



The Town of
Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2018



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Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2018

Prepared by:
Finance Department

Matthew Lalla
Finance Director

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018
TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Pages</u>
Letter of Transmittal	I-V
Certificate of Achievement for Excellence in Financial Reporting	VI
Organizational Chart	VII
List of Principal Officials	VIII
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
 Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17-18
Notes to Financial Statements	19-57
 Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	58-59
Notes to the Budgetary Required Supplemental Information	60
Schedule of Changes in the Net OPEB Liability and Related Ratios	61
Schedule of Proportionate Share of Net Pension Liability – FRS	62
Schedule of Town's Contribution - FRS	63

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018
TABLE OF CONTENTS

	<u>Pages</u>
FINANCIAL SECTION (Continued)	
Combining Financial Statements	
Nonmajor Governmental Funds:	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
STATISTICAL SECTION (UNAUDITED)	
Government-Wide Information:	
Table of Contents	
Schedule 1 – Net Position by Component	66-67
Schedule 2 – Changes in Net Position	68-69
Fund Information:	
Schedule 3 – Fund Balances, Governmental Funds	70-71
Schedule 4 – Changes in Fund Balances, Governmental Funds	72-73
Schedule 5 – Assessed Value and Actual Value of Taxable Property	74
Schedule 6 – Direct and Overlapping Property Tax Rates	75
Schedule 7 – Principal Property Tax Payers	76
Schedule 8 – Property Tax Levies and Collections	77
Schedule 9 – Ratios of Outstanding Debt by Type	78
Schedule 10 – Ratios of General Bonded Debt Outstanding	79
Schedule 11 – Direct and Overlapping Governmental Activities Debt	80
Schedule 12 – Legal Debt Margin Information	81
Schedule 13 – Pledged Revenue Coverage	82
Schedule 14 – Demographic and Economic Information	83
Schedule 15 – Principal Employers	84
Schedule 16 – Full-Time Equivalent Town Employees by Function/Program	85
Schedule 17 – Operating Indicators by Function/Program	86
Schedule 18 – Capital Asset Statistics by Function/Program	87
OTHER REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88-89
Independent Auditor's Report on Compliance for each Major State Project And on Internal Control Over Compliance Required by Chapter 10.550 Rules of the Auditor General	90-91
Schedule of Expenditures of State Financial Assistance	92
Notes to Schedule of Expenditures of State Financial Assistance	93
Schedule of Findings and Questioned Costs – State Projects	94

**TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

TABLE OF CONTENTS

OTHER REPORTS (Continued)	<u>Pages</u>
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	95
Management Letter in Accordance With the Rules of the Auditor General of the State of Florida	96-98



Town of Highland Beach

3614 SOUTH OCEAN BOULEVARD • HIGHLAND BEACH, FLORIDA 33487

Palm Beach County, Florida

561-278-4548
FAX 561-265-3582

June 26, 2019

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, 2018.

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

The Town of Highland Beach's financial statements have been audited by Grau & Associates., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Highland Beach for the fiscal year ended September 30, 2018, 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, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

THE TOWN

The Town of Highland Beach is located in the southern portion of eastern Palm Beach County, which is in the southeastern part of the State of Florida. The Town encompasses 0.6 square miles and is bounded on the north and northwest by the City of Delray Beach and on the south and southwest by the City of Boca Raton. The Atlantic Ocean lies adjacent to the Town on the east and the Intracoastal Waterway lies to the west. The Town is a residential community with a year-round population of 3,654 (2018 Estimate- University of Florida's Bureau of Economic & Business Research), which increases to approximately 7,900 during the winter months. According to www.city-data.com the most recently reported (2014) median age in Highland Beach is 66.4 years. Males make up approximately 47% and females 53% 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 has 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 \$61.6 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 November 2015, 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 seven fiscal years:

Year	Taxable Assessed Valuation	Population	Assessed Value Per Capita
2009	\$2,140,106,933	4,164	\$ 513,955
2010	\$1,932,060,374	3,989	\$ 484,347
2011	\$1,815,718,250	3,539	\$ 513,060
2012	\$1,732,047,474	3,539	\$ 489,417
2013	\$1,752,273,484	3,572	\$ 490,558
2014	\$1,824,011,226	3,581	\$ 509,358
2015	\$1,937,184,804	3,600	\$ 538,107
2016	\$2,075,380,658	3,600	\$ 576,495
2017	\$2,216,323,448	3,600	\$ 615,645
2018	\$2,400,571,081	3,654	\$ 656,971

Long-term financial planning

At September 30, 2018, the unassigned fund balance in the general fund was \$5.54 million, an increase of \$1.27 million for the fiscal year. This balance is considered to be healthy, consisting of approximately 49% of total general fund expenditures and transfers out for the FY ended 2018. The Town Commission continues to take an aggressive approach toward preserving the financial future of the Town by adopting policies that create cash reserve designations labeled as assigned fund balance. These cash reserves are assigned for a specific use such as recovering from natural disasters and providing a "cash cushion" during months when cash flows fall stagnant. Future cash reserve designations will include an assigned fund balance for capital improvements and replacements.

MAJOR INITIATIVES

For the Year:

In Fiscal Year 2018, the Town continued its endeavor to enhance and improve municipal services – particularly through reinvestment in the Town's Water Plant which is over fifteen years old. Water Plant security was improved through the installation of an automatic access gate and a new gate covering the chemical loading

dock. A calcium remineralization project was completed which improved overall water quality and enhanced worker safety. The Town also replaced transmitters for the reverse osmosis membrane trains, originally installed in 2004, to increase accuracy in chemical delivery systems. The results of these reinvestments in the Town's Water Plant were demonstrated by the Town's second place finish in a recent best quality drinking water contest conducted by the American Water Works Association for the South Florida region.

Toward the end of FY 2018, the Town renegotiated an agreement for services in the Building Department. In order to better respond to economic cycles in the construction industry, the Town is transitioning to a hybrid model of providing Building Department services. A portion of the Building Department services will be provided by full-time Town employees with the remainder being 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.

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 has commenced a comprehensive review of its land use and regulatory code of ordinances aimed at updating them to properly address community needs, modern land use demands, best practices, and other emerging issues. The Town will be evaluating the implementation of a new enterprise-wide information management system to improve 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.

FINANCIAL INFORMATION

Budgetary Control

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

Financial Standards

The Town implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. The objective of GASB 54 is to provide a clearer distinction between available and unavailable financial resources by establishing 5 categories (non-spendable, restricted, committed, assigned, and unassigned) of fund balance. With the adoption of the Fund Balance policy, the Commission established two "assigned" reservations of fund balance: the first is a Target Reserve of 16.7% of general fund revenues. This reserve provides budget stabilization during periods of cash flow shortfalls and had a balance of \$1.99 million at the 2018 fiscal year end. The second is a Disaster Recovery reserve. The Disaster Recovery had a balance of \$950k at the 2018 fiscal year end.

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Highland Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the twenty-seventh consecutive year that the Town received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA in anticipation of its eligibility for another certificate.

Acknowledgments

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

Respectfully submitted,



Marshall Labadie
Town Manager



Matthew Lalla
Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Town of Highland Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

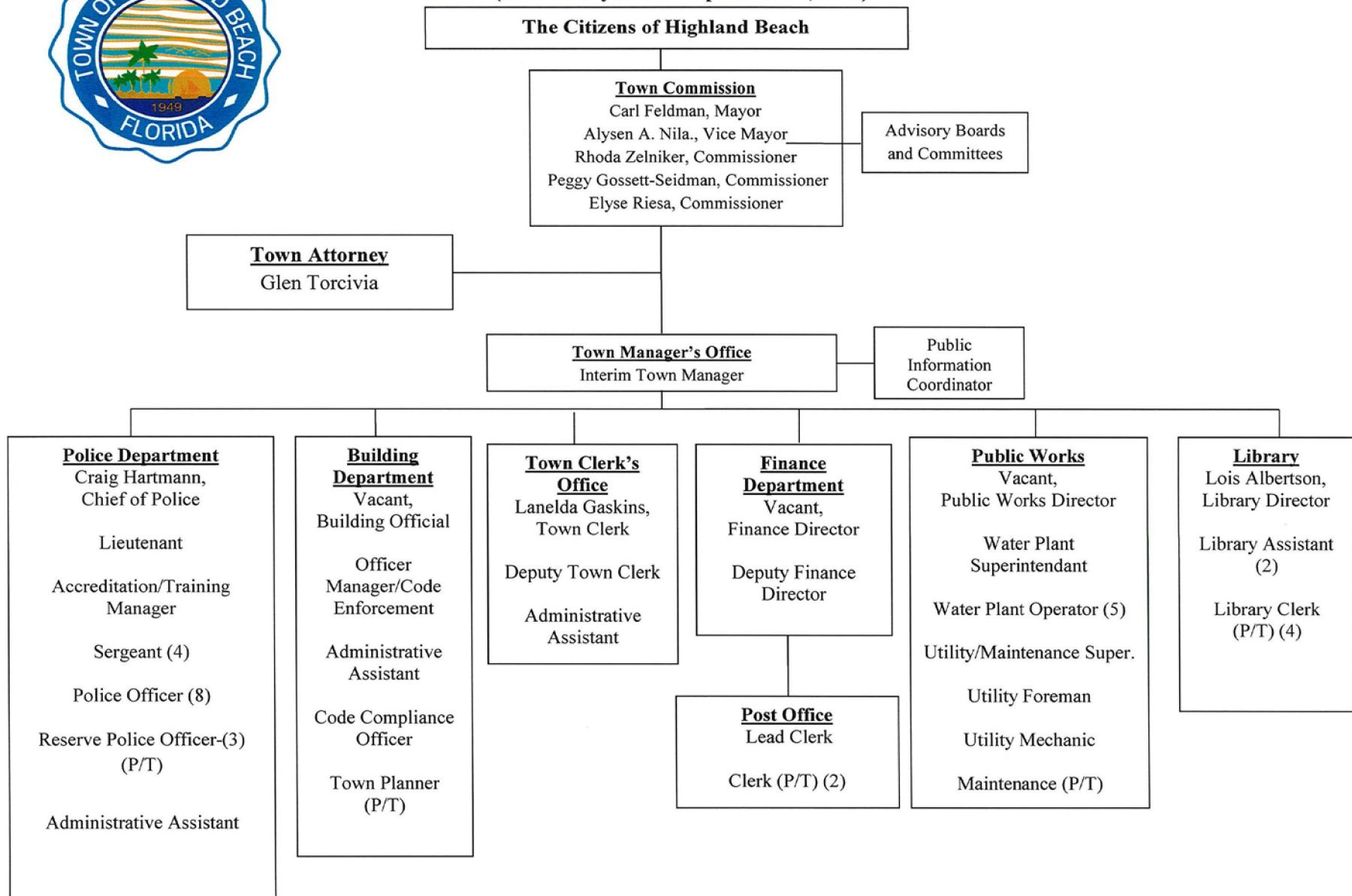
September 30, 2017

Christopher P. Monill

Executive Director/CEO



TOWN OF HIGHLAND BEACH
Organization Chart
(as of fiscal year end September 30, 2018)



2017-2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOWN OF HIGHLAND BEACH, FLORIDA

FOR THE

FISCAL YEAR ENDING SEPTEMBER 30, 2018

TOWN COMMISSION

Carl Feldman, Mayor

Alysen A. Nila., Vice-Mayor

Rhoda Zelniker, Commissioner

Peggy Gossett-Seidman, Commissioner

Elyse Riesa, Commissioner

INTERIM TOWN MANAGER

Lanelda Gaskins

TOWN ATTORNEY

Glen Torcivia

DEPARTMENT HEADS

Lanelda Gaskins	Town Clerk
-----------------	------------

Vacant	Finance Director
--------	------------------

Craig Hartmann	Chief of Police
----------------	-----------------

Vacant	Building Official
--------	-------------------

Vacant	Public Works Director
--------	-----------------------

Lois Albertson	Library Director
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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2018, 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 accompanying schedule of expenditures of state financial assistance projects is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and the schedule of expenditures of state financial assistance projects 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 non-major fund financial statements and the schedule of expenditures of state financial assistance projects 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 26, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 26, 2019, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Dee & Associates

June 26, 2019

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, 2018. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting in changes and currently known facts, please read it in conjunction with the accompanying transmittal letter in the introductory section (beginning on page 1) and the Town's financial statements (beginning on page 9).

