



The Town of Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended September 30, 2021



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*The Town of
Highland Beach, Florida*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2021

**Prepared by:
Finance Department**

**David DiLena
Finance Director**

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2021
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Town of Highland Beach

3614 South Ocean Boulevard • Highland Beach, Florida 33487

June 30, 2022

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, 2021.

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, the 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, 2021, 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, 2021. 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 are 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 4,300 (2021 Estimated – Florida Legislature, Office of Economic and Demographic Research), which increases to approximately 7,900 during the winter months. According to www.city-data.com the most recently reported (2019) median age in Highland Beach is 68.4 years. Males make up approximately 48.2% and females 51.8% 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 Town of Highland Beach is thriving. General Fund Ad Valorem (property tax) tax revenues continue to exceed operating expenditures. Substantial new construction and redevelopment have added to the tax base of the community. In addition,

increases in assessed values assigned by the Palm Beach County Property Appraiser's Office have ensured 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. Over the last year, the Town added approximately \$29.3 million worth of new construction to the tax base. 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 another favorable increase in property values for Highland Beach.

The water and wastewater enterprise funds are in stable financial condition. A revenue sufficiency and rate study, completed in January 2021, resulted in uniform rate adjustments for the water and sewer rates. The Commission adopted a rate structure that increases annually by a rate index that is tied to municipal operations. This rate structure will allow the water and sewer systems to maintain adequate reserves that are necessary for capital repairs and replacements.

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 enhance the aesthetic appearance of the Town and maintain the high quality of life that exists in the community.

The following chart demonstrates the previously mentioned points regarding the growth in assessed value in the Town over the past ten fiscal years:

Year	Taxable Assessed Valuation	Population	Assessed Value Per Capita
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	\$1,937,064,009	3,600	\$538,073
2016	\$2,075,240,811	3,600	\$576,456
2017	\$2,216,323,448	3,600	\$615,645
2018	\$2,400,571,081	3,654	\$656,971
2019	\$2,483,303,248	3,671	\$676,465
2020	\$2,610,340,084	4,295	\$607,763
2021	\$2,666,275,268	4,300	\$620,064

Long-term financial planning

At September 30, 2021, the unassigned fund balance in the general fund was \$6,891 million, an increase of \$501,162 for the fiscal year. This balance is considered to be very healthy, consisting of approximately 52% of total general fund expenditures and transfers out for the FY ended 2021. 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 amounts related to the completion of the Fire-Rescue Department.

MAJOR INITIATIVES

For the Year:

In order to better respond to economic cycles in the construction industry, during FY 2021 the Town transitioned to a hybrid model of providing Building Department services. A portion of the Building Department services is provided by full-time Town employees with the remainder provided through contractual services. The hybrid service model will allow for scaling back of certain services if there is a downturn in the construction industry and less demand for these services.

During FY 2021, in the area of enhancement to public safety, the Town completed the crosswalk enhancement project which provided additional safety measures to our citizens and guests along State Road A1A. The Town passed Ordinance No. 2021-009 on June 15, 2021, to establish a municipal fire-rescue department with final completion projected to be in 2024, and the Police Department Marine Unit was successfully implemented.

In addition, during FY 2021, the Town completed several Sanitary Sewer Rehabilitation projects, Lift Station, and Well rehabilitation projects, and completed the 2021 Revenue Sufficiency and Rate Study for the Water and Sewer Department.

For the Future:

The Town plans to improve pedestrian safety by enhancing the crosswalks across State Road A1A. The Town also plans to evaluate the current condition of its sanitary sewer collection system. Given the age of the sanitary sewer collection system and the salty environment in which the pipes are situated, there is a high likelihood of the need for significant repairs and replacements to ensure sewer system integrity. The Town will be implementing a new enterprise-wide information management system to improve the efficiency and effectiveness of operations, especially in the areas of finance, utility billing, and building permitting. Lastly, the Town will commence a strategic planning process to align operations and policy development with the goals of the community.

American Rescue Plan Act (ARPA):

The Town initiated the grant process with the State of Florida, Division of Emergency Management on August 16, 2021, for the American Rescue Plan Act (ARPA) and related Coronavirus State and Local Fiscal Recovery Funds (SLFRF) funding agreement as established by the U.S. Department of the Treasury. The Town was awarded \$1,961,343 paid in two increments of \$980,671.50. The Town received the first payment in September 2021 and anticipates receiving the second payment in September 2022. These funds are restricted by the Federal Government for certain projects. The Town has identified two projects within the Water

and Sewer Funds that meet the restriction thresholds. The Water Pump Replacement and Sewer Lining Projects are budgeted to begin in Fiscal Year 2022.

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. The Town amended the original Fund Balance Policy to correspond with the new Fire-Rescue Department and increase the amounts for Disaster Recovery. Resolution 2022-005 Established the following categories and thresholds: Budget Stabilization target assignment of 16.7% of General Fund operating expenditures, Disaster Recovery target assignment of 16.7% of General Fund operating expenditures, and Fire Rescue Department assignment of a fixed \$4 million, with the remainder of funds to be unassigned (or unrestricted))

ACKNOWLEDGEMENTS

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,



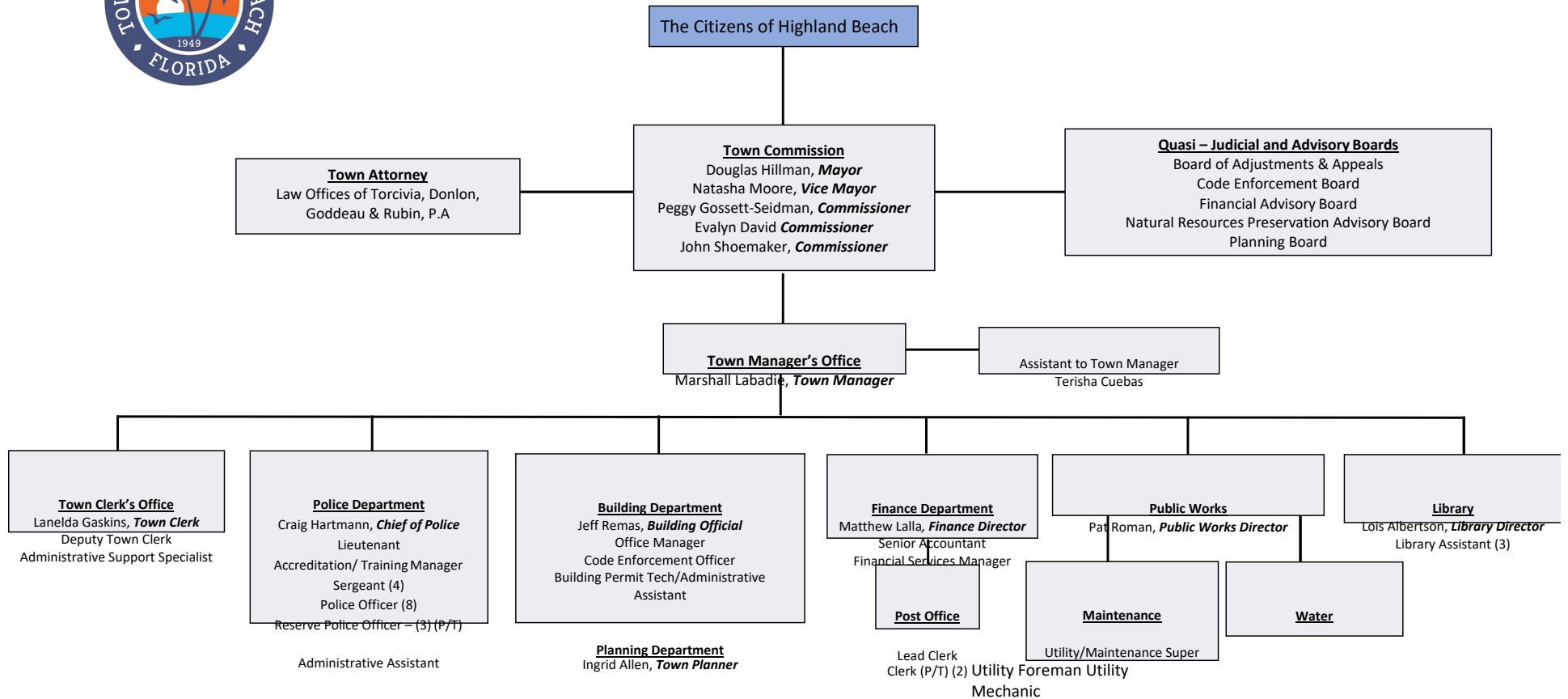
Marshall Labadie
Town Manager



David M. DiLena
Finance Director



TOWN OF HIGHLAND BEACH
Organizational Chart



2020-2021

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF HIGHLAND BEACH, FLORIDA
FOR THE
FISCAL YEAR ENDING SEPTEMBER 30, 2021**

TOWN COMMISSION

Douglas Hillman, Mayor
Natasha Moore, Vice-Mayor
Evalyn David, Commissioner
Peggy Gossett-Seidman, Commissioner
John Shoemaker, Commissioner

TOWN MANAGER

Marshall Labadie

TOWN ATTORNEY

Glen Torcivia
Torcivia, Donlon, Goddeau & Rubin, P.A.

DEPARTMENT HEADS

Lanelda Gaskins	Town Clerk
David DiLena	Finance Director
Craig Hartmann	Chief of Police
Jeffrey Remas	Building Official
Pat Roman	Public Works Director
Lois Albertson	Library Director



Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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Boca Raton, Florida 33431
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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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Town's proportionate share of net pension liability, schedule of contributions and OPEB schedules 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 and individual 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 combining and individual non-major fund financial statements are 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 June 30, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

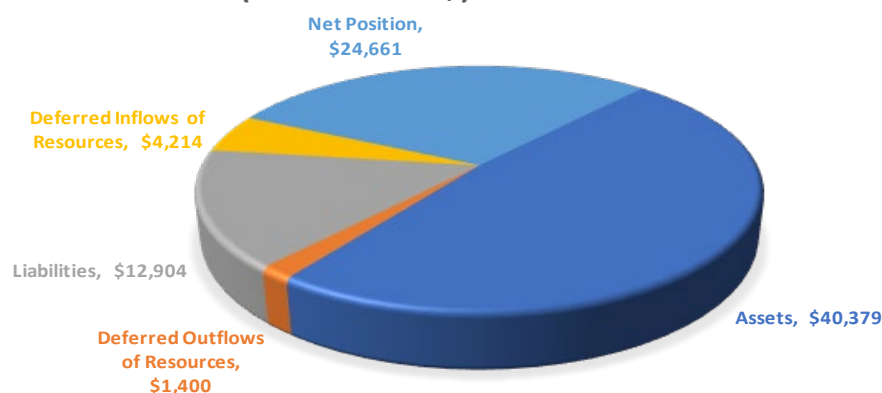
The Town of Highland Beach's management discussion and analysis is designed to assist the reader by providing a narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2021. Since the Management's Discussion and Analysis (MD&A) is designed to focus 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 and the Town's financial statements.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2021.

- The Town's assets plus deferred outflows exceeded its liabilities and deferred inflows of resources by \$24.66 million (net position), an increase of approximately \$2.90 million over the prior year's ending net position. Of this amount, \$11.90 million may be used to meet the ongoing obligations to citizens and creditors.

NET POSITION (THOUSANDS \$)



- The Town's revenues for governmental activities were \$13.9 million, an increase of \$196k or 1.4% over the previous year, as follows:

	Fiscal Year Ending September 30,			
	(In Thousands \$)			
Governmental Activities Program Revenue	2021	2020	\$ Change	% Change
Property Taxes	\$ 9,739	\$ 9,557	\$ 182	1.9%
Charges for Services	2,589	2,568	21	0.8%
Sales, Use Tax & Shared Revenues	992	916	76	8.3%
Operating and Capital grants	76	-	76	100.0%
Other Misc Revenues & Investments	601	760	(159)	-20.9%
Total	\$ 13,997	\$ 13,801	\$ 196	1.4%

Property Taxes continue to represent over 70% of total Governmental Activities revenues. The increase in property tax revenue is primarily the result of the rise in property values. The increase in State revenue sharing, Sales and use tax, and related taxes corresponds to the overall health of the Florida economy. Decrease in other miscellaneous revenues and investment earnings are due to realizing lower yields on investments.

- The expenses for governmental activities were \$11.2 million, a 4.9% decrease from the prior year, as follows:

	Fiscal Year Ending September 30,			
	(In Thousands \$)			
Governmental Activities Program Expense	2021	2020	\$ Change	% Change
General Government	\$ 2,493	\$ 2,625	\$ (132)	-5.0%
Public Safety	7,779	8,163	(384)	-4.7%
Public Works	533	515	18	3.5%
Culture & Recreation	431	516	(85)	-16.5%
Total	\$ 11,236	\$ 11,819	\$ (583)	-4.9%

The decrease in overall COVID-19-related expenses compared to the prior year was the main driver of the reductions in expenses.

- The business-type activities generated \$4.72 million in revenues, an increase of \$1.29 million from the prior year.

