



The Town of  
**Highland Beach, Florida**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
Fiscal Year Ended September 30, 2009



*The Town of  
Highland Beach, Florida*

**COMPRHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2009**

**Prepared by:  
Finance Department**

**Heidi Snyder  
Finance Director**

**Cale Curtis  
Deputy Director of Finance**

TOWN OF HIGHLAND BEACH, FLORIDA  
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 FISCAL YEAR ENDED SEPTEMBER 30, 2009  
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## **INTRODUCTORY SECTION**



# Town of Highland Beach

3614 SOUTH OCEAN BOULEVARD • HIGHLAND BEACH, FLORIDA 33487

Palm Beach County, Florida

561-278-4548  
FAX 561-265-3582

Mayor:  
Jim Newill, CPA  
Vice Mayor:  
Miriam S. Zwick  
Commissioners:  
Doris M. Trinley  
John J. Sorrelli  
John J. Pagliaro  
Town Manager:  
Dale S. Sugerma, Ph. D.

March 8, 2010

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 are required to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and that they be audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Commensurate with this requirement, we are pleased to present for your review and consideration the Town's Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2009.

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, assurance 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 Nowlen, Holt & Miner, 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 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 significant estimates made by management, accounting principles used, and evaluating the overall financial statement presentation. The independent auditor has concluded and issued an unqualified ("clean") opinion on the Town of Highland Beach's financial statement for the fiscal year ended September 30, 2009. The independent auditors' 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 11.

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 authority.

### ***THE TOWN***

The Town of Highland Beach is located in the southern portion of eastern Palm Beach County, which is in the southeastern part of the State of Florida. The Town encompasses 0.6 square miles and is bounded on the north and northwest by the City of Delray Beach and on the south and southwest by the City of Boca Raton. The Atlantic Ocean lies adjacent to the Town on the east and the Intracoastal Waterway lies to the west. The Town is a residential community with a year round population of 4,164 (April 2008 Census), which increases to approximately 7,900 during the winter months. The 2000 U.S. Census Bureau identified 53.3 percent of the population was over the age of 65, with 46.7 percent being less than 65 years old.

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

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

### ***ECONOMIC CONDITION AND OUTLOOK***

The overall economic condition of the general operations of the Town of Highland Beach is healthy. General Fund Ad Valorem tax revenues continue to exceed expenditures. During the course of the past few years, significant new development has added substantially to the tax base of the community; however the development trend has turned downward in the last year due to the poor state of the economy. Historically, the Town has benefited from a steady increase in assessed value assigned by the Palm Beach County Property Appraiser's Office which had insured a reliable increase in Ad Valorem tax revenues year over year. That trend, however, ended during the fiscal year which closed on September 30, 2008 and the Town's Ad Valorem taxable value has further decreased by \$207,767,133 or 9.69 percent of assessed value year over year. In light of current economic conditions, it is expected that this trend in decreasing taxable values will continue over the near term. Additionally, the State Legislature in Tallahassee continues to analyze and sponsor a number of statewide property tax reform initiatives, which if passed, may have an impact on future Ad Valorem tax revenues. Taking into consideration the level of uncertainty about future tax collection capabilities of the Town, management, the staff, and the elected officials of the community need to remain vigilant of the Town's revenue and the expenditure trends.



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

<b>Year</b>	<b>Taxable Assessed Valuation</b>	<b>Population</b>	<b>Assessed Value Per Capita</b>
1997	\$707,294,358	3,285	\$215,310
1998	721,608,034	3,396	212,488
1999	745,926,944	3,477	214,532
2000	807,510,758	3,518	229,537
2001	858,637,171	3,775	227,454
2002	1,037,144,177	3,885	266,961
2003	1,203,859,271	3,961	303,928
2004	1,356,599,854	4,019	337,547
2005	1,546,615,892	4,157	372,051
2006	1,875,187,592	4,157	451,092
2007	2,300,831,999	4,155	553,750
2008	2,142,803,286	4,164	514,602
2009	1,935,036,153	4,164	464,706

Long-term financial planning will continue to be a major goal for the Town. The Town will ensure its financial sustainability by establishing policies that are designed to grow its reserves through the clear demonstration of transparent accountability for both the budgeting and the spending of funds. Unrestricted fund balances shall be restricted on use for reoccurring expenditures, except in cases of providing budget stabilization in economic downturn. Foresight will be a key practice in operating a government that is resilient to financial crisis. Identifying and using effective forecasting techniques are a focus point of the Town’s long-term financial planning. Department heads and managers will play a key role in the task of forecasting by applying their field expertise to their department’s budgetary needs. A collaborative effort between operating departments, finance, and management can improve the qualitative information of forecasting revenue and expenditure trends, while at the same time engaging others with a mind-set of sound financial planning.

The Town revised its investment policy in May of 2008 in an effort to safeguard its investments from credit and interest rate risks. The investment policy establishes three primary objectives: Safety, Liquidity, and Yield (in priority order). With safety being the foremost objective of the policy, investments in any one financial institution or investment, have been restricted to no more than 35% of the Town’s total investments. This investment restriction led to the Town opening two interest bearing money market savings accounts with banking institutions that are classified as fully collateralized, qualified public depositories. The diversification of investment portfolio, along with the unstable, low-interest rate market has resulted in the Town’s investment income being reduced by approximately 59% when compared to FY 2007.

## ***MAJOR INITIATIVES***

### **For the Year:**

During fiscal year 2008-2009 the Town witnessed the conclusion of the court action between Mrs. Lucia Milani and Palm Beach County regarding the proposed county park at the south end of the Town. However, Palm Beach County initiated legal proceedings against the Town based upon the approved Development Order granted to the County by the Commission for the building of the proposed park.

During fiscal year 2008-2009 the Town offered a second Voluntary Early Retirement Program (VERP) for certain categories of employees (those who were at least 50 years of age and who had worked for the Town for at least 10 years). The goal of the program was to save the Town money in future budget years. Of the ten employees eligible for the program, none chose to take advantage of it.

During fiscal year 2008-2009 the Town awarded a contract for the replacement of the undersized water transmission main traversing SR A1A. A construction contract of nearly \$4,000,000 was awarded for this work. The Town was able to secure a 20- year low-interest loan (2.82%) from the Florida Department of Environmental Protection under the auspices of the Federal Stimulus Program (ARRA).

## ***FINANCIAL INFORMATION***

### **Budgetary Control**

In addition, the Town maintains budgetary controls. The objective of these budgetary controls is 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.

### **Employee Retirement System**

Effective October 1, 2005 employees of the Town were given the option to either remain in the current International City Management Association Retirement Plan (ICMA-RC) defined contribution Money Purchase 401 (a) Plan or join the Florida Retirement System (FRS). Employees who elected to join the Florida Retirement System agreed to transfer their ICMA-RC pension balances to the Town in order to buy back past service with FRS. The Town agreed to buy back past service time for employees that made the selection.

Membership in FRS is compulsory for all full-time and part-time employees hired after October 1, 2005. Retirement coverage is employee noncontributory. The Town pays all contributions. The plan offers both the FRS Pension Plan and the FRS Investment Plan.

Effective September 5, 2006 the Town established an additional 401 defined contribution plan also administered by ICMA-RC. Employees may voluntarily contribute up to 100% of the employee's earnings to the plan each year, to a maximum combined plan contribution of \$49,000 in 2009.

Also, employees may voluntarily contribute up to 25% of their base salary, to a maximum of \$16,500 in 2009 to a Deferred Compensation Plan administered by the International City Management Association. Participants age 50 and older may make an additional contribution of \$5,500

## Cash Management

The Town uses pooled cash procedures which allow better control over funds and greater investment flexibility and return. All governmental and proprietary funds are deposited in one central account with a financial institution registered with the State Treasurer as a qualified public depository. The majority of cash balances in excess of current needs were continuously invested in readily available funds such as the state investment pool, local government investment pools (LGIPs), or money market funds, to ensure that appropriate liquidity was maintained to meet ongoing obligations. Interest earned on invested balances is allocated to each fund based on its average monthly balance.

## Risk Management

The Town purchases insurance coverage for general liability, property damage, and workers' compensation through an insurance trust. This insurance coverage assumes all risk of loss up to the policy maximum. Insurance coverage is evaluated annually by management and adjusted as necessary to provide the most cost effective protection for the Town.

## *AWARDS AND ACKNOWLEDGMENTS*

### Awards

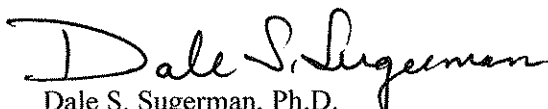
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Highland Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2008. This was the eighteenth consecutive year that the Town 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 to determine its eligibility for another certificate.

### Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We express our appreciation to all members of the Department who assisted and contributed to its preparation. 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,

  
Dale S. Sugerman, Ph.D.  
Town Manager

  
Cale Curtis  
Deputy Finance Director

# 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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

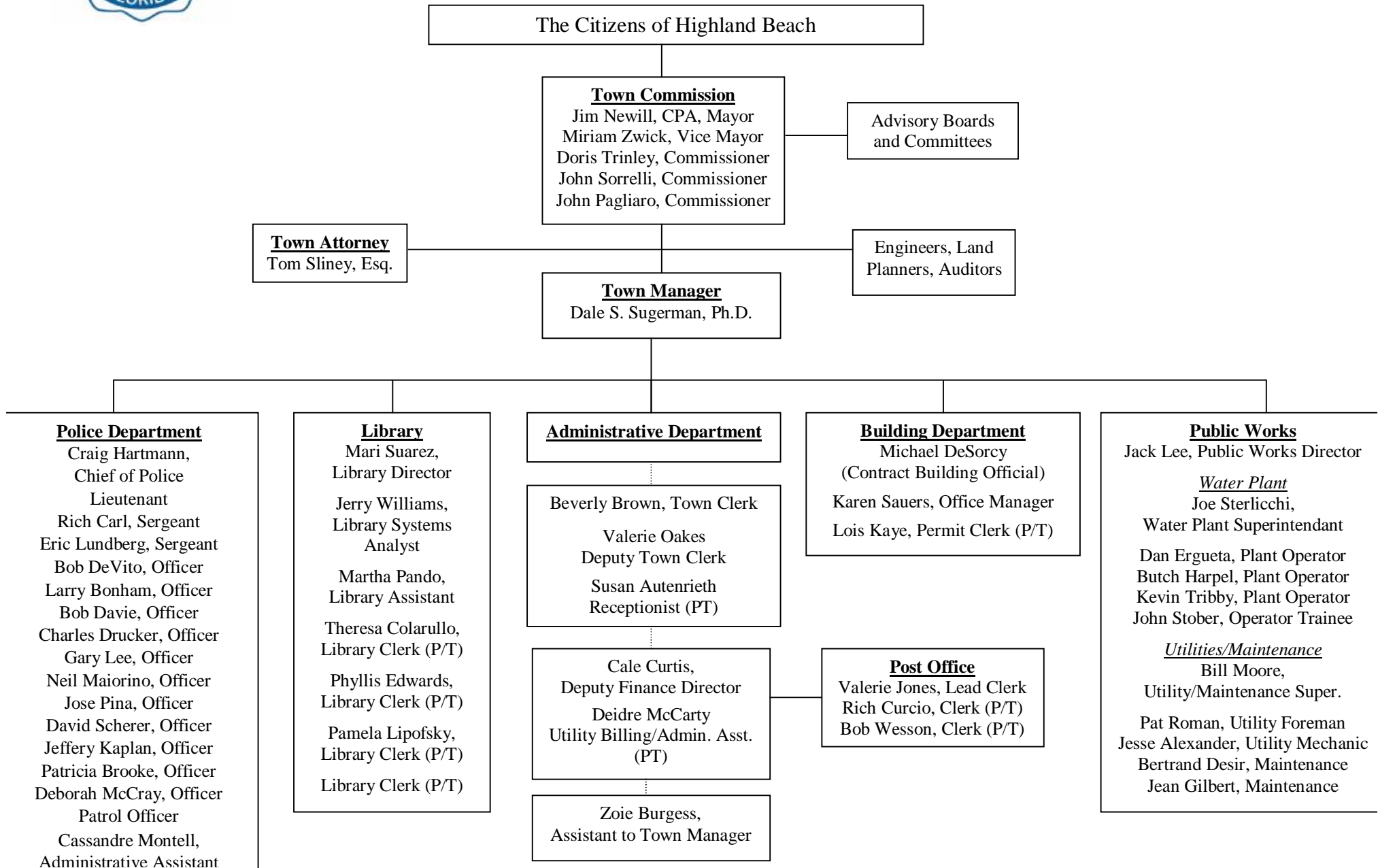
Executive Director



# TOWN OF HIGHLAND BEACH

## Organization Chart

### As of September 30, 2009



**TOWN OF HIGHLAND BEACH, FLORIDA**

**LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2009**

<u>TITLE</u>	<u>NAME</u>
Mayor	James W. Newill, CPA
Vice Mayor	Miriam S. Zwick
Commissioner	John J. Pagliaro
Commissioner	John S. Sorrelli
Commissioner	Doris M. Trinley
Town Manager	Dale S. Sugerman, Ph.D.
Town Clerk	Beverly M. Brown
Finance Director	Contracted Position
Chief of Police	Craig Hartmann
Building Official	Contracted Position
Public Works Director	Jack W. Lee
Library Director	Maria T. Suarez
Town Attorney	Thomas E. Sliney

**FINANCIAL SECTION**



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628

EVERETT B. NOWLEN (1930-1994), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
DANIEL A. KIRCHMAN, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA

## INDEPENDENT AUDITOR'S REPORT

BELLE GLADE OFFICE  
333 S. E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 996-5612  
FAX (561) 996-6248

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

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 as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Highland Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Highland Beach, Florida as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2010, on our consideration of the Town of Highland Beach, Florida's internal control over



financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 11 through 17 and the required supplementary information on pages 59 through 63 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Highland Beach, Florida's basic financial statements. The introductory section, combining fund statements, other supplemental information, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Highland Beach, Florida. The combining fund statements and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.