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2018.

- The Town's assets exceeded its liabilities at September 30, 2018 by \$20.76 million (net position), an increase of approximately \$178k over the prior year's restated ending net position of \$ 20.58 million. Of this amount, \$11.55 million may be used to meet the ongoing obligations to citizens and creditors. The increase in net position is due primarily to the net effect of additional permit fees and reductions on personnel expenses attributed to turnover of high salary positions.
- The Town's revenues for governmental activities were \$11.8 million, an increase of \$761k or 6.9% over the previous year. The expenses for governmental activities were \$10.4 million, a 9.8% increase from the prior year.
- The business-type activities generated \$3.2 million in operating revenues, an increase of \$74k over the prior year. The increase is primarily due to an annual utility rate increase. Operating expenses increased by \$145k. The Water and Sewer Funds had a combined operating loss of \$932k compared to an operating loss of \$805k in the prior year.
- At September 30, 2018, the General Fund's unassigned fund balance was \$5.54 million, an increase of \$1.27 million. The increase is due primarily to a reduction in the use of fund balance for subsequent year expenditures – from \$2.48 million to \$698k. The General Fund has an assignment of fund balance for disaster recovery at an amount of \$950k. In addition, the Town has committed fund balance for budget stabilization at an amount of \$1.99 million.
- The Town's long-term liabilities increased by \$170k, or 1.2%. The key factor of the increase was an amendment to an existing loan which was used to fund major capital improvement projects for the Water System.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* (pages 9 through 10) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. The change in net position over time may be an indicator of the Town's financial health.

The *statement of activities* provides a breakdown of revenues and expenses by function. The functions primarily supported by taxes and intergovernmental revenues, such as police, fire, and other public services are considered governmental activities. Those functions that are primarily funded through user fees and charges are identified as business-type activities. In the Town of Highland Beach, the latter consist of the water and sewer activities.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on major funds, rather than the previous reporting model's fund types. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations. The funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds (beginning on page 11) are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirement. Most of the Town's basic services are reported in the governmental funds.

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

Notes to the Financial Statements (beginning on page 19) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements were designed so that the user could determine if the Town is in a better or worse financial condition from the prior year. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.76 million at September 30, 2018.

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Town of Highland Beach
Net Position
(In Thousands)

	Governmental Activities 2018	Business Activities 2018	Total Activities 2018	Governmental Activities 2017 (restated)	Business Activities 2017 (restated)	Total Activities 2017 (restated)
Assets:						
Current and other assets	\$ 10,166	\$ 6,942	\$ 17,108	\$ 9,844	\$ 6,834	\$ 16,678
Capital assets	4,670	17,133	21,803	4,867	16,942	21,809
Total assets	\$ 14,836	\$ 24,075	\$ 38,911	\$ 14,711	\$ 23,776	\$ 38,487
Deferred Outflows of Resources:						
FRS Pension	1,675	260	1,935	1,666	259	1,925
OPEB	42	14	56	-	-	-
Total deferred outflows of resources	\$ 1,717	\$ 274	\$ 1,991	\$ 1,666	\$ 259	\$ 1,925
Liabilities:						
Long-term debt outstanding		13,021	13,021		13,056	13,056
Other liabilities	5,065	1,416	6,481	5,145	1,352	6,497
Total liabilities	\$ 5,065	\$ 14,437	\$ 19,502	\$ 5,145	\$ 14,408	\$ 19,553
Deferred Inflows of Resources:						
FRS Pension	550	91	641	240	38	278
Net position:						
Net investment in capital assets	4,669	3,683	8,352	4,867	3,647	8,514
Restricted for:						
Debt service		215	215		230	230
Special projects	640		640	375		375
Unrestricted	5,629	5,923	11,552	5,750	5,712	11,462
Total net position	\$ 10,938	\$ 9,821	\$ 20,759	\$ 10,992	\$ 9,589	\$ 20,581

The largest portion of the Town's net position (56%) reflects its unrestricted net position. The unrestricted net position (\$11.5 million) may be used to meet the Town's ongoing obligations to citizens and creditors. Approximately 50% of this amount is earmarked in the Town's 5-year Capital Improvement Plan (CIP).

A portion of the Town's net position (4.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$8.4 million) for the Town reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt, used to acquire those assets, that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the Governmental Activities at September 30, 2018, was \$10.9 million. Property taxes are the main source of revenues and represent approximately 73% of the revenue for governmental activities. Expenses for Public Safety (Police, Fire Rescue, and Building Inspection) were up \$253k from the prior year. Collectively, they represent approximately 66% of Governmental Activities expenses. Tax revenues were up approximately \$397 for the year due to an increase in taxable assessed value. The Town's capital outlay expenses increased \$199k year over year due to projects including repairs to the Bel Lido bridge.

Net position of the Business Type Activities (water and sewer) at September 30, 2018, was \$9.8 million, an increase of \$232k. The cost of providing all Business-Type Activities this year was \$4.5 million.

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

	Governmental Activities 2018	Business Activities 2018	Total Activities 2018	Governmental Activities 2017 (restated)	Business Activities 2017 (restated)	Total Activities 2017 (restated)
Revenues:						
Program revenues:						
Charges for services	\$ 1,223	\$ 3,073	\$ 4,296	\$ 1,152	\$ 3,057	\$ 4,209
Operating grants and contributions	18		18	17		17
General revenues:						
Property taxes	8,608		8,608	8,211		8,211
Utility taxes	283		283	272		272
Franchise Fees	478		478	437		437
Sales and use taxes	580		580	475		475
State revenue sharing	101		101	104		104
Investment earnings	144	81	225	43	22	65
Miscellaneous	363	142	505	322	143	465
Gain on disposal of capital assets				4		4
Total revenues	11,798	3,296	15,094	11,037	3,222	14,259
Expenses:						
Program expenses:						
General government	2,566		2,566	1,909		1,909
Public safety	6,849		6,849	6,596		6,596
Public works	514		514	500		500
Culture and recreation	521		521	511		511
Water and sewer		4,482	4,482		4,275	4,275
Total expenses	10,450	4,482	14,932	9,516	4,275	13,791
Excess (deficiency) before transfers	1,348	(1,186)	162	1,521	(1,053)	468
Transfers	(1,418)	1,418		(1,286)	1,286	
Special item - contribution of capital assets	16		16			
Increase (decrease) in net position	(54)	232	178	235	233	468
Net position – October 1, (restated)	10,992	9,589	20,581	10,757	9,356	20,113
Net position – September 30,	\$ 10,938	\$ 9,821	\$ 20,759	\$ 10,992	\$ 9,589	\$ 20,581

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2018 totaled \$21.8 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	Business Activities	Total	Total
	2018	2018	2018	2017
Land	\$ 324	\$ -	\$ 324	\$ 324
Construction in progress				3,854
Buildings and improvements	5,204	9,472	14,676	14,666
Improvements other than buildings	3,228	13,278	16,506	11,639
Furniture, fixtures and equipment	2,665	8,344	11,009	10,898
Total assets	\$ 11,421	\$ 31,094	\$ 42,515	\$ 41,381
Less accumulated depreciation	(6,752)	(13,961)	(20,713)	(19,572)
Total	\$ 4,669	\$ 17,133	\$ 21,802	\$ 21,809

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) increased by \$170k as follows:

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

	Governmental Activities	Business Activities	Total	Total
	2018	2018	2018	2017
Promissory Notes	\$ -	\$ 2,599	\$ 2,599	\$ 2,804
Revolving Fund Loan		10,851	10,851	10,491
Compensated Absences	268	81	349	334
Total	\$ 268	\$ 13,531	\$ 13,799	\$ 13,629

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

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

At September 30, 2018 the Town's ending fund balance of the General Fund totaled \$9.27 million, an increase of approximately \$164k from the prior year. Approximately 60% (\$5.54 million) of the ending fund balances constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the balance is reserved, indicating that it is not available for new spending because it has either been assigned to provide 1) budget stabilization (\$1.99 million), or 2) disaster relief (\$950,000), and subsequent year's expenditures

(\$698,256). Current year governmental fund expenditures increased approximately \$876,000 due primarily to legal expenses and capital outlay expenditures.

Budgetary Highlights-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 58). The budget and actual schedules show the original budgets, the final revised budget, actual results, and variance between the final budget and actual results for the General Fund. Total General Fund expenditures of \$9.95 million were less than the final amended budget of \$12.405 million, a difference of approximately \$2.45 million. The primary source of this difference is in the category of capital outlay due to the inclusion in the budget of potential capital expenditures of \$2.1 million for a referendum which did not receive voter approval in March 2018. Further, the public safety and general government and cultural (Library) budgets experienced positive variances due to either favorable procurements and/or unfilled employment positions.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2019 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals included enhancing the level of services, increasing the responsiveness of the local government to the needs of the public and to technologically improve the operation of the Town government.

Property taxes are the main source of revenues for governmental activities and represent approximately 72% of the General Fund budgeted revenues. The Town's total tax millage rate decreased from a total of 4.6412 mills in FY 2015 to 3.7190 mills in FY 2019.

Notwithstanding one-time capital expenditures, property taxes combined with all other estimated General Fund revenues are projected to be sufficient to cover the expenditures in the fiscal year 2019 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Finance Department, at the Town of Highland Beach, 3614 S. Ocean Boulevard, Highland Beach, Florida 33487.

TOWN OF HIGHLAND BEACH, FLORIDA

Statement of Net Position

September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,835,713	\$ 4,759,350	\$ 12,595,063
Investments	2,001,730	1,346,231	3,347,961
Restricted assets:			
Cash and cash equivalents	-	246,078	246,078
Accounts receivable, net	84,708	581,766	666,474
Due from other governments	158,669	-	158,669
Prepaid costs and inventories	86,093	8,928	95,021
Total current assets	10,166,913	6,942,353	17,109,266
Noncurrent assets:			
Nondepreciable capital assets	323,889	-	323,889
Depreciable capital assets, net	4,345,038	17,133,324	21,478,362
Total noncurrent assets	4,668,927	17,133,324	21,802,251
Total assets	14,835,840	24,075,677	38,911,517
Deferred Outflows of resources			
FRS Pension	1,674,764	260,173	1,934,937
OPEB	42,537	13,433	55,970
Total deferred outflows of resources	1,717,301	273,606	1,990,907
Liabilities and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	256,855	137,844	394,699
Accrued interest payable	-	31,738	31,738
Noncurrent liabilities due within one year	28,112	1,247,076	1,275,188
Total current liabilities	284,967	1,416,658	1,701,625
Noncurrent liabilities:			
Net OPEB obligation	232,646	73,467	306,113
Net pension liability	4,307,492	663,811	4,971,303
Due in more than one year	239,611	12,283,776	12,523,387
Total noncurrent liabilities	4,779,749	13,021,054	17,800,803
Total liabilities	5,064,716	14,437,712	19,502,428
Deferred Inflows of resources			
FRS Pension	549,901	90,897	640,798
Total deferred inflows of resources	549,901	90,897	640,798
Net position:			
Net investment in capital assets	4,668,927	3,682,997	8,351,924
Restricted for:			
Recreational land acquisition	227,023	-	227,023
Library activities	6,817	-	6,817
Infrastructure	398,767	-	398,767
Law enforcement	7,187	-	7,187
Restricted for debt service	-	214,340	214,340
Unrestricted	5,629,803	5,923,337	11,553,140
Total net position	\$ 10,938,524	\$ 9,820,674	\$ 20,759,198

