The Town of

Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

The Town of
Highland Beach, Florida

COMPRHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

Prepared by:
Finance Department

Cale Curtis
Deputy Finance Director

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010
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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:
Bernard Featherman
Vice Mayor:
Miriam S. Zwick
Commissioners:
Doris M. Trinley
John J. Pagliaro
Dennis J. Sheridan
Interim Town Manager:
Kathleen D. Weiser

March 22, 2011

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, 2010.

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, 2010. 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 3,989 (April 2009 Census), which increases to approximately 7,900 during the winter months. The 2009 U.S. Census Bureau identified 52.2 percent of the population was over the age of 65, with 47.8 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 $208,046,559 or 9.72 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:

Year	Taxable Assessed Valuation	Population	Assessed Value Per Capita
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	2,238,941,501	4,164	537,690
2009	2,140,106,933	4,164	513,955
2010	1,932,060,374	3,989	484,347

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. Unreserved, undesignated fund balance equaled 59% of total general fund revenues. A healthy unreserved, undesignated fund balance will help reduce the need to borrow money to finance future projects. Unreserved fund balances are available 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. Department heads and managers will play a key role in the task of forecasting budgetary needs by applying their field expertise to the Town's goal of offering superior public service in a cost-efficient manner. 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 investment portfolio. 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.

MAJOR INITIATIVES

For the Year:

During fiscal year 2009-2010, construction for the replacement of the undersized water transmission main traversing SR A1A began. Final costs are expected to be slightly under $3.8 million. To finance construction, the Town secured two 20- year low interest loans from the Florida Department of Environmental Protection (DEP). The first loan came under the auspices of the Federal Stimulus Program (ARRA) and the second is directly from DEP. The interest rates of the loans are 2.82% and 2.61%, respectively. Construction is expected

to be complete during the first quarter of 2011. Principal and interest payments on both loans begin March 15, 2011.

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.

Financial Standards

The Town implemented Governmental Accounting Standards Board Statement No. 51 (GASB 51) *Accounting and Financial Reporting for Intangible Assets* during the fiscal year ended September 30, 2010. The objective of GASB 51 is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, thereby enhancing the comparability of the financial reporting of such assets among state and local governments. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be reported as capital assets. The Town conducted a study regarding its requirements under GASB 51 and did not identify any intangible assets that are required to be reported.

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, 2009. This was the nineteenth 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,

Kathleen D. Weiser
Interim 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, 2009

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
September 2010

The Citizens of Highland Beach

Town Commission
Jim Newill, CPA, Mayor
Miriam Zwick, Vice Mayor
Doris Trinley, Commissioner
John Sorrelli, Commissioner
John Pagliaro, Commissioner

Advisory Boards and Committees

Town Attorney
Tom Sliney, Esq.
Buckingham Doolittle & Burroughs, LLP

Engineers, Land Planners, Auditors

Town Manager's Office
Dale Sugerman, Ph.D., Town Manager

Zoie Burgess
Assistant to the Town Manager

Police Department
Craig Hartmann,
Chief of Police

Eric Lundberg, Lieutenant

Rich Carl, Sergeant

Jeffery Kaplan, Sergeant

Deborah McCray, Sergeant

David Scherer, Acting Sergeant

Neil Maiorino, Officer
Larry Bonham, Officer
Bob DeVito, Officer
Gary Lee, Officer
Patricia Brooke, Officer
Richard Wentz, Officer
Tatsuaki Hayashi, Officer
Dwayne Fernandes, Reserve Ofc.
Police Officer
Police Officer
Police Officer
Reserve Police Officer-2 (P/T)

Building Department
Michael Desorcy
(Contract Building Official)

Office Manager

Susan Autenrieth
Administrative Assistant (P/T)

Administrative Department

Town Clerk's Office
Beverly Brown,
Town Clerk

Valerie Oakes
Deputy Town Clerk

Administrative Assistant (P/T)

Finance Department
Cale Curtis
Deputy Finance Dir.

Deidre McCarty
Utility Billing/
Admin. Asst.

Post Office
Valerie Jones, Lead Clerk
Rich Curcio, Clerk (P/T)
Bob Wesson, Clerk (P/T)

Public Works
Jack Lee,
Public Works Director

Water Plant
Joe Sterlicchi,
Water Plant Superintendant

Dan Ergueta,
Plant Operator
Butch Harpel,
Plant Operator
Kevin Tribby,
Plant Operator
John Stober,
Operator Trainee

Utilities/Maintenance
Bill Moore,
Utility/Maintenance Super.
Pat Roman,
Utility Foreman
Jesse Alexander,
Utility Mechanic
Bertrand Desir, Maintenance

Library
Mari Suarez,
Library Director

Jerry Williams,
Library Systems Analyst

Martha Pando,
Library Assistant

Phyllis Edwards,
Library Clerk (P/T)

Pamela Lipofsky,
Library Clerk (P/T)

Marlene Roberts,
Library Clerk (P/T)

Alice Witkowski,
Library Clerk (P/T)

TOWN OF HIGHLAND BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2010

TITLE	NAME
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

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FAX (561) 835-0628
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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
ALEXIA G. VARGA, CPA
BRIAN J. BRESCIA, CFP®, CPA
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Commission
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, 2010, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2011, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • CPAMERICA INTERNATIONAL

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 16, the budgetary comparison data on pages 58 through 61, and the Schedule of Funding Progress – Other Post Employment Benefits on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Highland Beach, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 22, 2011

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, 2010. 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 17).

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, 2010 by $15.3 million (net assets), an increase of approximately $1.1 million over the prior year's ending net assets of $14.2 million. Of this amount, $5.9 million may be used to meet the ongoing obligations to citizens and creditors.

- The Town's revenues for governmental activities, excluding transfers, were $10.1 million, a decrease of 2.2% or $246,000 over the previous year. The expenses for governmental activities decreased and were $7.9 million for the year. The decrease in governmental fund revenues is directly related to the declining value of taxable property within the town.

- The business-type activities experienced an increase in revenues of $48,000. Expenses decreased by $223,000. The Water and Sewer Funds had a combined operating loss of $668,064 compared to an operating loss of $859,759 in the prior year.

- The General Fund unreserved fund balance at September 30, 2010 was $6.3 million, an increase of $505,724 from the prior year. This unreserved fund balance is 63 percent of total general fund expenditures and transfers out. $250,000 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 increased by $1,583,000, or 9.4 percent. The key factors of the increase are the net effect of current year principal payments on existing debt combined with the borrowing of new debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* (pages 17 through 19) 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 20) 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 24 provide the same type of information as the government-wide financial statements, only in more detail. The Town's proprietary funds consist of the water and sewer funds. These enterprise funds are the equivalent of business-type activities in the government-wide statements.