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

West Palm Beach, Florida  
March 8, 2010

## 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, 2009. 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 18).

### FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2009.

- The Town's assets exceeded its liabilities at September 30, 2009 by \$14.2 million (net assets), an increase of approximately \$1.1 million over the prior year's ending net assets of \$13.2 million. Of this amount, \$5.4 million may be used to meet the ongoing obligations to citizens and creditors. The increase in net assets is a result of the net effect of revenues exceeding budget projections by approximately \$256,000 and expenses coming in less than projected by approximately \$877,000. The surplus of revenues is primarily associated with an unbudgeted grant reimbursement from the Florida Department of Transportation in the amount of \$184,387 for a landscaping project and a reimbursement from Palm Beach County for attorney and engineer costs associated with the Town's defense in a lawsuit over the proposed county park in the south end of the Town. Expenditures came in less than budgeted due to a number of vacant employment positions in the Town Clerk's office and Police Department. Also, a reduction in fuel charges imposed by the Solid Waste Authority reduced expenses by approximately \$71,000.
- The Town's revenues for governmental activities, excluding transfers, were \$10.3 million, a decrease of 5.4% or \$597,000 over the previous year. The expenses for governmental activities decreased and were \$8.1 million for the year.
- The business-type activities experienced an increase in revenues of \$201,000. Expenses decreased by \$207,000. The Water and Sewer Funds had a combined operating loss of \$859,759 compared to an operating loss of \$892,954 in the prior year.
- The General Fund unreserved fund balance at September 30, 2009 was \$5.8 million, an increase of \$916,946 from the prior year. This unreserved fund balance is 61 percent of total general fund expenditures and transfers out. \$200,000 of the unreserved fund balance is designated for disaster recovery which is designed to grow by \$50,000 per fiscal year up to a maximum amount of \$500,000.
- The Town's long-term debt decreased by \$1.3 million or -7.3 percent due to current year principal payments

### 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 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 18 through 20) 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reports as net assets. The change in net assets 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 three categories: governmental funds; proprietary funds; and fiduciary funds.

*Governmental Funds* (beginning on page 21) 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 25) 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.

*Fiduciary Funds* (beginning on page 29) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the Town's own programs. The only fiduciary fund presented in this section is the Town's Money Purchase 401 (a) Retirement Plan.

*Notes to the Financial Statements* (beginning on page 31) 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$14.2 million as of September 30, 2009.

**Town of Highland Beach**  
**Net Assets**  
(In thousands of dollars)

	<b>Governmental Activities 2009</b>	<b>Business Activities 2009</b>	<b>Total Activities 2009</b>	<b>Governmental Activities 2008</b>	<b>Business Activities 2008</b>	<b>Total Activities 2008</b>
<b>Assets:</b>						
Current and other assets	\$6,478	\$1,704	\$8,182	\$5,750	\$1,674	\$7,424
Capital assets	6,057	17,474	\$23,531	6,262	18,526	\$24,788
<b>Total assets</b>	<b>\$12,535</b>	<b>\$19,178</b>	<b>\$31,713</b>	<b>\$12,012</b>	<b>\$20,200</b>	<b>\$32,212</b>
<b>Liabilities:</b>						
Long-term debt outstanding	\$3,899	\$13,314	\$17,213	\$4,389	\$13,988	\$18,377
Other liabilities	246	101	\$347	416	208	\$624
<b>Total liabilities</b>	<b>\$4,145</b>	<b>\$13,415</b>	<b>\$17,560</b>	<b>\$4,805</b>	<b>\$14,196</b>	<b>\$19,001</b>
Net Assets:						
Invested in capital assets, net of debt	\$4,056	\$4,441	\$8,497	\$3,891	\$4,643	\$8,534
Restricted for:						
Renewal and replacement						
Debt service						
Special projects	208		\$208	216		\$216
Unrestricted	4,126	1,322	\$5,448	3,100	1,361	\$4,461
<b>Total net assets</b>	<b>\$8,390</b>	<b>\$5,763</b>	<b>\$14,153</b>	<b>\$7,207</b>	<b>\$6,004</b>	<b>\$13,211</b>

The largest portion of the Town's net assets 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.

A portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

**Town of Highland Beach**  
**Changes in Net Assets**  
(In thousands of dollars)

	<b>Governmental Activities 2009</b>	<b>Business Activities 2009</b>	<b>Total Activities 2009</b>	<b>Governmental Activities 2008</b>	<b>Business Activities 2008</b>	<b>Total Activities 2008</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$799	\$2,999	\$3,798	\$951	\$2,784	\$3,735
Operating grants and contributions	8		8			
Capital grants and contributions	184		184	75		75
General revenues:						
Property taxes	7,939		7,939	8,553		8,553
Utility taxes	331		331	781		781
Franchise Fees	494		494			
Sales and use taxes	290		290	324		324
State revenue sharing	88		88	89		89
Investment earnings	110	16	126	198	31	229
Miscellaneous	151	1	152	24	3	27
Net decrease in fair value of Investments	(27)	(3)	(30)	(30)	(6)	(36)
Gain on disposal of fixed assets	1		1			
<b>Total revenues</b>	<b>10,368</b>	<b>3,013</b>	<b>13,381</b>	<b>10,965</b>	<b>2,812</b>	<b>13,777</b>
<b>Expenses:</b>						
Program expenses:						
General government	1,985		1,985	2,082		2,082
Public safety	4,995		4,995	5,224		5,224
Sanitation	452		452	437		437
Culture and recreation	586		586	513		513
Interest on long-term debt	110		110	146		146
Water and sewer		4,312	4,312		4,105	4,105
<b>Total expenses</b>	<b>8,128</b>	<b>4,312</b>	<b>12,440</b>	<b>8,402</b>	<b>4,105</b>	<b>12,507</b>
Excess (deficiency) before transfers	2,240	(1,299)	941	2,563	(1,293)	1,270
Transfers	(1,057)	1,057		(1,104)	1,104	
Increase (decrease) in net assets	1,183	(242)	941	1,459	(189)	1,270
Net assets – October 1,	7,207	6,004	13,211	5,748	6,193	11,941
<b>Net assets – September 30,</b>	<b>\$8,390</b>	<b>\$5,762</b>	<b>\$14,152</b>	<b>\$7,207</b>	<b>\$6,004</b>	<b>\$13,211</b>

Net assets of the Governmental Activities at September 30, 2009, were \$8.4 million. Property taxes are the main source of revenues and represent approximately 77 percent of the revenue for governmental activities. Expenditures for Public Safety (Police, Fire Rescue, and Building Inspection) represent approximately 61 percent of Governmental activity expenditures.

Net assets of the Business Type Activities (water and sewer) at September 30, 2009, were \$5.7 million. The cost of providing all Proprietary (Business Type) activities this year was \$4.3 million. As shown in the Statement of Activities, amounts paid by customers for water and sewer services were less than operating expenses. The operating loss of approximately \$859,800 was primarily due to an increase in operating expenses associated with the new reverse osmosis plant.

## **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 spend able resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2009 the Town's governmental funds reported combined ending fund balances of \$6.2 million, an increase of approximately \$885,000 from the prior year. The increase in fund balance can be associated with unanticipated revenues of approximately \$256,000 and a reduction in expenditures due to budgeted but vacant employment positions in the Police Department and Town Clerk's Office. Approximately 93% of the combined ending fund balances (\$5.8 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The unreserved fund balance is within the General Fund, the primary operating fund of the Town. The remainder of the balance is reserved, indicating that it is not available for new spending because it has already been committed to pay for restricted purposes.

*Budgetary Highlights*-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 59). 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 \$8.5 million were significantly less than the final amended budget of \$9.4 million, a difference of approximately \$877,000. This is mainly attributed to a positive balance in the contingency account, personnel vacancies and related costs in the Police Department.

## CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2009 totaled \$23.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. The total increase in the Town's investment in capital assets (exclusive of accumulated depreciation) for the current fiscal year was \$895,000. Major capital asset events during the current fiscal year included the following:

<b>Town of Highland Beach</b>				
<b>Capital Assets</b>				
(In thousands of dollars)				
	<b>Governmental</b>	<b>Business</b>		
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Total</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
Land	\$324	\$25	\$349	\$349
Construction in progress		239	239	134
Buildings and improvements	5,145	9,738	14,883	14,869
Improvements other than buildings	2,041	7,694	9,735	9,531
Furniture, fixtures and equipment	2,979	7,861	10,840	11,001
<hr/>				
Total assets	\$10,489	\$25,557	\$36,046	\$35,884
<hr/>				
Less accumulated depreciation	(\$4,432)	(\$8,082)	(\$12,514)	(\$11,262)
<hr/>				
<b>Total</b>	<b>\$6,057</b>	<b>\$17,475</b>	<b>\$23,532</b>	<b>\$24,622</b>

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

### Debt Outstanding

The Town's outstanding bonded indebtedness (considering new borrowing and debt retirement) decreased by \$916,946 as follows:

<b>Town of Highland Beach</b>				
<b>Outstanding Debt</b>				
	<b>Governmental</b>	<b>Business</b>		
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Total</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
General Obligation Promissory Notes	3,586	4,471	8,057	8,891
Revolving Fund Loan		8,707	8,707	9,185
<hr/>				
<b>Total</b>	<b>\$3,586</b>	<b>\$13,178</b>	<b>\$16,764</b>	<b>\$18,076</b>

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

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

The Town's 2010 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals included enhancing the level of services, increase 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 74 percent of the General Fund budgeted revenues. The Town's property tax millage rate increased from a total of 3.85 mills in 2009 to 4.2725 mills in 2010.

The assessed taxable value of the Town decreased by approximately 9%, this combined with the raising of the Town's millage rate has resulted in an increase in tax revenue. Other estimated General Fund revenues are projected to be sufficient to cover the expenditures in the fiscal year 2010 budget.

The Town's General Fund will continue to subsidize the Town's 2009-2010 Water Fund in an amount of approximately \$76,000.

## **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 Assets**  
**September 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,152,206	\$ 1,012,150	\$ 7,164,356
Investments	70,832	11,655	82,487
Receivables (net)	82,325	505,912	588,237
Due from other governments	166,700		166,700
Inventories	3,206	26,615	29,821
Prepaid items	2,671	2,000	4,671
Deferred charges		145,351	145,351
<b>Capital assets</b>			
<b>Non-depreciable</b>			
Land	323,889	24,730	348,619
Construction in progress		238,853	238,853
<b>Depreciable</b>			
Buildings and improvements	5,145,389	9,737,801	14,883,190
Improvements other than buildings	2,041,089	7,693,543	9,734,632
Equipment	2,978,532	7,860,941	10,839,473
Less: accumulated depreciation	(4,432,246)	(8,082,333)	(12,514,579)
<b>Total assets</b>	<u>12,534,593</u>	<u>19,177,218</u>	<u>31,711,811</u>
<b>Liabilities</b>			
Accounts payable	197,471	70,618	268,089
Accrued liabilities	29,046	7,541	36,587
Accrued interest payable	19,791	22,381	42,172
<b>Non-current liabilities</b>			
Due within one year	645,267	803,588	1,448,855
Due in more than one year	3,253,322	12,510,624	15,763,946
<b>Total liabilities</b>	<u>4,144,897</u>	<u>13,414,752</u>	<u>17,559,649</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,055,665	4,440,519	8,496,184
<b>Restricted for:</b>			
Recreational land acquisition	185,083		185,083
Cultural activities	10,770		10,770
Law enforcement	6,553		6,553
Library activities	5,711		5,711
Unrestricted	4,125,914	1,321,947	5,447,861
<b>Total net assets</b>	<u>\$ 8,389,696</u>	<u>\$ 5,762,466</u>	<u>\$ 14,152,162</u>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2009**

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
<b>Governmental activities:</b>			
General government	\$ 1,985,394	\$ 54,539	\$
Public safety	4,994,823	261,729	
Culture recreation	586,308	6,273	7,605
Sanitation	452,133	476,579	
Interest on long term debt	110,327		
<b>Total governmental activities</b>	<b>8,128,985</b>	<b>799,120</b>	<b>7,605</b>
<b>Business-type activities:</b>			
Water utility	3,382,417	2,147,620	
Sewer utility	929,174	851,892	
<b>Total business-type activities</b>	<b>4,311,591</b>	<b>2,999,512</b>	
<b>Total government</b>	<b>\$ 12,440,576</b>	<b>\$ 3,798,632</b>	<b>\$ 7,605</b>