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2018

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions		Primary Government		
	Expenses			Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 2,565,663	\$ 127,534	\$ 18,126	\$ (2,420,003)	\$ -	\$ (2,420,003)
Public safety	6,849,032	619,445	-	(6,229,587)	-	(6,229,587)
Culture and recreation	521,074	4,069	-	(517,005)	-	(517,005)
Public works	513,735	471,580	-	(42,155)	-	(42,155)
Total government activities	<u>10,449,504</u>	<u>1,222,628</u>	<u>18,126</u>	<u>(9,208,750)</u>	<u>-</u>	<u>(9,208,750)</u>
Business-type activities:						
Water utility	3,416,906	1,987,503	-	-	(1,429,403)	(1,429,403)
Sewer utility	1,065,506	1,085,969	-	-	20,463	20,463
Total business-type activities	<u>4,482,412</u>	<u>3,073,472</u>	<u>-</u>	<u>-</u>	<u>(1,408,940)</u>	<u>(1,408,940)</u>
Total primary government	<u><u>\$ 14,931,916</u></u>	<u><u>\$ 4,296,100</u></u>	<u><u>\$ 18,126</u></u>	<u><u>\$ (9,208,750)</u></u>	<u><u>\$ (1,408,940)</u></u>	<u><u>\$ (10,617,690)</u></u>
General revenues:						
Property taxes				8,608,075	-	8,608,075
Utility taxes				282,935	-	282,935
Franchise fees				477,668	-	477,668
Sales and use taxes				579,638	-	579,638
Intergovernmental - unrestricted				100,835	-	100,835
Investment earnings				144,231	81,210	225,441
Gain on disposal of capital assets				1,598	-	1,598
Miscellaneous				361,835	142,027	503,862
Transfers				<u>(1,417,542)</u>	<u>1,417,542</u>	<u>-</u>
Total general revenues and transfers				<u>9,139,273</u>	<u>1,640,779</u>	<u>10,780,052</u>
Special item:						
Contribution of capital assets				16,000	-	16,000
Change in net position				(53,477)	231,839	178,362
Net position, beginning (restated)				<u>10,992,001</u>	<u>9,588,835</u>	<u>20,580,836</u>
Net position, ending				<u>\$ 10,938,524</u>	<u>\$ 9,820,674</u>	<u>\$ 20,759,198</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2018

	Major Fund	Nonmajor	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
Assets			
Cash and cash equivalents	\$ 7,264,008	\$ 571,705	\$ 7,835,713
Investments	1,950,645	51,085	2,001,730
Receivables:			
Accounts receivable, net	84,708	-	84,708
Due from other governments	141,665	17,004	158,669
Inventory	12,584	-	12,584
Prepays	73,509	-	73,509
Total assets	<u>\$ 9,527,119</u>	<u>\$ 639,794</u>	<u>\$ 10,166,913</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 167,102	\$ -	\$ 167,102
Accrued liabilities	89,753	-	89,753
Total liabilities	<u>256,855</u>	<u>-</u>	<u>256,855</u>
Fund balances:			
Non-spendable for inventories and prepaid costs	86,093	-	86,093
Committed for budget stabilization	1,992,631	-	1,992,631
Restricted for:			
Recreational land acquisition	-	227,023	227,023
Library activities	-	6,817	6,817
Infrastructure	-	398,767	398,767
Law enforcement	-	7,187	7,187
Assigned to:			
Disaster recovery	950,000	-	950,000
Subsequent year expenditures	698,256	-	698,256
Unassigned:	5,543,284	-	5,543,284
Total fund balances	<u>9,270,264</u>	<u>639,794</u>	<u>9,910,058</u>
Total liabilities and fund balances	<u>\$ 9,527,119</u>	<u>\$ 639,794</u>	<u>\$ 10,166,913</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, 2018

Fund balance - governmental funds \$ 9,910,058

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	11,421,348	
Accumulated depreciation	<u>(6,752,421)</u>	4,668,927

Deferred outflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	1,674,764
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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	42,537
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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	(549,901)
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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	(267,723)	
Total OPEB liability	<u>(232,646)</u>	
Net pension liability	<u>(4,307,492)</u>	
Net position of governmental activities	<u><u>\$ 10,938,524</u></u>	

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 8,608,075	\$ -	\$ 8,608,075
Franchises fees	477,668	-	477,668
Permits and fees	625,771	-	625,771
Intergovernmental	723,756	257,778	981,534
Charges for services	528,113	-	528,113
Fines and forfeitures	6,117	-	6,117
Interest income	137,749	6,482	144,231
Rent & Leases	62,627	-	62,627
Miscellaneous	363,227	206	363,433
Total revenues	<u>11,533,103</u>	<u>264,466</u>	<u>11,797,569</u>
Expenditures:			
Current:			
General government	2,240,026	-	2,240,026
Public safety	6,615,002	-	6,615,002
Culture and recreation	387,471	-	387,471
Public works	422,440	-	422,440
Capital outlay	286,449	-	286,449
Total expenditures	<u>9,951,388</u>	<u>-</u>	<u>9,951,388</u>
Excess (deficiency) of revenues over expenditures	<u>1,581,715</u>	<u>264,466</u>	<u>1,846,181</u>
Other financing sources (uses):			
Transfers out	(1,417,542)	-	(1,417,542)
Total other financing sources (uses)	<u>(1,417,542)</u>	<u>-</u>	<u>(1,417,542)</u>
Net change in fund balances	<u>164,173</u>	<u>264,466</u>	<u>428,639</u>
Fund balances, beginning	9,106,091	375,328	9,481,419
Fund balances, ending	<u>\$ 9,270,264</u>	<u>\$ 639,794</u>	<u>\$ 9,910,058</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds	\$ 428,639
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.	140,322
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities.	(354,765)
Donation of capital assets is not reported on the governmental fund statements. However, these amounts are reported as special item on the statement of activities.	16,000
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	(19,686)
OPEB expense	(26,364)
Pension expense	<u>(237,623)</u>
Change in net position of governmental activities	<u><u>\$ (53,477)</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position - Proprietary Funds
September 30, 2018

	Water Utility Fund	Sewer Utility Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,219,783	\$ 1,539,567	\$ 4,759,350
Investments	932,158	414,073	1,346,231
Accounts receivable (net)	386,883	194,883	581,766
Prepaid Items	2,666	-	2,666
Supplies inventory	6,262	-	6,262
Restricted cash and cash equivalents	246,078	-	246,078
 Total current assets	4,793,830	2,148,523	6,942,353
Non-current Assets			
Capital Assets			
Building and improvements	7,746,507	1,725,534	9,472,041
Improvements other than buildings	12,073,923	1,204,616	13,278,539
Equipment	7,929,698	414,410	8,344,108
 Total capital assets	27,750,128	3,344,560	31,094,688
Less accumulated depreciation	(11,027,004)	(2,934,360)	(13,961,364)
 Total non-current assets	16,723,124	410,200	17,133,324
 Total assets	21,516,954	2,558,723	24,075,677
Deferred Outflows of Resources			
FRS Pension	260,173	-	260,173
OPEB	13,433	-	13,433
Total deferred outflows of resources	273,606	-	273,606
Liabilities			
Current Liabilities			
Accounts payable	\$ 84,071	\$ 15,174	\$ 99,245
Accrued liabilities	38,599	-	38,599
Accrued interest payable	31,738	-	31,738
Compensated absences	8,455	-	8,455
Long-Term Debt	1,238,621	-	1,238,621
 Total current liabilities	1,401,484	15,174	1,416,658
Long-Term Liabilities			
Compensated absences	72,070	-	72,070
Total OPEB liability	73,467	-	73,467
Net pension liability	663,811	-	663,811
Long-Term Debt	12,211,706	-	12,211,706
 Total long-term liabilities	13,021,054	-	13,021,054
 Total Liabilities	14,422,538	15,174	14,437,712
Deferred Inflows of Resources			
FRS Pension	90,897	-	90,897
Total deferred inflows of resources	90,897	-	90,897
Net Position			
Net investment in capital assets	3,272,797	410,200	3,682,997
Restricted for debt service	214,340	-	214,340
Unrestricted	3,789,988	2,133,349	5,923,337
Total net position	\$ 7,277,125	\$ 2,543,549	\$ 9,820,674

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2018

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 1,987,503	\$ 1,085,969	\$ 3,073,472
Administrative fee	140,000	-	140,000
Total operating revenues	<u>2,127,503</u>	<u>1,085,969</u>	<u>3,213,472</u>
Operating expenses:			
Salaries and fringe benefits	1,128,789	-	1,128,789
Cost of sales and services	726,869	817,069	1,543,938
General and administrative	513,200	153,412	666,612
Depreciation	711,310	95,025	806,335
Total operating expenses	<u>3,080,168</u>	<u>1,065,506</u>	<u>4,145,674</u>
Operating income (loss)	<u>(952,665)</u>	<u>20,463</u>	<u>(932,202)</u>
Nonoperating revenues (expenses):			
Interest income	56,479	24,731	81,210
Other revenue	2,027	-	2,027
Interest expense	(336,738)	-	(336,738)
Total nonoperating revenues (expenses)	<u>(278,232)</u>	<u>24,731</u>	<u>(253,501)</u>
Income before transfers	<u>(1,230,897)</u>	<u>45,194</u>	<u>(1,185,703)</u>
Transfers in	1,417,542	-	1,417,542
Total transfers	1,417,542	-	1,417,542
Net income	<u>186,645</u>	<u>45,194</u>	<u>231,839</u>
Net position - beginning (restated)	<u>7,090,480</u>	<u>2,498,355</u>	<u>9,588,835</u>
Total net position, ending	<u><u>\$ 7,277,125</u></u>	<u><u>\$ 2,543,549</u></u>	<u><u>\$ 9,820,674</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,934,696	\$ 1,080,512	\$ 3,015,208
Receipts from interfund services provided	140,000	-	140,000
Payments to suppliers	(1,041,350)	(876,665)	(1,918,015)
Payments for interfund services used	(298,550)	(140,000)	(438,550)
Payments to employees	(1,085,723)	-	(1,085,723)
Net cash provided by (used in) operating activities	(350,927)	63,847	(287,080)
Cash Flows From Noncapital Financing activities:			
Transfers from other funds	1,417,542	-	1,417,542
Net cash provided by (used in) noncapital financing	1,417,542	-	1,417,542
Cash Flows From Capital and Related			
Financing Activities			
Purchases to acquire and construct capital assets	(998,046)	-	(998,046)
Principal paid on debt and leases	(1,108,800)	-	(1,108,800)
Interest paid on long-term debt	(321,102)	-	(321,102)
Proceeds from issuance of debt	1,264,147	-	1,264,147
Net cash provided by (used in) capital and related financing activities	(1,163,801)	-	(1,163,801)
Cash Flows From Investing Activities			
Purchase of investments	442,255	166,365	608,620
Interest received	56,479	24,731	81,210
Net cash provided by (used in) investing activities	498,734	191,096	689,830
Net increase (decrease) in cash and cash equivalents	401,548	254,943	656,491
Cash and cash equivalents, beginning	3,064,313	1,284,624	4,348,937
Cash and cash equivalents, ending	\$ 3,465,861	\$ 1,539,567	\$ 5,005,428
Reconciliation to the statement of net position:			
Cash and equity in pooled cash	\$ 3,219,783	\$ 1,539,567	\$ 4,759,350
Restricted assets, cash	246,078	-	246,078
	\$ 3,465,861	\$ 1,539,567	\$ 5,005,428

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended September 30, 2018

	Business-Type Activities -		
	Enterprise Funds		
	Water	Sewer	Total
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ (952,665)	\$ 20,463	\$ (932,202)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	711,310	95,025	806,335
GASB 68 Pension expense	40,462	-	40,462
GASB 75 OPEB expense	8,325	-	8,325
Other revenues	2,027	-	2,027
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(54,834)	(5,457)	(60,291)
Increase (decrease) in accounts payable	(60,955)	(46,184)	(107,139)
Increase (decrease) in other liabilities	(38,876)	-	(38,876)
Increase (decrease) in compensated absences	(5,721)	-	(5,721)
Total adjustments	<u>601,738</u>	<u>43,384</u>	<u>645,122</u>
Net cash provided by (used in) operating activities	<u><u>\$ (350,927)</u></u>	<u><u>\$ 63,847</u></u>	<u><u>\$ (287,080)</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise funds:

Water Utility System Fund

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

Sewer Utility System Fund

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

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

Special Revenue Funds

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

Open Space and Recreation Land Fund
Library Donation Fund
Law Enforcement Fund
Infrastructure Surtax Fund

The special revenue funds do not have legally adopted budgets.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

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.

