | 7.8% |
| 2010 | 3,989 | \$ 104,474 | \$ 72,079 | N/A | 67 | 12.4% |
| 2011 | 3,539 | \$ 104,570 | \$ 72,222 | N/A | 65 | 1.4% |
| 2012 | 3,539 | \$ 90,729 | \$ 73,199 | N/A | 65 | 1.5% |
| 2013 | 3,572 | \$ 83,879 | \$ 65,713 | \$ 422,914 | 62 | 7.7% |
| 2014 | 3,581 | \$ 83,879 | \$ 65,713 | \$ 422,914 | 62 | 7.7% |
| 2015 | 3,600 | \$ 83,879 | \$ 65,713 | \$ 422,914 | 62 | 7.7% |

Source: (1) Bureau of Economic & Business Research (BEBR).

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

| 2015 | | | 2006 | | |
|--------------------------------|---------------|--|--------------------------------|---------------|--|
| Employer | Employees | Percentage of Total County Employment | Employer | Employees | Percentage of Total County Employment |
| School Board | 22,000 | NA | School Board | 21,616 | NA |
| Tenet Healthcare Corp. | 6,100 | NA | Palm Beach County | 6,594 | NA |
| Palm Beach County | 5,507 | NA | Columbia Palm Beach Healthcare | 5,200 | NA |
| Florida Power and Light | 3,854 | NA | Tenet Healthcare Corp. | 4,794 | NA |
| Hospital Corp of America | 2,714 | NA | Florida Power & Light | 2,850 | NA |
| Florida Atlantic University | 2,655 | NA | Florida Atlantic University | 2,825 | NA |
| Bethesda Memorial Hospital | 2,600 | NA | Boca Raton Resort & Club | 2,200 | NA |
| Boca Raton Community Hospital | 2,500 | NA | US Sugar Corp | 2,100 | NA |
| Veterans Health Administration | 2,500 | NA | Florida Crystals | 2,000 | NA |
| Jupiter Medical Center | 2,000 | NA | City of Boca Raton | 2,000 | NA |
| Total | 52,430 | NA | Total | 52,179 | NA |

Source: Business Development Board of Palm Beach County.

No information available for the Town of Highland Beach

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

| Fiscal Year Ended 9/30 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function/Program | | | | | | | | | | |
| General Government | | | | | | | | | | |
| Town Manager | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Town Clerk | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Finance | 2 | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Maintenance | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 |
| Post Office | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Safety | | | | | | | | | | |
| Building | 3 | 3 | 3 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Police | 15 | 15 | 15 | 15 | 13 | 14 | 15 | 16 | 15 | 15 |
| Cultural and Recreation | | | | | | | | | | |
| Library | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Physical Environment | | | | | | | | | | |
| Utilities | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 10 |
| Total | 38 | 38 | 38 | 36 | 34 | 35 | 36 | 38 | 39 | 38 |

Source: Town of Highland Beach Finance Department.

Town of Highland Beach, Florida
Schedule 17
Operating Indicators by Function/Program (Unaudited)
Last Six Fiscal Years

| Fiscal Year Ended 9/30 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>Function/Program</u> | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Number of arrests by police officers | 15 | 4 | 1 | 1 | 5 | 5 | 9 | 9 | 12 | 8 |
| Number of traffic citations issued | 494 | 338 | 319 | 570 | 363 | 1,067 | 479 | 280 | 127 | 100 |
| Number of fire calls (1) | 271 | 224 | 254 | 206 | 241 | 154 | 111 | 139 | 277 | 179 |
| Number of EMS calls (1) | 421 | 364 | 414 | 457 | 416 | 391 | 625 | 574 | 537 | 346 |
| Number of code enforcement inspections | 9 | 9 | 15 | 26 | 234 | 199 | 172 | 239 | 56 | 22 |
| Number of building permits issued | 1,575 | 1,491 | 1,105 | 976 | 1,045 | 1,409 | 1,778 | 1,827 | 1,812 | 1,164 |
| Physical Environment | | | | | | | | | | |
| Number of water and sewer active accounts (meters) | 448 | 450 | 459 | 472 | 470 | 469 | 468 | 467 | 466 | 465 |
| Number of water and sewer units served | 4,304 | 4,313 | 4,318 | 4,311 | 4,322 | 4,322 | 4,322 | 4,324 | 4,327 | 4,356 |
| Cultural & Recreation | | | | | | | | | | |
| Number of library patrons | 3,239 | 3,498 | 4,103 | 4,555 | 4,805 | 4,610 | 3,543 | 3,234 | 3,473 | 3,440 |
| Number of items in collection | 24,616 | 26,552 | 29,728 | 32,744 | 37,231 | 37,818 | 39,492 | 37,195 | 40,536 | 41,261 |
| Number of community events presented | 81 | 189 | 251 | 502 | 633 | 718 | 663 | 706 | 831 | 880 |

Note: Fire Department contracted through Delray Beach.

Sources: Town of Highland Beach, FL
(1) City of Delray Beach

Town of Highland Beach, Florida
Schedule 18
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| <u>Fiscal Year Ended 9/30</u> | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|
| <u>Function/Program</u> | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Fire Trucks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| EMS Units | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police Vehicles | 8 | 7 | 9 | 9 | 7 | 7 | 6 | 7 | 7 | 7 |
| Vehicles- Protective Inspections | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation | | | | | | | | | | |
| Street (miles) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Physical Environment | | | | | | | | | | |
| Vehicles-Public Works | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Source: Town of Highland Beach, FL



Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

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
The Town of Highland Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Town of Highland Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 25, 2016, which includes an emphasis of matter paragraph.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bhav & Associates

May 25, 2016



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

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

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

We have examined the Town of Highland Beach, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town'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's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

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

Grau & Associates

May 25, 2016



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

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

To the Honorable Mayor and
Members of the Town Commission
Town of Highland Beach, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Highland Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 25, 2016, which includes an emphasis of matter paragraph.

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 and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent 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 May 25, 2016, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

Grau & Associates

May 25, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.

6. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.