	Fiscal Year Ending September 30,			
	(In Thousands \$)			
Business Type Revenues	2021	2020	\$ Change	% Change
Charges for Services	\$ 3,556	\$ 3,218	\$ 338	10.5%
Capital grants	981	-	\$ 981	100.0%
Other Misc Revenues & Investments	183	209	(26)	-12.4%
Total	\$ 4,720	\$ 3,427	\$ 1,293	37.7%

Charges for Services increased due to an increase in the water and sewer rates during the fiscal year. The Town received half of the American Rescue Plan Act (ARPA) funds of \$981,000 and is expected to receive the remaining half during the fiscal year 2022. Decrease in other miscellaneous revenues and investment earnings are due to realizing lower yields on investments.

- The business-type activities expenses decreased by \$168k as compared to the prior year as follows:

	Fiscal Year Ending September 30,			
	(In Thousands \$)			
Business Type Expenses	2021	2020	\$ Change	% Change
Salaries and Related	\$ 933	\$ 1,091	\$ (158)	-14.5%
Cost of Sales & Services	1,774	1,823	(49)	-2.7%
General and Administrative	775	774	1	0.1%
Interest Expense	235	278	(43)	-15.5%
Depreciation	847	766	81	10.6%
Total	\$ 4,564	\$ 4,732	\$ (168)	-3.6%

- Decrease in overall COVID-19-related expenses as compared to the prior year and reduced interest expense due to the paying down of related debt.
- Salaries and Related expenses decreased as compared to the prior year as a result of a reduction in pension-related and retirement contribution expense.

- At September 30, 2021, the General Fund's unassigned fund balance was \$2.33 million, a decrease of \$4 million from the prior year's unassigned balance. The General Fund has an assignment of fund balance for disaster recovery and budget stabilization at 16.7% of General Fund Expenditures for each category. During the fiscal year 2021, the Town added an assignment of fund balance for Fire Rescue for a fixed amount not to exceed \$4 million for implementing and constructing a new fire station and acquiring related equipment.

Fund Balance (General Fund)	Fiscal Year Ending September 30,			
	(In Thousands \$)			
	2021	2020	\$ Change	% Change
Non-Spendable (Inv & Prepays)	\$ 4	\$ 81	\$ (77)	-95.1%
Assigned to:				
Budget Stabilization	1,876	2,057	(181)	-8.8%
Disaster Recovery	1,876	1,022	854	83.6%
Fire Rescue	4,000	110	3,890	3536.4%
Other	504	349	155	44.4%
Unassigned	2,327	6,388	(4,061)	-63.6%
Total Fund Balance	<u>\$ 10,587</u>	<u>\$ 10,007</u>	<u>\$ 580</u>	5.8%

- The Town's long-term debt decreased by \$1.30 million, or 11.9%. The key factor in the decrease was the paydown of the Town's outstanding loans, which were used to fund significant capital improvement projects for the Water System.

Business Type Debt	Fiscal Year Ending September 30,			
	(In Thousands \$)			
	2021	2020	\$ Change	% Change
Notes & Loans Outstanding	\$ 9,634	\$ 10,940	\$ (1,306)	-11.9%

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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a 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 primarily funded through user fees and charges are identified as business-type activities. In the Town of Highland Beach, the latter consist of 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. Like other state and local governments, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations. The Town funds can be divided into two categories: governmental and proprietary funds.

Governmental Funds 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 and balances of spendable resources available at the end of the fiscal year. Such information may help evaluate a government's near-term financing requirement. Most of the Town's essential services are reported in the governmental funds.

Proprietary Funds 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 provide additional information essential to a complete 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 than the prior year. As noted earlier, net position may serve over time as a valuable indicator of a government's financial position. In the Town case, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24.66 million at September 30, 2021.

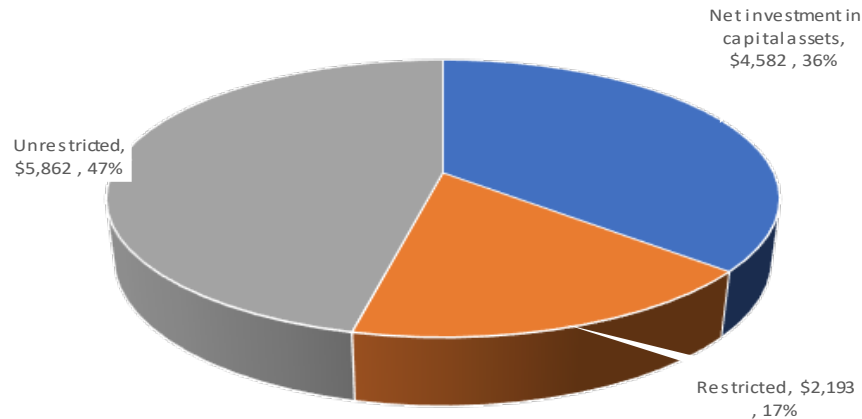
**Town of Highland Beach
Net Position
(In Thousands)**

	Governmental Activities 2021	Business Activities 2021	Total Activities 2021	Governmental Activities 2020	Business Activities 2020	Total Activities 2020
Assets:						
Current and other assets	\$ 13,279	\$ 7,290	\$ 20,569	\$ 12,345	\$ 6,800	\$ 19,145
Capital assets	4,582	15,228	19,810	4,538	15,664	20,202
Total assets	17,861	22,518	40,379	16,883	22,464	39,347
Deferred Outflows of Resources:						
FRS Pension	1,164	195	1,359	2,038	307	2,345
OPEB	33	8	41	32	8	40
Total deferred outflow of resources	1,197	203	1,400	2,070	315	2,385
Liabilities:						
Long-term debt outstanding	2,288	8,792	11,080	-	10,715	10,715
Other liabilities	424	1,400	1,824	7,310	1,528	8,838
Total liabilities	2,712	10,192	12,904	7,310	12,243	19,553
Deferred Inflows of Resources:						
FRS Pension	3,563	471	4,034	166	35	201
OPEB	146	34	180	171	40	211
Total deferred inflow of resources	3,709	505	4,214	337	75	412
Net position:						
Net investment in capital assets	4,582	5,595	10,177	4,538	4,724	9,262
Restricted for:						
Debt service		389	389		232	232
Special projects	2,193		2,193	2,035	-	2,035
Unrestricted	5,862	6,040	11,902	4,733	5,505	10,238
Total net position	\$ 12,637	\$ 12,024	\$ 24,661	\$ 11,306	\$ 10,461	\$ 21,767

A portion of the Town's net position (\$2.6 million or 10%) represents resources subject to external restrictions on how they may be used. Another portion of net position (\$10.2 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 are 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.

Fiscal Year Ending September 30, (In Thousands \$)				
Net Position Governmental	2021	2020	\$ Change	% Change
Net investment in capital assets	\$ 4,582	\$ 4,538	\$ 44	1.0%
Restricted for:				
Recreational land	233	233	-	0.0%
Library	7	7	-	0.0%
Infrastructure	375	453	(78)	-17.2%
Law enforcement	7	7	-	0.0%
Building activities	1,571	1,335	236	17.7%
Unrestricted	5,862	4,733	1,129	23.9%
Total net position	12,637	11,306	1,331	11.8%

Summary Components of Net Position (Thousands
\$)
Governmental Funds



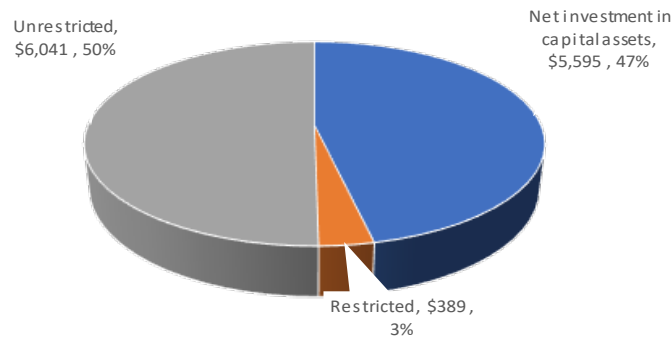
The net position of the Governmental Activities at September 30, 2021, was \$12.64 million. Property taxes are the primary source of revenue and represent approximately 70% of the revenue for governmental activities. Tax revenues were up about \$182k for the year due to the increase in taxable assessed value. Expenses for Public Safety (Police, Fire Rescue, and Building Inspection) were down \$384k from the prior year due to decreased COVID-19-related costs. Collectively, they represent approximately 69% of Governmental Activities expenses.

The net position of the Business Type Activities (water and sewer) at September 30, 2021, was \$12.02 million, an increase of \$1.56 million, mainly resulting from rate increases and ARPA funds. The cost of providing all Business-Type Activities this year was \$4.56 million. The chart below indicates a healthy Unrestricted Net Position of \$6.04 million.

Net Position Business Type	Fiscal Year Ending September 30,			
	(In Thousands \$)			
	2021	2020	\$ Change	% Change
Net investment in capital assets	\$ 5,595	\$ 4,724	\$ 871	18.4%
Restricted for:				
Debt Service	389	232	157	67.7%
Unrestricted	6,040	5,505	535	9.7%
Total net position	12,024	10,461	1,563	14.9%

Net investment in capital assets increased due to upgrades and improvements to the utility system during the year.

Summary Components of Net Position (Thousands \$)
Business Type Funds



Town of Highland Beach
Changes in Net Position
(In Thousands)

	Governmental Activities 2021	Business Activities 2021	Total Activities 2021	Governmental Activities 2020	Business Activities 2020	Total Activities 2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,589	\$ 3,556	\$ 6,145	\$ 2,568	\$ 3,218	\$ 5,786
Operating grants and contributions	29	-	29	-	-	-
Capital grants and contributions	47	981	1,028	-	-	-
General revenues:						
Property taxes	9,739		9,739	9,557	-	9,557
Utility taxes	251		251	271	-	271
Sales and use taxes	637		637	554	-	554
State revenue sharing	104		104	91	-	91
Investment earnings	7	3	10	112	46	158
Miscellaneous	594	180	774	648	163	811
Total revenues	13,997	4,720	18,717	13,801	3,427	17,228
Expenses:						
Program expenses:						
General government	2,493		2,493	2,625	-	2,625
Public safety	7,779		7,779	8,163	-	8,163
Public Works	533		533	515	-	515
Culture and recreation	431		431	516	-	516
Water and sewer	-	4,564	4,564	-	4,732	4,732
Total expenses	11,236	4,564	15,800	11,819	4,732	16,551
Excess (deficiency) before transfers	2,761	156	2,917	1,982	(1,305)	677
Transfers	(1,430)	1,430	-	(1,430)	1,430	-
Special Item - Correction	-	(22)	(22)	-	-	-
Increase (decrease) in net position	1,331	1,564	2,895	552	125	677
Net position – October 1,	11,306	10,460	21,766	10,754	10,335	21,089
Net position – September 30,	\$ 12,637	\$ 12,024	\$ 24,661	\$ 11,306	\$ 10,460	\$ 21,766

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2021, totaled \$19.8 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 Activities 2021	Business Activities 2021	Total 2021	Total 2020
Land and Construction in Progress	\$ 324	\$ -	\$ 324	\$ 426
Buildings and improvements	5,278	9,472	14,750	14,618
Improvements other than buildings	3,236	13,519	16,755	16,285
Furniture, fixtures and equipment	2,563	8,310	10,873	10,860
Total assets	11,401	31,301	42,702	42,189
Less accumulated depreciation	(6,819)	(16,072)	(22,891)	(21,988)
Total	\$ 4,582	\$ 15,229	\$ 19,811	\$ 20,201

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 (considering debt retirement) decreased by \$1.30 million as follows:

Town of Highland Beach Long-Term Liabilities (In Thousands)

	Governmental Activities 2021	Business Activities 2021	Total 2021	Total 2020
Promissory Notes	\$ -	\$ 1,943	\$ 1,943	\$ 2,169
Revolving Fund Loan	-	7,692	7,692	8,771
Compensated Absences	383	119	502	405
Total	\$ 383	\$ 9,754	\$ 10,137	\$ 11,345

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, an unassigned fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2021, the Town's ending fund balances of the General Fund totaled \$10.58 million, an increase of approximately \$580k from the prior year. About 22% (\$2.33 million) of the ending fund balances constitute an unassigned fund balance, which is available for spending at the government's discretion. The remainder of the balance is reserved, indicating that it is not available for new spending because it has either been assigned to provide 1) budget stabilization (\$1.88 million); 2) disaster relief (\$1.88 million); 3) Fire Rescue (\$4 million), and 4) Other (\$504K). Current-year governmental fund expenditures increased by approximately \$803,000 due primarily to public safety expenses and capital outlay expenditures.

Budgetary Highlights-Budget to actual comparison schedules is provided in the Required Supplementary Information (RSI) Section of the report. The budget to actual schedules shows 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 \$10.3 million were less than the final amended budget of \$10.8 million, a difference of approximately \$500k.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2022 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 technologically improving the operation of the Town government.