Inventories

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

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at 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, 2018

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:

Asset	Years
Buildings	40-50
Improvements other than buildings	5-50
Equipment and vehicles	3-10
Library books and materials	3-5

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, 2018

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, 2017, upon which the levy for the current fiscal year was based, was approximately \$2.403 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, 2018, was 3.6959 (\$3.6959 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, 2018

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, 2018

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. This amount shall be equal to but not less than 16.67% of General Fund operating expenditures, net of funds set aside for reserves.

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Accounting Pronouncements Adopted in the Current Fiscal Year

During the current fiscal year, the Town adopted the following new accounting pronouncements:

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

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

As a result of this adoption, beginning net position was restated as below:

Water Utilities	
	Fund
Net position, previously stated	\$ 7,039,472
Adjustment for total OPEB liability	<u>51,008</u>
Net position, restated	<u><u>\$ 7,090,480</u></u>

	Business-Type Activities	Governmental Activities
Net position, previously stated	\$ 9,537,827	\$ 10,830,475
Adjustment for total OPEB liability	<u>51,008</u>	<u>161,526</u>
Net position, restated	<u><u>\$ 9,588,835</u></u>	<u><u>\$ 10,992,001</u></u>

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted in the Current Fiscal Year (Continued)

GASB Statement No. 85, Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Recently Issued Accounting Pronouncements Not Yet Adopted

GASB Statement No. 83, Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

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 December 15, 2019.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. If application for prior periods presented is not practicable, the reason for not applying this Statement to prior periods presented should be disclosed.

GASB Statement No. 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, 2019. 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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Except as discussed in paragraph 11, in the period this Statement is first applied, changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. Also, the reason for not restating prior periods presented should be disclosed. In the first period that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

As of September 30, 2018, the Town had the following investments:

	Amortized cost	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)			Weighted average of the fund portfolio: 33 days
Total Investments	<u>\$ 3,428,875</u>	S&P AAAm	
	<u>\$ 3,428,875</u>		

Fair Value Measurement – When applicable, the District 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 District 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, 2018

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, 2018, 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, 2018

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, 2018, 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	\$ 84,708	\$ -	\$ 386,883	\$ 194,883	\$ 666,474
Franchise fees	97,583	-	-	-	97,583
Due from other governments:					
State of Florida:					
Half cent sales tax	21,510	-	-	-	21,510
Discretionary sales tax	-	17,004	-	-	17,004
Communication service tax	22,572	-	-	-	22,572
Total receivables	226,373	17,004	386,883	194,883	825,143
Less allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 226,373</u>	<u>\$ 17,004</u>	<u>\$ 386,883</u>	<u>\$ 194,883</u>	<u>\$ 825,143</u>

NOTE 4 – CAPITAL ASSETS

For the fiscal year ended September 30, 2018, depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 90,818
Public safety	55,302
Sanitation	117,350
Culture and recreation	91,295
Total depreciation expense, governmental activities	<u>\$ 354,765</u>
Business-type activities:	
Water utility system	711,310
Sewer utility system	95,025
Total depreciation expense, business-type activities	<u>\$ 806,335</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 323,889	\$ -	\$ -	\$ 323,889
Total capital assets, not being depreciated	<u>323,889</u>	<u>-</u>	<u>-</u>	<u>323,889</u>
Capital assets, being depreciated:				
Buildings	5,193,868	10,544	-	5,204,412
Improvements other than buildings	3,212,261	18,410	(3,127)	3,227,544
Equipment, furniture, and books	2,554,503	127,368	(16,368)	2,665,503
Total capital assets, being depreciated	<u>10,960,632</u>	<u>156,322</u>	<u>(19,495)</u>	<u>11,097,459</u>
Less accumulated depreciation:				
Buildings	(2,319,703)	(130,619)	-	(2,450,322)
Improvements other than buildings	(1,867,025)	(112,197)	3,127	(1,976,095)
Equipment, furniture, and books	(2,230,423)	(111,949)	16,368	(2,326,004)
Total accumulated depreciation	<u>(6,417,151)</u>	<u>(354,765)</u>	<u>19,495</u>	<u>(6,752,421)</u>
Total capital assets being depreciated, net	<u>4,543,481</u>	<u>(198,443)</u>	<u>-</u>	<u>4,345,038</u>
Governmental activities capital assets, net	<u><u>\$ 4,867,370</u></u>	<u><u>\$ (198,443)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,668,927</u></u>
Business-type activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,854,027	\$ -	\$ (3,854,027)	\$ -
Total capital assets, not being depreciated	<u>3,854,027</u>	<u>-</u>	<u>(3,854,027)</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings	\$ 9,472,041	\$ -	\$ -	\$ 9,472,041
Improvements other than buildings	8,426,466	4,852,073	-	13,278,539
Equipment, furniture, and books	8,344,107	-	-	8,344,107
Total capital assets, being depreciated	<u>26,242,614</u>	<u>4,852,073</u>	<u>-</u>	<u>31,094,687</u>
Less accumulated depreciation:				
Buildings	(4,130,314)	(241,015)	-	(4,371,329)
Improvements other than buildings	(3,064,483)	(251,212)	(29)	(3,315,724)
Equipment, furniture, and books	(5,960,202)	(314,108)	-	(6,274,310)
Total accumulated depreciation	<u>(13,154,999)</u>	<u>(806,335)</u>	<u>(29)</u>	<u>(13,961,363)</u>
Total capital assets, being depreciated, net	<u>13,087,615</u>	<u>4,045,738</u>	<u>(29)</u>	<u>17,133,324</u>
Business-type activities capital assets, net	<u><u>\$ 16,941,642</u></u>	<u><u>\$ 4,045,738</u></u>	<u><u>\$ (3,854,056)</u></u>	<u><u>\$ 17,133,324</u></u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – LONG-TERM LIABILITIES

During the year ended September 30, 2018, the following changes occurred in long-term liabilities:

Business type:	Beginning				Due Within	
	Balances	Additions	Reductions	Total	One Year	
Promissory note, 2007	\$ 2,803,727	\$ -	\$ (204,352)	\$ 2,599,375	\$ 211,436	
Revolving fund loan DW500200	2,145,810	-	(138,770)	2,007,040	142,711	
Revolving fund loan DW500201	571,632	-	(37,460)	534,172	38,443	
Revolving fund loan DW502901	4,349,961	-	(617,887)	3,732,074	635,758	
Revolving fund loan DW500210	3,423,850	1,264,147	(110,331)	4,577,666	210,273	
Total notes and loans payable	13,294,980	1,264,147	(1,108,800)	13,450,327	1,238,621	
Compensated Absences	86,246	55,953	(61,674)	80,525	8,455	
	<u>\$ 13,381,226</u>	<u>\$ 1,320,100</u>	<u>\$ (1,170,474)</u>	<u>\$ 13,530,852</u>	<u>\$ 1,247,076</u>	

Governmental:	Beginning				Due Within	
	Balances	Additions	Reductions	Total	One Year	
Compensated Absences	\$ 248,037	\$ 206,036	\$ (186,350)	\$ 267,723	\$ 28,112	
	<u>\$ 248,037</u>	<u>\$ 206,036</u>	<u>\$ (186,350)</u>	<u>\$ 267,723</u>	<u>\$ 28,112</u>	

Interest Expense

Total interest costs incurred and paid on all Town debt for the years ended September 30, 2017 and 2018, were \$325,585 and \$336,738, respectively. No interest cost was capitalized during the year.

Long-term debt at September 30, 2018, 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, 2018, 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, 2018, the interest rate was 3.414%.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Promissory Note, 2007 (Continued)

Based on the rate as of September 30, 2018, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2019	\$ 211,436	\$ 85,445	\$ 296,881
2020	218,767	78,113	296,880
2021	226,353	70,527	296,880
2022	234,202	62,678	296,880
2023	242,323	54,557	296,880
2024-2028	1,343,642	140,766	1,484,408
2029	122,651	1,049	123,700
	<u>\$ 2,599,374</u>	<u>\$ 493,135</u>	<u>\$3,092,509</u>

State Revolving Fund Loan - DW 502901

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the purpose of constructing a reverse osmosis water treatment facility. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$738,424 and pledged ad valorem taxes were \$8,608,075. At September 30, 2018, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$4,061,332. As of September 30, 2018, outstanding principal, including capitalized interest, was \$3,732,074. 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, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 635,758	\$ 102,666	\$ 738,424
2020	654,146	84,277	738,423
2021	673,069	65,355	738,424
2022	692,540	45,884	738,424
2023	712,578	25,847	738,425
2024	363,983	5,229	369,212
	<u>\$ 3,732,074</u>	<u>\$ 329,258</u>	<u>\$4,061,332</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 \$198,310 and pledged ad valorem taxes were \$8,608,075. At September 30, 2018, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$2,379,731. As of September 30, 2018, outstanding principal, including capitalized interest, was \$2,007,040. 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, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 142,711	\$ 55,599	\$ 198,310
2020	146,764	51,547	198,311
2021	150,932	47,379	198,311
2022	155,219	43,092	198,311
2023	159,627	38,684	198,311
2024-2028	868,762	122,794	991,556
2029-2030	383,025	13,596	396,621
	<u>\$ 2,007,040</u>	<u>\$ 372,691</u>	<u>\$2,379,731</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 \$8,608,075. At September 30, 2018, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$625,632. As of September 30, 2018, outstanding principal, including capitalized interest, was \$534,171. 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, 2018

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, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 38,443	\$ 13,693	\$ 52,136
2020	39,453	12,683	52,136
2021	40,490	11,646	52,136
2022	41,554	10,583	52,137
2023	42,645	9,491	52,136
2024-2028	230,629	30,050	260,679
2029-2030	100,957	3,315	104,272
	<u>\$ 534,171</u>	<u>\$ 91,461</u>	<u>\$ 625,632</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. Pledged ad valorem taxes were \$8,608,075. The loan agreement award is for a total of \$4,702,856. During the current fiscal year, the Town received an additional \$1,264,147 in proceeds on the loan. At September 30, 2018, principal and interest to maturity in 2038 to be paid from pledged future revenues totaled \$5,137,718. As of September 30, 2018, outstanding principal, including capitalized interest, was \$4,577,666. 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, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 210,273	\$ 53,200	\$ 263,473
2020	212,563	50,910	263,473
2021	215,078	48,394	263,472
2022	217,624	45,849	263,473
2023	220,199	43,273	263,472
2024-2028	1,140,708	176,655	1,317,363
2029-2033	1,209,827	107,538	1,317,365
2034-2038	<u>1,151,394</u>	<u>34,233</u>	<u>1,185,627</u>
	<u><u>\$ 4,577,666</u></u>	<u><u>\$ 560,052</u></u>	<u><u>\$ 5,137,718</u></u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2018:

	Transfers	
	In	Out
General Fund	\$ -	\$ 1,417,542
Water Utility Fund	1,417,542	-
	<u>\$ 1,417,542</u>	<u>\$ 1,417,542</u>

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

NOTE 7 – DEFINED CONTRIBUTION PLANS

Town of Highland Beach Retirement Plan

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

Employees hired before September 30, 1991:

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

Employees hired after September 30, 1991:

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

The total payroll for all employees and payroll for employees covered by the Plan for the current year were \$2,906,629 and \$82,584, respectively. The Town is required to contribute 8% of each eligible employee's base salary. Plan members are required to contribute 2% of their base salary. If an employee contributes an additional 1% of base salary, the Town will contribute an additional 2% of the employee's base salary. If an employee contributes an additional 2% of base salary, the Town will contribute an additional 4% of the employee's base salary. For the year ended September 30, 2018, the Town and the covered employees made the required contributions of \$691 and \$16,214, respectively, for a total of \$16,905.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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

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, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

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, 2018, Town employees did not make any voluntary contributions to the Plan.