General revenues:

Property taxes  
Utility taxes  
Franchise fees  
Sales and use taxes  
State revenue sharing unrestricted  
Investment earnings  
Net decrease in fair value of investments  
Miscellaneous  
Gain on disposal of fixed assets  
Transfers  
**Total general revenues and transfers**

Change in net assets

Net assets, beginning of year  
Net assets, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 184,387	\$ (1,746,468)	\$	\$ (1,746,468)
	(4,733,094)		(4,733,094)
	(572,430)		(572,430)
	24,446		24,446
	(110,327)		(110,327)
184,387	(7,137,873)		(7,137,873)
		(1,234,797)	(1,234,797)
		(77,282)	(77,282)
		(1,312,079)	(1,312,079)
\$ 184,387	(7,137,873)	(1,312,079)	(8,449,952)
	7,938,812		7,938,812
	330,833		330,833
	494,094		494,094
	290,488		290,488
	87,777		87,777
	109,958	16,342	126,300
	(27,302)	(3,781)	(31,083)
	151,053	900	151,953
	1,500		1,500
	(1,056,737)	1,056,737	
	8,320,476	1,070,198	9,390,674
	1,182,603	(241,881)	940,722
	7,207,093	6,004,347	13,211,440
\$ 8,389,696	\$ 5,762,466	\$ 14,152,162	

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2009**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 5,946,458	\$ 205,748	\$ 6,152,206
Investments	68,463	2,369	70,832
Receivables (net)			
Accounts	82,325		82,325
Due from other governments	166,700		166,700
Inventory	3,206		3,206
Prepays	2,671		2,671
Total assets	\$ 6,269,823	\$ 208,117	\$ 6,477,940
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 197,471	\$	\$ 197,471
Accrued liabilities	29,046		29,046
Total liabilities	226,517		226,517
<b>Fund balances</b>			
Reserved for:			
Inventory	3,206		3,206
Prepays	2,671		2,671
Special projects		208,117	208,117
Encumbrances	215,218		215,218
Unreserved			
Designated for disaster recovery	200,000		200,000
Undesignated	5,622,211		5,622,211
Total fund balances	6,043,306	208,117	6,251,423
Total liabilities and fund balances	\$ 6,269,823	\$ 208,117	\$ 6,477,940

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**  
**September 30, 2009**

Fund balances total governmental funds		\$ 6,251,423
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 10,488,899	
Less accumulated depreciation	<u>(4,432,246)</u>	6,056,653
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long term liabilities at year-end consist of:		
Compensated absences	(255,549)	
Other post employment benefits	(56,740)	
Bonds payable	(3,586,300)	
Accrued interest on long-term debt	<u>(19,791)</u>	(3,918,380)
Net assets of governmental activities		<u><u>\$ 8,389,696</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, 2009**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 8,304,641	\$	\$ 8,304,641
Licenses and permits	742,493		742,493
Intergovernmental	530,054		530,054
Fines and forfeitures	19,603		19,603
Rent	50,200		50,200
Interest	107,040	2,918	109,958
Net decrease in fair value of investments	(26,628)	(673)	(27,301)
Charges for services	479,888		479,888
Miscellaneous	264,110	7,605	271,715
<b>Total revenues</b>	<u>10,471,401</u>	<u>9,850</u>	<u>10,481,251</u>
<b>Expenditures:</b>			
<b>Current</b>			
General government	1,879,572		1,879,572
Public safety	4,787,035		4,787,035
Culture and recreation	400,886	13,673	414,559
Sanitation	416,728		416,728
Capital outlay	307,242	3,960	311,202
<b>Debt service:</b>			
Principal	607,756		607,756
Interest and fiscal charges	122,307		122,307
<b>Total expenditures</b>	<u>8,521,526</u>	<u>17,633</u>	<u>8,539,159</u>
Excess (deficiency) of revenues over (under expenditures)	<u>1,949,875</u>	<u>(7,783)</u>	<u>1,942,092</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(1,056,737)</u>		<u>(1,056,737)</u>
<b>Total other financing sources (uses)</b>	<u>(1,056,737)</u>		<u>(1,056,737)</u>
Net change in fund balances	893,138	(7,783)	885,355
Fund balances, beginning of year	<u>5,150,168</u>	<u>215,900</u>	<u>5,366,068</u>
Fund balances, end of year	<u>\$ 6,043,306</u>	<u>\$ 208,117</u>	<u>\$ 6,251,423</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 the Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2009**

Net change in fund balances - Total governmental funds \$ 885,355

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets	\$ 305,155	
Less: current year depreciation	<u>(507,116)</u>	(201,961)

Net book value of capital assets disposals (2,916)

The repayment of the principal of long term debt consumes financial resources of governmental funds, however, it does not have any effect on net assets.

Principal payments on debt		607,756
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Net effect of accrued interest on long-term debt

Decrease in accrued interest payable		11,980
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in other post employment benefits		(56,740)
Change in long-term compensated absences		<u>(60,871)</u>

Change in net assets		<u><u>\$ 1,182,603</u></u>
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See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2009**

	Water Utility	Sewer Utility	Totals
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 29,953	\$ 982,197	\$ 1,012,150
Investments	345	11,310	11,655
Receivables (net)			
Accounts	356,747	149,165	505,912
Prepaid items	2,000		2,000
Supplies inventory	26,615		26,615
Total current assets	<u>415,660</u>	<u>1,142,672</u>	<u>1,558,332</u>
<b>Non-current assets</b>			
Deferred charges, net	145,351		145,351
<b>Capital assets</b>			
Non depreciable			
Land	24,730		24,730
Construction in progress	238,853		238,853
Depreciable			
Building and improvements	8,035,359	1,702,442	9,737,801
Improvements other than buildings	6,514,481	1,179,062	7,693,543
Equipment	7,558,160	302,781	7,860,941
Less accumulated depreciation	<u>(6,026,845)</u>	<u>(2,055,488)</u>	<u>(8,082,333)</u>
Total non-current assets	<u>16,490,089</u>	<u>1,128,797</u>	<u>17,618,886</u>
Total assets	<u>16,905,749</u>	<u>2,271,469</u>	<u>19,177,218</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	16,015	54,603	70,618
Accrued liabilities	29,922		29,922
Compensated absences payable	12,142		12,142
Current portion of long-term debt	791,446		791,446
Total current liabilities	<u>849,525</u>	<u>54,603</u>	<u>904,128</u>
<b>Non-current liabilities</b>			
Compensated absences payable	103,501		103,501
Other post-employment benefits	20,202		20,202
Long-term debt	12,386,921		12,386,921
Total non-current liabilities	<u>12,510,624</u>		<u>12,510,624</u>
Total liabilities	<u>13,360,149</u>	<u>54,603</u>	<u>13,414,752</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,311,722	1,128,797	4,440,519
Unrestricted	233,878	1,088,069	1,321,947
Total net assets	<u>\$ 3,545,600</u>	<u>\$ 2,216,866</u>	<u>\$ 5,762,466</u>

See notes to the financial statements



**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2009**

	Water Utility	Sewer Utility	Total
Operating revenue			
Charges for services	\$ 2,147,620	\$ 851,892	\$ 2,999,512
Administrative fee	94,988		94,988
Miscellaneous			
Total operating revenues	<u>2,242,608</u>	<u>851,892</u>	<u>3,094,500</u>
Operating expenses			
Personal services	972,198		972,198
Sewage disposal costs		763,297	763,297
Contractual services	20,863		20,863
Maintenance and repair	42,720	24,373	67,093
Meters and supplies	236,939	360	237,299
Utilities	388,630		388,630
Depreciation	938,281	118,419	1,056,700
Amortization	19,655		19,655
Administrative charges	110,010	94,988	204,998
Professional services	9,140		9,140
Other	191,661	22,725	214,386
Total operating expenses	<u>2,930,097</u>	<u>1,024,162</u>	<u>3,954,259</u>
Operating income (loss)	<u>(687,489)</u>	<u>(172,270)</u>	<u>(859,759)</u>
Nonoperating revenues (expenses)			
Interest revenue	1,757	14,585	16,342
Net decrease in fair value of investments	(405)	(3,376)	(3,781)
Connection fees	900		900
Interest expense	(420,614)		(420,614)
Loss on disposal of capital assets	(31,706)		(31,706)
Total nonoperating revenues (expenses)	<u>(450,068)</u>	<u>11,209</u>	<u>(438,859)</u>
Income (loss) before contributions and transfers	<u>(1,137,557)</u>	<u>(161,061)</u>	<u>(1,298,618)</u>
Transfers in	<u>1,056,737</u>		<u>1,056,737</u>
Change in net assets	(80,820)	(161,061)	(241,881)
Net assets - beginning	<u>3,626,420</u>	<u>2,377,927</u>	<u>6,004,347</u>
Net assets - ending	<u>\$ 3,545,600</u>	<u>\$ 2,216,866</u>	<u>\$ 5,762,466</u>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2009**

	Water Utility	Sewer Utility	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 2,150,849	\$ 843,944	\$ 2,994,793
Receipts from interfund services provided	94,988		94,988
Payments to suppliers	(1,081,776)	(824,550)	(1,906,326)
Payments for interfund services used		(94,988)	(94,988)
Payments to employees	(942,097)		(942,097)
Net cash provided (used) by operating activities	<u>221,964</u>	<u>(75,594)</u>	<u>146,370</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	<u>1,056,737</u>		<u>1,056,737</u>
Net cash (used) by non-capital financing activities	<u>1,056,737</u>		<u>1,056,737</u>
Cash flows from capital and related financing activities:			
Principal paid on long term debt	(704,342)		(704,342)
Interest paid on long term debt	(410,113)		(410,113)
Payments to acquire and construct capital assets	(219,621)		(219,621)
Net cash (used) by capital and related financing activities	<u>(1,334,076)</u>		<u>(1,334,076)</u>
Cash flows from investing activities:			
Interest and dividends on investments	1,757	14,585	16,342
Sale of investments	1,089	8,638	9,727
Connection fees received	900		900
Net cash provided by investing activities	<u>3,746</u>	<u>23,223</u>	<u>26,969</u>
Net increase (decrease) in cash and cash equivalents	(51,629)	(52,371)	(104,000)
Cash and cash equivalents at beginning of year	<u>81,582</u>	<u>1,034,568</u>	<u>1,116,150</u>
Cash and cash equivalents at end of year	<u>\$ 29,953</u>	<u>\$ 982,197</u>	<u>\$ 1,012,150</u>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Funds (continued)**  
**For the Year Ended September 30, 2009**

	Water Utility	Sewer Utility	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (687,489)	\$ (172,270)	\$ (859,759)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	957,936	118,419	1,076,355
(Increase) decrease in:			
Accounts receivable	3,229	(7,948)	(4,719)
Inventory	2,740		2,740
Increase (decrease) in:			
Accounts payable	(84,553)	(13,795)	(98,348)
Accrued liabilities	30,101		30,101
Total adjustments	909,453	96,676	1,006,129
Net cash provided (used) by operating activities	\$ 221,964	\$ (75,594)	\$ 146,370

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2009**

	Pension Trust Funds
Assets:	
Investments - retirement plan mutual funds	\$ 905,118
Participant loans receivable	16,930
Total assets	922,048
Net Assets:	
Held in trust for employees' pension benefits	922,048
Total net assets	\$ 922,048

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2009**

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 46,597
Plan members	350,362
Total contributions	396,959
Investment income	
Net increase in fair value	24,538
Investment expense	(59)
Total net investment income	24,479
Total additions	421,438
Deductions	
Benefits	70,425
Total deductions	70,425
Change in net assets	351,013
Net assets held in trust for pension benefits	
Net assets - beginning	571,035
Net assets - ending	\$ 922,048

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**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 basic financial statements present the primary government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government.

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**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 assets and the statement of activities) report information on all of the non-fiduciary 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, enterprise, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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, 2009**

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

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

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise funds:

Water Utility System Fund

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

Sewer Utility System Fund

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

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

Special Revenue Funds

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

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

All special revenue funds have legally adopted budgets.



**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

Additionally, the Town reports the following fund type:

Fiduciary Funds

Pension trust funds are fiduciary funds that account for the activities of the Town of Highland Beach Retirement Plan and the Town of Highland Beach Voluntary Retirement Plan which accumulate resources for pension benefit payments to Town employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected to not follow subsequent private-sector guidance.

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.

*Assets, Liabilities, and Net Assets or Equity*

Pooled Cash and Investments

Pooled cash and investments include cash on hand and investments with the State Board Investment Pool. Resources of all funds, with the exception of the Pension Trust Fund, 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.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

Pooled Cash and Investments (Continued)

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

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

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.

Inventories

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

Capital Assets

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

Capital Assets (Continued)

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

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

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

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

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 assets. Fees incurred in connection with a loan accounted for in the Water Utility Enterprise Fund have been deferred and capitalized as a deferred charge and are being amortized over the term of the loan. The amortization commenced in October 2004 when loan repayments commenced.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, 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, 2008, upon which the 2008-09 levy was based, was approximately \$2.1 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 district tax requirements. The millage rate assessed by the Town for the year ended September 30, 2009, was 3.850 (\$3.85 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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Usage of reserves has been limited to the following:

- Reserved for prepaid items - Indicates that a portion of fund balance is segregated since these items do not represent "available spendable resources".