Notes to the Financial Statements (beginning on page 28) 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 $15.3 million.

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

	Governmental Activities 2010	Business Activities 2010	Total Activities 2010	Governmental Activities 2009	Business Activities 2009	Total Activities 2009
Assets:						
Current and other assets	$6,783	$2,645	$9,428	$6,478	$1,704	$8,182
Capital assets	5,733	20,061	$25,794	6,057	17,474	23,531
Total assets	**$12,516**	**$22,706**	**$35,222**	**$12,535**	**$19,178**	**$31,713**
Liabilities:						
Long-term debt outstanding	$3,336	$15,543	$18,879	$3,899	$13,314	$17,213
Other liabilities	219	824	1,043	246	101	347
Total liabilities	**$3,555**	**$16,367**	**$19,922**	**$4,145**	**$13,415**	**$17,560**
Net Assets:						
Invested in capital assets, net of debt	$4,105	$4,825	$8,930	$4,056	$4,441	$8,497
Restricted for:						
Renewal and replacement						
Debt service		226	226			
Special projects	207		207	208		208
Unrestricted	4,649	1,288	5,937	4,126	1,322	5,448
Total net assets	**$8,961**	**$6,339**	**$15,300**	**$8,390**	**$5,763**	**$14,153**

The largest portion of the Town's net assets (58%) 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 (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($5,937,000) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Highland Beach is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a small decrease in restricted net assets reported in connection with the Town of Highland Beach's governmental activities. This decrease is a direct result of sun-setting the Cultural Advisory Board Fund. The fund was previously funded through donations. All remaining funds are being expended on various community activities.

Net assets of the Governmental Activities at September 30, 2010, were $8.9 million. Property taxes are the main source of revenues and represent approximately 79 percent of the revenue for governmental activities. Expenditures for Public Safety (Police, Fire Rescue, and Building Inspection) represent approximately 67 percent of Governmental activity expenditures.

Net assets of the Business Type Activities (water and sewer) at September 30, 2010, were $6.3 million. The cost of providing all Proprietary (Business Type) activities this year was $4.1 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 $668,064 was primarily due to an increase in operating expenses associated with the new reverse osmosis plant.

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

	Governmental Activities 2010	Business Activities 2010	Total Activities 2010	Governmental Activities 2009	Business Activities 2009	Total Activities 2009
Revenues:						
Program revenues:						
Charges for services	$836	$3,042	$3,878	$799	$2,999	$3,798
Operating grants and contribution	2		2	8		8
Capital grants and contributions	7		7	184		184
General revenues:						
Property taxes	7,999		7,999	7,939		7,939
Utility taxes	316		316	331		331
Franchise Fees	460		460	494		494
Sales and use taxes	289		289	290		290
State revenue sharing	102		102	88		88
Investment earnings	57	10	67	110	16	126
Miscellaneous	24	4	28	151	1	152
Net increase in fair value of Investments	29	5	34	(27)	(3)	(30)
Gain on disposal of fixed assets				1		1
Total revenues	**10,121**	**3,061**	**13,182**	**10,368**	**3,013**	**13,381**
Expenses:						
Program expenses:						
General government	1,742		1,742	1,985		1,985
Public safety	5,059		5,059	4,995		4,995
Sanitation	437		437	452		452
Culture and recreation	608		608	586		586
Interest on long-term debt	99		99	110		110
Water and sewer		4,089	4,089		4,312	4,312
Total expenses	**7,945**	**4,089**	**12,034**	**8,128**	**4,312**	**12,440**
Excess (deficiency) before transfers	2,176	(1,028)	1,148	2,240	(1,299)	941
Transfers	(1,605)	1,605		(1,057)	1,057	
Increase (decrease) in net assets	571	577	1,148	1,183	(242)	941
Net assets – October 1,	8,390	5,762	14,152	7,207	6,004	13,211
Net assets – September 30,	**$8,961**	**$6,339**	**$15,300**	**$8,390**	**$5,762**	**$14,152**

An increase in permit revenue, coupled with a reduction in general government and sanitation expenditures have led to an increase of approximately $571,000 in net assets year over year.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds-The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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, 2010 the Town's governmental funds reported combined ending fund balances of $6.6 million, an increase of approximately $328,000 from the prior year. Approximately 96% of the combined ending fund balances ($6.3 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the balance is reserved, indicating that it is not available for new spending because it has already been committed 1) to liquidate purchase orders of the prior period ($35,000), and 2) for a variety of other restricted purposes ($217,000).

Budgetary Highlights-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 58). The budget and actual schedules show the original budgets, the final revised budget, actual results, and variance between the final budget and actual results for the General Fund. Total General Fund expenditures of $8.4 million were significantly less than the final amended budget of $9.2 million, a difference of approximately $811,000. This is mainly attributed to a positive balance in the contingency account, personnel vacancies and other 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, 2010 totaled $25.8 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 $3,769,000. Major capital asset events during the current fiscal year included the following:

Town of Highland Beach
Capital Assets
(In thousands of dollars)

	Governmental Activities 2010	Business Activities 2010	Total 2010	Total 2009
Land	$324	$25	$349	$349
Construction in progress		3,720	3,720	239
Buildings and improvements	5,168	9,738	14,906	14,883
Improvements other than buildings	2,069	7,767	9,836	9,735
Furniture, fixtures and equipment	3,063	7,941	11,004	10,840
Total assets	$10,624	$29,191	$39,815	$36,046
Less accumulated depreciation	($4,890)	($9,130)	($14,020)	($12,514)
Total	**$5,734**	**$20,061**	**$25,795**	**$23,532**

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) increased by $1,583,000 as follows:

Town of Highland Beach
Outstanding Debt

	Governmental Activities	Business Activities	Total	Total
	2010	**2010**	**2010**	**2009**
General Obligation Promissory Notes	2,968	4,172	7,140	8,057
Revolving Fund Loan		11,207	11,207	8,707
Total	**$2,968**	**$15,379**	**$18,347**	**$16,764**

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.