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

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 \$838,139 for the fiscal year ended September 30, 2018.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan

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

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

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

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, 2018

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, 2018

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 2018 fiscal year were as follows:

Class	Percent of Gross Salary		Percent of Gross Salary	
	October 1, 2017 to		July 1, 2018 to	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	7.92	3.00	8.26
FRS, Special Risk - Regular	3.00	23.27	3.00	24.50
FRS, Special Risk - Admin	3.00	34.63	3.00	34.98
FRS, Elected Officials	3.00	45.50	3.00	48.70
FRS, Senior Management Service Class	3.00	22.71	3.00	24.06
DROP, Applicable to all members in the above classes	0.00	13.26	0.00	14.03

(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 \$337,341 for the fiscal year ended September 30, 2018. 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, 2018, the Town reported a liability of \$4,074,584 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2018 relative to the contributions made during the year ended June 30, 2018 of all participating members. At June 30, 2018, the Town's proportionate share was .01353%, which was a decrease of .00041% from its proportionate share measured as of June 30, 2017.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

For the fiscal year ended September 30, 2018 the Town recognized pension expense of \$683,487 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	\$ 345,179	\$ (12,528)
Change of assumptions	1,331,376	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(314,811)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	35,333	(154,668)
Town FRS contributions subsequent to the measurement date	98,167	-
Total	\$ 1,810,055	\$ (482,007)

The deferred outflows of resources related to pensions, totaling \$98,167, 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, 2018. 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
2019	\$ 476,507
2020	325,196
2021	45,342
2022	216,538
2023	144,790
Thereafter	21,507
Total	\$ 1,229,880

Actuarial Assumptions – The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions – The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed income	18.0%	4.4%	4.3%	4.0%
Global equity	54.0%	7.6%	6.3%	17.0%
Real estate (property)	11.0%	6.6%	6.0%	11.3%
Private equity	10.0%	10.7%	7.8%	26.5%
Strategic investments	6.0%	6.0%	5.7%	8.6%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.6%	1.9%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	\$ 7,436,287	\$ 4,074,584	\$ 1,282,491

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018, 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, 2018, 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, 2018, the contribution rate was 1.66% of payroll from October 1, 2016 through September 30, 2018 pursuant to section 112.363, Florida Statues. 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 \$35,296 for the fiscal year ended September 30, 2018.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the Town reported a net pension liability of \$896,719 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town’s proportionate share of the net pension liability was based on the year ended June 30, 2018 contributions relative to the year ended June 30, 2017 contributions of all participating members. At June 30, 2018, the Town’s proportionate share was .0085%, a decrease of .00016% compared to its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$53,543 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	\$ 13,728	\$ (1,523)
Change of assumptions	99,727	(94,810)
Net difference between projected and actual earnings on HIS pension plan investments	541	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	-	(62,458)
Town HIS contributions subsequent to measurement date	<u>10,887</u>	-
Total	<u>\$ 124,883</u>	<u>\$ (158,791)</u>

The deferred outflows of resources related to pensions, totaling \$10,887, 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, 2018. 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
2019	\$ (31,285)
2020	(31,169)
2021	(21,836)
2022	(4,906)
2023	30,443
Thereafter	<u>13,959</u>
Total	<u><u>\$ (44,794)</u></u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014.

Discount Rate – The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	2.87%	3.87%	4.87%
Net Pension Liability	\$ 1,021,310	\$ 896,719	\$ 792,865

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, 2018, the Town did not report a payable to the Plan.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Investment Plan

Plan Description

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

Funding Policy

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town's employees at September 30, 2018, were as follows: regular employees 11.26%, special risk employees 27.50%, senior management service employees 27.06%, and elected officials 51.70%. These rates include a 3.00% employee contribution, 1.66% for the Retiree Health Insurance Subsidy Program, and a 0.06% administrative fee.

The Town's total payroll for the year ended September 30, 2018 was \$3,049,233 and payroll for employees covered by the Plan was \$662,551. The Town and the covered employees made the required contributions of \$101,109 and \$19,877, 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, 2018

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, 2018, 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	<u>37</u>
	<u><u>39</u></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	\$ 215,454	\$ -	\$ 215,454
Changes due to:			
Service cost	26,340	-	26,340
Expected interest growth	9,148	-	9,148
Changes in assumptions	58,821	-	58,821
Benefit payments	(3,650)	-	(3,650)
Ending balance	<u>306,113</u>	<u>\$ -</u>	<u>\$ 306,113</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2017
Actuarial valuation date	October 1, 2017
Actuarial assumptions:	
Inflation	2.6%, not explicitly used in valuation
Discount rate	3.5%; based on the return on the Fidelity 20-Year Municipal Bond GO AA Index
Projected salary increases	3.7% - 7.8% per year
Actuarial cost method	Individual entry age level percent of pay
Healthcare cost trend rates	Based on the Getzen Model starting at 7.0% gradually decreasing to an ultimate rate of 4.1% 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 RP-2000 mortality tables with varying Collar adjustments and generational mortality improvements with Scale BB. Disabled employees based on RP-2000 Disabled mortality tables setback 4 years for males and set forward 2 years for females 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, 2017 Actuarial valuation. The trend and participation assumptions are set by Gabriel, Roeder, Smith & Company based upon general and program specific experience. The actuarial assumptions used in the October 1, 2017 actuarial valuation are based on the results of experience studies conducted by the Florida Retirement System as of 2014.

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 3.5%, 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 (2.5%) or 1-percentage-point higher (4.5%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	(2.5%)	(3.5%)	(4.5%)
	\$ 349,640	\$ 306,113	\$ 269,675

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 (6.0% decreasing to 3.1%) or 1-percentage-point higher (8.0% decreasing to 5.1%) than the current trend rates:

1% Decrease (6% decreasing to 3.1%)	Healthcare Cost Trend Rates (7% Graded Down to 4.1%)	1% Increase (8% decreasing to 5.1%)
\$ 257,331	\$ 306,113	\$ 367,601

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

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$43,029. In addition, at September 30, 2018, the Village reported deferred outflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	51,280	-
Town's OPEB contributions subsequent to the measurement date	4,690	-
Total	\$ 55,970	\$ -

The deferred outflows of resources related to OPEB, totaling \$4,690, 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, 2018. 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
2019	\$ 7,541
2020	7,541
2021	7,541
2022	7,541
2023	7,541
Thereafter	13,575
Total	<u>\$ 51,280</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

During the year ended September 30, 2018, the cost of administrative services rendered by the General Fund to the Water Utility Enterprise Fund was shown as revenue in the General Fund and as an operating expense in the enterprise. The amount charged by the General Fund was \$298,550.

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

During the year ended September 30, 2018, the cost of administrative services rendered by the Water Utility Enterprise Fund to the Sewer Utility Enterprise Fund was shown as revenue in the Water Fund and as an operating expense in the Sewer Fund. The amount charged by the Water Fund was \$140,000.

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000 and \$300,000 for all claims relating to the same accident. However, under certain circumstance, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

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

NOTE 13 – CONTINGENCIES

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018, the Town made payment of \$415,373 pursuant to the agreements.

Encumbrances

At September 30, 2018, the Town had encumbrances of \$259,552 in the General Fund, \$112,900 in the Water Utility Fund and \$63,481 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, 2018, 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, 2018 was \$3,910,569.

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, 2018, the Town was charged \$690,686 for sewage disposal services.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		
Revenues:				
Property taxes	\$ 8,527,000	\$ 8,527,000	\$ 8,608,075	\$ 81,075
Franchise fees	390,000	390,000	477,668	87,668
Permits and fees	408,000	568,000	625,771	57,771
Intergovernmental	908,900	908,900	723,756	(185,144)
Charges for services	516,000	516,000	528,113	12,113
Fines and forfeitures	12,500	12,500	6,117	(6,383)
Interest income	35,000	35,000	137,749	102,749
Rent & Leases	64,000	64,000	62,627	(1,373)
Miscellaneous	333,600	333,600	363,227	29,627
Total revenues	11,195,000	11,355,000	11,533,103	178,103
Expenditures:				
General Government:				
Town Commission	131,600	131,600	128,813	2,787
Town Manager	326,150	347,150	347,082	68
Town Clerk	326,545	321,545	319,488	2,057
Finance	341,350	377,350	388,915	(11,565)
Legal	140,000	240,000	268,847	(28,847)
Public Works	298,850	258,850	254,452	4,398
Post office	135,030	128,030	119,995	8,035
Non -departmental and contingency	540,100	500,100	412,434	87,666
Total general government	2,239,625	2,304,625	2,240,026	64,599
Public safety:				
Police	2,354,360	2,324,360	2,182,128	142,232
Fire Rescue	3,910,000	3,930,000	3,924,934	5,066
Protective Inspections	344,300	504,300	507,940	(3,640)
Total public safety	6,608,660	6,758,660	6,615,002	143,658

(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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		
Sanitation:				
Refuse Collection	427,000	427,000	422,440	4,560
Total physical environment	427,000	427,000	422,440	4,560
Culture and recreation:				
Library	456,415	401,415	387,471	13,944
Total culture and recreation	456,415	401,415	387,471	13,944
Capital outlay	2,514,200	2,514,200	286,449	2,227,751
Total Capital Outlay	2,514,200	2,514,200	286,449	2,227,751
Total expenditures	12,245,900	12,405,900	9,951,388	2,454,512
Excess (deficiency) of revenues over expenditures	(1,050,900)	(1,050,900)	1,581,715	2,632,615
Other financing sources (uses):				
Interfund Transfer Out	(1,429,500)	(1,429,500)	(1,417,542)	11,958
Use of fund balance	2,480,400	2,480,400	-	(2,480,400)
Total other financing sources (uses)	1,050,900	1,050,900	(1,417,542)	(2,468,442)
Net change in fund balance	\$ -	\$ -	164,173	\$ 164,173
Fund balance, beginning			<u>9,106,091</u>	
Fund balance, ending			<u>\$ 9,270,264</u>	

(See notes to budgetary required supplementary information)

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplementary
Information September 30, 2018

NOTE 1. Budgets and Budgetary Accounting

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

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

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

NOTE 2. Encumbrances

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

NOTE 3. Excess of Expenditures Over Appropriations

Certain departments, including Finance, Legal, and Protective Inspections had expenditures in excess of appropriations for the fiscal year ended September 30, 2018. The over expenditures were covered by available fund balance.

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*

2018	
Total OPEB Liability	
Beginning balance	\$ 215,454
Service cost	26,340
Expected interest growth	9,148
Assumption changes	58,821
Benefit payments and refunds	(3,650)
Ending balance	<u><u>\$ 306,113</u></u>
Plan Fiduciary Net Position	
Beginning balance	\$ -
Ending balance	<u><u>\$ -</u></u>
Net OPEB Liability	
Ending balance	<u><u>\$ 306,113</u></u>
Covered payroll	\$ 3,049,233
Total OPEB liability as a percentage of covered payroll	10.04%

Notes to Schedule:

1. Update procedures used to toll back Total OPEB Liability (TOL) from prior valuation of 9/30/17 to 9/30/16 to obtain the beginning of year TOL.
2. Changes of assumptions:

Measurement date	October 1, 2017	October 1, 2016
Discount rate	3.5%	3.1%
Excise tax load	15.2%	N/A
Health care trend	7.0% to 4.1% in 2040+	8.0% to 3.5% in 2025+

3. Mortality assumptions, withdrawal rates and disability rates are updated

*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 Year Ended September 30, 2018

Florida Retirement System Pension Plan
 Last 10 Years (Measurement Date)*

	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.013527603%	0.013937482%	0.014810371%	0.014781336%	0.014314377%
Town's proportionate share of the FRS net pension liability	4,074,584	4,122,614	3,739,630	1,909,208	873,387
Town's covered payroll	2,111,773	2,046,749	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered payroll	193%	201%	197%	68%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	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)*

	2018	2017	2016	2015	2014
Town's proportion of the HIS net pension liability	0.008472311%	0.008631749%	0.009017520%	0.009320335%	0.009381402%
Town's proportionate share of the HIS net pension liability	896,719	922,946	1,050,955	950,528	877,184
Town's covered payroll	2,111,773	2,046,749	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered payroll	42%	45%	55%	34%	31%
HIS plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

*Information is not available for periods prior to 2014.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
For the Year Ended September 30, 2018

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

	2018	2017	2016	2015
Contractually required FRS contribution	\$ 337,341	\$ 312,670	\$ 292,521	\$ 286,753
FRS contributions in relation to the contractually required contribution	\$ (337,341)	(312,670)	(292,521)	(286,753)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,126,277	\$ 2,074,302	\$ 1,989,913	\$ 2,083,665
FRS contributions as a percentage of covered payroll	16%	15%	15%	14%

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

	2018	2017	2016	2015
Contractually required FRS contribution	\$ 35,296	\$ 34,433	\$ 33,033	\$ 37,938
HIS contributions in relation to the contractually required contribution	(35,296)	(34,433)	(33,033)	(37,938)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,126,277	\$ 2,074,302	\$ 1,989,913	\$ 2,083,665
HIS contributions as a percentage of covered payroll	2%	2%	2%	2%

*Information is not available for periods prior to 2015.