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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

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

Fund Equity (Continued)

- Reserved for special projects - Restricted for acquiring and developing recreational facilities and open space areas, cultural activities, library activities, or law enforcement activities.
- Reserved for inventory - Indicates that a portion of fund balance is segregated since these items do not represent “available spendable resources”.

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.

**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.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

*Investments*

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

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Chapter 280, Florida Statutes.
4. Direct obligations of the U.S. Treasury.
5. Securities of, or other interests in, any open-end or closed-end management-type investment company, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof, and to repurchase agreements fully collateralized by such United States Government obligations.
6. Repurchase agreements whose underlying purchased securities consist of the permitted investments listed above.
7. Other investments authorized by ordinance of the Town of Highland Beach.

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

*Investments* (Continued)

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

On August 3, 2009, the SBA announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government Investment Pool. Pool A is now referred to as Florida PRIME, and Pool B is referred to as Fund B. From December 2007 through September 2009, the SBA transferred a total of \$1.46 billion in liquid assets from Fund B to participants in Florida PRIME. This amount represents approximately 73% of their original adjusted Fund B balances.

At September 30, 2009, Florida PRIME was rated AAAM by Standard and Poor’s. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any national rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2009 was 0.54915069. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Fund B.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2009 was 33 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life based on expected cash flows (WAL) of Fund B at September 30, 2009 was 6.69 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

*Investments* (Continued)

As of September 30, 2009, the Town of Highland Beach had \$178,929 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2009 was \$150,208 and the fair value and adjusted book value was \$82,487. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2009, the Town had the following investments. The investment in the State Board of Administration Investment Florida PRIME pool is reported as cash and cash equivalents in the balance sheet. The investment in the Fund B and the mutual funds are reported as investments.

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	33 days	\$178,929
Fund B	6.69 years	82,487
Mutual funds	NA	<u>905,118</u>
		<u>\$1,166,534</u>

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2009, Florida PRIME was rated AAAM by Standard and Poor's Ratings Services. The State Board of Administration Fund B is not rated by any nationally recognized rating agency.

*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.



**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 3 - RECEIVABLES**

Receivables as of September 30, 2009, for the Town's individual major fund's governmental activities and business-type activities are as follows:

	Governmental Activities	Business-Type Activities		
	General Fund	Water Utility	Sewer Utility	Total
Receivables:				
Accounts receivable	\$ 82,325	\$356,747	\$149,165	\$588,237
Intergovernmental	166,700			166,700
Less allowance for uncollectibles				
Net total receivables	<u>\$249,025</u>	<u>\$356,747</u>	<u>\$149,165</u>	<u>\$754,937</u>

**NOTE 4 – CAPITAL ASSETS**

Depreciation expense was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$174,268
Public safety	142,821
Highways and streets	35,405
Culture and recreation	<u>154,622</u>
Total depreciation expense-governmental activities	<u>\$507,116</u>
<u>Business-type activities:</u>	
Water utility system	\$938,281
Sewer utility system	<u>118,419</u>
Total depreciation expense-business-type activities	<u>\$1,056,700</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 4 – CAPITAL ASSETS** (Continued)

Capital assets activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 323,889	\$	\$	\$ 323,889
Total capital assets not being depreciated	323,889			323,889
Capital assets being depreciated:				
Buildings	5,141,640	3,749		5,145,389
Improvements other than buildings	1,843,409	197,680		2,041,089
Equipment, furniture, and books	2,956,173	103,726	(81,367)	2,978,532
Total capital assets being depreciated	9,941,222	305,155	(81,367)	10,165,010
Less accumulated depreciation for:				
Buildings	(1,139,114)	(133,547)		(1,272,661)
Improvements other than buildings	(820,041)	(100,155)		(920,196)
Equipment, furniture and books	(2,044,426)	(273,414)	78,451	(2,239,389)
Total accumulated depreciation Governmental activities	(4,003,581)	(507,116)	78,451	(4,432,246)
Capital assets, net	<u>\$ 6,261,530</u>	<u>\$ (201,961)</u>	<u>\$ (2,916)</u>	<u>\$ 6,056,653</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 24,730	\$	\$	\$ 24,730
Construction in progress	133,903	104,950		238,853
Total capital assets not being depreciated	158,633	104,950		263,583
Capital assets being depreciated:				
Buildings	9,726,862	10,939		9,737,801
Improvements other than buildings	7,687,888	6,495	(840)	7,693,543
Equipment	8,045,256	78,472	(262,787)	7,860,941
Total capital assets being depreciated	25,460,006	95,906	(263,627)	25,292,285
Less accumulated depreciation for:				
Buildings	(2,225,604)	(243,468)		(2,469,072)
Improvements other than buildings	(2,982,808)	(248,969)	483	(3,231,294)
Equipment	(2,049,142)	(564,263)	231,438	(2,381,967)
Total accumulated depreciation Business-type activities	(7,257,554)	(1,056,700)	231,921	(8,082,333)
Capital assets, net	<u>\$ 18,361,085</u>	<u>\$ (855,844)</u>	<u>\$ (31,706)</u>	<u>\$ 17,473,535</u>

At September 30, 2009, the business-type activities had idle assets with a carrying value of \$1,381,700.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES**

Long-term debt at September 30, 2009, consists of the following individual issues:

*Promissory Note, 2005*

The \$3,828,668 promissory note was issued to refinance the \$4,485,000 Water and Sewer Revenue Bonds, Series 2005. The note is secured by a pledge of the half-cent sales tax revenues and the discretionary communication service tax revenues. Principal and interest paid for the current fiscal year was \$444,194 and pledged half-cent sales taxes and communication service taxes totaled \$587,353 for the year. At September 30, 2009, principal and interest to maturity in 2015 to be paid from pledged future revenues totaled \$2,665,900. The note bears interest at the rate of 2.88% per annum. The principal and interest are payable in twenty equal installments of \$222,097 beginning on January 1, 2006, and on the first day of January and July thereafter, until July 1, 2015.

The note is allocated between governmental activities and business-type activities in the government-wide statements according to the use of the bond proceeds. The amount reported as business-type activities is also reported in the Water Utility Enterprise Fund and is expected to be repaid from enterprise revenues. Amounts reported as governmental activities will be repaid from the General Fund. The balance of the note outstanding as of September 30, 2009, is as follows:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 2,377,967
Business-type activities	<u>54,222</u>
	<u>\$ 2,432,189</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

*Promissory Note, 2005* (Continued)

Annual debt service requirements to maturity are as follows:

*Governmental Activities:*

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 368,434	65,856	434,290
2011	379,121	55,169	434,290
2012	390,061	44,229	434,290
2013	401,483	32,807	434,290
2014	413,079	21,211	434,290
2015	<u>425,789</u>	<u>9,229</u>	<u>435,018</u>
Total	<u>\$2,377,967</u>	<u>\$228,501</u>	<u>\$2,606,468</u>

*Business-Type Activities:*

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,402	1,502	9,904
2011	8,646	1,258	9,904
2012	8,896	1,008	9,904
2013	9,156	748	9,904
2014	9,420	484	9,904
2015	<u>9,702</u>	<u>210</u>	<u>9,912</u>
Total	<u>\$ 54,222</u>	<u>\$ 5,210</u>	<u>\$ 59,432</u>

*General Obligation Promissory Note, 2000*

This is a \$1,000,000 promissory note for the purpose of financing pre-construction capital expenditures of the reverse osmosis water treatment facility. Debt service payments are due in semi-annual installments of \$71,791 through December 2010, with interest at 4.63% per annum.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

*General Obligation Promissory Note, 2000* (Continued)

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 135,571	\$ 8,010	\$ 143,581
2011	<u>70,977</u>	<u>748</u>	<u>71,725</u>
Total	<u>\$ 206,548</u>	<u>\$ 8,758</u>	<u>\$ 215,306</u>

*Provisions of General Obligation Promissory Note, 2000*

The covenants require the Town to fix, establish, maintain and collect ad valorem taxes which will equal 120% of the general obligation debt for each fiscal year.

*General Obligation Promissory Note, 2004B*

The \$2,000,000 promissory note was obtained for the purpose of financing construction of a new library. Interest only is due for the first twenty-four months. Thereafter, interest is due monthly and principal is due in semi-annual installments through July 2014. For the interest only period, the annual interest rate is 63.7% of the 30 day LIBOR plus 67 basis points. After the interest only period, the interest rate will be 67.5% of the 8 year U.S. Swap “ask” rate plus 15 basis points. As of September 30, 2009, the interest rate was 3.4%.

Based on the rate as of September 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 250,000	\$ 37,352	\$ 287,352
2011	250,000	28,814	278,814
2012	250,000	20,277	270,277
2013	250,000	11,739	261,739
2014	<u>208,333</u>	<u>3,261</u>	<u>211,594</u>
Total	<u>\$1,208,333</u>	<u>\$ 101,443</u>	<u>\$1,309,776</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

*Provisions of General Obligation Promissory Note, 2004B*

The note is secured by a general obligation pledge of the Town. The covenants require the Town to demonstrate debt service coverage of no less than 110% from the pledged source of revenues.

*Revolving Fund Loan*

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, not to exceed \$8,000,000, and Florida Power and Light utility franchise fees. Principal and interest paid for the current fiscal year was \$738,424 and pledged utility franchise fees were \$489,055 and ad valorem taxes were \$7,938,812. At September 30, 2009, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$10,707,147. As of September 30, 2009, outstanding principal, including capitalized interest, was \$8,707,301. The loan bears interest at 2.87%.

*Provisions of Revolving Fund Loan*

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, 2009 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 491,917	\$ 246,507	\$ 738,424
2011	506,133	232,291	738,424
2012	520,762	217,662	738,424
2013	535,815	202,609	738,424
2014	551,305	187,119	738,424
2015-2019	3,005,053	687,066	3,692,119
2020-2024	<u>3,096,316</u>	<u>226,592</u>	<u>3,322,908</u>
Total	<u>\$ 8,707,301</u>	<u>\$1,999,846</u>	<u>\$10,707,147</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

*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, 2009, \$4,299,000 of proceeds has been received from the note. Interest only is 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 shall be 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, 2009, the interest rate was 3.414%.

Based on the rate as of September 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 155,556	\$ 141,308	\$ 296,864
2011	160,950	135,913	296,863
2012	166,438	130,426	296,864
2013	172,393	124,471	296,864
2014	178,282	118,581	296,863
2015-2019	988,545	495,774	1,484,319
2020-2024	1,172,227	312,092	1,484,319
2025-2029	<u>1,215,905</u>	<u>95,658</u>	<u>1,311,563</u>
Total	<u>\$4,210,296</u>	<u>\$1,554,223</u>	<u>\$ 5,764,519</u>

*Interest Expense*

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2009, were \$530,941 and \$532,420 respectively. No interest was capitalized in the enterprise funds during the year.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

During the year ended September 30, 2009, the following changes occurred in long-term liabilities:

	Balance October 1, 2008	Additions	Deletions	Balance September 30, 2009	Due Within One Year
<b>Governmental activities</b>					
Promissory note, 2005	\$ 2,735,722	\$	\$ 357,755	\$ 2,377,967	\$ 368,434
Promissory note, 2004B	1,458,333		250,000	1,208,333	250,000
Other post employment benefits		56,740		56,740	
Compensated absences	194,678	174,504	113,633	255,549	26,833
<b>Total governmental activities</b>	<b><u>\$ 4,388,733</u></b>	<b><u>\$ 231,244</u></b>	<b><u>\$ 721,388</u></b>	<b><u>\$ 3,898,589</u></b>	<b><u>\$ 645,267</u></b>
<b>Business-type activities</b>					
Promissory note, 2005	\$ 62,390	\$	\$ 8,168	\$ 54,222	\$ 8,402
Promissory note, 2000	335,917		129,369	206,548	135,571
Revolving loan fund	9,185,402		478,101	8,707,301	491,917
Promissory note, 2007	4,299,000		88,704	4,210,296	155,556
Other post employment benefits		20,202		20,202	
Compensated absences	105,601	66,672	56,630	115,643	12,142
<b>Total business-type activities</b>	<b><u>\$ 13,988,310</u></b>	<b><u>\$ 86,874</u></b>	<b><u>\$ 760,972</u></b>	<b><u>\$ 13,314,212</u></b>	<b><u>\$ 803,588</u></b>



**TOWN OF HIGHLAND BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 6 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers for the year ended September 30, 2009:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund	\$	\$1,056,737
Water utility fund	<u>1,056,737</u>	<u>                    </u>
Total transfers	<u>\$1,056,737</u>	<u>\$1,056,737</u>

Transactions for services rendered or facilities provided are recorded as revenue in the receiving fund and expenditures in the disbursing fund. Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as transfers in and out.

**NOTE 7 - ADMINISTRATIVE CHARGE BY THE GENERAL FUND TO THE ENTERPRISE FUND**

During the year ended September 30, 2009, 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 for 2009 was \$110,010.

**NOTE 8 - ADMINISTRATIVE CHARGE BY THE WATER DEPARTMENT TO THE SEWER DEPARTMENT**

During the year ended September 30, 2009, 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 for 2009 was \$94,988.