A major initiative that the Town passed on June 15, 2021, was Ordinance No. 2021-009 establishing a municipal fire department. Preliminary estimates which include the cost of constructing a new fire station, purchasing related equipment, and hiring staff are at \$9 million. The sources of funds for this project will be a \$5 million Non-Ad Valorem borrowing and a draw on reserves of \$4 million. On June 7, 2022, the Town closed on the borrowing agreement with Synovus Bank. The Town is currently in the process of interviewing for a Fire Chief and planning certain equipment purchases, as well as finalizing final construction-related documents.

Property taxes are the primary source of revenues for governmental activities and represent approximately 74% of the General Fund budgeted revenues. The Town's tax millage rate decreased from 3.7878 mills in FY 2021 to 3.6225 mills in FY 2022.

Notwithstanding one-time capital expenditures, property taxes combined with all other estimated General Fund revenues are projected to be sufficient to cover the fiscal year 2022 budget expenditures.

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, 2021

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,104,812	\$ 4,230,351	\$ 13,335,163
Investments	3,780,512	1,929,576	5,710,088
Restricted assets:			
Cash and cash equivalents	-	410,983	410,983
Accounts receivable, net	212,423	709,139	921,562
Due from other governments	176,619	-	176,619
Prepaid costs and inventories	4,390	9,795	14,185
Total current assets	13,278,756	7,289,844	20,568,600
Noncurrent assets:			
Nondepreciable capital assets	323,889	-	323,889
Depreciable capital assets, net	4,258,256	15,228,603	19,486,859
Total noncurrent assets	4,582,145	15,228,603	19,810,748
Total assets	17,860,901	22,518,447	40,379,348
Deferred Outflows of Resources			
FRS Pension	1,164,416	194,886	1,359,302
OPEB	32,546	7,704	40,250
Total deferred outflows of resources	1,196,962	202,590	1,399,552
Liabilities			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	384,200	23,849	408,049
Accrued interest payable	-	22,340	22,340
Noncurrent liabilities due within one year	40,230	1,353,641	1,393,871
Total current liabilities	424,430	1,399,830	1,824,260
Noncurrent liabilities:			
OPEB liability	155,759	36,873	192,632
Net pension liability	1,789,039	355,418	2,144,457
Due in more than one year	342,916	8,399,511	8,742,427
Total noncurrent liabilities	2,287,714	8,791,802	11,079,516
Total liabilities	2,712,144	10,191,632	12,903,776
Deferred Inflows of Resources			
FRS Pension	3,563,263	471,046	4,034,309
OPEB	145,579	34,463	180,042
Total deferred inflows of resources	3,708,842	505,509	4,214,351
Net Position:			
Net investment in capital assets	4,582,145	5,594,515	10,176,660
Restricted for:			
Recreational land acquisition	232,628	-	232,628
Library activities	7,452	-	7,452
Infrastructure	374,659	-	374,659
Law enforcement	6,864	-	6,864
Building activities	1,571,329	-	1,571,329
Restricted for debt service	-	388,643	388,643
Unrestricted	5,861,800	6,040,738	11,902,538
Total net position	\$ 12,636,877	\$ 12,023,896	\$ 24,660,773

See notes to the financial statements

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

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,493,189	\$ 842,191	\$ -	\$ -	\$ (1,650,998)	\$ -	\$ (1,650,998)
Public safety	7,779,328	1,213,717	29,128	-	(6,536,483)	-	(6,536,483)
Culture and recreation	430,705	-	176	27,350	(403,179)	-	(403,179)
Public works	532,450	533,491	-	19,807	20,848	-	20,848
Total government activities	11,235,672	2,589,399	29,304	47,157	(8,569,812)	-	(8,569,812)
Business-type activities:							
Water utility	3,248,563	2,367,299	-	287,240	-	(594,024)	(594,024)
Sewer utility	1,315,297	1,188,036	-	693,431	-	566,170	566,170
Total business-type activities	4,563,860	3,555,335	-	980,671	-	(27,854)	(27,854)
Total primary government	\$ 15,799,532	\$ 6,144,734	\$ 29,304	\$ 1,027,828	(8,569,812)	(27,854)	(8,597,666)
General revenues:							
Property taxes					9,738,626	-	9,738,626
Utility taxes					251,365	-	251,365
Sales and use taxes					637,488	-	637,488
Intergovernmental - unrestricted					103,763	-	103,763
Investment earnings					6,736	3,007	9,743
Gain on disposal of capital assets					8,010	23,601	31,611
Miscellaneous					584,953	156,642	741,595
Transfers					(1,430,003)	1,430,003	-
Total general revenues and transfers					9,900,938	1,613,253	11,514,191
Change in net position					1,331,126	1,585,399	2,916,525
Net position, beginning, as previously stated					11,305,751	10,460,562	21,766,313
Correction to account receivables					-	(22,065)	(22,065)
Net position, beginning, as restated					11,305,751	10,438,497	21,744,248
Net position, ending					\$ 12,636,877	\$ 12,023,896	\$ 24,660,773

See notes to the financial statements

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

	Major Funds		Nonmajor	Total
	General	Building	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 7,427,414	\$ 1,225,708	\$ 451,690	\$ 9,104,812
Investments	3,083,156	509,572	187,784	3,780,512
Receivables:				
Accounts receivable, net	212,423	-	-	212,423
Due from other governments	156,808	-	19,811	176,619
Inventory	4,159	-	-	4,159
Prepays	231	-	-	231
Total assets	<u>\$ 10,884,191</u>	<u>\$ 1,735,280</u>	<u>\$ 659,285</u>	<u>\$ 13,278,756</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 120,407	\$ 67,166	\$ 37,682	\$ 225,255
Bond deposits payable	-	70,000	-	70,000
Accrued liabilities	62,160	26,785	-	88,945
Total liabilities	<u>182,567</u>	<u>163,951</u>	<u>37,682</u>	<u>384,200</u>
Deferred Inflows of Resources:				
Unavailable revenue	114,046	-	-	114,046
Total deferred inflows of resources	<u>114,046</u>	<u>-</u>	<u>-</u>	<u>114,046</u>
Fund balances:				
Non-spendable for inventories and prepaid costs	4,390	-	-	4,390
Restricted for:				
Recreational land acquisition	-	-	232,628	232,628
Library activities	-	-	7,452	7,452
Infrastructure	-	-	304,540	304,540
Law enforcement	-	-	6,864	6,864
Building activities	-	1,535,891	-	1,535,891
Assigned to:				
Budget stabilization	1,876,357	-	-	1,876,357
Disaster recovery	1,876,357	-	-	1,876,357
Fire rescue	4,000,000	-	-	4,000,000
Contracts	48,410	35,438	70,119	153,967
Subsequent year expenditures	455,812	-	-	455,812
Unassigned:	2,326,252	-	-	2,326,252
Total fund balances	<u>10,587,578</u>	<u>1,571,329</u>	<u>621,603</u>	<u>12,780,510</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,884,191</u>	<u>\$ 1,735,280</u>	<u>\$ 659,285</u>	<u>\$ 13,278,756</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, 2021

Fund balance - governmental funds	\$	12,780,510
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial 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	11,401,000	
Accumulated depreciation	<u>(6,818,855)</u>	4,582,145

Assets that are not available to pay for current-period expenditures are unavailable in the fund statements.	114,046
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Deferred outflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	1,164,416
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Deferred outflows of resources related to OPEB are recorded in the statement of net position but not on the governmental fund financial statements	32,546
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Deferred inflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	(3,563,263)
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Deferred inflows of resources related to OPEB are recorded in the statement of net position but not on the governmental fund financial statements	(145,579)
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences		(383,146)
Total OPEB liability		(155,759)
Net pension liability		<u>(1,789,039)</u>
Net position of governmental activities	\$	<u><u>12,636,877</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 Fiscal Year Ended September 30, 2021

	Major Funds		Nonmajor	Total
	General	Building	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Property taxes	\$ 9,738,626	\$ -	\$ -	\$ 9,738,626
Franchises fees	692,496	-	-	692,496
Permits and fees	10,120	1,196,381	-	1,206,501
Intergovernmental	721,600	-	290,823	1,012,423
Charges for services	612,128	-	-	612,128
Fines and forfeitures	8,253	-	-	8,253
Interest income	5,605	1,360	(229)	6,736
Rent & Leases	70,021	-	-	70,021
Miscellaneous	535,394	-	177	535,571
Total revenues	12,394,243	1,197,741	290,771	13,882,755
Expenditures:				
Current:				
General government	2,344,207	75,000	1,718	2,420,925
Public safety	7,161,130	934,363	-	8,095,493
Culture and recreation	367,594	-	-	367,594
Public works	458,413	-	-	458,413
Capital outlay	4,967	-	367,208	372,175
Total expenditures	10,336,311	1,009,363	368,926	11,714,600
Excess (deficiency) of revenues over expenditures	2,057,932	188,378	(78,155)	2,168,155
Other financing sources (uses):				
Transfers in (out)	(1,477,669)	47,666	-	(1,430,003)
Total other financing sources (uses)	(1,477,669)	47,666	-	(1,430,003)
Net change in fund balances	580,263	236,044	(78,155)	738,152
Fund balances, beginning	10,007,315	1,335,285	699,758	12,042,358
Fund balances, ending	\$ 10,587,578	\$ 1,571,329	\$ 621,603	\$ 12,780,510

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 Fiscal Year Ended September 30, 2021

Net change in fund balances - total governmental funds	\$ 738,152
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.	331,672
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities.	(287,702)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements.	114,046
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	(74,599)
OPEB expense	4,683
Pension expense	504,874
Change in net position of governmental activities	<u>\$ 1,331,126</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position - Proprietary Funds
September 30, 2021

	Water Utility Fund	Sewer Utility Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,512,533	\$ 1,717,818	\$ 4,230,351
Investments	1,215,415	714,161	1,929,576
Accounts receivable (net)	484,445	224,694	709,139
Prepaid Items	2,119	-	2,119
Supplies inventory	7,676	-	7,676
Restricted cash and cash equivalents	410,983	-	410,983
Total current assets	4,633,171	2,656,673	7,289,844
Non-current Assets			
Capital Assets			
Building and improvements	7,746,507	1,725,534	9,472,041
Improvements other than buildings	12,126,140	1,392,467	13,518,607
Equipment	7,904,237	406,016	8,310,253
Total capital assets	27,776,884	3,524,017	31,300,901
Less accumulated depreciation	(12,981,198)	(3,091,100)	(16,072,298)
Total non-current assets	14,795,686	432,917	15,228,603
Total assets	19,428,857	3,089,590	22,518,447
Deferred Outflows of Resources			
FRS Pension	194,886	-	194,886
OPEB	7,704	-	7,704
Total deferred outflows of resources	202,590	-	202,590
Liabilities			
Current Liabilities			
Accounts payable	8,257	2,119	10,376
Accrued liabilities	13,473	-	13,473
Accrued interest payable	22,340	-	22,340
Compensated absences	12,502	-	12,502
Long-Term Debt	1,341,139	-	1,341,139
Total current liabilities	1,397,711	2,119	1,399,830
Long-Term Liabilities			
Compensated absences	106,562	-	106,562
Total OPEB liability	36,873	-	36,873
Net pension liability	355,418	-	355,418
Long-Term Debt	8,292,949	-	8,292,949
Total long-term liabilities	8,791,802	-	8,791,802
Total Liabilities	10,189,513	2,119	10,191,632
Deferred Inflows of Resources			
FRS Pension	471,046	-	471,046
OPEB	34,463	-	34,463
Total deferred inflows of resources	505,509	-	505,509
Net Position			
Net investment in capital assets	5,161,598	432,917	5,594,515
Restricted for debt service	388,643	-	388,643
Unrestricted	3,386,184	2,654,554	6,040,738
Total net position	\$ 8,936,425	\$ 3,087,471	\$ 12,023,896

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 Fiscal Year Ended September 30, 2021

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 2,367,299	\$ 1,188,036	\$ 3,555,335
Administrative fee	154,350	-	154,350
Total operating revenues	<u>2,521,649</u>	<u>1,188,036</u>	<u>3,709,685</u>
Operating expenses:			
Salaries and fringe benefits	932,701	-	932,701
Cost of sales and services	721,883	1,052,041	1,773,924
General and administrative	576,926	197,645	774,571
Depreciation	782,281	65,611	847,892
Total operating expenses	<u>3,013,791</u>	<u>1,315,297</u>	<u>4,329,088</u>
Operating income (loss)	<u>(492,142)</u>	<u>(127,261)</u>	<u>(619,403)</u>
Nonoperating revenues (expenses):			
Interest income	2,114	893	3,007
Gain on disposal and capital assets	16,251	7,350	23,601
Other revenue	289,532	693,431	982,963
Interest expense	(234,772)	-	(234,772)
Total nonoperating revenues (expenses)	<u>73,125</u>	<u>701,674</u>	<u>774,799</u>
Income before transfers	<u>(419,017)</u>	<u>574,413</u>	<u>155,396</u>
Transfers in	1,430,003	-	1,430,003
Total transfers	<u>1,430,003</u>	<u>-</u>	<u>1,430,003</u>
Net income	1,010,986	574,413	1,585,399
Net position - beginning, as previously stated	7,947,504	2,513,058	10,460,562
Correction to receivables	(22,065)	-	(22,065)
Net position beginning, as restated	<u>7,925,439</u>	<u>2,513,058</u>	<u>10,438,497</u>
Net position, ending	<u>\$ 8,936,425</u>	<u>\$ 3,087,471</u>	<u>\$ 12,023,896</u>