TOWN OF HIGHLAND BEACH, FLORIDA

Combining Balance Sheet

Non-major Governmental Funds

September 30, 2018

	Special Revenue Funds					Total Governmental Funds
	Open Space Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement		
Assets						
Cash and cash equivalents	\$ 178,906	\$ 5,372	\$ 381,763	\$ 5,664	\$ 571,705	
Investments	48,117	1,445	-	1,523	51,085	
Due from other governments	-	-	17,004	-	17,004	
Total assets	227,023	6,817	398,767	7,187	639,794	
Liabilities and Fund Balances						
Fund balances:						
Restricted for:						
Recreation land acquisition	\$ 227,023	\$ -	-	\$ -	\$ 227,023	
Library activities	-	6,817	-	-	6,817	
Infrastructure	-	-	398,767	-	398,767	
Law enforcement	-	-	-	7,187	7,187	
Total fund balances	227,023	6,817	398,767	7,187	639,794	
Total liabilities and fund balances	\$ 227,023	\$ 6,817	\$ 398,767	\$ 7,187	\$ 639,794	

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, 2018

	Special Revenue Funds					Total Non-major Funds
	Open Space	Library	Infrastructure	Law		
	and	Donation	Surtax	Enforcement		
Revenues:	Recreation Land					
Interest	\$ 2,812	\$ 84	\$ 3,533	\$ 53	\$ 6,482	
Intergovernmental revenue	-	-	257,778	-	257,778	
Miscellaneous	-	177	-	29	206	
Total revenues	<u>2,812</u>	<u>261</u>	<u>261,311</u>	<u>82</u>	<u>264,466</u>	
Expenditures:						
General government	-	-	-	-	-	
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Excess (deficiency) of revenues over expenditures	<u>2,812</u>	<u>261</u>	<u>261,311</u>	<u>82</u>	<u>264,466</u>	
Fund balances, beginning	<u>224,211</u>	<u>6,556</u>	<u>137,456</u>	<u>7,105</u>	<u>375,328</u>	
Fund balances, ending	<u>\$ 227,023</u>	<u>\$ 6,817</u>	<u>\$ 398,767</u>	<u>\$ 7,187</u>	<u>\$ 639,794</u>	

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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.

<u>Contents</u>	<u>Page</u>
Financial Trends <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>	
Net Position by Component.....	66-67
Changes in Net Position.....	68-69
Fund Balances, Governmental Funds.....	70-71
Changes in Fund Balances, Governmental Funds.....	72-73
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Assessed Value and Actual Value of Taxable Property.....	74
Direct and Overlapping Property Tax Rates.....	75
Principal Property Tax Payers.....	76
Property Tax Levies and Collections.....	77
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
Ratios of Outstanding Debt by Type.....	78
Ratios of General Bonded Debt Outstanding.....	79
Direct and Overlapping Governmental Activities Debt.....	80
Legal Debt Margin Information.....	81
Pledged-Revenue Coverage.....	82
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Demographic and Economic Information.....	83
Principal Employers.....	84
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	
Full-Time Equivalent Town Government Employees by Function/Program.....	85
Operating Indicators by Function/Program.....	86
Capital Asset Statistics by Function/Program.....	87

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	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 4,055,665	\$ 4,105,395	\$ 4,721,472	\$ 4,272,876
Restricted	208,117	206,674	203,401	204,025
Unrestricted	4,125,914	4,648,565	3,996,161	4,537,572
Total governmental activities	\$ 8,389,696	\$ 8,960,634	\$ 8,921,034	\$ 9,014,473
Business type activities				
Net investment in capital assets	\$ 4,440,519	\$ 4,824,750	\$ 4,109,700	\$ 3,983,977
Restricted	226,211	227,426	233,095	
Unrestricted	1,321,947	1,288,498	2,370,880	2,636,441
Total business type activities	\$ 5,762,466	\$ 6,339,459	\$ 6,708,006	\$ 6,853,513
Primary Government				
Net investment in capital assets	\$ 8,496,184	\$ 8,930,145	\$ 8,831,172	\$ 8,256,853
Restricted	208,117	432,885	430,827	437,120
Unrestricted	5,447,861	5,937,063	6,367,041	7,174,013
Total primary government	\$ 14,152,162	\$ 15,300,093	\$ 15,629,040	\$ 15,867,986

	2013	2014	2015	2016	2017 (restated)	2018
\$	4,498,697	\$ 5,456,728	\$ 1,734,664	\$ 1,734,664	\$ 4,867,370	\$ 4,668,927
210,012	206,981	206,981	206,981	206,981	375,328	639,794
<u>5,541,258</u>	<u>5,662,355</u>	<u>8,259,218</u>	<u>8,259,218</u>	<u>5,749,303</u>	<u>5,629,803</u>	
<u>\$ 10,249,967</u>	<u>\$ 11,326,064</u>	<u>\$ 10,200,863</u>	<u>\$ 10,200,863</u>	<u>\$ 10,992,001</u>	<u>\$ 10,938,524</u>	
\$	3,817,724	\$ 2,394,642	\$ 2,741,513	\$ 2,741,513	\$ 3,646,633	\$ 3,682,997
233,174	234,891	226,867	226,867	229,897	214,340	
<u>2,779,070</u>	<u>6,438,537</u>	<u>6,230,960</u>	<u>6,230,960</u>	<u>5,712,305</u>	<u>5,923,337</u>	
<u>\$ 6,829,968</u>	<u>\$ 9,068,070</u>	<u>\$ 9,199,340</u>	<u>\$ 9,199,340</u>	<u>\$ 9,588,835</u>	<u>\$ 9,820,674</u>	
\$	8,316,421	\$ 7,851,370	\$ 4,476,177	\$ 4,476,177	\$ 8,514,003	\$ 8,351,924
443,186	441,872	433,848	433,848	605,225	854,134	
<u>8,320,328</u>	<u>12,100,892</u>	<u>14,490,178</u>	<u>14,490,178</u>	<u>11,461,608</u>	<u>11,553,140</u>	
<u>\$ 17,079,935</u>	<u>\$ 20,394,134</u>	<u>\$ 19,400,203</u>	<u>\$ 19,400,203</u>	<u>\$ 20,580,836</u>	<u>\$ 20,759,198</u>	

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

Fiscal Year Ended 9/30	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 1,985,394	\$ 1,742,170	\$ 1,704,445	\$ 1,656,544
Public Safety	4,994,823	5,058,750	5,207,887	5,152,662
Culture/recreation	586,308	607,773	559,744	524,797
Sanitation	452,133	437,106	530,279	572,668
Interest	110,327	99,866	80,526	61,143
Total governmental activities	\$ 8,128,985	\$ 7,945,665	\$ 8,082,881	\$ 7,967,814
Business type activities:				
Water utility	2,961,803	2,870,516	2,946,428	2,884,123
Sewer utility	1,024,162	965,202	933,160	976,631
Interest on long term debt	420,614	379,477	415,749	448,728
Total business type activities	4,406,579	4,215,195	4,295,337	4,309,482
Total primary government expenses	\$ 12,535,564	\$ 12,160,860	\$ 12,378,218	\$ 12,277,296
Program Revenues				
Charges for Services- Governmental Activities				
General Government	54,539	56,688	62,767	60,880
Public Safety	261,729	294,618	333,943	412,314
Culture recreation	6,273	6,160	4,780	5,106
Sanitation	476,579	478,931	466,732	467,004
Total Charges for Services	\$ 799,120	\$ 836,397	\$ 868,222	\$ 945,304
Operating Grants and Contributions	7,605	1,600	13,016	13,134
Capital Grants and Contributions	184,387	7,316	5,000	-
Total governmental activities program revenues	\$ 991,112	\$ 845,313	\$ 886,238	\$ 958,438
Business type activities program revenue:				
Water utility	2,147,620	2,059,032	2,123,564	1,992,304
Sewer utility	851,892	982,696	1,033,147	1,002,973
Capital Grants and Contributions				
Total business type activities program revenues	2,999,512	3,041,728	3,156,711	2,995,277
Total primary government program revenue	\$ 3,990,624	\$ 3,887,041	\$ 4,042,949	\$ 3,953,715
Net (expense) revenue				
Governmental activities	(7,137,873)	(7,100,352)	(7,196,643)	(7,009,376)
Business type activities	(1,407,067)	(1,173,467)	(1,138,626)	(1,314,205)
Total primary government net expense	\$ (8,544,940)	\$ (8,273,819)	\$ (8,335,269)	\$ (8,323,581)
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 7,938,812	\$ 7,999,103	\$ 7,338,543	\$ 7,285,358
Utility service taxes	824,927	775,264	723,808	688,278
Sales and use taxes	290,488	289,248	296,928	261,339
State revenue sharing	87,777	102,500	109,768	113,482
Investment earnings	109,958	57,242	42,230	34,136
Miscellaneous revenues	123,751	53,549	6,522	8,622
Loss on disposal of capital assets				
Gain (loss) on disposal of assets	1,500			
Transfers	(1,056,737)	(1,605,416)	(1,360,956)	(1,288,400)
Special item				
Total general revenues	\$ 8,320,476	\$ 7,671,490	\$ 7,156,843	\$ 7,102,815
Business type activities program revenue				
Investment earnings	\$ 16,342	\$ 9,641	\$ 10,091	\$ 7,761
Other miscellaneous revenues	(3,781)	9,477	2,214	3,979
Gain (loss) on disposal of assets	900		(356)	
Transfers	1,056,737	1,605,416	1,360,956	1,288,400
Total business type activities program revenues	1,070,198	1,624,534	1,372,905	1,300,140
Total primary government	\$ 9,390,674	\$ 9,296,024	\$ 8,529,748	\$ 8,402,955
Changes in Net Position				
Government activities	\$ 1,182,603	\$ 571,138	\$ (39,800)	\$ 93,439
Business type activities	(241,881)	576,993	368,547	123,863
Total primary government	\$ 940,722	\$ 1,148,131	\$ 328,747	\$ 217,302