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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 6,488,858	$ 1,731,773	$ 8,220,631
Investments	70,551	11,602	82,153
Receivables (net)	77,604	491,869	569,473
Due from other governments	136,030		136,030
Inventories	4,233	25,602	29,835
Prepaid items	5,500	2,111	7,611
Restricted Assets			
Cash and cash equivalents		239,350	239,350
Deferred charges		143,295	143,295
Capital assets			
Non-depreciable			
Land	323,889	24,730	348,619
Construction in progress		3,719,744	3,719,744
Depreciable			
Buildings and improvements	5,168,219	9,737,801	14,906,020
Improvements other than buildings	2,068,871	7,767,058	9,835,929
Equipment	3,063,017	7,941,095	11,004,112
Less: accumulated depreciation	(4,890,389)	(9,129,697)	(14,020,086)
Total assets	12,516,383	22,706,333	35,222,716
Liabilities			
Accounts payable	169,799	756,558	926,357
Accrued liabilities	33,270	9,966	43,236
Accrued interest payable	16,493	11,408	27,901
Retainage Payable		32,507	32,507
Payable from restricted			
Accrued interest		13,139	13,139
Non-current liabilities			
Due within one year	655,534	879,372	1,534,906
Due in more than one year	2,680,453	14,663,924	17,344,377
Total liabilities	3,555,549	16,366,874	19,922,423
Net Assets			
Invested in capital assets, net of related debt	4,105,395	4,824,750	8,930,145
Restricted for:			
Debt service		226,211	226,211
Recreational land acquisition	188,027		188,027
Cultural activities	6,400		6,400
Law enforcement	6,671		6,671
Library activities	5,776		5,776
Unrestricted	4,648,565	1,288,498	5,937,063
Total net assets	$ 8,960,834	$ 6,339,459	$ 15,300,293

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2010

		Program Revenues	
Function/ Program Activities	Expenses	Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	$ 1,742,170	$ 56,688	$
Public safety	5,058,750	294,618	50
Culture recreation	607,773	6,160	1,550
Sanitation	437,106	478,931	
Interest on long term debt	99,866		
Total governmental activities	7,945,665	836,397	1,600
Business-type activities:			
Water utility	3,249,993	2,059,032	
Sewer utility	839,276	982,696	
Total business-type activities	4,089,269	3,041,728	
Total government	$ 12,034,934	$ 3,878,125	$ 1,600

General revenues:
Property taxes
Utility taxes
Franchise fees
Sales and use taxes
State revenue sharing unrestricted
Investment earnings
Net increase in fair value of investments
Miscellaneous
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
$ 7,316	$ (1,678,166)	$	$ (1,678,166)
	(4,764,082)		(4,764,082)
	(600,063)		(600,063)
	41,825		41,825
	(99,866)		(99,866)
7,316	(7,100,352)		(7,100,352)
		(1,190,961)	(1,190,961)
		143,420	143,420
		(1,047,541)	(1,047,541)
$ 7,316	(7,100,352)	(1,047,541)	(8,147,893)
	7,999,103		7,999,103
	315,658		315,658
	459,606		459,606
	289,248		289,248
	102,500		102,500
	57,242	9,641	66,883
	29,148	4,537	33,685
	24,401	4,940	29,341
	(1,605,416)	1,605,416	
	7,671,490	1,624,534	9,296,024
	571,138	576,993	1,148,131
	8,389,696	5,762,466	14,152,162
	$ 8,960,834	$ 6,339,459	$ 15,300,293

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 6,284,321	$ 204,537	$ 6,488,858
Investments	68,214	2,337	70,551
Receivables (net)			
Accounts	77,604		77,604
Due from other governments	136,030		136,030
Inventory	4,233		4,233
Prepaids	5,500		5,500
Total assets	$ 6,575,902	$ 206,874	$ 6,782,776
Liabilities and fund balances			
Liabilities			
Accounts payable	$ 169,799	$	$ 169,799
Accrued liabilities	33,270		33,270
Total liabilities	203,069		203,069
Fund balances			
Reserved for:			
Inventory	4,233		4,233
Prepaids	5,500		5,500
Special projects		206,874	206,874
Encumbrances	35,165		35,165
Unreserved			
Designated for disaster recovery	250,000		250,000
Undesignated	6,077,935		6,077,935
Total fund balances	6,372,833	206,874	6,579,707
Total liabilities and fund balances	$ 6,575,902	$ 206,874	$ 6,782,776

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, 2010

Fund balances total governmental funds		$ 6,579,707
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	$ 10,623,996	
Less accumulated depreciation	(4,890,389)	5,733,607
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	(251,551)	
Other post employment benefits	(116,467)	
Bonds payable	(2,967,969)	
Accrued interest on long-term debt	(16,493)	(3,352,480)
Net assets of governmental activities		$ 8,960,834

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, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 8,349,714	$	$ 8,349,714
Licenses and permits	741,511		741,511
Intergovernmental	366,110		366,110
Fines and forfeitures	18,873	50	18,923
Rent	50,200		50,200
Interest	55,880	1,362	57,242
Net increase in fair value of investments	28,351	797	29,148
Charges for services	484,117		484,117
Miscellaneous	234,565	2,549	237,114
Total revenues	10,329,321	4,758	10,334,079
Expenditures:			
Current			
General government	1,786,346		1,786,346
Public safety	4,923,985		4,923,985
Culture and recreation	421,514	4,502	426,016
Sanitation	401,783		401,783
Capital outlay	139,256	1,499	140,755
Debt service:			
Principal	618,331		618,331
Interest and fiscal charges	103,163		103,163
Total expenditures	8,394,378	6,001	8,400,379
Excess (deficiency) of revenues over (under expenditures)	1,934,943	(1,243)	1,933,700
Other financing sources (uses):			
Transfers out	(1,605,416)		(1,605,416)
Total other financing sources (uses)	(1,605,416)		(1,605,416)
Net change in fund balances	329,527	(1,243)	328,284
Fund balances, beginning of year	6,043,306	208,117	6,251,423
Fund balances, end of year	$ 6,372,833	$ 206,874	$ 6,579,707

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, 2010

Net change in fund balances - Total governmental funds		$ 328,284
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	$ 150,917	
Less: current year depreciation	(473,963)	(323,046)
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		618,331
Net effect of accrued interest on long-term debt		
Decrease in accrued interest payable		3,297
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		(59,727)
Change in long-term compensated absences		3,999
Change in net assets		$ 571,138

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Water Utility	Sewer Utility	Totals
Assets			
Current assets			
Cash and cash equivalents	$ 706,119	$ 1,025,654	$ 1,731,773
Investments	389	11,213	11,602
Receivables (net)			
Accounts	324,670	167,199	491,869
Prepaid items	2,111		2,111
Supplies inventory	25,602		25,602
Restricted Assets			
Cash and cash equivalents	239,350		239,350
Total current assets	1,298,241	1,204,066	2,502,307
Non-current assets			
Deferred charges, net	143,295		143,295
Capital assets			
Non depreciable			
Land	24,730		24,730
Construction in progess	3,719,744		3,719,744
Depreciable			
Building and improvements	8,035,359	1,702,442	9,737,801
Improvements other than buildings	6,571,682	1,195,376	7,767,058
Equipment	7,568,968	372,127	7,941,095
Less accumulated depreciation	(6,953,941)	(2,175,756)	(9,129,697)
Total non-current assets	19,109,837	1,094,189	20,204,026
Total assets	20,408,078	2,298,255	22,706,333
Liabilities			
Current liabilities			
Accounts payable	703,439	53,119	756,558
Accrued liabilities	9,966		9,966
Accrued interest payable	11,408		11,408
Retainage payable	32,507		32,507
Compensated absences payable	15,634		15,634
Payable from restricted			
Accrued interest	13,139		13,139
Current portion of long-term debt	863,738		863,738
Total current liabilities	1,649,831	53,119	1,702,950
Non-current liabilities			
Compensated absences payable	107,894		107,894
Other post-employment benefits	40,495		40,495
Long-term debt	14,515,535		14,515,535
Total non-current liabilities	14,663,924		14,663,924
Total liabilities	16,313,755	53,119	16,366,874
Net Assets			
Invested in capital assets, net of related debt	3,730,561	1,094,189	4,824,750
Restricted for debt service	226,211		226,211
Unrestricted	137,551	1,150,947	1,288,498
Total net assets	$ 4,094,323	$ 2,245,136	$ 6,339,459