See notes to the financial statements

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

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,570,446	\$ 1,185,330	\$ 3,755,776
Receipts from interfund services provided	154,350	-	154,350
Payments to suppliers	(1,397,356)	(1,147,707)	(2,545,063)
Payments for interfund services used	-	(154,350)	(154,350)
Payments to employees	(974,958)	-	(974,958)
Net cash provided by (used in) operating activities	352,482	(116,727)	235,755
Cash Flows From Noncapital Financing activities:			
Other revenue	-	693,431	693,431
Transfers from other funds	1,430,003	-	1,430,003
Net cash provided by (used in) noncapital financing	1,430,003	693,431	2,123,434
Cash Flows From Capital and Related Financing Activities			
Purchases to acquire and construct capital assets	(224,978)	(187,851)	(412,829)
Proceeds from the disposal of capital assets	16,251	7,349	23,600
Principal paid on debt and leases	(1,305,920)	-	(1,305,920)
Interest paid on long-term debt	(244,170)	-	(244,170)
Net cash provided by (used in) capital and related financing activities	(1,758,817)	(180,502)	(1,939,319)
Cash Flows From Investing Activities			
Purchase of investments	(315,931)	(268,655)	(584,586)
Interest received	2,114	893	3,007
Net cash provided by (used in) investing activities	(313,817)	(267,762)	(581,579)
Net increase (decrease) in cash and cash equivalents	(290,149)	128,440	(161,709)
Cash and cash equivalents, beginning	3,213,665	1,589,378	4,803,043
Cash and cash equivalents, ending	<u>\$ 2,923,516</u>	<u>\$ 1,717,818</u>	<u>\$ 4,641,334</u>
Reconciliation to the statement of net position:			
Cash and equity in pooled cash	\$ 2,512,533	\$ 1,717,818	\$ 4,230,351
Restricted assets, cash	410,983	-	410,983
	<u>\$ 2,923,516</u>	<u>\$ 1,717,818</u>	<u>\$ 4,641,334</u>

(Continued)

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds (Continued)
For the Fiscal Year Ended September 30, 2021

	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)	\$ (492,142)	\$ (127,261)	\$ (619,403)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	782,281	65,611	847,892
GASB 68 Pension expense	(64,823)	-	(64,823)
GASB 75 OPEB expense	(516)	-	(516)
Other revenues	289,532	-	289,532
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(86,385)	(2,706)	(89,091)
(Increase) decrease in other assets	548	-	548
Increase (decrease) in accounts payable	(105,742)	(52,371)	(158,113)
Increase (decrease) in other liabilities	6,647	-	6,647
Increase (decrease) in compensated absences	23,082	-	23,082
Total adjustments	844,624	10,534	855,158
Net cash provided by (used in) operating activities	\$ 352,482	\$ (116,727)	\$ 235,755

See notes to the financial statements

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

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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental and enterprise funds. The major individual governmental funds and the major individual enterprise 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, 2021

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 funds:

General Fund

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

Building Fund

The Building Fund is used to account for the building permit department activities.

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
Law Enforcement Fund
Infrastructure Surtax Fund

Only the Infrastructure Surtax Fund has a legally adopted budget. The remaining special revenue funds do not have legally adopted budgets.

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

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Prepaid Items

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

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.

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 acquisition value. 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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, furniture, and books	3-10

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) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 of State law. The assessed value of property within the corporate limits of the Town at January 1, 2020, upon which the levy for the current fiscal year was based, was approximately \$2.645 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, 2021, was 3.2294 (\$3.2294 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, 2021

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, 2021

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 committed 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. The targeted assignment amount is 16.7% or two months 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 targeted assignment amount is 16.7% or two months of General Fund operating expenditures, net of funds set aside for reserves.

In addition, the Town Commission has assigned \$4,000,000 to assist with the cost of establishment and operation of the Highland Beach Fire Rescue Department. The assignment also includes amounts under the True-Up provision of the Fire Rescue contract with the City of Delray Beach to provide for future increases in the contract. No specific percentage is assigned. The amount assigned is based on the amount received from the City of Delray Beach. For the current fiscal year, the assigned amount is \$4,000,000.

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, 2021

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, 2021

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 re-appropriate such amounts at the beginning of the next fiscal year.

Recently Issued Accounting Pronouncements Not Yet Adopted

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

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For reporting periods beginning after June 15, 2021.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

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

The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

GASB 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB 92 – Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB 93 – Replacement of Interbank Offered Rates

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 or 2021.

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

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

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

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.
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.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2021, the Town had the following investments:

	Amortized cost	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 5,710,089	S&P AAAm	Weighted average of the fund portfolio: 49 days
Total Investments	<u>\$ 5,710,089</u>		

Fair Value Measurement – When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- Level 2: Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town's investments have been reported at amortized cost above.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

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

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 preceding 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, 2021

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

	General Fund	Infrastructure Surtax	Water Utility Fund	Sewer Utility Fund	Total
Receivables:					
Accounts	\$ 97,980	\$ -	\$ 484,445	\$ 224,694	\$ 807,119
Franchise fees	101,262	-	-	-	101,262
Due from other governments:					
State of Florida:					
Half cent sales tax	25,203	-	-	-	25,203
Discretionary sales tax	-	19,811	-	-	19,811
Communication service tax	19,561	-	-	-	19,561
Local option gas tax	2,611	-	-	-	2,611
Revenue sharing	8,171	-	-	-	8,171
City of Delray Beach	114,046				114,046
Other	397	-	-	-	397
Total receivables	369,231	19,811	484,445	224,694	1,098,181
Less allowance for uncollectibles	-	-	-	-	-
Net total receivables	\$ 369,231	\$ 19,811	\$ 484,445	\$ 224,694	\$ 1,098,181

NOTE 4 – CAPITAL ASSETS

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

Governmental activities:	
General government	\$ 73,651
Public safety	44,848
Sanitation	95,166
Culture and recreation	74,037
Total depreciation expense, governmental activities	<u>\$ 287,702</u>
Business-type activities:	
Water utility system	782,281
Sewer utility system	65,611
Total depreciation expense, business-type activities	<u>\$ 847,892</u>

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

NOTE 4 – CAPITAL ASSETS (Continued)

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

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 323,889	\$ -	\$ -	\$ 323,889
Construction in progress	102,400	102,400	(204,800)	-
Total capital assets, not being depreciated	426,289	102,400	(204,800)	323,889
Capital assets, being depreciated:				
Buildings	5,146,288	131,582	-	5,277,870
Improvements other than buildings	2,963,936	272,528	-	3,236,464
Equipment, furniture, and books	2,705,885	29,962	(173,070)	2,562,777
Total capital assets, being depreciated	10,816,109	434,072	(173,070)	11,077,111
Less accumulated depreciation:				
Buildings	(2,652,551)	(126,165)	-	(2,778,716)
Improvements other than buildings	(1,728,437)	(95,688)	-	(1,824,125)
Equipment, furniture, and books	(2,323,235)	(65,849)	173,070	(2,216,014)
Total accumulated depreciation	(6,704,223)	(287,702)	173,070	(6,818,855)
Total capital assets being depreciated, net	4,111,886	146,370	-	4,258,256
Governmental activities capital assets, net	\$ 4,538,175	\$ 248,770	\$ (204,800)	\$ 4,582,145

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Business-type activities				
Capital assets, being depreciated:				
Buildings	\$ 9,472,041	\$ -	\$ -	\$ 9,472,041
Improvements other than buildings	13,320,899	197,709	-	13,518,608
Equipment, furniture, and books	8,154,504	215,120	(59,372)	8,310,252
Total capital assets, being depreciated	30,947,444	412,829	(59,372)	31,300,901
Less accumulated depreciation:				
Buildings	(4,804,707)	(201,996)	-	(5,006,703)
Improvements other than buildings	(3,904,684)	(325,768)	-	(4,230,452)
Equipment, furniture, and books	(6,574,387)	(320,128)	59,372	(6,835,143)
Total accumulated depreciation	(15,283,778)	(847,892)	59,372	(16,072,298)
Total capital assets, being depreciated, net	15,663,666	(435,063)	-	15,228,603
Business-type activities capital assets, net	\$ 15,663,666	\$ (435,063)	\$ -	\$ 15,228,603

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

NOTE 5 – LONG-TERM LIABILITIES

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

Business type activities:	Beginning Balances	Additions	Reductions	Total	Due Within One Year
Promissory note, 2007	\$ 2,169,168	\$ -	\$ (226,351)	\$ 1,942,817	\$ 234,202
Revolving fund loan DW 500200	1,717,564	-	(150,932)	1,566,632	155,219
Revolving fund loan DW 500201	456,276	-	(40,490)	415,786	41,554
Revolving fund loan DW 502901	2,442,169	-	(673,069)	1,769,100	692,540
Revolving fund loan DW 500210	4,154,831	-	(215,078)	3,939,753	217,624
Total notes and loans payable	10,940,008	-	(1,305,920)	9,634,088	1,341,139
Compensated Absences	95,982	50,848	(27,766)	119,064	12,502
	<u>\$ 11,035,990</u>	<u>\$ 50,848</u>	<u>\$ (1,333,686)</u>	<u>\$ 9,753,152</u>	<u>\$ 1,353,641</u>

Governmental type activities:	Beginning Balances	Additions	Reductions	Total	Due Within One Year
Compensated Absences	\$ 308,547	\$ 214,678	\$ (140,079)	\$ 383,146	\$ 40,230
	<u>\$ 308,547</u>	<u>\$ 214,678</u>	<u>\$ (140,079)</u>	<u>\$ 383,146</u>	<u>\$ 40,230</u>

Interest Expense

Total interest costs incurred and paid on all Town debt for the years ended September 30, 2020 and 2021, were \$277,530 and \$234,772, respectively. No interest cost was capitalized during the year.

Long-term debt at September 30, 2021, 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, 2021, 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, 2021, the interest rate was 3.414%.

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

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Promissory Note, 2007 (Continued)

Based on the rate as of September 30, 2021, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2022	\$ 234,202	\$ 62,678	\$ 296,880
2023	242,323	54,557	296,880
2024	250,726	46,155	296,881
2025	259,420	37,461	296,881
2026	268,415	28,465	296,880
2027-2029	687,731	29,734	717,465
	\$ 1,942,817	\$ 259,050	\$ 2,201,867

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 \$9,738,626. At September 30, 2021, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$1,846,060. As of September 30, 2021, outstanding principal, including capitalized interest, was \$1,769,100. 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, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 692,540	\$ 45,884	\$ 738,424
2023	712,577	25,847	738,424
2024	363,983	5,229	369,212
	\$ 1,769,100	\$ 76,960	\$ 1,846,060

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

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 \$9,738,626. At September 30, 2021, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$1,784,797. As of September 30, 2021, outstanding principal, including capitalized interest, was \$1,566,632. 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, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 155,219	\$ 43,092	\$ 198,311
2023	159,627	38,684	198,311
2024	164,160	34,151	198,311
2025	168,822	29,489	198,311
2026	173,616	24,695	198,311
2027-2030	745,188	48,054	793,242
	<u>\$ 1,566,632</u>	<u>\$ 218,165</u>	<u>\$ 1,784,797</u>

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 \$9,738,626. At September 30, 2021, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$469,226. As of September 30, 2021, outstanding principal, including capitalized interest, was \$415,786. 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.

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

NOTE 5 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan - DW500201 (Continued)

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 41,554	\$ 10,583	\$ 52,137
2023	42,645	9,491	52,136
2024	43,765	8,371	52,136
2025	44,915	7,221	52,136
2026	46,095	6,041	52,136
2027-2030	196,812	11,733	208,545
	<u>\$ 415,786</u>	<u>\$ 53,440</u>	<u>\$ 469,226</u>

State Revolving Fund Loan - DW500210

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the Water Infrastructure Improvement Projects (“WIIP”). The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$263,473 and pledged ad valorem taxes were \$9,738,626. The loan agreement award is for a total of \$4,702,856. At September 30, 2021, principal and interest to maturity in 2038 to be paid from pledged future revenues totaled \$4,347,301. As of September 30, 2021, outstanding principal, including capitalized interest, was \$3,939,753. The loan bears interest at 1.18%. 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, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 217,624	\$ 45,849	\$ 263,473
2023	220,200	43,273	263,473
2024	222,805	40,668	263,473
2025	225,442	38,031	263,473
2026	228,110	35,363	263,473
2027-2031	1,181,690	135,673	1,317,363
2032-2036	1,253,291	64,073	1,317,364
2037-2038	390,591	4,618	395,209
	<u>\$ 3,939,753</u>	<u>\$ 407,548</u>	<u>\$ 4,347,301</u>

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

NOTE 6 – INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2021:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,477,669
Building Fund	47,666	-
Water Utility Fund	1,430,003	-
	<u>\$ 1,477,669</u>	<u>\$ 1,477,669</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been allocated for use. During the current fiscal year, there was a transfer from the General Fund to the Building Fund and the Water Fund in accordance with the adopted budget.