	2013	2014	2015	2016	2017 (restated)	2018
\$ 1,566,138	\$ 1,626,937	\$ 1,933,634	\$ 1,910,544	\$ 1,912,842	\$ 2,565,663	
5,326,258	5,496,560	5,800,175	6,345,596	6,609,487	6,849,032	
599,345	609,624	646,909	579,310	501,522	521,074	
578,934	573,240	536,672	490,981	492,947	513,735	
40,924	20,812	6,404	-	-	-	
\$ 8,111,599	\$ 8,327,173	\$ 8,923,794	\$ 9,326,431	\$ 9,516,798	\$ 10,449,504	
 3,024,558	 3,024,044	 2,794,114	 3,243,497	 2,955,481	 3,080,168	
853,988	842,387	985,294	1,109,658	994,083	1,065,506	
423,472	397,554	370,648	343,107	325,584	336,738	
4,302,018	4,263,985	4,150,056	4,696,262	4,275,148	4,482,412	
\$ 12,413,617	\$ 12,591,158	\$ 13,073,850	\$ 14,022,693	\$ 13,791,946	\$ 14,931,916	
 94,508	 106,466	 116,323	 16,733	 116,204	 127,534	
496,821	438,037	808,930	716,938	560,566	619,445	
5,451	4,904	26,548	8,955	4,657	4,069	
467,051	468,008	468,757	471,725	470,300	471,580	
\$ 1,063,831	\$ 1,017,415	\$ 1,420,558	\$ 1,214,351	\$ 1,151,727	\$ 1,222,628	
13,304	13,702	14,113	14,536	17,598	18,126	
-	-	-	-	-	-	
\$ 1,077,135	\$ 1,031,117	\$ 1,434,671	\$ 1,228,887	\$ 1,169,325	\$ 1,240,754	
 1,981,222	 2,048,100	 2,117,789	 2,015,477	 2,002,402	 1,987,503	
1,022,232	1,005,431	1,035,901	1,027,246	1,054,354	1,085,969	
 3,003,454	 3,053,531	 3,153,690	 3,042,723	 3,056,756	 3,073,472	
\$ 4,080,589	\$ 4,084,648	\$ 4,588,361	\$ 4,271,610	\$ 4,226,081	\$ 4,314,226	
 (7,034,464)	 (7,296,056)	 (7,489,123)	 (8,097,544)	 (8,347,473)	 (9,208,750)	
(1,298,564)	(1,210,454)	(996,366)	(1,653,539)	(1,218,392)	(1,408,940)	
\$ (8,333,028)	\$ (8,506,510)	\$ (8,485,489)	\$ (9,751,083)	\$ (9,565,865)	\$ (10,617,690)	
 \$ 8,246,672	 \$ 8,452,116	 \$ 8,696,269	 \$ 8,319,187	 \$ 8,211,536	 \$ 8,608,075	
716,468	730,249	728,123	698,651	708,943	760,603	
273,625	296,259	310,488	310,488	474,774	579,638	
104,220	108,289	95,491	103,511	104,100	100,835	
24,141	14,621	21,043	30,938	42,713	144,231	
187,537	52,919	357,917	319,446	322,343	361,835	
 3,295	 3,700	 4,392	 7,013	 3,615	 1,598	
(1,286,000)	(1,286,000)	(1,286,000)	(1,286,000)	(1,286,000)	(1,417,542)	
					16,000	
\$ 8,269,958	\$ 8,372,153	\$ 8,927,723	\$ 8,503,234	\$ 8,582,024	\$ 9,155,273	
 \$ 7,281	 \$ 7,265	 \$ 15,477	 \$ 20,311	 \$ 21,906	 \$ 81,210	
3,400	18,551	209,802	160,541	143,561	142,027	
	2,228,176	6,925	-	-	-	
1,286,000	1,286,000	1,286,000	1,286,000	1,286,000	1,417,542	
\$ 1,296,681	3,539,992	1,518,204	1,466,852	1,451,467	1,640,779	
\$ 9,566,639	\$ 11,912,145	\$ 10,445,927	\$ 9,970,086	\$ 10,033,491	\$ 10,796,052	
 \$ 1,235,494	 \$ 1,076,097	 \$ 1,438,600	 \$ 405,690	 \$ 234,551	 \$ (53,477)	
(1,883)	2,329,538	521,838	(186,687)	233,075	231,839	
\$ 1,233,611	\$ 3,405,635	\$ 1,960,438	\$ 219,003	\$ 467,626	\$ 178,362	

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

Fiscal Year Ended 9/30	2009	2010	2011	2012
General Fund				
Reserved	\$ 221,095	\$ 44,898		
Unreserved	5,822,211	6,327,935		
GASB 54 Reporting Fund Balance				
Nonspendable		8,020	104,653	
Restricted			4,311	
Assigned		2,797,500	2,083,391	
Unassigned		3,293,303	3,694,921	
Total general fund	\$ 6,043,306	\$ 6,372,833	\$ 6,098,823	\$ 5,887,276
All Other Governmental Funds				
Reserved	\$ 208,117	\$ 206,874		
GASB 54 Reporting Fund Balance				
Restricted		203,401	204,025	
Total all other governmental funds	\$ 208,117	\$ 206,874	\$ 203,401	\$ 204,025

2013	2014	2015	2016	2017	2018
82,039	44,561	4,798	26,371	19,969	86,093
4,311	-	-	-	-	-
3,077,455	2,931,908	2,449,960	2,597,318	4,922,400	3,640,887
3,493,852	3,562,626	5,011,467	5,965,456	4,163,722	5,543,284
<u>\$ 6,657,657</u>	<u>\$ 6,539,095</u>	<u>\$ 7,466,225</u>	<u>\$ 8,589,145</u>	<u>\$ 9,106,091</u>	<u>\$ 9,270,264</u>
205,701	206,981	228,220	235,842	375,328	639,794
<u>\$ 205,701</u>	<u>\$ 206,981</u>	<u>\$ 228,220</u>	<u>\$ 235,842</u>	<u>\$ 375,328</u>	<u>\$ 639,794</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	2009	2010	2011	2012
Revenues				
Taxes	\$ 8,304,641	\$ 8,349,714	\$ 7,666,791	\$ 7,593,593
Licenses and permits	742,493	741,511	750,713	809,022
Intergovernmental	530,054	366,110	391,226	358,103
Charges for services	479,888	484,117	477,960	476,145
Fines and forfeitures	19,603	18,923	18,395	19,832
Impact fees				
Interest	109,958	57,242	32,268	17,511
Net decrease in fair value of investments	(27,301)	29,148	9,962	16,625
Miscellaneous revenues	321,915	287,315	311,395	316,454
 Total revenues	 10,481,251	 10,334,079	 9,658,710	 9,607,285
Expenditures				
General government	1,880,794	1,786,346	1,771,183	1,735,593
Public Safety	4,787,035	4,923,985	5,088,694	5,092,071
Culture/Recreation	414,559	426,016	513,386	484,848
Sanitation	416,728	401,783	364,942	421,181
Capital outlay	309,980	150,917	121,233	91,629
Debt service				
Principal	607,756	618,331	629,143	639,833
Interest	122,307	103,163	83,736	64,653
 Total expenditures	 8,539,159	 8,410,541	 8,572,317	 8,529,808
Excess of revenues over (under) expenditures	1,942,092	1,923,538	1,086,393	1,077,477
Other Financing Sources (Uses)				
Loan Proceeds				
Transfers in				
Transfers out	(1,056,737)	(1,605,416)	(1,360,956)	(1,288,400)
Proceeds from lease revenue bonds				
Payment to refunded bond escrow				
 Total other financing sources (uses)	 (1,056,737)	 (1,605,416)	 (1,360,956)	 (1,288,400)
Net Change in fund balances	885,355	318,122	(274,563)	(210,923)
Fund balances - beginning	5,366,068	6,251,423	6,579,707	6,302,224
 Fund balance - ending	 \$ 6,251,423	 \$ 6,569,545	 \$ 6,305,144	 \$ 6,091,301
Debt services (principal & interest) as a percentage of non-capital expenditures	8.87%	8.74%	8.44%	8.35%

2013	2014	2015	2016	2017	2018
\$ 8,584,777	\$ 8,775,709	\$ 8,696,269	\$ 8,319,187	\$ 8,211,536	\$ 8,608,075
854,123	872,586	1,257,117	1,154,733	1,002,695	1,103,439
361,367	387,021	704,806	701,061	711,363	723,756
506,403	516,835	521,207	527,314	508,880	528,113
57,870	9,979	6,816	6,363	13,907	6,117
16,853	19,267	21,043	28,740	41,871	137,749
7,288	(4,646)				
542,960	411,069	441,136	423,698	387,989	425,854
<u>10,931,641</u>	<u>10,987,820</u>	<u>11,648,394</u>	<u>11,161,096</u>	<u>10,878,241</u>	<u>11,533,103</u>
1,652,393	1,740,984	1,885,669	1,721,674	1,785,835	2,240,026
5,289,583	5,430,246	5,811,416	6,092,829	6,417,442	6,615,002
492,452	569,339	617,722	435,177	380,473	387,471
450,651	455,234	413,271	395,998	404,002	422,440
210,892	977,443	250,880	106,498	87,543	286,449
651,646	621,434	425,913	-	-	-
44,337	24,422	9,154	-	-	-
<u>8,791,954</u>	<u>9,819,102</u>	<u>9,414,025</u>	<u>8,752,176</u>	<u>9,075,295</u>	<u>9,951,388</u>
2,139,687	1,168,718	2,234,369	2,408,920	1,802,946	1,581,715
(1,286,000)	(1,286,000)	(1,286,000)	(1,286,000)	(1,286,000)	(1,417,542)
<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,417,542)</u>
853,687	(117,282)	948,369	1,122,920	516,946	164,173
6,091,301	6,863,358	6,746,076	7,466,225	8,589,145	9,106,091
<u>\$ 6,944,988</u>	<u>\$ 6,746,076</u>	<u>\$ 7,694,445</u>	<u>\$ 8,589,145</u>	<u>\$ 9,106,091</u>	<u>\$ 9,270,264</u>
8.11%	7.30%	4.75%	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 Just Value
2009	2,114,725,997	16,600,000	8,780,936	2,140,106,933	3.85	2,546,895,895
2010	1,906,562,451	16,000,000	9,497,923	1,932,060,374	4.27	2,231,562,060
2011	1,790,003,250	16,000,000	9,715,000	1,815,718,250	4.19	2,051,532,163
2012	1,707,337,791	15,040,000	9,669,683	1,732,047,474	4.34	1,939,540,909
2013	1,727,623,028	15,040,000	9,610,456	1,752,273,484	4.87	1,966,422,907
2014	1,798,567,981	15,400,000	10,043,245	1,824,011,226	4.81	2,072,656,191
2015	1,910,980,084	15,400,000	10,683,925	1,937,064,009	4.64	2,260,380,097
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	3.86	2,915,050,463

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)							Total	
	General Fund	Service Fund	Debt Total Town Rate	Palm Beach		Palm Beach		South Florida			
				Palm Beach County	County School Board	Children's Services Council	County Health Care District	Water Management District	FIND(2) And Everglades		
2009	3.40	0.45	3.85	3.97	7.25	0.60	1.00	0.53	0.12	17.32	
2010	3.35	0.92	4.27	4.56	7.98	0.69	1.15	0.62	0.04	19.31	
2011	3.25	0.94	4.19	5.00	8.15	0.75	1.15	0.00	0.12	19.36	
2012	3.41	0.93	4.34	4.99	8.18	0.75	1.13	0.37	0.10	19.86	
2013	3.95	0.92	4.87	4.99	7.78	0.73	1.12	0.37	0.10	19.95	
2014	3.95	0.86	4.81	4.99	7.59	0.70	1.08	0.35	0.09	19.61	
2015	3.95	0.69	4.64	4.97	7.59	0.67	1.08	0.33	0.09	19.38	
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	17.78	
2018	3.08	0.62	3.70	4.90	6.77	0.66	0.78	0.27	0.08	17.16	

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 2018			Fiscal Year 2009		
	Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City	Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City
3200 Seagate LLC	\$ 15,275,000	0.64%	Furnary SJ & C Grossman	\$ 23,245,679		2.71%
Leeds, Bruce	14,481,481	0.60%	Omega Group of Highland Beach	11,887,660		1.38%
Montgomery Trust, Joel & Sarah	14,440,967	0.60%	Gordon, Jeffrey M.	10,077,330		1.17%
Decoy Investments LLC	13,765,188	0.57%	Blue Lagoon Enterprises, LTD	5,835,933		0.68%
Bendin Financial LLC	12,319,494	0.51%	Simon, Arnold & Debra	5,564,670		0.65%
3901 South Ocean Blvd Trust	12,279,600	0.51%	Muller, Ralph P. & Alice	5,023,129		0.59%
Kappel, James	11,783,916	0.49%	Aloupis, Vance A. & Pamela J.	4,933,093		0.57%
Persaud, Krishna	11,368,892	0.47%	Uuranniemi, Jaakko et al	4,110,953		0.48%
Hamister, Mark	11,030,622	0.46%	Chauvier, Daniel & Carla	4,017,955		0.47%
Janay, Gad	10,054,793	0.42%	Merkert, Eugene	3,920,597		0.46%
Total	\$ 126,799,953	5.27%	Total	\$ 78,616,999	9.16%	

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
2009	8,239,412	7,938,812	96.35%	413	7,939,225	96.36%
2010	8,254,728	7,999,103	96.90%	2,677	8,001,780	96.94%
2011	7,539,269	7,338,543	97.34%	9,131	7,347,674	97.46%
2012	7,518,298	7,285,358	96.90%	200,288	7,485,646	99.57%
2013	8,209,000	8,032,937	97.86%		8,032,937	97.86%
2014	8,765,104	8,246,672	94.09%		8,246,672	94.09%
2015	8,996,821	8,681,402	96.49%	14,867	8,696,269	96.66%
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%

Source: Tax Collector, Palm Beach County.