**NOTE 9 - 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 and administered 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.

**TOWN OF HIGHLAND BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 9 - DEFINED CONTRIBUTION PLANS** (Continued)

*Town of Highland Beach Retirement Plan* (Continued)

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 was \$2,574,631 and \$388,309, 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. Both the Town and the covered employees made the required contributions of \$46,597 and \$15,537, respectively, for a total of \$62,134.

Plan revisions and contribution requirements are established and may be amended by the Town Commission. Plan assets are invested in the International City Management Association Retirement Trust which provides participants with various pooled investment alternatives.

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 9 - DEFINED CONTRIBUTION PLANS** (Continued)

*Town of Highland Beach Retirement Plan* (Continued)

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

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

*Town of Highland Beach Voluntary Retirement Plan*

On September 5, 2006, the Town approved Resolution 864 establishing the Town of Highland Beach Voluntary Retirement Plan. The Plan is a defined contribution Money Purchase 401 Plan to provide benefits at retirement to the employees of the Town. The effective date of the Plan was October 1, 2006. All employees age 21 or over may participate in the Plan. Participants may make voluntary pretax contributions to the Plan based upon a percentage of their base payroll. The Town does not make contributions to the Plan. For the year ended September 30, 2009, Town employees made voluntary contributions of \$334,825 to the Plan.

The Plan is administered by the International City Management Association Retirement Corporation, which provides various pooled investment alternatives. Plan revisions and contribution requirements are established and may be amended by the Town Commission.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 10 - FLORIDA RETIREMENT SYSTEM**

***Florida Retirement System Pension Plan***

**Plan Description**

Effective October 1, 2005, employees of the Town were given the option to either remain in the current defined contribution Plan or join the Florida Retirement System (see Note 9). The Florida Retirement System (FRS), a cost sharing, multiple-employer, public retirement system controlled by the State Legislature and administered by the State of Florida Department of Administration, Division of Retirement. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. A post-employment health insurance subsidy is also provided to eligible employees through the Retiree Health Insurance Subsidy Program. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

**Funding Policy**

Participating employers are required to make contributions based upon statewide contribution rates. The contribution rates by job class for the Town's employees at September 30, 2009, were as follows: regular employees 9.85%, special risk employees 20.92%, and senior management service employees 13.12%.

The Town's combined contributions to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2007 through 2009 were \$298,233, \$330,343 and \$330,130 respectively, which were equal to 100% of the required contributions for each fiscal year.

***Retiree Health Insurance Subsidy Program***

**Plan Description**

The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 112.363, Florida Statutes, which may be amended by the Florida Legislature. The HIS benefit is a monthly supplemental payment that Florida Retirement System retirees, eligible terminated Investment Plan members, and other state-administered retirement system retirees may be eligible to receive if they have health insurance coverage – which includes Medicare, TriCare, and insurance coverage provided through the Cover Florida Health Care Access Program. Payment of this benefit is not automatic, it must be applied for and the application approved before payment begins.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 10 - FLORIDA RETIREMENT SYSTEM** (Continued)

*Retiree Health Insurance Subsidy Program* (Continued)

The amount of the monthly payment is calculated by multiplying the member's total years of creditable service at retirement (up to a maximum of 30 years) by \$5. The minimum monthly HIS payment is \$30 and the maximum monthly payment is \$150. The HIS payment is included in the same payment as the retiree's monthly retirement benefit if a defined benefit plan retiree.

*Funding Policy*

The State's current funding policy for the HIS is pay-as-you-go and provides for monthly employer contributions currently set as the legislatively determined rate of 1.11% of annual covered payroll. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The GASB annual required contribution (ARC) calculated by the consulting actuary in the July 1, 2008 actuarial valuation for the fiscal year ending June 30, 2010 is 1.28% of active payroll (including DROP payroll).

The State's funding policy requires a contribution rate that is different than the GASB required ARC, which is an accounting disclosure. To the extent the contribution rate required to fund the HIS Program is different than the computed ARC, adjustments in the Net Pension Obligation (NPO) will occur from year to year.

The Town's combined contributions to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2007 through 2009 were \$298,233, \$330,343 and \$330,130 respectively, which were equal to 100% of the required contributions for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the HIS. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at [rep@dms.MyFlorida.com](mailto:rep@dms.MyFlorida.com), or calling toll free at 877-377-1737.

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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

**TOWN OF HIGHLAND BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)** (Continued)

***Plan Description***

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

***Funding Policy***

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town’s actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree’s own payments for the year.

***Annual OPEB Cost and Net OPEB Obligation***

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

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

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 57,327
Interest on normal cost	
Amortization	19,615
Interest on amortization	
Annual OPEB cost	<u>76,942</u>
Contributions made	
Increase in net OPEB obligation	<u>76,942</u>
Net OPEB obligation October 1, 2008	
Net OPEB obligation September 30, 2009	<u><u>\$ 76,942</u></u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)** (Continued)

***Trend Information***

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/07	N/A	N/A	N/A
09/30/08	N/A	N/A	N/A
09/30/09	\$ 76,942	0.00%	\$ 76,942

***Funded Status***

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

Actuarial valuation date	09/30/09
Actuarial accrued liability	\$ 339,194
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ 339,194
Funded ratio	0.0%
Covered payroll	\$2,197,591
UAAL as a percentage of covered payroll	15.4%

***Funding Progress***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2009 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

**TOWN OF HIGHLAND BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

**NOTE 11 – OTHER POST EMPLOYMENT 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:

Active plan members were assumed to retire at age 62. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed retirement age and employees' expected working lifetimes were developed using non-group-specific age-based turnover data from GASB 45.

Health insurance premiums for 2008-2009 were used, and age appropriate premiums were developed from the average age of the population and a 4% premium aging factor as specified by GASB 45. The expected rate of increase in health insurance premiums used an initial rate of 10% and an ultimate rate of 5% for medical, an initial rate of 6% and an ultimate rate of 5% for dental, and an initial rate of 3% and an ultimate rate of 3% for vision.

The inflation rate was assumed to be 4%. Since the Town has not contributed assets to the plan, no assumption was made regarding the investment rate of return. A simplified version of the unit credit cost method was used in the valuation. The unfunded actuarial accrued liability is amortized over a thirty year period as a level percent of projected payroll on an open basis.

**NOTE 12 - COMMITMENTS**

As of September 30, 2009, the Town had entered into the following commitments for construction of various improvements.

<u>Project</u>	Project Authorized Amount	Amount Completed 09/30/09	Contracts Payable 09/30/09	Retainage Payable 09/30/09	Balance to Complete
SR A1A Water Main Project	\$3,369,693	\$	\$	\$	\$3,369,693



**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**NOTE 13 - INTERLOCAL GOVERNMENTAL AGREEMENTS**

The Town has an agreement with the City of Delray Beach (the City) under which the City provides fire protection and fire rescue services. The term of the agreement is for fifteen years, beginning October 1, 2002, and extending through September 30, 2017, with options to renew for additional periods of ten years each upon the mutual agreement of both parties. Under the terms of the agreement, the City charges the Town a flat rate, which is adjusted annually based on changes in the consumer price index. The amount paid for the year ended September 30, 2009 was \$2,847,517.

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, 2009, the Town was charged \$727,378 for sewage disposal services.

**NOTE 14 - 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 \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

**NOTE 15 - 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 outcome 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**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2009**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes				
Ad valorem taxes	\$ 7,919,801	\$ 7,919,801	\$ 7,938,812	\$ 19,011
Local option gas tax	36,000	36,000	33,967	(2,033)
Communications service tax	250,000	250,000	330,832	80,832
Local busines tax	2,500	2,500	1,030	(1,470)
Total taxes	<u>8,208,301</u>	<u>8,208,301</u>	<u>8,304,641</u>	<u>96,340</u>
Licenses and permits				
Franchise fees	455,000	455,000	494,094	39,094
Building permits	375,000	375,000	248,399	(126,601)
Total licenses and permits	<u>830,000</u>	<u>830,000</u>	<u>742,493</u>	<u>(87,507)</u>
Intergovernmental				
Grants	1,000	1,000	184,387	183,387
State revenue sharing	90,000	90,000	73,924	(16,076)
Alcoholic beverage licenses	650	650	641	(9)
Half cent sales tax	300,000	300,000	256,521	(43,479)
Motor fuel tax rebate	1,400	1,400	1,369	(31)
County occupational tax	15,000	15,000	13,212	(1,788)
Total intergovernmental	<u>408,050</u>	<u>408,050</u>	<u>530,054</u>	<u>122,004</u>
Fines and forfeitures				
Court fines	3,500	3,500	11,109	7,609
Library fines and fees	5,000	5,000	6,273	1,273
Violation of local ordinance	-	-	-	-
Miscellaneous	1,500	1,500	2,221	721
Total fines and forfeitures	<u>10,000</u>	<u>10,000</u>	<u>19,603</u>	<u>9,603</u>
Rent				
U.S. Postal Station	25,000	25,000	25,000	-
Sprint PCS	25,200	25,200	25,200	-
Total rent	<u>50,200</u>	<u>50,200</u>	<u>50,200</u>	<u>-</u>
Interest				
Interest on investment	150,000	150,000	103,874	(46,126)
Tax collector interest	20,000	20,000	3,166	(16,834)
Other interest	-	-	-	-
Total interest	<u>170,000</u>	<u>170,000</u>	<u>107,040</u>	<u>(62,960)</u>
Net decrease in fair value of investments			(26,628)	(26,628)

(continued)

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2009**  
**(Continued)**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (continued):				
Charges for services				
Zoning fees	\$ 1,500	\$ 1,500	\$	\$ (1,500)
Sales of documents	4,000	4,000	3,310	(690)
Solid Waste	412,000	412,000	476,578	64,578
Lot mowing	-	-	-	
Total charges for services	<u>417,500</u>	<u>417,500</u>	<u>479,888</u>	<u>62,388</u>
Miscellaneous				
Disposition of fixed assets	-	-	4,416	4,416
Administrative reimbursements	110,010	110,010	110,010	
Library	700	700	-	(700)
Insurance reimbursements			7,770	7,770
Other	10,000	10,000	141,914	131,914
Total miscellaneous	<u>120,710</u>	<u>120,710</u>	<u>264,110</u>	<u>143,400</u>
Total revenues	<u>10,214,761</u>	<u>10,214,761</u>	<u>10,471,401</u>	<u>256,640</u>
Expenditures:				
General government:				
Town commission	210,670	270,170	220,049	50,121
Town manager	299,446	298,224	287,226	10,998
Town clerk	204,443	204,443	174,079	30,364
Finance	254,190	248,157	239,081	9,076
Legal	235,000	235,000	222,172	12,828
Public buildings	252,163	253,651	247,287	6,364
Post office	114,012	115,512	114,850	662
Non-departmental	377,282	390,622	339,193	51,429
Contingency	579,084	99,340	35,635	63,705
Total general government	<u>2,526,290</u>	<u>2,115,119</u>	<u>1,879,572</u>	<u>235,547</u>
Public safety:				
Police	1,842,380	1,851,577	1,662,111	189,466
Protective inspections	378,443	387,291	262,957	124,334
Ambulance service	12,000	12,000	12,000	
Fire rescue	2,852,517	2,852,517	2,849,967	2,550
Total public safety	<u>5,085,340</u>	<u>5,103,385</u>	<u>4,787,035</u>	<u>316,350</u>

(continued)

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2009**  
**(Continued)**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (continued)				
Culture and recreation	\$ 396,884	\$ 404,152	\$ 400,886	\$ 3,266
Sanitation	488,000	488,000	416,728	71,272
Capital outlay	129,500	341,210	307,242	33,968
Debt service:				
Principal	608,160	607,765	607,756	9
Interest	123,850	124,245	122,307	1,938
Total debt service	<u>732,010</u>	<u>732,010</u>	<u>730,063</u>	<u>1,947</u>
Total expenditures	<u>9,358,024</u>	<u>9,183,876</u>	<u>8,521,526</u>	<u>662,350</u>
Excess of revenues over (under) expenditures	<u>856,737</u>	<u>1,030,885</u>	<u>1,949,875</u>	<u>918,990</u>
Other financing sources (uses):				
Transfers out	(856,737)	(1,056,737)	(1,056,737)	
Total other financing sources (uses)	<u>\$ (856,737)</u>	<u>\$ (1,056,737)</u>	<u>\$ (1,056,737)</u>	<u>\$</u>
Net change in fund balances			893,138	
Fund balances, beginning of year			<u>5,150,168</u>	
Fund balances, end of year			<u>\$ 6,043,306</u>	

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Notes to the Budgetary Required Supplemental Information**  
**For the Year Ended September 30, 2009**

NOTE 1. Budgets and Budgetary Accounting

State of Florida Statutes required that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Town Commission adopts an operating budget and appropriates funds for the General Fund, all Special Revenue Funds, 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 an ordinance. 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 is used for purposes of budgetary control and contract compliance. 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. Because appropriations expire at year end, even if encumbered, it is the Town's policy to reappropriate such amounts at the beginning of the next fiscal year. Encumbrances outstanding at year end are reported as reservations of fund balances in the fund financial statements.