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%

The sole employee covered by the Plan retired in January 2020. 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, 2021, there was no required contributions for Town and the covered employees.

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

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Retirement Plan (Continued)

Plan revisions and contribution requirements are established and may be amended by the Town Commission.

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.

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, 2021, Town employees did not make any voluntary contributions to the Plan.

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

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town Manager Retirement Plan

On August 29, 2019, the Town approved Resolution 19R establishing a Money Purchase Plan with ICMA effective October 1, 2019 for the Town Manager. The Town is required to contribute 16% of earnings to the plan for the town manager. There are no mandatory participant contributions required. The town manager may make voluntary pretax contributions to the Plan based upon a percentage of base payroll. For the year ended September 30, 2021, the Town made the required contribution of \$27,133.

Under the plan provisions, normal retirement age is 60 and contributions vest immediately.

The Plans are administered by the International City Management Association Retirement Corporation (“ICMA”), 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 Plans, the Plans do not meet the criteria for inclusion in the Town’s financial statements as a fiduciary fund.

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 \$21,736 for the fiscal year ended September 30, 2021.

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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.

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.

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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

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

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

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

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 2021 fiscal year were as follows:

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

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

The Town's contributions to the Plan totaled \$445,083 for the fiscal year ended September 30, 2021. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a liability of \$1,027,112 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2021 relative to the contributions made during the year ended June 30, 2021 of all participating members. At June 30, 2021, the Town's proportionate share was .0136%, which was a decrease of .0012% from its proportionate share measured as of June 30, 2020.

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

For the fiscal year ended September 30, 2021 the Town recognized pension expense of (\$54,021) 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	\$ 176,049	\$ -
Change of assumptions	702,801	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(3,583,335)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	137,570	(364,369)
Town FRS contributions subsequent to the measurement date	151,593	-
Total	<u>\$ 1,168,013</u>	<u>\$ (3,947,704)</u>

The deferred outflows of resources related to pensions, totaling \$151,593, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2022	\$ (516,273)
2023	(602,022)
2024	(797,447)
2025	(1,021,873)
2026	6,331
Thereafter	-
Total	<u>\$ (2,931,284)</u>

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

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the on the PUB-2010 base table which varies by member category and sex, projected generationally with Scale MP-2018.

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions – The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	5.80%	6.80%	7.80%
Net Pension Liability	\$ 4,593,313	\$ 1,027,112	\$ (1,953,833)

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

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, 2021, the Town did not report a payable.

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

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

The Town’s contributions to the HIS Plan totaled \$40,744 for the fiscal year ended September 30, 2021. This does not include contributions to the Investment Plan.

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a net pension liability of \$1,117,345 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Town's proportionate share of the net pension liability was based on the year ended June 30, 2021 contributions relative to the year ended June 30, 2021 contributions of all participating members. At June 30, 2021, the Town's proportionate share was .0091%, a decrease of .00009% compared to its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$75,756 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	\$ 37,389	\$ (468)
Change of assumptions	87,798	(46,037)
Net difference between projected and actual earnings on FRS pension plan investments	1,165	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	50,293	(40,100)
Town FRS contributions subsequent to measurement date	14,644	-
Total	<u>\$ 191,289</u>	<u>\$ (86,605)</u>

The deferred outflows of resources related to pensions, totaling \$14,644, resulting from Town contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2022	\$ 24,800
2023	7,901
2024	16,301
2025	21,638
2026	16,182
Thereafter	3,218
Total	<u>\$ 90,040</u>

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

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

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

Mortality rates were based on the Generational RP-2010 with Projected Scale MP-2018. The actuarial assumptions used in the June 30, 2021 measurement date were based on the results of an actuarial valuation dated June 30, 2020. For the HIS plan, valuations are performed on a biennial basis.

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

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

	1% Decrease	Current	1% Increase
	1.16%	Discount Rate 2.16%	3.16%
Net Pension Liability	\$ 1,291,760	\$ 1,117,345	\$ 974,452

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

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

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

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 member allocation rates by job class for the Town's employees at September 30, 2021, were as follows: regular employees 6.30%, special risk employees 14%, senior management service employees 7.67%, and elected officials 11.34%.

The Town's total payroll for the year ended September 30, 2021 was \$3,421,291 and payroll for employees covered by the Plan was \$966,847. The Town and the covered employees made the required contributions of \$126,344 and \$23,927, respectively.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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.

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

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

Funding Policy

Currently, the Town's other postemployment benefits are unfunded. The Plan is funded under a pay-as-you-go approach. 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 normal 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. The Plan provides for a direct subsidy for special risk retirees disabled in the line of duty and spouses of special risk employees upon death in the line of duty by paying the full cost of coverage for both the retiree and spouse.

Plan Membership

At September 30, 2021, the following members were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	39
	<u>41</u>

Changes in Net OPEB Liability

Sources of changes in the net OPEB liability were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 165,955	\$ -	\$ 165,955
Changes due to:			
Service cost	20,156	-	20,156
Expected interest growth	5,085	-	5,085
Differences between expected and actual experience	-	-	-
Changes in assumptions	2,343	-	2,343
Benefit payments	(907)	-	(907)
Ending balance	<u>\$ 192,632</u>	<u>\$ -</u>	<u>\$ 192,632</u>

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

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:

Measurement date	October 1, 2020
Actuarial valuation date	October 1, 2019
Reporting date	September 30, 2021
Actuarial assumptions:	
Inflation	2.6%, not explicitly used in valuation
Discount rate	2.43%; based on the return on the Fidelity 20-Year Municipal Bond GO AA Index
Projected salary increases	3.6% - 8.4% per year
Actuarial cost method	Individual entry age level percent of pay
Healthcare cost trend rates	Based on the Getzen Model starting at 6.00% gradually decreasing to an ultimate rate of 4.10% in 2040
Retirees' share of benefit-related costs	100% of blended health insurance premium rates except by statute 0% for certain conditions for Police Officers and Firefighters death and disability benefits
Mortality rates	Healthy members based on various PUB-2010 base tables, generational mortality using gender-specific MP-2018 mortality improvement projection scale. Disabled Employees based on various PUB-2010 Disabled mortality tables and no projected improvements.

Demographic and other economic actuarial assumptions are based on demographic and other economic actuarial assumptions used in the Florida Retirement System (FRS) for the July 1, 2019 Actuarial valuation. The trend and participation assumptions are set by Gabriel, Roeder, Smith & Company based upon general and program specific experience.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability calculated using the discount rate of 2.43%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.43%) or 1-percentage-point higher (3.43%) than the current rate:

1%	Current	1%
Decrease	Discount Rate	Increase
(1.43%)	(2.43%)	(3.43%)
\$ 228,889	\$ 192,632	\$ 164,438

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

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0% decreasing to 3.1%) or 1-percentage-point higher (7.0% decreasing to 5.1%) than the current trend rates:

1% Decrease (5% decreasing to 3.1%)	Healthcare Cost Trend Rates (6% Graded Down to 4.1%)	1% Increase (7% decreasing to 5.1%)
\$ 157,547	\$ 192,632	\$ 238,336

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2021, the Town recognized OPEB expense of \$4,344. In addition, at September 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 167,145
Change of assumptions	30,707	12,897
Town's OPEB contributions subsequent to the measurement date	9,543	-
Total	<u>\$ 40,250</u>	<u>\$ 180,042</u>

The deferred outflows of resources related to OPEB, totaling \$9,543, resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2022	\$ (22,897)
2023	(22,897)
2024	(22,897)
2025	(24,404)
2026	(30,439)
Thereafter	(25,801)
Total	<u><u>\$ (149,335)</u></u>

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

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

During the year ended September 30, 2021, 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 \$400,000.

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

During the year ended September 30, 2021, 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 \$154,350.

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

Litigation and claims

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

Grant Funding

The Town receives funding under various grants, including:

- Palm Beach County Municipal CARES Act reimbursement program whereby the County will provide the Town with CAREs funds. The Town received \$61,603 in the current fiscal year.
- COVID relief funding under the American Rescue Plan Act (ARPA) law of \$980,671 received in the current fiscal year for which no expenditures have yet been incurred.

If related expenditures are found to be unallowable or not incurred in accordance with grant requirements, certain amounts may be determined to be refundable to the grantor.

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

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, 2021, the Town made payment of \$454,570 pursuant to the agreements.

Encumbrances

At September 30, 2021, the Town had encumbrances of \$41,410 in the General Fund, \$70,119 in the Infrastructure Surtax Fund, \$162,507 in the Water Utility Fund and \$66,848 in the Sewer 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, 2019, 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, 2021 was \$4,689,810. During the current fiscal year, the Town sent a notice of termination to the City of Delray Beach for the interlocal agreement for fire rescue services. The termination is effective April 30, 2024.

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, 2021, the Town was charged \$920,150 for sewage disposal services.

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

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The beginning net position in the current fiscal year report was adjusted for the following items:

	Water Fund	Business-type activities
Net position beginning, as previously stated	\$ 7,947,504	\$ 10,460,562
Correction to receivables	(22,065)	(22,065)
Net position beginning, as restated	<u>\$ 7,925,439</u>	<u>\$ 10,438,497</u>

NOTE 17 – SUBSEQUENT EVENTS

Fire Protection Services

Currently, the Town of Highland Beach (“Town”) is contracting for Fire Protection Services from the City of Delray Beach (“City”) through a ten-year interlocal agreement beginning on October 1, 2016, and ending on September 30, 2026, with an option to renew for an additional 10-year term. The Town passed Ordinance No. 2021-009 on June 15, 2021, to establish a municipal fire department and sent a notice of termination to the City effective April 30, 2024.

Preliminary estimates place the cost of constructing a new fire station, purchasing related equipment, and hiring staff at \$9 million. The funding of this project is through a combination of utilizing reserve funds up to \$4 million and a bank loan for \$5 million. The Town passed Ordinance No. 2022-005 on May 17, 2022, authorizing the issuance of the Town’s Non-Ad Valorem Revenue Note Series 2022

On June 7, 2022, the Town passed Ordinance No. 2022-13 and entered into a Non-Ad Valorem Revenue Note, Series 2022 borrowing agreement with Synovus Bank. The \$5,050,000 Note has a maturity date of March 30, 2032, and an annual interest rate of 3.26% on the outstanding balance. Principal and Interest Payments are due on March 30th and September 30th of each year, beginning on March 30, 2024. No construction or other purchases have been made other than closing costs related to the above note.

The Town is currently in the process of interviewing for a Fire Chief and planning certain equipment purchases, as well as finalizing final construction-related documents.

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property taxes	\$ 9,695,345	\$ 9,695,345	\$ 9,738,626	\$ 43,281
Franchise fees	570,000	570,000	692,496	122,496
Permits and fees	-	-	10,120	10,120
Intergovernmental	623,900	623,900	721,600	97,700
Charges for services	534,000	534,000	612,128	78,128
Fines and forfeitures	10,700	10,700	8,253	(2,447)
Interest income	112,500	112,500	5,605	(106,895)
Rent & Leases	67,000	67,000	70,021	3,021
Miscellaneous	493,500	493,500	535,394	41,894
Total revenues	12,106,945	12,106,945	12,394,243	287,298
Expenditures:				
General Government:				
Town Commission	178,575	178,575	144,028	34,547
Town Manager	381,890	397,890	354,206	43,684
Town Clerk	388,080	388,080	351,603	36,477
Finance	501,655	501,655	497,961	3,694
Legal	175,000	125,000	88,962	36,038
Public Works	353,150	353,150	330,425	22,725
Post office	142,940	142,940	115,689	27,251
Non -departmental and contingency	397,670	397,670	461,333	(63,663)
Total general government	2,518,960	2,484,960	2,344,207	140,753
Public safety:				
Police	2,599,376	2,633,376	2,435,303	198,073
Fire Rescue	4,782,579	4,782,579	4,725,827	56,752
Total public safety	7,381,955	7,415,955	7,161,130	254,825

(Continued)

(See notes to budgetary required supplementary information)

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Sanitation:				
Refuse Collection	468,135	468,135	458,413	9,722
Total physical environment	468,135	468,135	458,413	9,722
Culture and recreation:				
Library	413,650	413,650	367,594	46,056
Total culture and recreation	413,650	413,650	367,594	46,056
Capital outlay	50,000	50,000	4,967	45,033
Total Capital Outlay	50,000	50,000	4,967	45,033
Total expenditures	10,832,700	10,832,700	10,336,311	496,389
Excess (deficiency) of revenues over expenditures	1,274,245	1,274,245	2,057,932	783,687
Other financing sources (uses):				
Interfund Transfer In (Out)	(1,482,000)	(1,482,000)	(1,477,669)	4,331
Use of fund balance	207,755	207,755	-	(207,755)
Total other financing sources (uses)	(1,274,245)	(1,274,245)	(1,477,669)	(203,424)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	580,263	<u>\$ 580,263</u>
Fund balance, beginning			10,007,315	
Fund balance, ending			<u>\$ 10,587,578</u>	

(See notes to budgetary required supplementary information)

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Permits and fees	\$ 842,000	\$ 918,000	\$ 1,196,381	\$ 278,381
Interest income	-	-	1,360	1,360
Total revenues	842,000	918,000	1,197,741	279,741
Expenditures:				
Public safety:				
General governmnet	75,000	75,000	75,000	-
Protective Inspections	791,800	867,800	934,363	(66,563)
Capital outlay	27,200	27,200	-	27,200
Total expenditures	894,000	970,000	1,009,363	(39,363)
Excess (deficiency) of revenues over expenditures	(52,000)	(52,000)	188,378	240,378
Other financing sources (uses):				
Interfund Transfer In (Out)	52,000	52,000	47,666	(4,334)
Total other financing sources (uses)	52,000	52,000	47,666	(4,334)
Net change in fund balance	\$ -	\$ -	236,044	\$ 236,044
Fund balance, beginning			1,335,285	
Fund balance, ending			\$ 1,571,329	

(See notes to budgetary required supplementary information)

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplementary
Information September 30, 2021

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, Building Fund, Infrastructure Surtax 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.