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

Fiscal Year Ended 9/30	Median Family Population ⁽¹⁾	Governmental Activities			Business Type Activity			Percentage		
		General Obligation Bonds	Promissory Notes	Promissory Notes	Revolving Loan Fund	Total Government	Primary Government	Personal Income	Per Capita	
2009	4,164	N/A	3,586,300	4,471,066	8,707,301	16,764,667	N/A	4,026		
2010	3,989	N/A	2,967,969	4,171,986	11,207,287	18,347,242	N/A	4,599		
2011	3,539	N/A	2,338,826	3,931,241	11,386,558	17,656,625	N/A	4,989		
2012	3,539	N/A	1,698,993	3,755,525	10,717,770	16,172,288	N/A	4,570		
2013	3,572	N/A	1,047,347	3,573,961	10,028,414	14,649,722	N/A	4,101		
2014	3,581	N/A	425,913	3,386,268	9,319,274	13,131,455	N/A	3,667		
2015	3,600	N/A	-	3,192,102	8,589,786	11,781,888	N/A	3,273		
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		

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

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

Fiscal Year Ended 9/30	Population(1)	Taxable Value(2)	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2009	4,164	2,141,822,291	7,088,868	0.33%	1,702
2010	3,989	1,932,060,374	16,220,765	0.84%	4,066
2011	3,539	1,815,718,250	16,026,132	0.88%	4,528
2012	3,539	1,732,047,474	14,903,429	0.86%	4,211
2013	3,572	1,752,273,484	13,791,636	0.79%	3,861
2014	3,581	1,824,011,226	12,695,861	0.70%	3,545
2015	3,600	1,937,064,009	11,781,888	0.61%	3,273
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

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, 2018

Governmental Unit	Net General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
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Town direct debt:

Town of Highland Beach \$ 13,450,327 100.00% \$ 13,450,327

Overlapping debt:

Palm Beach School District	\$ 9,853,000		
Palm Beach County	89,669,000		
	<u>\$ 99,522,000</u>	1.36%	<u>\$ 1,355,197</u>

Total direct and overlapping debt: \$ 14,805,524

Estimated population: 3,654

Direct and overlapping net debt per capita: \$ 4,052

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			Pledged Revenue	Debt Service		
		Principal	Interest	Coverage		Principal	Interest	Coverage
2009	1,108,490	478,102	260,322	1.50	587,353	366,323	77,871	1.32
2010	1,176,815	491,917	246,507	1.59	571,254	376,836	67,358	1.29
2011	1,193,275	506,133	232,291	1.62	557,064	379,121	55,169	1.28
2012	7,285,358	669,455	320,215	7.36	508,331	398,957	45,237	1.14
2013	8,246,672	689,356	299,512	8.34	550,590	410,775	33,556	1.24
2014	8,452,116	709,140	279,731	8.55	555,655	422,503	21,692	1.25
2015	8,696,269	729,488	259,383	8.79	713,738	435,913	8,600	1.61
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	904,448	336,738	6.94	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 (2)	School Enrollment(3)	Unemployment Rate(4)
2009	4,164	\$ 94,662	\$ 84,430	N/A	64	11.5%
2010	3,989	\$ 104,474	\$ 72,079	N/A	67	11.3%
2011	3,539	\$ 104,570	\$ 72,222	N/A	65	10.2%
2012	3,539	\$ 90,729	\$ 73,199	N/A	76	8.5%
2013	3,572	\$ 83,879	\$ 65,713	\$ 422,914	119	7.1%
2014	3,581	\$ 83,879	\$ 65,713	\$ 422,914	146	5.8%
2015	3,600	\$ 83,879	\$ 65,713	\$ 422,914	166	5.2%
2016	3,600	\$ 102,868	\$ 89,318	\$ 543,045	139	5.0%
2017	3,600	\$ 104,232	\$ 98,261	\$ 575,276	139	4.2%
2018	3,654	\$ 104,232	\$ 98,261	\$ 575,276	139	3.4%

Source: (1) Bureau of Economic & Business Research (BEBR).
(2) www.city-data.com (2016)
(3) factfinder.census.gov (2016)
(4) 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

Employer	Employees	Percentage of Total County Employment	2018	2009	Percentage of Total County Employment
			Employer	Employees	
School Board	21,466	NA	School Board	21,718	NA
Palm Beach County	5,962	NA	Palm Beach County	11,319	NA
Tenet Coastal Division PBC	5,939	NA	Tenet Healthcare Corp.	4,500	NA
NextEra Energy, Inc	4,404	NA	Florida Power & Light	3,632	NA
Hospital Corp of America	3,550	NA	HCA (Hospital Corp. of America)	3,395	NA
Boca Raton Community Hospital	2,800	NA	Wackenhut Corp	3,000	NA
Florida Atlantic University	2,644	NA	Florida Atlantic University	2,838	NA
Veterans Health Administration	2,535	NA	Veterans Health Admin	2,207	NA
Bethesda Memorial Hospital	2,282	NA	Office Depot (Hdqtrs)	2,100	NA
Office Depot	2,034	NA	Boca Raton Community Hospital	2,100	NA
Total	53,616	NA	Total	56,809	NA

Source: Business Development Board of Palm Beach County.

No information available for the Town of Highland Beach

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

Fiscal Year Ended 9/30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
General Government										
Town Manager	2	2	2	2	2	2	1	1	2	2
Town Clerk	2	2	2	2	2	3	3	3	3	3
Finance	1	1	2	2	2	2	2	2	2	2
Maintenance	2	2	0	0	0	0	0	1	0	0
Post Office	1	1	1	1	1	1	1	1	1	1
Public Safety										
Building	1	1	1	1	2	2	2	2	1	2
Police	15	13	14	15	16	15	15	15	15	16
Cultural and Recreation										
Library	3	3	4	4	4	4	4	4	3	3
Physical Environment										
Utilities	9	9	9	9	9	10	10	10	10	10
Total	36	34	35	36	38	39	38	39	37	39

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Function/Program</u>										
Public Safety										
Number of arrests by police officers	1	5	5	9	9	12	8	9	7	7
Number of traffic citations issued	570	363	1,067	479	280	127	100	61	64	39
Number of fire calls (1)	206	241	154	111	139	277	179	5	4	22
Number of EMS calls (1)	457	416	391	625	574	537	346	431	425	442
Number of building permits issued	976	1,045	1,409	1,778	1,827	1,812	1,164	1,036	899	1,242
Physical Environment										
Number of water and sewer active accounts (meters)	472	470	469	468	467	466	465	465	471	471
Number of water and sewer units served	4,311	4,322	4,322	4,322	4,324	4,327	4,356	4,356	4,353	4,353
Cultural & Recreation										
Number of library patrons	4,555	4,805	4,610	3,543	3,234	3,473	3,440	3,352	3,339	3,593
Number of items in collection	32,744	37,231	37,818	39,492	37,195	40,536	41,261	42,262	42,323	42,330
Number of community events presented	502	633	718	663	706	831	880	920	893	687

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

Fiscal Year Ended 9/30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Function/Program</u>										
Public Safety										
Fire Trucks	1	1	1	1	1	1	0	0	0	0
EMS Units	1	1	1	1	1	1	1	1	0	0
Police Vehicles	9	7	7	6	7	7	7	6	6	6
Vehicles- Protective Inspections	0	0	0	0	0	0	0	0	0	0
Transportation										
Street (miles)	3	3	3	3	3	3	3	3	3	3
Physical Environment										
Vehicles-Public Works	5	5	5	5	5	5	5	5	5	5

Source: Town of Highland Beach, FL



**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, 2018, 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 26, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated June 26, 2019.

The Town's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the Town's response and, accordingly, we express no opinion on it.

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.

David & Associates

June 26, 2019



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

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

Report on Compliance for the Major State Project

We have audited the Town of Highland Beach, Florida (the "Town") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Town's major state project for the fiscal year ended September 30, 2018. The Town's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, laws, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550 Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major State Project

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the fiscal year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

DeMar & Associates

June 26, 2019

TOWN OF HIGHLAND BEACH, FLORIDA
Schedule of Expenditures of
State Financial Assistance
September 30, 2018

State Agency <i>State Project</i>	CSFA Number	Contract Number	Expenditures
<i>STATE FINANCIAL ASSISTANCE</i>			
Florida Department of Environmental Protection <i>Drinking Water Facility Construction</i>	37.076	DW500210	\$ 1,072,618
Total Expenditures of State Financial Assistance			<u><u>1,072,618</u></u>

TOWN OF HIGHLAND BEACH, FLORIDA

Notes to Schedule of Expenditures of State Financial Assistance

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the Town of Highland Beach, Florida (the “Town”) under the state project for the fiscal year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting.

TOWN OF HIGHLAND BEACH, FLORIDA

Schedule of Findings and Questioned Costs - State Projects Fiscal Year Ended September 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Highland Beach, Florida (the "Town").
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Town were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal program or state project are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and Chapter 10.550, rules of the Auditor General.
5. The independent auditor's report on compliance with requirements that could have a direct and material effect on the major federal program and state project for the Town expresses an unmodified opinion.
6. Audit findings relative to the major federal program and state project for the Town are reported in Parts C and D of this Schedule.
7. The state project tested as a major project include:

<u>State Project</u>	<u>CSFA#</u>
Florida Department of Environmental Protection Drinking Water Facility Construction	37.076

8. The dollar threshold used to distinguish between Type A or Type B for major state projects was \$300,000.

B. FINDINGS –FINANCIAL STATEMENTS AUDIT

2018-01 Budget: See Management Letter for additional information.

2018-02 Adjusting Entries: See Management Letter for additional information.

C. FINDINGS AND QUESTIONED COSTS - STATE PROJECTS

None

D. OTHER ISSUES

1. No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

E. PRIOR YEAR FINDINGS - MAJOR STATE PROJECTS

None



**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, 2018. 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 District 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 District 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 District'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, 2018, except that the individual assigned to make investment decisions did not have the required hours of continuing education for the year. The Town should adopt the alternative guidelines for investments according to Florida Statute 218.415 or ensure the investment officer obtains the required hours.

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

Grau & Associates

June 26, 2019



**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, 2018, and have issued our report thereon dated June 26, 2019.

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 26, 2019, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

Grau & Associates

June 26, 2019

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2018-01 Budget:

Observation: Actual expenditures exceeded appropriations in the several departments for the fiscal year ended September 30, 2018.

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: The Town adopted Resolution No. 18-016R on November 27, 2018 to transfer funds and recognize additional building permit revenue for Fiscal Year 2018 pursuant to F.S. 166.241(4). The budgetary adjustments included in this Resolution covered all pending FY 2018 invoices and department budget shortfalls known within 60 days of fiscal year end. The Town received several invoices after the 60 day period which could not be included in the fiscal yearend budget cleanup resolution. In the future, the Town will encourage its vendors to provide invoices in a more timely manner to avoid this situation.

2018-02 Adjusting Journal Entries:

Observation: During the audit, it was necessary to propose numerous journal entries to adjust the Town's account balances. It appears that 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.

Management Response: The Town's Finance Department consists of two full-time positions and a staff vacancy can have a significant impact on department operations. As a result of the departure of the prior Finance Director (vacant as of August 2018) and the engagement of an Interim Finance Director through a contract with a private vendor (who was primarily focused on the budget adoption process in September), several year-end reconciliations were not performed in a timely manner. The Town concurs with the recommendation to perform timely reconciliations in order to report accurate financial information. With the hiring of a permanent Finance Director, the Town does not anticipate a recurrence of the situation which existed at the end of Fiscal Year 2018.

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2017.

REPORT TO MANAGEMENT (Continued)

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, 2018, 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, 2018.

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, 2018. 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.