NOTE 3. Excess of Expenditures Over Appropriations

No departments had expenditures in excess of appropriations for the fiscal year ended September 30, 2009.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Funding Progress**  
**Other Post Employment Benefits**  
**For the Year Ended September 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as % of Covered Payroll
09/30/09	\$	\$ 339,134	\$ 339,134	0.0%	\$ 2,197,591	15.4%

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2009 was the year of implementation of GASB 45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented. The City has not contributed assets to the plan at this time.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**September 30, 2009**

	Special Revenue Funds				Total Non-major Funds
	Open Space and Recreation Land	Library Donation	Cultural Society	Law Enforcement	
Assets:					
Cash and cash equivalents	\$ 182,976	\$ 5,646	\$ 10,648	\$ 6,478	\$ 205,748
Investments	2,107	65	122	75	2,369
Total assets	<u>\$ 185,083</u>	<u>\$ 5,711</u>	<u>\$ 10,770</u>	<u>\$ 6,553</u>	<u>\$ 208,117</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total liabilities					
Fund balance:					
Reserved for special projects	<u>185,083</u>	<u>5,711</u>	<u>10,770</u>	<u>6,553</u>	<u>208,117</u>
Total fund balance	<u>185,083</u>	<u>5,711</u>	<u>10,770</u>	<u>6,553</u>	<u>208,117</u>
Total liabilities and fund balance	<u>\$ 185,083</u>	<u>\$ 5,711</u>	<u>\$ 10,770</u>	<u>\$ 6,553</u>	<u>\$ 208,117</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Non-major Governmental Funds**  
**For the Year Ended September 30, 2009**

	Special Revenue Funds				Total Non-major Funds
	Open Space and Recreation Land	Library Donation	Cultural Society	Law Enforcement	
Revenues:					
Contributions	\$	\$ 1,525	\$ 6,080	\$	\$ 7,605
Fines and forfeitures					
Interest	2,545	88	194	91	2,918
Net decrease in fair value of investments	(580)	(22)	(51)	(20)	(673)
Total revenues	<u>1,965</u>	<u>1,591</u>	<u>6,223</u>	<u>71</u>	<u>9,850</u>
Expenditures:					
Culture and recreation			13,673		13,673
Capital outlay		3,960			3,960
Total expenditures		<u>3,960</u>	<u>13,673</u>		<u>17,633</u>
Net change in fund balances	1,965	(2,369)	(7,450)	71	(7,783)
Fund balance, beginning of year	<u>183,118</u>	<u>8,080</u>	<u>18,220</u>	<u>6,482</u>	<u>215,900</u>
Fund balance, end of year	<u>\$ 185,083</u>	<u>\$ 5,711</u>	<u>\$ 10,770</u>	<u>\$ 6,553</u>	<u>\$ 208,117</u>



**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2009**

	Retirement Plan	Voluntary Retirement Plan	Total Pension Trust Funds
Assets:			
Investments - retirement plan mutual funds	\$ 526,890	\$ 378,228	\$ 905,118
Participant loans receivable	16,930		16,930
Total assets	543,820	378,228	922,048
Net Assets:			
Held in trust for employees' pension benefits	543,820	378,228	922,048
Total net assets	\$ 543,820	\$ 378,228	\$ 922,048

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2009**

	Retirement Plan	Voluntary Retirement Plan	Total Pension Trust Funds
Additions			
Contributions			
Employer	\$ 46,597	\$	\$ 46,597
Plan members	15,537	334,825	350,362
Total contributions	<u>62,134</u>	<u>334,825</u>	<u>396,959</u>
Investment income			
Net increase in fair value	7,939	16,599	24,538
Investment expense	(59)		(59)
Total net investment income	<u>7,880</u>	<u>16,599</u>	<u>24,479</u>
Total additions	<u>70,014</u>	<u>351,424</u>	<u>421,438</u>
Deductions			
Benefits	70,425		70,425
Total deductions	<u>70,425</u>		<u>70,425</u>
Change in net assets	(411)	351,424	351,013
Net assets held in trust for pension benefits			
Net assets - beginning	<u>544,231</u>	<u>26,804</u>	<u>571,035</u>
Net assets - ending	<u>\$ 543,820</u>	<u>\$ 378,228</u>	<u>\$ 922,048</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Open Space and Recreation Land Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended September 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 750,000	\$	\$ (750,000)
Interest		2,545	2,545
Net decrease in fair value of investments		<u>(580)</u>	<u>(580)</u>
 Total revenues	 <u>\$ 750,000</u>	 <u>\$ 1,965</u>	 <u>\$ (748,035)</u>
 Expenditures			
Capital Outlay	<u>\$ 875,000</u>	<u>\$</u>	<u>875,000</u>
 Total expenditures	 <u>\$ 875,000</u>	 <u>\$</u>	 <u>\$ 875,000</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Library Donation Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended September 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Contributions	\$ 2,100	\$ 1,525	\$ (575)
Interest	100	88	(12)
Net decrease in fair value of investments	<u>          </u>	<u>(22)</u>	<u>(22)</u>
 Total revenues	 <u>\$ 2,200</u>	 <u>\$ 1,591</u>	 <u>\$ (609)</u>
Expenditures			
Repair and Maintenance	\$ 410	\$	\$ 410
Capital Outlay	<u>9,290</u>	<u>3,960</u>	<u>5,330</u>
 Total expenditures	 <u>\$ 9,700</u>	 <u>\$ 3,960</u>	 <u>\$ 5,740</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Cultural Society Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended September 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Contributions	\$ 5,000	\$ 6,080	\$ 1,080
Interest	300	194	(106)
Net decrease in fair value of investments		(51)	(51)
	<u>5,300</u>	<u>6,223</u>	<u>923</u>
Total revenues	<u>\$ 5,300</u>	<u>\$ 6,223</u>	<u>\$ 923</u>
Expenditures:			
Culture and recreation	<u>\$ 19,600</u>	<u>\$ 13,673</u>	<u>\$ 5,927</u>
Total expenditures	<u>\$ 19,600</u>	<u>\$ 13,673</u>	<u>\$ 5,927</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Law Enforcement Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended September 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Forfeited property	\$	\$	\$
Interest	100	91	(9)
Net decrease in fair value of investments		(20)	(20)
	<u>100</u>	<u>71</u>	<u>(29)</u>
Total revenues	<u>\$ 100</u>	<u>\$ 71</u>	<u>\$ (29)</u>
Operating expenses	<u>\$ 4,100</u>	<u>\$</u>	<u>\$ 4,100</u>
Total expenditures	<u>\$ 4,100</u>	<u>\$</u>	<u>\$ 4,100</u>

**STATISTICAL SECTION (UNAUDITED)**

## 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 statement, note disclosures, and required supplementary information says about the Town's overall financial health.

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



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

Fiscal Year Ended 9/30	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ (770,020)	\$ 1,745,513	\$ 2,840,713	\$ 3,187,681	\$ 2,736,193	\$ 3,891,288	\$ 4,055,665
Restricted		780,382	177,936	196,464	206,652	215,900	208,117
Unrestricted	1,474,158	(1,270,667)	(561,376)	(206,984)	2,804,943	3,099,905	4,125,914
<b>Total governmental activities</b>	<b>\$ 704,138</b>	<b>\$ 1,255,228</b>	<b>\$ 2,457,273</b>	<b>\$ 3,177,161</b>	<b>\$ 5,747,788</b>	<b>\$ 7,207,093</b>	<b>\$ 8,389,696</b>
<b>Business type activities</b>							
Invested in capital assets, net of related debt	\$ 6,579,413	\$ 5,994,294	\$ 5,415,861	\$ 5,152,365	\$ 4,806,874	\$ 4,643,383	\$ 4,440,519
Restricted		102,369					
Unrestricted	(186,866)	923,425	629,199	1,092,036	1,385,963	730,965	1,321,947
<b>Total business type activities</b>	<b>\$ 6,392,547</b>	<b>\$ 7,020,088</b>	<b>\$ 6,045,060</b>	<b>\$ 6,244,401</b>	<b>\$ 6,192,837</b>	<b>\$ 5,374,348</b>	<b>\$ 5,762,466</b>
<b>Primary Government</b>							
Invested in capital assets, net of related debt	\$ 5,809,393	\$ 7,739,807	\$ 8,256,574	\$ 8,340,046	\$ 7,543,067	\$ 8,534,671	\$ 8,496,184
Restricted		882,751	177,936	196,464	206,652	215,900	208,117
Unrestricted	1,287,292	(347,242)	67,823	885,052	4,190,906	3,830,870	5,447,861
<b>Total primary government</b>	<b>\$ 7,096,685</b>	<b>\$ 8,275,316</b>	<b>\$ 8,502,333</b>	<b>\$ 9,421,562</b>	<b>\$ 11,940,625</b>	<b>\$ 12,581,441</b>	<b>\$ 14,152,162</b>

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards. Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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

Fiscal Year Ended 9/30	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental activities:							
General government	\$ 1,549,650	\$ 1,618,870	\$ 1,726,541	\$ 2,337,885	\$ 1,963,868	\$ 2,082,101	\$ 1,985,394
Public Safety	3,501,890	3,944,556	4,142,712	4,386,918	4,676,540	5,224,278	4,994,823
Culture/recreation	236,146	203,610	206,779	364,037	499,442	512,999	586,308
Physical environment	288,883	348,965	377,751	369,965	403,190	437,217	452,133
Interest on long term debt	251,554	232,031	184,431	168,583	155,786	145,818	110,327
<b>Total governmental activities</b>	<b>\$ 5,828,123</b>	<b>\$ 6,348,032</b>	<b>\$ 6,638,214</b>	<b>\$ 7,627,388</b>	<b>\$ 7,698,826</b>	<b>\$ 8,402,413</b>	<b>\$ 8,128,985</b>
Business type activities:							
Water utility	\$ 1,259,564	\$ 1,269,157	\$ 2,313,852	\$ 2,392,210	\$ 2,594,317	\$ 2,800,840	\$ 2,961,803
Sewer utility	713,593	836,290	839,257	737,138	856,529	876,225	1,024,162
Interest on long term debt	50,046		330,982	351,393	304,552	427,622	420,614
<b>Total business type activities</b>	<b>2,023,203</b>	<b>2,105,447</b>	<b>3,484,091</b>	<b>3,480,741</b>	<b>3,755,398</b>	<b>4,104,687</b>	<b>4,406,579</b>
<b>Total primary government expenses</b>	<b>\$ 7,851,326</b>	<b>\$ 8,453,479</b>	<b>\$ 10,122,305</b>	<b>\$ 11,108,129</b>	<b>\$ 11,454,224</b>	<b>\$ 12,507,100</b>	<b>\$ 12,535,564</b>
<b>Program Revenues</b>							
Charges for Services- Governmental Activities							
General Government	\$ 59,417	\$ 50,829	\$ 51,137	\$ 50,983	\$ 71,754	\$ 70,861	\$ 54,539
Public Safety	472,472	462,355	463,069	443,549	453,299	463,487	261,729
Culture recreation	2,527	4,429	5,272	4,992	4,879	4,047	6,273
Sanitation	339,661	349,672	353,015	350,127	381,775	412,813	476,579
<b>Total Charges for Services</b>	<b>\$ 874,077</b>	<b>\$ 867,285</b>	<b>\$ 872,493</b>	<b>\$ 849,651</b>	<b>\$ 911,707</b>	<b>\$ 951,208</b>	<b>\$ 799,120</b>
Operating Grants and Contributions	46,622	79,078	6,334	4,500	10,575		7,605
Capital Grants and Contributions			300,000	200,000		75,436	184,387
<b>Total governmental activities program revenues</b>	<b>\$ 920,699</b>	<b>\$ 946,363</b>	<b>\$ 1,178,827</b>	<b>\$ 1,054,151</b>	<b>\$ 922,282</b>	<b>\$ 1,026,644</b>	<b>\$ 991,112</b>
Business type activities program revenue:							
Water utility	\$ 1,220,355	\$ 1,185,831	\$ 1,296,600	\$ 1,282,171	\$ 1,705,302	\$ 1,941,274	\$ 2,147,620
Sewer utility	809,041	824,727	839,337	844,200	847,096	842,837	951,892
Capital Grants and Contributions		300,000		3,000			
<b>Total business type activities program revenues</b>	<b>2,029,396</b>	<b>2,310,558</b>	<b>2,135,937</b>	<b>2,129,371</b>	<b>2,552,398</b>	<b>2,784,111</b>	<b>3,099,512</b>
<b>Total primary government program revenue</b>	<b>\$ 2,950,095</b>	<b>\$ 3,256,921</b>	<b>\$ 3,314,764</b>	<b>\$ 3,183,522</b>	<b>\$ 3,474,680</b>	<b>\$ 3,810,755</b>	<b>\$ 4,090,624</b>
Net (expense) revenue							
Governmental activities	\$ (4,907,424)	\$ (5,401,669)	\$ (5,459,387)	\$ (6,573,237)	\$ (6,776,544)	\$ (7,375,769)	\$ (7,137,873)
Business type activities	6,193	205,111	(1,348,154)	(1,351,370)	(1,203,000)	(1,320,576)	(1,307,067)
<b>Total primary government net expense</b>	<b>\$ (4,901,231)</b>	<b>\$ (5,196,558)</b>	<b>\$ (6,807,541)</b>	<b>\$ (7,924,607)</b>	<b>\$ (7,979,544)</b>	<b>\$ (8,696,345)</b>	<b>\$ (8,444,940)</b>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities							
Taxes							
Property taxes	\$ 4,660,858	\$ 5,242,428	\$ 5,976,900	\$ 7,227,968	\$ 8,901,807	\$ 8,553,333	\$ 7,938,812
Utility service taxes	572,035	600,177	641,671	701,028	732,989	781,749	824,927
Sales and use taxes	312,962	340,247	343,457	357,251	345,079	323,586	290,488
State revenue sharing	60,786	68,842	94,302	97,404	95,488	88,678	87,777
Investment earnings	70,990	65,970	120,171	221,860	287,194	167,790	109,958
Miscellaneous revenues	124,730	41,517	86,366	164,599	53,679	24,372	123,751
Gain (loss) on disposal of assets			18,000	50			1,500
Transfers	(143,581)	(406,422)	(619,435)	(1,477,035)	(1,069,065)	(1,104,435)	(1,056,737)
<b>Total general revenues</b>	<b>\$ 5,658,780</b>	<b>\$ 5,952,759</b>	<b>\$ 6,661,432</b>	<b>\$ 7,293,125</b>	<b>\$ 9,347,171</b>	<b>\$ 8,835,073</b>	<b>\$ 8,320,476</b>
Business type activities program revenue							
Investment earnings	\$ 17,992	\$ 10,150	\$ 28,559	\$ 70,343	\$ 77,393	\$ 24,731	\$ 16,342
Other miscellaneous revenues	80,000	5,858	87,483	1,747	4,979	2,920	(3,781)
Gain (loss) on disposal of assets			(362,351)	1,586			900
Transfers	143,581	406,422	619,435	1,477,035	1,069,065	1,104,435	1,056,737
<b>Total business type activities program revenues</b>	<b>241,573</b>	<b>422,430</b>	<b>373,126</b>	<b>1,550,711</b>	<b>1,151,437</b>	<b>1,132,086</b>	<b>1,070,198</b>
<b>Total primary government</b>	<b>\$ 5,900,353</b>	<b>\$ 6,375,189</b>	<b>\$ 7,034,558</b>	<b>\$ 8,843,836</b>	<b>\$ 10,498,608</b>	<b>\$ 9,967,159</b>	<b>\$ 9,390,674</b>
<b>Changes in Net Assets</b>							
Government activities	\$ 751,356	\$ 551,090	\$ 1,202,045	\$ 719,888	\$ 2,570,627	\$ 1,459,304	\$ 1,182,603
Business type activities	247,766	627,541	(975,028)	199,341	(51,563)	(188,490)	(241,881)
<b>Total primary government</b>	<b>\$ 999,122</b>	<b>\$ 1,178,631</b>	<b>\$ 227,017</b>	<b>\$ 919,229</b>	<b>\$ 2,519,064</b>	<b>\$ 1,270,814</b>	<b>\$ 940,722</b>