Actual building fund expenditures for the fiscal year ended September 30, 2021 exceeded appropriations by \$39,363. The over expenditures were funded by available fund balance.

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 re-appropriate such amounts at the beginning of the next fiscal year.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*

	2021	2020	2019	2018
Total OPEB Liability				
Beginning balance	\$ 165,955	\$ 342,836	\$ 306,113	\$ 215,454
Service cost	20,156	43,851	44,095	26,340
Expected interest growth	5,085	14,678	12,177	9,148
Difference between expected and actual experience	-	(223,805)	-	-
Assumption changes	2,343	(4,652)	(14,859)	58,821
Benefit payments and refunds	(907)	(6,953)	(4,690)	(3,650)
Ending balance	<u>\$ 192,632</u>	<u>\$ 165,955</u>	<u>\$ 342,836</u>	<u>\$ 306,113</u>
Plan Fiduciary Net Position				
Beginning balance	\$ -	\$ -	\$ -	\$ -
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability				
Ending balance	<u>\$ 192,632</u>	<u>\$ 165,955</u>	<u>\$ 342,836</u>	<u>\$ 306,113</u>
Covered payroll	\$ 2,895,678	\$ 2,755,738	\$ 2,556,053	\$ 3,049,233
Total OPEB liability as a percentage of covered payroll	6.65%	6.02%	13.41%	10.04%

Notes to Schedule:

1. Change to Benefit Terms: For Firefighters, in service disability retirement includes the diagnoses of cancer or circumstances that arise out of the treatment of cancer. Please note this change has an immaterial impact on the liabilities.
2. Changes of assumptions:

Measurement date	October 1, 2020	October 1, 2019	October 1, 2018
Discount rate	2.43%	2.74%	3.83%
Excise Tax Load	0.00%	3.90%	15.20%

The excise tax on High-Cost Employer Health Plans was repealed for taxable years beginning after December 31, 2019, therefore, the Excise Tax load was removed from the medical liabilities.

3. Mortality assumptions, salary increase rates, withdrawal rates, retirement rates and disability rates are updated from prior year.

*GASB 75 requires information for 10 year. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
For the Fiscal Year Ended September 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.0135972%	0.0147898%	0.0147536%	0.0135276%	0.0139375%	0.0148104%	0.0147813%	0.0143144%
Town's proportionate share of the FRS net pension liability	1,027,112	6,410,119	5,080,935	4,074,584	4,122,614	3,739,630	1,909,208	873,387
Town's covered payroll	2,432,803	2,518,832	2,502,063	2,111,773	2,046,749	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered payroll	42%	254%	203%	193%	201%	197%	68%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.0091089%	0.0091954%	0.0093033%	0.0084723%	0.0086317%	0.0090175%	0.0093203%	0.0093814%
Town's proportionate share of the FRS net pension liability	1,117,345	1,122,738	1,040,941	896,719	922,946	1,050,955	950,528	877,184
Town's covered payroll	2,432,803	2,518,832	2,502,063	2,111,773	2,046,749	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered payroll	46%	45%	42%	42%	45%	55%	34%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

*Information is not available for periods prior to 2014.

*Amounts presented for 6/30.

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

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

	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 445,083	\$ 452,122	\$ 427,611	\$ 337,341	\$ 312,670	\$ 292,521	\$ 286,753
FRS contributions in relation to the contractually required contribution	(445,083)	(452,122)	(427,611)	(337,341)	(312,670)	(292,521)	(286,753)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,454,444	\$ 2,618,237	\$ 2,561,478	\$ 2,126,277	\$ 2,074,302	\$ 1,989,913	\$ 2,083,665
FRS contributions as a percentage of covered payroll	18%	17%	17%	16%	15%	15%	14%

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

	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 40,744	\$ 43,463	\$ 42,521	\$ 35,296	\$ 34,433	\$ 33,033	\$ 37,938
HIS contributions in relation to the contractually required contribution	(40,744)	(43,463)	(42,521)	(35,296)	(34,433)	(33,033)	(37,938)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,454,444	\$ 2,618,237	\$ 2,561,478	\$ 2,126,277	\$ 2,074,302	\$ 1,989,913	\$ 2,083,665
HIS contributions as a percentage of covered payroll	2%	2%	2%	2%	2%	2%	2%

*Information is not available for periods prior to 2015.

*Amounts reported for 9/30.

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2021

	Special Revenue Funds				Total Governmental Funds
	Open Space and Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement	
Assets					
Cash and cash equivalents	\$ 164,316	\$ 5,264	\$ 277,262	\$ 4,848	\$ 451,690
Investments	68,312	2,188	115,268	2,016	187,784
Due from other governments	-	-	19,811	-	19,811
Total assets	<u>\$ 232,628</u>	<u>\$ 7,452</u>	<u>\$ 412,341</u>	<u>\$ 6,864</u>	<u>\$ 659,285</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 37,682	\$ -	\$ 37,682
Total liabilities	<u>-</u>	<u>-</u>	<u>37,682</u>	<u>-</u>	<u>37,682</u>
Fund balances:					
Restricted for:					
Recreation land acquisition	232,628	-	-	-	232,628
Library activities	-	7,452	-	-	7,452
Infrastructure	-	-	304,540	-	304,540
Law enforcement	-	-	-	6,864	6,864
Assigned for:					
Contracts	-	-	70,119	-	70,119
Total fund balances	<u>232,628</u>	<u>7,452</u>	<u>374,659</u>	<u>6,864</u>	<u>621,603</u>
Total liabilities and fund balances	<u>\$ 232,628</u>	<u>\$ 7,452</u>	<u>\$ 412,341</u>	<u>\$ 6,864</u>	<u>\$ 659,285</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, 2021

	Special Revenue Funds				Total
	Open Space and Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement	Non-major Funds
Revenues:					
Interest	\$ 121	\$ 2	\$ 151	\$ (503)	\$ (229)
Intergovernmental revenue	-	-	290,823	-	290,823
Miscellaneous	-	176	-	1	177
Total revenues	121	178	290,974	(502)	290,771
Expenditures:					
Current:					
General government	-	-	1,718	-	1,718
Capital outlay	-	-	367,208	-	367,208
Total expenditures	-	-	368,926	-	368,926
Excess (deficiency) of revenues over expenditures	121	178	(77,952)	(502)	(78,155)
Fund balances, beginning	232,507	7,274	452,611	7,366	699,758
Fund balances, ending	\$ 232,628	\$ 7,452	\$ 374,659	\$ 6,864	\$ 621,603

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.

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

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

Fiscal Year Ended 9/30	2012	2013	2014	2015	2016
Governmental activities					
Net investment in capital assets	\$ 4,272,876	\$ 4,498,697	\$ 5,456,728	\$ 1,734,664	\$ 1,734,664
Restricted	204,025	210,012	206,981	206,981	206,981
Unrestricted	4,537,572	5,541,258	5,662,355	8,259,218	8,259,218
Total governmental activities	\$ 9,014,473	\$ 10,249,967	\$ 11,326,064	\$ 10,200,863	\$ 10,200,863
Business type activities					
Net investment in capital assets	\$ 3,983,977	\$ 3,817,724	\$ 2,394,642	\$ 2,741,513	\$ 2,741,513
Restricted	233,095	233,174	234,891	226,867	226,867
Unrestricted	2,636,441	2,779,070	6,438,537	6,230,960	6,230,960
Total business type activities	\$ 6,853,513	\$ 6,829,968	\$ 9,068,070	\$ 9,199,340	\$ 9,199,340
Primary Government					
Net investment in capital assets	\$ 8,256,853	\$ 8,316,421	\$ 7,851,370	\$ 4,476,177	\$ 4,476,177
Restricted	437,120	443,186	441,872	433,848	433,848
Unrestricted	7,174,013	8,320,328	12,100,892	14,490,178	14,490,178
Total primary government	\$ 15,867,986	\$ 17,079,935	\$ 20,394,134	\$ 19,400,203	\$ 19,400,203

2017	2018	2019	2020	2021
\$ 4,867,370	\$ 4,668,927	\$ 4,626,465	\$ 4,538,175	\$ 4,582,145
375,328	639,794	1,455,917	2,035,043	2,192,932
5,587,777	5,629,803	4,671,892	4,732,533	5,861,800
<u>\$10,830,475</u>	<u>\$10,938,524</u>	<u>\$10,754,274</u>	<u>\$11,305,751</u>	<u>\$ 12,636,877</u>
\$ 3,646,633	\$ 3,682,997	\$ 4,081,199	\$ 4,723,658	\$ 5,594,515
229,897	214,340	214,420	231,735	388,643
5,661,297	5,923,337	6,039,532	5,505,169	6,040,738
<u>\$ 9,537,827</u>	<u>\$ 9,820,674</u>	<u>\$10,335,151</u>	<u>\$10,460,562</u>	<u>\$ 12,023,896</u>
\$ 8,514,003	\$ 8,351,924	\$ 8,707,664	\$ 9,261,833	\$ 10,176,660
605,225	854,134	1,670,337	2,266,778	2,581,575
11,249,074	11,553,140	10,711,424	10,237,702	11,902,538
<u>\$20,368,302</u>	<u>\$20,759,198</u>	<u>\$21,089,425</u>	<u>\$21,766,313</u>	<u>\$ 24,660,773</u>

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

Fiscal Year Ended 9/30	2012	2013	2014	2015
Expenses				
Governmental activities:				
General government	\$ 1,656,544	\$ 1,566,138	\$ 1,626,937	\$ 1,933,634
Public Safety	5,152,662	5,326,258	5,496,560	5,800,175
Culture/recreation	524,797	599,345	609,624	646,909
Public Works	572,668	578,934	573,240	536,672
Interest	61,143	40,924	20,812	6,404
Total governmental activities	\$ 7,967,814	\$ 8,111,599	\$ 8,327,173	\$ 8,923,794
Business type activities:				
Water utility	2,884,123	3,024,558	3,024,044	2,794,114
Sewer utility	976,631	853,988	842,387	985,294
Interest on long term debt	448,728	423,472	397,554	370,648
Total business type activities	4,309,482	4,302,018	4,263,985	4,150,056
Total primary government expenses	\$ 12,277,296	\$ 12,413,617	\$ 12,591,158	\$ 13,073,850
Program Revenues				
Charges for Services- Governmental Activities				
General Government	60,880	94,508	106,466	116,323
Public Safety	412,314	496,821	438,037	808,930
Culture recreation	5,106	5,451	4,904	26,548
Public Works	467,004	467,051	468,008	468,757
Total Charges for Services	\$ 945,304	\$ 1,063,831	\$ 1,017,415	\$ 1,420,558
Operating Grants and Contributions	13,134	13,304	13,702	14,113
Capital Grants and Contributions	-	-	-	-
Total governmental activities program revenues	\$ 958,438	\$ 1,077,135	\$ 1,031,117	\$ 1,434,671
Business type activities program revenue:				
Water utility	1,992,304	1,981,222	2,048,100	2,117,789
Sewer utility	1,002,973	1,022,232	1,005,431	1,035,901
Capital Grants and Contributions				
Total business type activities program revenues	2,995,277	3,003,454	3,053,531	3,153,690
Total primary government program revenue	\$ 3,953,715	\$ 4,080,589	\$ 4,084,648	\$ 4,588,361
Net (expense) revenue				
Governmental activities	(7,009,376)	(7,034,464)	(7,296,056)	(7,489,123)
Business type activities	(1,314,205)	(1,298,564)	(1,210,454)	(996,366)
Total primary government net expense	\$ (8,323,581)	\$ (8,333,028)	\$ (8,506,510)	\$ (8,485,489)
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 7,285,358	\$ 8,246,672	\$ 8,452,116	\$ 8,696,269
Utility service taxes	688,278	716,468	730,249	728,123
Sales and use taxes	261,339	273,625	296,259	310,488
State revenue sharing	113,482	104,220	108,289	95,491
Investment earnings	34,136	24,141	14,621	21,043
Miscellaneous revenues	8,622	187,537	52,919	357,917
Loss on disposal of capital assets				
Gain (loss) on disposal of assets		3,295	3,700	4,392
Transfers	(1,288,400)	(1,286,000)	(1,286,000)	(1,286,000)
Total general revenues	\$ 7,102,815	\$ 8,269,958	\$ 8,372,153	\$ 8,927,723
Business type activities program revenue				
Investment earnings	\$ 7,761	\$ 7,281	\$ 7,265	\$ 15,477
Other miscellaneous revenues	3,979	3,400	18,551	209,802
Gain (loss) on disposal of assets			2,228,176	6,925
Transfers	1,288,400	1,286,000	1,286,000	1,286,000
Total business type activities program revenues	1,300,140	1,296,681	3,539,992	1,518,204
Total primary government	\$ 8,402,955	\$ 9,566,639	\$ 11,912,145	\$ 10,445,927
Changes in Net Position				
Government activities	\$ 93,439	\$ 1,235,494	\$ 1,076,097	\$ 1,438,600
Business type activities	123,863	(1,883)	2,329,538	521,838
Total primary government	\$ 217,302	\$ 1,233,611	\$ 3,405,635	\$ 1,960,438