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, 2010

	Water Utility	Sewer Utility	Total
Operating revenue			
Charges for services	$ 2,059,032	$ 982,696	$ 3,041,728
Administrative fee	125,926		125,926
Total operating revenues	2,184,958	982,696	3,167,654
Operating expenses			
Personal services	968,724		968,724
Sewage disposal costs		703,276	703,276
Contractual services	23,367		23,367
Maintenance and repair	17,760	4,286	22,046
Meters and supplies	217,485		217,485
Utilities	289,197		289,197
Depreciation	927,097	120,268	1,047,365
Amortization	18,567		18,567
Administrative charges	211,860	125,926	337,786
Professional services	6,050		6,050
Other	190,409	11,446	201,855
Total operating expenses	2,870,516	965,202	3,835,718
Operating income (loss)	(685,558)	17,494	(668,064)
Nonoperating revenues (expenses)			
Interest revenue	2,874	6,767	9,641
Net increase in fair value of investments	528	4,009	4,537
Connection fees	4,940		4,940
Interest expense	(379,477)		(379,477)
Total nonoperating revenues (expenses)	(371,135)	10,776	(360,359)
Income (loss) before contributions and transfers	(1,056,693)	28,270	(1,028,423)
Transfers in	1,605,416		1,605,416
Change in net assets	548,723	28,270	576,993
Net assets, beginning of year	3,545,600	2,216,866	5,762,466
Net assets, end of year	$ 4,094,323	$ 2,245,136	$ 6,339,459

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	Water Utility	Sewer Utility	Totals
Cash flows from operating activities:			
Receipts from customers	$ 2,091,109	$ 964,662	$ 3,055,771
Receipts from interfund services provided	125,926		125,926
Payments to suppliers	(55,942)	(720,492)	(776,434)
Payments for interfund services used	(211,860)	(125,926)	(337,786)
Payments to employees	(938,121)		(938,121)
Net cash provided (used) by operating activities	1,011,112	118,244	1,129,356
Cash flows from non-capital financing activities:			
Transfers from other funds	1,605,416		1,605,416
Net cash provided by non-capital financing activities	1,605,416		1,605,416
Cash flows from capital and related financing activities:			
Proceeds from debt issuance	2,950,027		2,950,027
Principal paid on long term debt	(790,995)		(790,995)
Interest paid on long term debt	(351,949)		(351,949)
Payments to acquire and construct capital assets	(3,516,393)	(85,660)	(3,602,053)
Net cash (used) by capital and related financing activities	(1,709,310)	(85,660)	(1,794,970)
Cash flows from investing activities:			
Interest and dividends on investments	2,874	6,767	9,641
Sale of investments	484	4,106	4,590
Connection fees received	4,940		4,940
Net cash provided by investing activities	8,298	10,873	19,171
Net increase (decrease) in cash and cash equivalents	915,516	43,457	958,973
Cash and cash equivalents, beginning of year	29,953	982,197	1,012,150
Cash and cash equivalents, end of year	$ 945,469	$ 1,025,654	$ 1,971,123

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	Water Utility	Sewer Utility	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (685,558)	$ 17,494	$ (668,064)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	945,664	120,268	1,065,932
(Increase) decrease in:			
Accounts receivable	32,077	(18,034)	14,043
Inventory	1,013		1,013
Prepaids	(111)		(111)
Increase (decrease) in:			
Accounts payable	687,424	(1,484)	685,940
Accrued liabilities	30,603		30,603
Total adjustments	1,696,670	100,750	1,797,420
Net cash provided (used) by operating activities	$ 1,011,112	$ 118,244	$ 1,129,356

See notes to the financial statements

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.

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.

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 except the Open Space and Recreation Land Fund have legally adopted budgets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pooled Cash and Investments (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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.

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, 2009, upon which the 2009-10 levy was based, was approximately $1.935 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, 2010, was 4.2725 ($4.2725 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".

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".

- Reserved for encumbrances – Restricted for commitments related to unperformed contracts.

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.

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.

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, 2010, 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, 2010 was 0.707058094 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, 2010 was 52 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, 2010 was 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2010, the Town of Highland Beach had $213,487 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2010 was $116,191 and the fair value and adjusted book value was $82,154. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2010, 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.

	Weighted Average Maturity	Fair Value
Investments		
State Board of Administration Investment Pool		
Florida PRIME	52 days	$213,488
Fund B	7.49 years	82,153
		$295,641

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, 2010, 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.

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2010, 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	$ 77,604	$324,670	$167,199	$569,473
Intergovernmental	136,030			136,030
Less allowance for uncollectibles				
Net total receivables	$213,634	$324,670	$167,199	$705,503

NOTE 4 – CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Governmental activities**:**	
General government	$177,390
Public safety	102,312
Sanitation	35,323
Culture and recreation	158,938
Total depreciation expense- governmental activities	$473,963
Business-type activities:	
Water utility system	$927,097
Sewer utility system	120,268
Total depreciation expense- business-type activities	$1,047,365

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended September 30, 2010, 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	5,145,389	22,830		5,168,219
Improvements other than buildings	2,041,089	27,782		2,068,871
Equipment, furniture, and books	2,978,532	100,305	(15,820)	3,063,017
Total capital assets being depreciated	10,165,010	150,917	(15,820)	10,300,107
Less accumulated depreciation for:				
Buildings	(1,272,661)	(132,681)		(1,405,342)
Improvements other than buildings	(920,196)	(109,559)		(1,029,755)
Equipment, furniture and books	(2,239,389)	(231,723)	15,820	(2,455,292)
Total accumulated depreciation	(4,432,246)	(473,963)	15,820	(4,890,389)
Governmental activities Capital assets, net	$ 6,056,653	$ (323,046)	$	$ 5,733,607
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 24,730	$	$	$ 24,730
Construction in progress	238,853	3,480,891		3,719,744
Total capital assets not being depreciated	263,583	3,480,891		3,744,474
Capital assets being depreciated:				
Buildings	9,737,801			9,737,801
Improvements other than buildings	7,693,543	73,515		7,767,058
Equipment	7,860,941	80,154		7,941,095
Total capital assets being depreciated	25,292,285	153,669		25,445,954
Less accumulated depreciation for:				
Buildings	(2,469,072)	(243,393)		(2,712,465)
Improvements other than buildings	(3,231,294)	(250,270)		(3,481,564)
Equipment	(2,381,966)	(553,702)		(2,935,668)
Total accumulated depreciation	(8,082,332)	(1,047,365)		(9,129,697)
Business-type activities Capital assets, net	$ 17,473,536	$ 2,587,195	$	$ 20,060,731

At September 30, 2010, the business-type activities had idle assets with a carrying value of $1,381,700.