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards  
Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government.*

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

Fiscal Year Ended 9/30	2000	2001	2002	2003
<b>General Fund</b>				
Reserved	\$ 8,101	\$ 5,790	\$ 1,603	\$ 10,097
Unreserved	1,193,827	1,019,070	1,243,412	1,535,940
<b>Total general fund</b>	<b>\$ 1,201,928</b>	<b>\$ 1,024,860</b>	<b>\$ 1,245,015</b>	<b>\$ 1,546,037</b>
<b>All Other Governmental Funds</b>				
Reserved	\$ 733,280	\$ 744,319	\$ 752,249	\$ 769,145
Unreserved, reported in:				
Capital projects funds	4,714			
<b>Total all other governmental funds</b>	<b>\$ 737,994</b>	<b>\$ 744,319</b>	<b>\$ 752,249</b>	<b>\$ 769,145</b>

2004	2005	2006	2007	2008	2009
\$ 5,287	\$ 7,329	\$ 188,670	\$ 199,727	\$ 244,903	\$ 221,095
1,522,937	2,168,951	2,142,908	4,079,285	4,905,265	5,822,211
<u>\$ 1,528,224</u>	<u>\$ 2,176,280</u>	<u>\$ 2,331,578</u>	<u>\$ 4,279,012</u>	<u>\$ 5,150,168</u>	<u>\$ 6,043,306</u>
\$ 834,473	\$ 177,936	\$ 196,464	\$ 206,652	\$ 215,900	\$ 208,117
<u>\$ 834,473</u>	<u>\$ 177,936</u>	<u>\$ 196,464</u>	<u>\$ 206,652</u>	<u>\$ 215,900</u>	<u>\$ 208,117</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	2000	2001	2002	2003
<b>Revenues</b>				
Taxes	\$ 3,577,556	\$ 3,826,431	\$ 4,629,819	\$ 5,270,094
Licenses and permits	275,785	411,463	374,287	437,529
Intergovernmental	344,062	375,057	430,113	407,586
Charges for services	345,662	333,807	347,748	347,651
Fines and forfeitures	23,193	47,643	36,568	33,699
Impact fees				8,000
Interest	187,615	155,614	61,974	70,990
Net decrease in fair value of investments				
Miscellaneous revenues	134,011	143,223	194,952	147,511
<b>Total revenues</b>	<b>4,887,884</b>	<b>5,293,238</b>	<b>6,075,461</b>	<b>6,723,060</b>
<b>Expenditures</b>				
General government	1,346,423	1,330,360	1,364,278	1,407,059
Public Safety	2,570,179	2,887,877	3,151,019	3,374,752
Culture/Recreation	108,511	140,955	174,516	174,163
Physical environment	317,396	302,271	299,033	279,459
Capital outlay	171,945	222,349	200,465	411,689
Debt service				
Principal	235,000	337,995	347,880	362,885
Interest	297,551	286,626	266,794	251,554
Other debt service costs	1,059	1,150	1,100	
<b>Total expenditures</b>	<b>5,048,064</b>	<b>5,509,583</b>	<b>5,805,085</b>	<b>6,261,561</b>
Excess of revenues over (under) expenditures	(160,180)	(216,345)	270,376	461,499
<b>Other Financing Sources (Uses)</b>				
Loan Proceeds				
Transfers in	224,917	279,657	274,477	459,612
Transfers out	(224,917)	(287,769)	(316,768)	(603,193)
Payment to refunded bond escrow				
<b>Total other financing sources (uses)</b>		<b>(8,112)</b>	<b>(42,291)</b>	<b>(143,581)</b>
Net Change in fund balances	(160,180)	(224,457)	228,085	317,918
Fund balances - beginning, as restated	2,100,102	1,993,636	1,769,179	1,997,264
<b>Fund balance - ending</b>	<b>\$ 1,939,922</b>	<b>\$ 1,769,179</b>	<b>\$ 1,997,264</b>	<b>\$ 2,315,182</b>
Debt services (principal & interest) as a percentage of non-capital expenditures	10.94%	11.84%	10.99%	10.50%

2004	2005	2006	2007	2008	2009
\$ 5,881,529	\$ 6,652,530	\$ 7,967,255	\$ 9,671,871	\$ 8,869,061	\$ 8,304,641
425,888	396,994	405,004	445,304	955,718	742,493
397,381	725,852	639,256	430,738	470,174	530,054
357,063	362,096	356,373	388,118	418,218	479,888
36,334	49,436	23,837	14,905	13,978	19,603
9,000	7,000	1,000			
65,971	120,171	221,860	287,194	198,144	109,958
				(30,354)	(27,301)
217,515	346,363	272,758	276,020	187,810	321,915
7,390,681	8,660,442	9,887,343	11,514,150	11,082,749	10,481,251
1,634,464	1,606,617	2,266,915	1,933,810	2,056,825	1,880,794
3,808,111	4,003,247	4,217,648	4,530,219	5,141,800	4,787,035
148,615	178,501	251,043	331,850	364,961	414,559
337,051	318,065	328,209	361,924	398,871	416,728
857,999	2,656,050	634,409	582,654	396,819	309,980
396,445	240,000	362,985	588,403	597,856	607,756
222,659	202,283	175,273	158,603	140,778	122,307
7,405,344	9,204,763	8,236,482	8,487,463	9,097,910	8,539,159
(14,663)	(544,321)	1,650,861	3,026,687	1,984,839	1,942,092
468,600	5,360,068				
794,344	2,806,583	314,054	2,464		
(1,200,766)	(3,426,018)	(1,791,089)	(1,071,529)	(1,104,435)	(1,056,737)
	(4,204,793)				
62,178	535,840	(1,477,035)	(1,069,065)	(1,104,435)	(1,056,737)
47,515	(8,481)	173,826	1,957,622	880,404	885,355
2,315,182	2,362,697	2,354,216	2,528,042	4,485,664	5,366,068
\$ 2,362,697	\$ 2,354,216	\$ 2,528,042	\$ 4,485,664	\$ 5,366,068	\$ 6,251,423
9.46%	6.75%	7.08%	9.45%	8.49%	8.87%

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

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Just Value
2000	\$ 796,883,835	\$ 5,500,000	\$ 5,116,923	\$ 807,500,758	20.18	\$ 872,244,894
2001	848,042,371	5,500,000	5,094,800	858,637,171	20.13	934,201,563
2002	1,023,824,786	8,120,433	5,198,958	1,037,144,177	20.35	1,131,263,386
2003	1,187,265,905	8,105,453	8,490,913	1,203,862,271	20.08	1,338,695,342
2004	1,337,767,321	10,500,000	8,332,533	1,356,599,854	19.92	1,542,246,322
2005	1,527,169,511	11,200,000	8,246,381	1,546,615,892	19.73	1,804,845,506
2006	1,854,650,291	11,200,099	9,337,202	1,875,187,592	19.34	2,213,968,392
2007	2,271,637,312	20,004,323	9,190,364	2,300,831,999	18.68	2,844,277,082
2008	2,214,000,270	16,600,099	9,085,847	2,239,686,216	17.40	2,682,469,538
2009	1,925,903,162	16,000,000	9,132,991	1,951,036,153	19.31	2,244,854,157

Source: Palm Beach County Property Appraiser's Office

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

Tax Year	Highland Beach			Overlapping Rates (1)							Total
	General Fund	Debt Service Fund	Total Town Rate	Palm Beach		Palm Beach		South Florida	FIND(2)		
				Palm Beach County	County School Board	Children's Services Council	County Health Care District	Water Management District	And Everglades		
2000	3.77	0.23	4.00	4.94	8.92	0.50	1.03	0.60	0.14	20.13	
2001	3.78	0.22	4.00	4.94	8.95	0.57	1.15	0.60	0.14	20.35	
2002	3.70	0.30	4.00	4.81	8.78	0.62	1.13	0.60	0.14	20.08	
2003	3.50	0.50	4.00	4.79	8.57	0.69	1.13	0.60	0.14	19.92	
2004	3.55	0.45	4.00	4.77	8.43	0.69	1.10	0.60	0.14	19.73	
2005	3.59	0.41	4.00	4.72	8.11	0.69	1.08	0.60	0.14	19.34	
2006	3.58	0.42	4.00	4.48	7.87	0.62	0.97	0.60	0.14	18.68	
2007	3.52	0.43	3.95	3.98	7.35	0.58	0.89	0.53	0.12	17.40	
2008	3.40	0.45	3.85	3.97	7.25	0.60	1.00	0.53	0.12	17.32	
2009	3.35	0.92	4.27	4.56	7.98	0.69	1.15	0.62	0.04	19.31	

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**

2009			2000		
Taxpayers	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayers	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Musa, Marc A	\$ 10,482,049	0.54%	Furnary SJ & C Grossman	\$ 23,245,679	2.71%
Muller, Ralph P	9,670,580	0.50%	Omega Group of Highland Beach	11,887,660	1.38%
Blake, Alfred J	8,845,293	0.46%	Gordon, Jeffrey M.	10,077,330	1.17%
Pross, Randy	8,810,972	0.46%	Blue Lagoon Enterprises, LTD	5,835,933	0.68%
Rap Knifor, LLC	8,772,905	0.45%	Simon, Arnold & Debra	5,564,670	0.65%
Kappel, James S	8,000,000	0.41%	Muller, Ralph P. & Alice	5,023,129	0.59%
Kappel, Sarah A	8,000,000	0.41%	Aloupis, Vance A. & Pamela J.	4,933,093	0.57%
Chaifetz, Jill B Trust	8,133,001	0.42%	Uuranniemi, Jaakko et al	4,110,953	0.48%
Direnzo, August A	7,164,687	0.37%	Chauvier, Daniel & Carla	4,017,955	0.47%
Musa, Marco	7,143,831	0.37%	Merkert, Eugene F	3,920,597	0.46%
<b>Total</b>	<b>\$ 85,023,318</b>	<b>4.39%</b>	<b>Total</b>	<b>\$ 78,616,999</b>	<b>9.16%</b>