2016	2017	2018	2019	2020	2021
\$ 1,910,544	\$ 1,961,725	\$ 2,565,663	\$ 2,580,389	\$ 2,624,269	\$ 2,493,189
6,345,596	6,707,253	6,849,032	7,218,463	8,162,814	7,779,328
579,310	516,399	521,074	537,827	516,450	430,705
490,981	492,947	513,735	1,253,961	515,326	532,450
-	-	-	-	-	-
\$ 9,326,431	\$ 9,678,324	\$ 10,449,504	\$ 11,590,640	\$ 11,818,859	\$ 11,235,672
3,243,497	3,332,073	3,416,906	3,249,206	3,468,469	3,013,791
1,109,658	994,083	1,065,506	1,104,554	1,262,666	1,315,297
343,107	325,584	336,738	310,599	277,530	234,772
4,696,262	4,651,740	4,819,150	4,664,359	5,008,665	4,563,860
\$ 14,022,693	\$ 14,330,064	\$ 15,268,654	\$ 16,254,999	\$ 16,827,524	\$ 15,799,532
16,733	116,204	127,534	125,964	783,655	842,191
716,938	560,566	619,445	930,740	1,239,136	1,213,717
8,955	4,657	4,069	3,900	18,198	-
471,725	470,300	471,580	470,716	527,453	533,491
\$ 1,214,351	\$ 1,151,727	\$ 1,222,628	\$ 1,531,320	\$ 2,568,442	\$ 2,589,399
14,536	17,598	18,126	18,669	-	29,304
-	-	-	-	-	47,157
\$ 1,228,887	\$ 1,169,325	\$ 1,240,754	\$ 1,549,989	\$ 2,568,442	\$ 2,665,860
2,015,477	2,002,402	1,987,503	2,044,913	2,062,682	2,367,299
1,027,246	1,054,354	1,085,969	1,128,148	1,155,248	1,188,036
3,042,723	3,056,756	3,073,472	3,173,061	3,217,930	980,671
\$ 4,271,610	\$ 4,226,081	\$ 4,314,226	\$ 4,723,050	\$ 5,786,372	\$ 7,201,866
(8,097,544)	(8,508,999)	(9,208,750)	(10,040,651)	(9,250,417)	(8,569,812)
(1,653,539)	(1,594,984)	(1,745,678)	(1,491,298)	(1,790,735)	(27,854)
\$ (9,751,083)	\$ (10,103,983)	\$ (10,954,428)	\$ (11,531,949)	\$ (11,041,152)	\$ (8,597,666)
\$ 8,319,187	\$ 8,211,536	\$ 8,608,075	\$ 8,925,672	\$ 9,556,810	\$ 9,738,626
698,651	708,943	760,603	968,395	271,081	251,365
310,488	474,774	579,638	572,729	553,604	637,488
103,511	104,100	100,835	109,116	90,843	103,763
30,938	42,713	144,231	223,638	111,997	6,736
319,446	322,343	361,835	486,351	647,563	584,953
7,013	3,615	1,598	-	-	8,010
(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)	(1,430,004)	(1,430,003)
\$ 8,503,234	\$ 8,582,024	\$ 9,139,273	\$ 9,856,401	\$ 9,801,894	\$ 9,900,938
\$ 20,311	\$ 21,906	\$ 81,210	\$ 122,387	\$ 46,000	\$ 3,007
160,541	143,561	142,027	143,289	171,471	156,642
-	-	-	-	(8,859)	23,601
1,286,000	1,286,000	1,417,542	1,429,500	1,430,004	1,430,003
1,466,852	1,451,467	1,640,779	1,695,176	1,638,616	1,613,253
\$ 9,970,086	\$ 10,033,491	\$ 10,780,052	\$ 11,551,577	\$ 11,440,510	\$ 11,514,191
\$ 405,690	\$ 73,025	\$ (69,477)	\$ (184,250)	\$ 551,477	\$ 1,331,126
(186,687)	(143,517)	(104,899)	203,878	(152,119)	1,585,399
\$ 219,003	\$ (70,492)	\$ (174,376)	\$ 19,628	\$ 399,358	\$ 2,916,525

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

Fiscal Year Ended 9/30	2012	2013	2014	2015
General Fund				
Reserved				
Unreserved				
<u>GASB 54 Reporting Fund Balance</u>				
Nonspendable	104,653	82,039	44,561	4,798
Restricted	4,311	4,311	-	-
Assigned	2,083,391	3,077,455	2,931,908	2,449,960
Unassigned	3,694,921	3,493,852	3,562,626	5,011,467
<u>Total general fund</u>	<u>\$ 5,887,276</u>	<u>\$ 6,657,657</u>	<u>\$ 6,539,095</u>	<u>\$ 7,466,225</u>
All Other Governmental Funds				
Reserved				
<u>GASB 54 Reporting Fund Balance</u>				
Restricted	204,025	205,701	206,981	228,220
<u>Total all other governmental funds</u>	<u>\$ 204,025</u>	<u>\$ 205,701</u>	<u>\$ 206,981</u>	<u>\$ 228,220</u>

2016	2017	2018	2019	2020	2021
26,371	19,969	86,093	77,829	80,620	4,390
-	-	-	-	-	-
2,597,318	4,922,400	3,640,887	2,954,157	7,947,499	8,256,936
5,965,456	4,163,722	5,543,284	6,095,616	1,979,196	2,326,252
<u>\$ 8,589,145</u>	<u>\$ 9,106,091</u>	<u>\$ 9,270,264</u>	<u>\$ 9,127,602</u>	<u>\$ 10,007,315</u>	<u>\$ 10,587,578</u>

235,842	375,328	639,794	1,455,917	2,035,043	2,192,932
<u>\$ 235,842</u>	<u>\$ 375,328</u>	<u>\$ 639,794</u>	<u>\$ 1,455,917</u>	<u>\$ 2,035,043</u>	<u>\$ 2,192,932</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	2012	2013	2014	2015
Revenues				
Taxes	\$ 7,593,593	\$ 8,584,777	\$ 8,775,709	\$ 8,696,269
Licenses and permits	809,022	854,123	872,586	1,257,117
Intergovernmental	358,103	361,367	387,021	704,806
Charges for services	476,145	506,403	516,835	521,207
Fines and forfeitures	19,832	57,870	9,979	6,816
Impact fees				
Interest	17,511	16,853	19,267	21,043
Net decrease in fair value of investments	16,625	7,288	(4,646)	
Miscellaneous revenues	316,454	542,960	411,069	441,136
Total revenues	9,607,285	10,931,641	10,987,820	11,648,394
Expenditures				
General government	1,735,593	1,652,393	1,740,984	1,885,669
Public Safety	5,092,071	5,289,583	5,430,246	5,811,416
Culture/Recreation	484,848	492,452	569,339	617,722
Public Works	421,181	450,651	455,234	413,271
Capital outlay	91,629	210,892	977,443	250,880
Debt service				
Principal	639,833	651,646	621,434	425,913
Interest	64,653	44,337	24,422	9,154
Total expenditures	8,529,808	8,791,954	9,819,102	9,414,025
Excess of revenues over (under) expenditures	1,077,477	2,139,687	1,168,718	2,234,369
Other Financing Sources (Uses)				
Loan Proceeds				
Transfers in				
Transfers out	(1,288,400)	(1,286,000)	(1,286,000)	(1,286,000)
Proceeds from lease revenue bonds				
Payment to refunded bond escrow				
Total other financing sources (uses)	(1,288,400)	(1,286,000)	(1,286,000)	(1,286,000)
Net Change in fund balances	(210,923)	853,687	(117,282)	948,369
Fund balances - beginning	6,302,224	6,091,301	6,863,358	6,746,076
Fund balance - ending	\$ 6,091,301	\$ 6,944,988	\$ 6,746,076	\$ 7,694,445
Debt services (principal & interest) as a percentage of non-capital expenditures	8.35%	8.11%	7.30%	4.75%

2016	2017	2018	2019	2020	2021
\$ 8,319,187	\$ 8,211,536	\$ 8,608,075	\$ 8,925,672	\$ 9,556,810	\$ 9,738,626
1,154,733	1,002,695	1,103,439	1,626,013	1,912,895	1,898,997
701,061	711,363	723,756	981,793	916,339	1,012,423
527,314	508,880	528,113	519,619	568,935	612,128
6,363	13,907	6,117	6,150	3,251	8,253
28,740	41,871	137,749	223,638	111,997	6,736
423,698	387,989	425,854	553,005	730,113	605,592
11,161,096	10,878,241	11,533,103	12,835,890	13,800,340	13,882,755
1,721,674	1,785,835	2,240,026	2,282,194	2,326,197	2,420,925
6,092,829	6,417,442	6,615,002	7,348,443	7,555,437	8,095,493
435,177	380,473	387,471	383,555	359,770	367,594
395,998	404,002	422,440	435,645	442,262	458,413
106,498	87,543	286,449	283,092	227,831	372,175
-	-	-	-	-	-
-	-	-	-	-	-
8,752,176	9,075,295	9,951,388	10,732,929	10,911,497	11,714,600
2,408,920	1,802,946	1,581,715	2,102,961	2,888,843	2,168,155
(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)	(1,430,004)	(1,430,003)
(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)	(1,430,004)	(1,430,003)
1,122,920	516,946	164,173	673,461	1,458,839	738,152
7,466,225	8,589,145	9,106,091	9,910,058	10,583,519	12,042,358
\$ 8,589,145	\$ 9,106,091	\$ 9,270,264	\$10,583,519	\$12,042,358	\$12,780,510
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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
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
2016	2,047,110,813	16,170,000	11,959,998	2,075,240,811	4.15	2,475,549,166
2017	2,186,088,224	17,787,000	12,448,224	2,216,323,448	3.86	2,716,856,926
2018	2,369,865,868	19,565,700	11,139,513	2,400,571,081	3.70	2,915,050,463
2019	2,449,537,041	21,524,470	12,241,737	2,483,303,248	3.72	2,939,022,067
2020	2,566,581,797	23,676,917	12,083,552	2,602,342,266	3.80	3,079,744,504
2021	2,830,390,866	26,312,862	14,849,795	2,871,553,523	3.62	3,210,768,746

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
				County Board	Children's School Council	County Health Care District	Water Management District			
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
2016	3.50	0.65	4.15	4.93	7.51	0.67	1.04	0.30	0.08	18.68
2017	3.25	0.61	3.86	4.91	7.07	0.68	0.90	0.28	0.08	17.79
2018	3.08	0.62	3.70	4.90	6.77	0.66	0.78	0.27	0.08	17.15
2019	3.12	0.60	3.72	4.90	6.57	0.64	0.73	0.25	0.07	16.88
2020	3.23	0.57	3.80	4.86	7.16	0.65	0.73	0.28	0.03	17.51
2021	3.23	0.39	3.62	4.81	6.88	0.62	0.73	0.26	0.03	16.95

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

Taxpayers	Fiscal Year 2021		Taxpayers	Fiscal Year 2012	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Leeds, Bruce	15,655,811	0.55%	Musa, Marc A.	\$ 8,296,221	0.48%
Rothberg, Michael	15,509,729	0.54%	Muller, Ralph P.	7,570,098	0.44%
Decoy Investments LLC	15,226,563	0.53%	Toth, Tibor	7,534,477	0.44%
Montgomery, Joel & Sarah Trust	14,076,636	0.49%	Kappel, James S.	7,520,000	0.43%
Karp, Simone	13,361,920	0.47%	Kappel, Sarah A.	7,520,000	0.43%
Hamister, Mark	13,329,376	0.46%	Florida Power & Light	7,066,596	0.41%
Pastore, James	12,845,441	0.45%	Ocean Salt LLC	6,970,500	0.40%
Kappel, James	12,233,298	0.43%	Pross, Randy	6,795,351	0.39%
Ferenc, Sidney	12,509,866	0.44%	Gonzalez, Richard	5,572,705	0.32%
Persaud, Krishna	12,296,616	0.43%	Tulin, Stanley	5,540,705	0.32%
Total	\$ 137,045,256	4.77%	Total	\$ 70,386,653	4.06%