NOTE 5 - LONG-TERM LIABILITIES

Long-term debt at September 30, 2010, 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 $444,258 and pledged half-cent sales taxes and communication service taxes totaled $571,255 for the year. At September 30, 2010, principal and interest to maturity in 2015 to be paid from pledged future revenues totaled $2,220,970. 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, 2010, is as follows:

Purpose	Amount
Governmental activities	$ 2,009,636
Business-type activities	45,819
	$ 2,055,455

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Promissory Note, 2005 (Continued)

Annual debt service requirements to maturity are as follows:

Governmental Activities:

Year Ending September 30	Principal	Interest	Total
2011	$ 379,121	$ 55,169	$ 434,290
2012	390,062	44,228	434,290
2013	401,483	32,807	434,290
2014	413,079	21,211	434,290
2015	425,891	8,399	434,290
Total	$2,009,636	$161,814	$2,171,450

Business-Type Activities:

Year Ending September 30	Principal	Interest	Total
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	9,701	203	9,904
Total	$45,819	$3,701	$49,520

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. Loan 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.

NOTE 5 - LONG-TERM LIABILITIES (Continued)

General Obligation Promissory Note, 2000 (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2011	$ 71,022	$ 769	$ 71,791
Total	$ 71,022	$ 769	$ 71,791

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, 2010, the interest rate was 3.4%. The note is secured by a general obligation pledge of the Town. Loan covenants require the Town to demonstrate debt service coverage of no less than 110% from the pledged source of revenues.

Based on the rate as of September 30, 2010, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2011	$ 250,000	$ 28,814	$ 278,814
2012	250,000	20,277	270,277
2013	250,000	11,739	261,739
2014	208,333	3,261	211,594
Total	$ 958,333	$ 64,091	$1,022,424

NOTE 5 - LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan - DW 502901

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the purpose of constructing a reverse osmosis water treatment facility. The loan is payable from and secured by ad valorem taxes, not to exceed $8,000,000, and Florida Power and Light utility franchise fees. Principal and interest paid for the current fiscal year was $738,427 and pledged utility franchise fees were $438,391 and ad valorem taxes were $7,999,103. At September 30, 2010, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled $9,968,722. As of September 30, 2010, outstanding principal, including capitalized interest, was $8,215,384. The loan bears interest at 2.87%**.** The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2010 are as follows:

Year Ending September 30	Principal	Interest	Total
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	567,243	171,181	738,424
2016-2020	3,091,956	600,163	3,692,119
2021-2024	2,442,169	142,314	2,584,483
Total	$ 8,215,383	$1,753,339	$9,968,722

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, 2010, $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, 2010, the interest rate was 3.414%.

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Promissory Note, 2007 (Continued)

Based on the rate as of September 30, 2010, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2011	$ 160,950	$ 135,914	$ 296,864
2012	166,438	130,426	296,864
2013	172,393	124,471	296,864
2014	178,282	118,582	296,864
2015	184,465	112,399	296,864
2016-2020	1,022,770	461,550	1,484,320
2021-2025	1,212,966	271,354	1,484,320
2026-2029	956,881	58,222	1,015,103
Total	$4,055,145	$1,412,918	$ 5,468,063

State Revolving Fund Loan – DW 500200

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes, not to exceed $8,000,000. No principal or interest was paid during the current year and pledged ad valorem taxes were $7,999,103. At September 30, 2010, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled $3,578,200. As of September 30, 2010, outstanding principal, including capitalized interest, was $2,724,033. The loan bears interest at 2.82%**.** The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

NOTE 5 - LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan – DW 500200 (Continued)

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2010 are as follows:

Year Ending September 30	Principal	Interest	Total
2011	$ 106,334	$ 72,576	$ 178,910
2012	105,832	73,078	178,910
2013	108,837	70,073	178,910
2014	111,928	66,982	178,910
2015	115,107	63,803	178,910
2016-2020	626,463	268,087	894,550
2011-2025	720,615	173,935	894,550
2026-2030	828,917	65,633	894,550
Total	$ 2,724,033	$ 854,167	$3,578,200

State Revolving Fund Loan - DW500201

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes, not to exceed $8,000,000. No principal or interest was paid during the current year and pledged ad valorem taxes were $7,999,103. At September 30, 2010, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled $345,140. As of September 30, 2010, outstanding principal, including capitalized interest, was $267,871. The loan bears interest at 2.61%**.** The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

NOTE 5 - LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan – DW 500201 (Continued)

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2010 are as follows:

Year Ending September 30	Principal	Interest	Total
2011	$ 10,653	$ 6,604	$ 17,257
2012	10,613	6,644	17,257
2013	10,891	6,366	17,257
2014	11,178	6,079	17,257
2015	11,471	5,786	17,257
2016-2020	62,037	24,248	86,285
2011-2025	70,625	15,660	86,285
2026-2030	80,403	5,882	86,285
Total	$ 267,871	$ 77,269	$345,140

During the year ended September 30, 2010, the following changes occurred in long-term liabilities:

	Balance October 1, 2009	Additions	Deletions	Balance September 30, 2010	Due Within One Year
Governmental activities					
Promissory note, 2005	$ 2,377,967	$	$ 368,331	$ 2,009,636	$ 379,121
Promissory note, 2004B	1,208,333		250,000	958,333	250,000
Other post employment benefits	56,740	59,727		116,467	
Compensated absences	255,549	202,455	206,453	251,551	26,413
Total governmental activities	$ 3,898,589	$ 262,182	$ 824,784	$ 3,335,987	$ 655,534

NOTE 5 - LONG-TERM LIABILITIES (Continued)

	Balance October 1, 2009	Additions	Deletions	Balance September 30, 2010	Due Within One Year
Business-type activities					
Promissory note, 2000	$ 206,548	$	$135,526	$ 71,022	$ 71,02
Promissory note, 2005	54,222		8,403	45,819	8,64
Promissory note, 2007	4,210,296		155,151	4,055,145	160,,95
Revolving fund loan DW 502901	8,707,301		491,818	8,215,383	506,13
Revolving fund loan DW 500200		2,724,033		2,724,033	106,33
Revolving fund loan DW 500201		267,871		267,871	10,65
Other post employment benefits	20,202	20,293		40,495	
Compensated absences	115,643	68,726	60,841	123,528	15,63
Total business-type activities	$13,314,212	$3,080,923	$851,839	$15,543,296	$ 879,37

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2010, were $525,192 and $526,323 respectively. Interest of $45,850 was capitalized in the enterprise funds during the year.