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
2000	\$ 3,230,043	\$ 3,119,974	96.59%	\$ 1,773	\$ 3,121,747	96.65%
2001	3,434,549	3,316,182	96.55%	87	3,316,269	96.56%
2002	4,154,129	4,008,671	96.50%	72	4,008,743	96.50%
2003	4,815,437	4,652,659	96.62%	8,199	4,660,858	96.79%
2004	5,426,399	5,241,966	96.60%	562	5,242,528	96.61%
2005	6,186,464	5,974,234	96.57%	2,666	5,976,900	96.61%
2006	7,500,750	7,228,241	96.37%		7,228,241	96.37%
2007	9,203,328	8,921,067	96.93%	1,234	8,922,301	96.95%
2008	8,846,761	8,553,333	96.68%		8,553,333	96.68%
2009	8,249,793	7,938,812	96.23%		7,938,812	96.23%

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	Population <sup>(1)</sup>	Median Family Income	Governmental Activities				Business Type Activity			Total Primary Government	Percentage Personal Income	Per Capita
			General Obligation Bonds	Revenue Bonds	Lease Revenue Bonds	Promissory Notes	Revenue Bonds	Promissory Notes	Revolving Loan Fund			
2000	3,518	N/A	\$ 655,000	\$ 4,385,000	\$ 655,000	\$	\$ 100,000	\$	\$	\$ 5,795,000	N/A	\$ 1,647
2001	3,775	N/A	500,000	4,297,005	550,000		97,995			5,445,000	N/A	1,442
2002	3,885	N/A	345,000	4,204,125	450,000		95,875	1,000,000	245,310	6,340,310	N/A	1,632
2003	3,961	N/A	175,000	4,111,240	350,000		93,760	901,571	4,360,638	9,992,209	N/A	2,523
2004	4,019	N/A		4,013,465	240,000	468,600	91,535	3,585,350	7,514,163	15,913,113	N/A	3,959
2005	4,157	N/A				5,743,300		3,668,091	7,117,397	16,528,788	N/A	3,976
2006	4,157	N/A				5,380,314		655,872	10,101,701	16,137,887	N/A	3,882
2007	4,155	N/A				4,791,912		4,529,938	9,650,076	18,971,926	N/A	4,566
2008	4,164	N/A				4,194,055		4,697,307	9,185,402	18,076,764	N/A	4,341
2009	4,164	N/A				3,586,300		4,471,066	8,707,301	16,764,667	N/A	4,026

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
2000	3,518	\$ 807,510,758	\$ 655,000	0.08%	\$ 186
2001	3,775	858,527,171	500,000	0.06%	132
2002	3,885	1,037,144,177	1,590,310	0.15%	409
2003	3,961	1,203,859,271	5,437,209	0.45%	1,373
2004	4,019	1,356,599,854	8,267,150	0.61%	2,057
2005	4,157	1,546,615,892	9,384,001	0.61%	2,257
2006	4,157	1,875,187,592	8,987,303	0.48%	2,162
2007	4,155	2,300,831,999	8,333,002	0.36%	2,006
2008	4,164	2,239,686,216	7,959,302	0.36%	1,911
2009	4,164	1,935,036,153	7,088,868	0.37%	1,702

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, 2009

Governmental Unit	Net General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Town direct debt:</b>			
Town of Highland Beach	\$ 7,088,868	100.00%	<u>\$ 7,088,868</u>
<b>Overlapping debt:</b>			
Palm Beach School District	\$ 32,835,000		
Palm Beach County	1,868,448,000		
	<u>\$ 1,901,283,000</u>	1.21%	\$ 23,005,524
<b>Total direct and overlapping debt:</b>			<u>\$ 30,094,392</u>
<b>Estimated population:</b>			<u>4,164</u>
<b>Direct and overlapping net debt per capita:</b>			<u>\$ 7,227</u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Highland Beach

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the Town's boundaries and dividing it by the County's total taxable assessed value.

**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	Revenue Bonds Series 1995 (1)				1997 Lease Revenue Bond			
	Pledged Revenue	Debt Service		Coverage	Pledged Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2000	\$ 735,047	\$	\$ 228,638	3.21	\$ 419,378	\$ 90,000	\$ 37,449	3.29
2001	989,581	90,000	228,638	3.11	472,904	95,000	32,831	3.70
2002	712,024	95,000	224,768	2.23	409,634	100,000	23,681	3.31
2003	438,793	95,000	220,588	1.39	572,035	100,000	17,572	4.87
2004	263,766	100,000	216,313	0.83	600,177	110,000	13,667	4.85
2005			147,611		641,671	240,000	9,353	5.16

Fiscal Year Ended 9/30	State Revolving Loan (2)				2005 Promissory Note			
	Pledged Revenue	Debt Service		Coverage	Pledged Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2004	\$ 406,422	\$	\$ 113,318	3.59	\$	\$	\$	
2005	1,005,473	396,766	220,625	1.63				
2006	1,073,105	390,696	282,475	1.59	562,171	328,646	115,548	1.27
2007	1,087,143	451,625	286,798	1.47	568,421	346,120	98,074	1.28
2008	1,117,162	464,674	273,750	1.51	568,363	355,789	88,406	1.28
2009	1,108,490	478,102	260,322	1.50	587,353	366,323	77,871	1.32

(1) Retired by advance funding in 2005.

(2) Funds to provide principal and interest payments for the first \$7,000,000 of the loan will be provided by ad valorem taxes.

**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)	Average House Sale	School Enrollment(3)	Unemployment Rate(4)
2000	3,518	\$73,200	\$66,748	N/A	N/A	5.5%
2001	3,775	N/A	N/A	N/A	23	5.9%
2002	3,885	N/A	N/A	N/A	38	5.4%
2003	3,961	N/A	N/A	N/A	38	4.8%
2004	4,019	N/A	N/A	N/A	39	4.6%
2005	4,157	N/A	N/A	N/A	40	4.0%
2006	4,157	\$83,415	\$81,091	N/A	39	3.6%
2007	4,155	N/A	N/A	N/A	38	4.8%
2008	4,164	\$ 93,915	\$ 79,036	N/A	45	6.3%
2009	4,164	\$ 94,662	\$ 84,430	N/A	64	7.8%

Sources: (1) Bureau of Economic & Business Research (BEBR).  
(2) Business Development Board of Palm Beach County (estimated)  
(3) Palm Beach County School District.  
(4) Bureau of Labor Statistics (Data is for Palm Beach County).



**Schedule 15**  
**Principal Employers - Palm Beach County (Unaudited)**  
**Current Year and Ten Years Ago**

2009			2000		
<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>	<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
School Board	21,718	NA	School Board	16,800	NA
Palm Beach County	11,319	NA	Palm Beach County	9,000	NA
Tenet Healthcare Corp.	4,500	NA	Columbia Palm Beach Healthcare	4,000	NA
Florida Power & Light	3,632	NA	Intracoastal Health Systems	3,200	NA
HCA ( Hospital Corp. of America)	3,395	NA	Motorola	2,300	NA
Wackenhut Corporation	3,000	NA	Florida Power & Light	2,300	NA
Florida Atlantic University	2,838	NA	Florida Crystals	2,300	NA
Veterans Health Administration	2,207	NA	Boca Raton Resort & Club	1,850	NA
Office Depot ( Hdqtrs)	2,100	NA	Boca Raton Community Hospital	2,000	NA
Boca Raton Community Hospital	2,100	NA	Office Depot	1,500	NA
<b>Total</b>	<b>56,809</b>	<b>NA</b>	<b>Total</b>	<b>45,250</b>	<b>NA</b>

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 Government Employees by Function/Program (Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year Ended 9/30	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Function/Program</b>										
<b>General Government</b>										
Town Manager	1	1	1	1	2	2	2	2	2	2
Town Clerk	2	2	2	2	2	2	2	2	2	2
Finance	2	2	2	3	2	2	2	2	2	1
Maintenance	2	2	2	2	2	2	2	2	2	2
Post Office	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
Building	3	3	3	3	3	3	3	3	3	1
Police	12	12	12	13	14	14	15	15	15	15
<b>Cultural and Recreation</b>										
Library	1	1	1	1	1	1	2	2	2	3
<b>Physical Environment</b>										
Utilities	7	7	8	8	9	10	9	9	9	9
<b>Total</b>	<b>31</b>	<b>31</b>	<b>32</b>	<b>34</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>36</b>

Source: Town of Highland Beach Finance Department.

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

Fiscal Year Ended 9/30	2002	2003	2004	2005	2006	2007	2008	2009
<b><u>Function/Program</u></b>								
<b>Public Safety</b>								
Number of arrests by police officers	30	10	10	17	15	4	1	1
Number of traffic citations issued	920	761	1,420	1,099	494	338	319	570
Number of fire calls (1)	234	255	255	256	271	224	254	206
Number of EMS calls (1)	389	425	347	369	421	364	414	457
Number of code enforcement inspections	28	25	8	31	9	9	15	26
Number of building permits issued	1,274	1,140	1,232	1,095	1,575	1,491	1,105	976
<b>Physical Environment</b>								
Number of water and sewer active accounts (meters)	425	427	433	439	448	450	459	472
Number of water and sewer units served	4,290	4,292	4,298	4,304	4,313	4,318	4,311	4,319
<b>Cultural &amp; Recreation</b>								
Number of library patrons	2,597	2,651	2,800	3,239	3,498	4,103	4,555	4,763
Number of items in collection	21,540	22,225	23,215	24,616	26,552	29,728	32,744	34,601
Number of community events presented	79	79	81	81	189	251	502	515

Note: Indicators are not available prior to fiscal year 2002.  
Fire Department contracted through Delray Beach.

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

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

<u>Fiscal Year Ended 9/30</u>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Function/Program</u>										
Public Safety										
Fire Trucks	1	1	1	1	1	1	1	1	1	1
EMS Units	1	1	1	1	1	1	1	1	1	1
Police Officers Vehicles	6	6	6	6	6	8	8	7	9	9
Vehicles- Protective Inspections	2	2	2	2	2	2	2	2	2	0
Transportation										
Street (miles)	3	3	3	3	3	3	3	3	3	3
Physical Environment										
Vehicles-Public Works	4	4	5	5	5	5	5	5	5	5

Source: Town of Highland Beach, FL

## **OTHER REPORTS**



NOWLEN, HOLT & MINER, P.A.

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

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TELEPHONE (561) 996-5612  
FAX (561) 996-6248

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Town of Highland Beach's basic financial statements and have issued our report thereon dated March 8, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Highland Beach, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Highland Beach, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Highland Beach, Florida's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Highland Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Highland Beach, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Town of Highland Beach, Florida's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Highland Beach, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Town of Highland Beach, Florida in the attached Management Letter dated March 8, 2010.

This report is intended solely for the information and use of the Town of Highland Beach, Florida's management, members of the Town Commission, and federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida  
March 8, 2010



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH  
THE RULES OF THE AUDITOR GENERAL  
OF THE STATE OF FLORIDA

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

We have audited the financial statements of the Town of Highland Beach, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 8, 2010.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated March 8, 2010 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits in the State of Florida and requires that we address certain compliance and other matters in the Management Letter, if not already addressed in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

**PRIOR YEAR COMMENTS**

Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

All prior year comments were addressed by the Town and no longer apply.



## **CURRENT YEAR COMMENTS**

### *Investment of Public Funds*

Rules of the Auditor General, requires our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

### *Current Year Recommendations*

Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any recommendations that are required to be reported in this letter.

### *Violations of Laws, Regulations, Contracts and Grant Provisions or Abuse*

Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

### *Matters Inconsequential to the Financial Statements*

Rules of the Auditor General, requires for matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

### *Oversight Unit and Component Units*

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements, but has been repeated here. The Town of Highland Beach, Florida is a municipal corporation originally incorporated in 1926 and reincorporated in 1947 pursuant to Special Act 24537, Laws of

Florida 1947. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

#### Consideration of Financial Emergency Criteria

Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Highland Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

#### Annual Financial Report

Rules of the Auditor General requires that we determine whether the annual financial report for the Town of Highland Beach, Florida filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we noted that the two reports were in substantial agreement.

#### Financial Condition Assessment Procedures

Rules of the Auditor General, requires that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Highland Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported.

#### Excess of Expenditures Over Appropriations

As indicated in Note 3 to the Budgetary Required Supplementary Information for the year ended September 30, 2009 there were no departments that had expenditures in excess of appropriations.

#### Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2009. The Town was not required to have a federal single audit or a state single audit.

Response to Management Letter

We did not audit management's response to the management letter presented on page 99 and express no opinion on it

This Management Letter is intended solely for the information of the Town of Highland Beach, members of the Town Commission, management, the Florida Auditor General, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida  
March 8, 2010



# Town of Highland Beach

3614 SOUTH OCEAN BOULEVARD • HIGHLAND BEACH, FLORIDA 33487

Palm Beach County, Florida

561-278-4548  
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Mayor:  
Jim Newill, CPA  
Vice Mayor:  
Miriam S. Zwick  
Commissioners:  
Doris M. Trinley  
John J. Sorrelli  
John J. Pagliaro  
Town Manager:  
Dale S. Sugerman, Ph. D.

March 8, 2010

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

## **RE: RESPONSE TO MANAGEMENT LETTER**

We are pleased to report that there were no items that required a response to the Management Letter.

Dale S. Sugerman, Ph.D.  
Town Manager

Cale Curtis  
Deputy Finance Director