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

Fiscal Year Ended 9/30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2016	8,603,075	8,319,187	96.70%	-	8,319,187	96.70%
2017	8,200,200	8,203,649	100.04%	7,888	8,211,537	100.14%
2018	8,527,000	8,563,619	100.43%	45,078	8,608,697	100.96%
2019	9,245,815	8,913,954	96.41%	11,718	8,925,673	96.54%
2020	9,909,142	9,551,291	96.39%	5,519	9,556,810	96.44%
2021	9,961,348	9,738,626	97.76%		9,738,626	97.76%

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		Total Primary Government	Percentage Personal Income	Per Capita
			General Obligation Bonds	Promissory Notes	Promissory Notes	Revolving Loan Fund			
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
2016	3,600	N/A		-	3,001,316	7,839,363	10,840,679	N/A	3,011
2017	3,600	N/A		-	2,803,727	10,491,253	13,294,980	N/A	3,693
2018	3,654	N/A		-	2,599,375	10,850,952	13,450,327	N/A	3,681
2019	3,671	N/A		-	2,387,936	9,823,765	12,211,701	N/A	3,327
2020	3,657	N/A		-	2,169,169	8,770,839	10,940,008	N/A	2,992
2021	4,300	N/A		-	1,942,817	7,691,271	9,634,088	N/A	2,240

Source: (1) Florida Legislature, Office of Economic and Demographic Research

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
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
2016	3,600	2,063,280,813	10,840,679	0.53%	3,011
2017	3,600	2,216,323,448	13,294,980	0.60%	3,693
2018	3,654	2,400,571,081	13,450,327	0.56%	3,681
2019	3,671	2,483,303,248	12,211,701	0.49%	3,327
2020	3,657	2,602,342,266	10,940,008	0.42%	2,992
2021	4,300	2,741,021,812	9,634,088	0.35%	2,240

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, 2021

Governmental Unit	Net General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town direct debt:			
Town of Highland Beach	\$ 9,634,088	100.00%	<u>\$ 9,634,088</u>
Overlapping debt:			
Palm Beach School District	\$ 1,264,810,000		
Palm Beach County	61,115,000		
	<u>\$ 1,325,925,000</u>	1.14%	<u>\$ 15,127,183</u>
Total direct and overlapping debt:			<u><u>\$ 24,761,271</u></u>
Estimated population:			<u><u>4,300</u></u>
Direct and overlapping net debt per capita:			<u><u>\$ 5,758</u></u>

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	
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
2016	8,319,187	750,423	237,722	8.42	NA	NA	NA	NA
2017	8,211,537	771,960	226,826	8.22	NA	NA	NA	NA
2018	8,608,697	809,792	314,703	7.66	NA	NA	NA	NA
2019	8,925,673	1,027,185	225,158	7.13	NA	NA	NA	NA
2020	9,556,810	1,052,927	199,417	7.63	NA	NA	NA	NA
2021	9,738,626	1,079,569	172,273	7.78	NA	NA	NA	NA

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

Fiscal Year Ended 9/30	Population(1)	Median Family Income(2)	Per Capita Income(2)	Median House Value (3)	School Enrollment(4)	Unemployment Rate(5)
2012	3,539	\$ 90,729	\$ 73,199	\$ 284,850	204	8.5%
2013	3,572	\$ 83,879	\$ 82,916	\$ 324,190	76	7.1%
2014	3,581	\$ 83,879	\$ 79,235	\$ 356,941	119	5.8%
2015	3,600	\$ 83,879	\$ 82,846	\$ 374,892	146	5.2%
2016	3,600	\$ 102,868	\$ 84,790	\$ 397,483	166	5.0%
2017	3,600	\$ 104,232	\$ 95,825	\$ 413,465	139	4.2%
2018	3,654	\$ 104,232	\$ 99,682	\$ 428,385	178	3.4%
2019	3,671	\$ 105,929	\$ 105,919	\$ 430,797	230	3.2%
2020	3,657	\$ 115,219	\$ 112,930	\$ 454,741	242	7.0%
2021	4,300	\$ 156,657	\$ 118,577	\$ 549,816	222	4.1%

Source: (1) Florida Legislature, Office of Economic and Demographic Research
April 1st 2021 Estimate
(2) U.S. Census Bureau (2019)
(3) Zillow Home Value Index (ZHVI) for Zip Code 33487
(4) data.census.gov (2019)
(5) U.S. Bureau of Labor Statistics (September of year indicated)

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

2021			2012		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
Palm Beach County School District	22,600	3.02%	Palm Beach County School District	21,495	3.25%
Tenet Healthcare Group	6,505	0.87%	Palm Beach County Government	11,381	1.72%
Palm Beach County Government	5,686	0.76%	Tenet Healthcare Corp.	6,100	0.92%
NextEra Energy, Inc (FPL)	5,119	0.68%	Florida Power & Light	3,632	0.55%
Florida Atlantic University	5,119	0.68%	G4S	3,000	0.45%
Boca Raton Regional Hospital	3,052	0.41%	HCA (Hospital Corp. of America)	2,714	0.41%
Veterans Health Administration	3,000	0.40%	Florida Atlantic University	2,706	0.41%
HCA Healthcare	2,806	0.38%	Bethesda Memorial Hospital	2,391	0.36%
The Breakers	2,300	0.31%	Office Depot (Hdqtrs)	2,250	0.34%
Bethesda Memorial Hospital	2,282	0.31%	Boca Raton Community Hospital	2,391	0.36%
Total	58,469	7.82%	Total	58,060	8.79%

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	2012	2013	2014	2016	2017	2018	2019	2020	2021
Function/Program									
General Government									
Town Manager	2	2	2	1	2	2	2	2	2
Town Clerk	2	2	3	3	3	3	3	3	3
Finance	2	2	2	2	2	2	2	3	3
Maintenance	0	0	0	1	0	0	0	0	0
Post Office	1	1	1	1	1	1	1	1	1
Public Safety									
Building	1	2	2	2	1	2	4	5	5
Police	15	16	15	15	15	16	16	16	16
Cultural and Recreation									
Library	4	4	4	4	3	3	3	3	3
Physical Environment									
Utilities	9	9	10	10	10	10	10	10	10
Total	36	38	39	39	37	39	41	43	43

Source: Town of Highland Beach Finance Department.

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

Fiscal Year Ended 9/30	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Function/Program</u>										
Public Safety										
Number of arrests by police officers	9	9	12	8	9	7	7	9	4	9
Number of traffic citations issued	479	280	127	100	61	64	39	55	16	74
Number of fire calls (1)	111	139	277	*	*	111	102	106	198	198
Number of EMS calls (1)	625	574	537	*	*	11	33	30	454	652
Number of building permits issued	1,778	1,827	1,812	1,164	1,036	899	1,242	866	749	886
Physical Environment										
Number of water and sewer active accounts	468	467	466	465	465	471	471	650	576	526
Number of water and sewer units served	4,322	4,324	4,327	4,356	4,356	4,353	4,353	4,362	4,339	4,330
Cultural & Recreation										
Number of library patrons	3,543	3,234	3,473	3,440	3,352	3,339	3,593	3,370	3,209	3,150
Number of items in collection	39,492	37,195	40,536	41,261	42,262	42,323	42,330	42,178	42,511	42,730
Number of community events presented	663	706	831	880	920	893	687	701	396	20

Note: Fire Department contracted through Delray Beach.

Sources: Town of Highland Beach, FL
(1) City of Delray Beach
(*) Data unavailable at time report issued.

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

<u>Fiscal Year Ended 9/30</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>Function/Program</u>										
Public Safety										
Fire Trucks	1	1	1	0	0	0	0	0	0	0
EMS Units	1	1	1	1	1	0	0	0	0	0
Police Vehicles	6	7	7	7	6	6	6	6	7	11
Vehicles- Protective Inspections	0	0	0	0	0	0	0	0	0	1
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	3

Note: Fire Department contracted through Delray Beach.

Source: Town of Highland Beach, FL



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

The Honorable Mayor and
Members of the Town Commission
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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Management Letter as items 2021-01 and 2021-02 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Management Letter as items 2021-03 to be a significant deficiency.

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. However, as described in the accompanying Management Letter, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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*.

We noted certain matters involving the internal control over financial reporting and compliance that we reported to management of the Town in a separate letter dated June 30, 2022.

The Town's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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.

June 30, 2022



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

The Honorable Mayor and
Members of the Town 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, 2021. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

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

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

June 30, 2022



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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, 2021, and have issued our report thereon dated June 30, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2022, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the members of the Town Council of the Town of 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.

June 30, 2022

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weaknesses

2021-01 Internal Controls over Revenues:

Observation: During the audit, it was discovered that reconciliations of various revenues accounts, including building permit revenues and water and sewer utility revenues were not performed on a regular basis resulting in significant and or material variances in billings per the billing system versus what is recorded in the general ledger. These differences could not be completely reconciled or explained by management. In addition, for a portion of the fiscal year, the utility billings for the year under audit were all incorrectly recorded to pooled cash in the water fund instead of receivables to the various funds affected and the billings and cash receipts for the various funds were not reconciled to the general ledger. As a result, there is a material variance in billings per the billing system versus what is recorded in the general ledger for the sewer fund.

Reference Numbers for Prior Year Finding: 2020-01

Recommendation: Management should improve internal controls and procedures to ensure the following;

- Monthly permit revenues and related liabilities are reconciled to the general ledger
- Monthly the utility billing system is reconciled to the general ledger
- Billings are posted to a receivable in the appropriate fund and not to pooled cash
- Cash receipts are posted to the correct fund
- Pooled cash fund is appropriately updated for cash receipts and completely reconciled monthly.

Management Response: Concur. Conversion of the Enterprise Resource Planning (ERP) system from Tyler Technologies to BS&A Software in February of 2021 impacted the operations of the Finance department. While implementation of the new ERP system continues to improve efficiency, accuracy, and timeliness of financial reporting, conversion was challenging at times. Staff is committed to proper accounting and reporting procedures on a continual monthly basis across all funds.

2021-02 Pooled Cash Reconciliation:

Observation: During the audit, it was discovered that there were numerous significant errors in the pooled cash accounts as follows;

- Cash reported in the individual funds was higher than the reconciled cash in the pool fund
- Cash allocated to each fund did not agree to the allocation in the pool
- Multiple types of transactions were recorded erroneously to pooled cash.

These errors resulted in auditor adjustments being proposed to correct account balances.

Reference Numbers for Prior Year Finding: 2020-02

Recommendation: Management should ensure that cash balances in the funds are recorded accurately and they reconcile to pooled cash balances.

Management Response: Concur. To mitigate the future occurrence of the problem of incorrect and untimely reconciliations, the town has hired qualified staff with extensive experience in Governmental accounting and financial reporting. Staff is committed to proper accounting and reporting procedures on a continual monthly basis across all funds.

REPORT TO MANAGEMENT (Continued)

Significant Deficiency

2021-03 Adjusting Journal Entries:

Observation: During the audit, it was again necessary to propose numerous journal entries to adjust the Town's account balances, including adjustments to reconcile beginning fund balances to the prior year audit report. It appears that sufficient monthly and year-end reconciliations were not performed resulting in incorrect balances provided for the audit.

Recommendation: The Town should ensure that timely reconciliations are performed in order to report accurate financial information.

Reference Number for Prior Years Findings: 2018-02, 2019-02, 2020-05

Management Response: Concur. To mitigate the future occurrence of the problem of incorrect and untimely reconciliations, the town has hired qualified staff with extensive experience in Governmental accounting and financial reporting. Staff is committed to proper accounting and reporting procedures on a continual monthly basis across all funds.

Other Findings

2021-04 Budget:

Observation: Actual expenditures exceeded appropriations in the building fund for the fiscal year ended September 30, 2021.

Recommendation: The Town should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Management Response: Concur.

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS AND RECOMMENDATIONS

Material Weakness

2020-01 Water Fund Reconciliation:

Current status: Matter not completely resolved, see finding 2021-01 above.

2020-02 Pooled Cash Reconciliation:

Current status: Matter not resolved, see finding 2021-02 above.

Significant Deficiencies

2020-03 Permit Surcharge Not Remitted to State:

Current status: Matter substantially resolved and will not be repeated.

2020-04, 2019-01 Encumbrances and Budget Amendment Transactions

Current status: Matter substantially resolved and will not be repeated.

REPORT TO MANAGEMENT (Continued)

2020-05, 2019-02, 2018-02 Adjusting Journal Entries:

Current status: Matter not resolved, see finding 2021-03 above.

Other Findings

2020-06 Capital Asset Disposal:

Current status: Matter has been resolved.

2020-07 Late filing of audit and annual financial report:

Current status: Matter has been resolved.

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

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

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

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

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

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

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

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

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

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

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2021. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.