NOTE 6 - INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2010:

	Transfers In	Transfers Out
General Fund	$	$1,605,416
Water utility fund	1,605,416	
Total transfers	$1,605,416	$1,605,416

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, 2010, 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 2010 was $211,860.

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

During the year ended September 30, 2010, 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 2010 was $125,926.

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 by the Town to provide benefits at retirement to the employees of the Town. All full-time employees age 21 or over must participate in the Plan after six (6) months of continuous service. Employees' interest in the Town's contributions vest as follows:

Employees hired before September 30, 1991:

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

Employees hired after September 30, 1991:

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

NOTE 9 - DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Retirement Plan (Continued)

The total payroll for all employees and payroll for employees covered by the Plan for the current year were $2,715,728 and $374,610, 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 $44,954 and $14,984, respectively, for a total of $59,938.

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

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

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

a. Elect to remain in the Money Purchase Pension Plan and to continue to participate according to plan provisions.

b. Elect to withdraw from the Money Purchase Pension Plan and join the Florida Retirement System. Employees allowed funds to revert back to the Town to purchase past service as follows:

    1) The entire ending account balance of the Town's portion of the Money Purchase Pension Plan as of September 30, 2006.

    2) The employee's ending account balance of the Money Purchase Pension Plan to the extent of the Florida Retirement System's buy back of past service amounts as of September 30, 2006.

NOTE 9 - DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Retirement Plan (Continued)

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, 2010, Town employees made voluntary contributions of $60,481 to the Plan.

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

NOTE 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.

NOTE 10 - FLORIDA RETIREMENT SYSTEM

Florida Retirement System Pension Plan

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, 2010, were as follows: regular employees 9.63%, special risk employees 22.11%, senior management service employees 13.43%, and elected officials 17.50%.

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, 2008 through 2010 were $330,343, $330,130, and $331,750 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.

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).

NOTE 10 - FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

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, 2008 through 2010 were $330,343, $330,130 and $331,750 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, 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.

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.

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

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. For the year ended September 30, 2010, there were no retirees enrolled in the Plan. Consequently there were no current year payments for retiree health insurance.

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 are 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	
Interest on net unfunded OPEB Obligation	3,078
Annual OPEB cost	80,020
Contributions made	
Increase in net OPEB obligation	80,020
Net OPEB obligation October 1, 2009	76,942
Net OPEB obligation September 30, 2010	$ 156,962

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
09/30/08	N/A	N/A	N/A
09/30/09	$ 76,942	0.00%	$ 76,942
09/30/10	$ 80,020	0.00%	$ 156,962

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. The Town implemented GASB 45 during the fiscal year ended September 30, 2009, and elected to apply the statement prospectively. Consequently, there are no disclosures for prior years. The Plan is required to have an actuarial valuation every three years. The next valuation is scheduled for September 30, 2012. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

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 develop 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 projected unit credit actuarial 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, 2010, the Town had entered into the following commitments for construction of various improvements.

Project	Project Authorized Amount	Amount Completed 09/30/10	Contracts Payable 09/30/10	Retainage Payable 09/30/10	Balance to Complete
SR A1A Water Main Project	$3,414,376	$3,330,393	$	$ 32,507	$51,476

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, 2010 was $2,903,130.

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, 2010, the Town was charged $673,670 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.

NOTE 16 – NEW PRONOUNCEMENTS

The Town is required to implement Governmental Accounting Standards Board Statement 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ending September 30, 2011. The objective of this statement is to increase the usefulness, including understandability of governmental fund balance information. The impact of the implementation of GASB 54 has not been determined.

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, 2010

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes				
Ad valorem taxes	$ 7,936,744	$ 7,936,744	$ 7,999,103	$ 62,359
Local option gas tax	31,000	31,000	33,651	2,651
Communcations service tax	284,000	284,000	315,658	31,658
Local busines tax	1,200	1,200	1,302	102
Total taxes	8,252,944	8,252,944	8,349,714	96,770
Licenses and permits				
Franchise fees	465,000	465,000	459,606	(5,394)
Building permits	255,000	255,000	281,905	26,905
Total licenses and permits	720,000	720,000	741,511	21,511
Intergovernmental				
Grants			7,316	7,316
State revenue sharing	72,000	72,000	88,363	16,363
Alcoholic beverage licenses	641	641	636	(5)
Half cent sales tax	235,000	235,000	255,597	20,597
Motor fuel tax rebate	1,100	1,100	697	(403)
County occupational tax	12,000	12,000	13,501	1,501
Total intergovernmental	320,741	320,741	366,110	45,369
Fines and forfeitures				
Court fines	12,500	12,500	8,064	(4,436)
Library fines and fees	9,000	9,000	6,160	(2,840)
Violation of local ordinance			2,404	2,404
Miscellaneous	3,500	3,500	2,245	(1,255)
Total fines and forfeitures	25,000	25,000	18,873	(6,127)
Rent				
U.S. Postal Station	25,000	25,000	25,000	
Sprint PCS	25,200	25,200	25,200	
Total rent	50,200	50,200	50,200	
Interest				
Interest on investment	110,000	110,000	53,745	(56,255)
Tax collector interest	10,000	10,000	2,135	(7,865)
Other interest	17,245	17,245		(17,245)
Total interest	137,245	137,245	55,880	(81,365)
Net increase in fair value of investments			28,351	28,351

(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, 2010
(Continued)

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (continued):				
Charges for services				
Zoning fees	$ 1,000	$ 1,000	$ 865	$ (135)
Sales of documents	2,000	2,000	4,321	2,321
Solid Waste	492,000	492,000	478,931	(13,069)
Total charges for services	495,000	495,000	484,117	(10,883)
Miscellaneous				
Disposition of fixed assets				
Administrative reimbursements	211,860	211,860	211,860	
Insurance reimbursements			13,677	13,677
Other	10,000	10,000	9,028	(972)
Total miscellaneous	221,860	221,860	234,565	12,705
Total revenues	10,222,990	10,222,990	10,329,321	106,331
Expenditures:				
General government:				
Town commission	174,100	174,100	124,634	49,466
Town manager	312,890	312,890	301,276	11,614
Town clerk	203,505	203,505	201,457	2,048
Finance	262,040	266,673	256,360	10,313
Legal	220,000	220,000	177,318	42,682
Public buildings	242,437	245,062	244,994	68
Post office	118,725	118,725	113,444	5,281
Non-departmental	445,100	459,733	349,551	110,182
Total general government	1,978,797	2,000,688	1,769,034	231,654
Public safety:				
Police	1,912,880	1,921,633	1,739,866	181,767
Protective inspections	323,037	323,037	286,757	36,280
Ambulance service	12,000	12,000	12,000	
Fire rescue	2,908,130	2,908,130	2,903,230	4,900
Total public safety	5,156,047	5,164,800	4,941,853	222,947

(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, 2010
(Continued)

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (continued)				
Culture and recreation	$ 497,030	$ 495,830	$ 493,618	$ 2,212
Sanitation	458,000	458,000	401,783	56,217
Contingency	400,000	364,910	66,596	298,314
Debt service:				
Principal	618,440	618,440	618,331	109
Interest	103,260	103,260	103,163	97
Total debt service	721,700	721,700	721,494	206
Total expenditures	9,211,574	9,205,928	8,394,378	811,550
Excess of revenues over (under) expenditures	1,011,416	1,017,062	1,934,943	917,881
Other financing sources (uses):				
Transfers out	(1,494,059)	(1,681,258)	(1,605,416)	75,842
Total other financing sources (uses)	$ (1,494,059)	$ (1,681,258)	$ (1,605,416)	$ 75,842
Net change in fund balances			329,527	
Fund balances, beginning of year			6,043,306	
Fund balances, end of year			$ 6,372,833	

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplemental Information
September 30, 2010

NOTE 1. Budgets and Budgetary Accounting

State of Florida Statutes require all municipal governments to establish budgetary systems and approve balanced annual operating budgets. The Town Commission adopts an operating budget and appropriates funds for the General Fund, 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, 2010.

TOWN OF HIGHLAND BEACH, FLORIDA

Required Supplemental Information

Schedule of Funding Progress

Other Post Employment Benefits

For the Year Ended September 30, 2010

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. The Town implemented GASB 45 during the fiscal year ended September 30, 2009, and elected to apply the statement prospectively. Conseqently, there are no disclosures for prior years. The Town is required to have an actuarial valuation every three years. The next valuation is scheduled for September 30, 2012. 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
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2010

	Special Revenue Funds				
	Open Space and Recreation Land	Library Donation	Cultural Society	Law Enforcement	Total Non-major Funds
Assets:					
Cash and cash equivalents	$ 185,949	$ 5,712	$ 6,279	$ 6,597	$ 204,537
Investments	2,078	64	121	74	2,337
Total assets	$ 188,027	$ 5,776	$ 6,400	$ 6,671	$ 206,874
Liabilities and fund balance:					
Liabilities:					
Accounts payable	$	$	$	$	$
Total liabilities					
Fund balance:					
Reserved for special projects	188,027	5,776	6,400	6,671	206,874
Total fund balance	188,027	5,776	6,400	6,671	206,874
Total liabilities and fund balance	$ 188,027	$ 5,776	$ 6,400	$ 6,671	$ 206,874

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, 2010

	Special Revenue Funds				
	Open Space and Recreation Land	Library Donation	Cultural Society	Law Enforcement	Total Non-major Funds
Revenues:					
Contributions	$ 999	$ 1,500	$ 50	$	$ 2,549
Fines and forfeitures				50	50
Interest	1,232	41	46	43	1,362
Net increase in fair value of investments	713	23	36	25	797
Total revenues	2,944	1,564	132	118	4,758
Expenditures:					
Culture and recreation			4,502		4,502
Capital outlay		1,499			1,499
Total expenditures		1,499	4,502		6,001
Net change in fund balances	2,944	65	(4,370)	118	(1,243)
Fund balance, beginning of year	185,083	5,711	10,770	6,553	208,117
Fund balance, end of year	$ 188,027	$ 5,776	$ 6,400	$ 6,671	$ 206,874

TOWN OF HIGHLAND BEACH, FLORIDA
Library Donation Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended September 30, 2010

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Contributions	$ 2,100	$ 1,500	$ (600)
Interest	100	41	(59)
Net decrease in fair value of investments	0	23	23
Total revenues	$ 2,200	$ 1,564	$ (636)
Expenditures			
Capital Outlay	$ 7,200	$ 1,499	$ 5,701
Total expenditures	$ 7,200	$ 1,499	$ 5,701

TOWN OF HIGHLAND BEACH, FLORIDA
Cultural Society Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended September 30, 2010

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Contributions	$ 5,000	$ 50	$ (4,950)
Interest	300	46	(254)
Net decrease in fair value of investments		36	36
Total revenues	$ 5,300	$ 132	$ (5,168)
Expenditures:			
Culture and recreation	$ 10,300	$ 4,502	$ 5,798
Total expenditures	$ 10,300	$ 4,502	$ 5,798

TOWN OF HIGHLAND BEACH, FLORIDA
Law Enforcement Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended September 30, 2010

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Forfeitured property	$	$	$
Interest	100	43	(57)
Net decrease in fair value of investments		25	25
Total revenues	$ 100	$ 68	$ (32)
Expenditures:			
Operating expenses	$ 4,100	$	$ 4,100
Total expenditures	$ 4,100	$	$ 4,100

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	2010
Governmental activities								
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	$ 4,105,395
Restricted		780,382	177,936	196,464	206,652	215,900	208,117	206,674
Unrestricted	1,474,158	(1,270,667)	(561,376)	(206,984)	2,804,943	3,099,905	4,125,914	4,648,565
Total governmental activities	$ 704,138	$ 1,255,228	$ 2,457,273	$ 3,177,161	$ 5,747,788	$ 7,207,093	$ 8,389,696	$ 8,960,634
Business type activities								
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	$ 4,824,750
Restricted		102,369						226,211
Unrestricted	(186,866)	923,425	629,199	1,092,036	1,385,963	730,965	1,321,947	1,288,498
Total business type activities	$ 6,392,547	$ 7,020,088	$ 6,045,060	$ 6,244,401	$ 6,192,837	$ 5,374,348	$ 5,762,466	$ 6,339,459
Primary Government								
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	$ 8,930,145
Restricted		882,751	177,936	196,464	206,652	215,900	208,117	432,885
Unrestricted	1,287,292	(347,242)	67,823	885,052	4,190,906	3,830,870	5,447,861	5,937,063
Total primary government	$ 7,096,685	$ 8,275,316	$ 8,502,333	$ 9,421,562	$ 11,940,625	$ 12,581,441	$ 14,152,162	$ 15,300,093

Note: Data not available prior to fiscal year 2003 immplementation 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	2010
Expenses								
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	$ 1,742,170
Public Safety	3,501,890	3,944,556	4,142,712	4,386,918	4,676,540	5,224,278	4,994,823	5,058,750
Culture/recreation	236,146	203,610	206,779	364,037	499,442	512,999	586,308	607,773
Physical environment	288,883	348,965	377,751	369,965	403,190	437,217	452,133	437,106
Interest on long term debt	251,554	232,031	184,431	168,583	155,786	145,818	110,327	99,866
Total governmental activities	$ 5,828,123	$ 6,348,032	$ 6,638,214	$ 7,627,388	$ 7,698,826	$ 8,402,413	$ 8,128,985	$ 7,945,665
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	2,870,516
Sewer utility	713,593	836,290	839,257	737,138	856,529	876,225	1,024,162	965,202
Interest on long term debt	50,046		330,982	351,393	304,552	427,622	420,614	379,477
Total business type activities	2,023,203	2,105,447	3,484,091	3,480,741	3,755,398	4,104,687	4,406,579	4,215,195
Total primary government expenses	$ 7,851,326	$ 8,453,479	$ 10,122,305	$ 11,108,129	$ 11,454,224	$ 12,507,100	$ 12,535,564	$ 12,160,860
Program Revenues								
Charges for Services- Governmental Activities								
General Government	59,417	50,829	51,137	50,983	71,754	70,861	54,539	56,688
Public Safety	472,472	462,355	463,069	443,549	453,299	463,487	261,729	294,618
Culture recreation	2,527	4,429	5,272	4,992	4,879	4,047	6,273	6,160
Sanitation	339,661	349,672	353,015	350,127	381,775	412,813	476,579	478,931
Total Charges for Services	$ 874,077	$ 867,285	$ 872,493	$ 849,651	$ 911,707	$ 951,208	$ 799,120	$ 836,397
Operating Grants and Contributions	46,622	79,078	6,334	4,500	10,575		7,605	1,600
Capital Grants and Contributions			300,000	200,000		75,436	184,387	7,316
Total governmental activities program revenues	$ 920,699	$ 946,363	$ 1,178,827	$ 1,054,151	$ 922,282	$ 1,026,644	$ 991,112	$ 845,313
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	2,059,032
Sewer utility	809,041	824,727	839,337	844,200	847,096	842,837	851,892	982,696
Capital Grants and Contributions		300,000		3,000				
Total business type activities program revenues	2,029,396	2,310,558	2,135,937	2,129,371	2,552,398	2,784,111	2,999,512	3,041,728
Total primary government program revenue	$ 2,950,095	$ 3,256,921	$ 3,314,764	$ 3,183,522	$ 3,474,680	$ 3,810,755	$ 3,990,624	$ 3,887,041
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)	(7,100,352)
Business type activities	6,193	205,111	(1,348,154)	(1,351,370)	(1,203,000)	(1,320,576)	(1,407,067)	(1,173,467)
Total primary government net expense	$ (4,901,231)	$ (5,196,558)	$ (6,807,541)	$ (7,924,607)	$ (7,979,544)	$ (8,696,345)	$ (8,544,940)	$ (8,273,819)
General Revenues and Other Changes in Net Assets								
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	$ 7,999,103
Utility service taxes	572,035	600,177	641,671	701,028	732,989	781,749	824,927	775,264
Sales and use taxes	312,962	340,247	343,457	357,251	345,079	323,586	290,488	289,248
State revenue sharing	60,786	68,842	94,302	97,404	95,488	88,678	87,777	102,500
Investment earnings	70,990	65,970	120,171	221,860	287,194	167,790	109,958	57,242
Miscellaneous revenues	124,730	41,517	86,366	164,599	53,679	24,372	123,751	53,549
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)	(1,605,416)
Total general revenues	$ 5,658,780	$ 5,952,759	$ 6,661,432	$ 7,293,125	$ 9,347,171	$ 8,835,073	$ 8,320,476	$ 7,671,490
Business type activities program revenue								
Investment earnings	$ 17,992	$ 10,150	$ 28,559	$ 70,343	$ 77,393	$ 24,731	$ 16,342	$ 9,641
Other miscellaneous revenues	80,000	5,858	87,483	1,747	4,979	2,920	(3,781)	9,477
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	1,605,416
Total business type activities program revenues	241,573	422,430	373,126	1,550,711	1,151,437	1,132,086	1,070,198	1,624,534
Total primary government	$ 5,900,353	$ 6,375,189	$ 7,034,558	$ 8,843,836	$ 10,498,608	$ 9,967,159	$ 9,390,674	$ 9,296,024
Changes in Net Assets								
Government activities	$ 751,356	$ 551,090	$ 1,202,045	$ 719,888	$ 2,570,627	$ 1,459,304	$ 1,182,603	$ 571,138
Business type activities	247,766	627,541	(975,028)	199,341	(51,563)	(188,490)	(241,881)	576,993
Total primary government	$ 999,122	$ 1,178,631	$ 227,017	$ 919,229	$ 2,519,064	$ 1,270,814	$ 940,722	$ 1,148,131

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	2001	2002	2003	2004
General Fund				
Reserved	$ 5,790	$ 1,603	$ 10,097	$ 5,287
Unreserved	1,019,070	1,243,412	1,535,940	1,522,937
Total general fund	$ 1,024,860	$ 1,245,015	$ 1,546,037	$ 1,528,224
All Other Governmental Funds				
Reserved	$ 744,319	$ 752,249	$ 769,145	$ 834,473
Unreserved, reported in:				
Special revenue funds				
Capital projects funds				
Debt service funds				
Total all other governmental funds	$ 744,319	$ 752,249	$ 769,145	$ 834,473

2005	2006	2007	2008	2009	2010
$ 7,329	$ 188,670	$ 199,727	$ 244,903	$ 221,095	$ 44,898
2,168,951	2,142,908	4,079,285	4,905,265	5,822,211	6,327,935
$ 2,176,280	$ 2,331,578	$ 4,279,012	$ 5,150,168	$ 6,043,306	$ 6,372,833
$ 177,936	$ 196,464	$ 206,652	$ 215,900	$ 208,117	$ 206,874
$ 177,936	$ 196,464	$ 206,652	$ 215,900	$ 208,117	$ 206,874

Town of Highland Beach, Florida
Schedule 4
Changes in Fund Balances, Governmental Funds(Unaudited)
(Modified Accrual Basis of Accounting)

Fiscal Year Ended 9/30	2001	2002	2003	2004	2005
Revenues					
Taxes	$3,826,431	$4,629,819	$5,270,094	$5,881,529	$6,652,530
Licenses and permits	411,463	374,287	437,529	425,888	396,994
Intergovernmental	375,057	430,113	407,586	397,381	725,852
Charges for services	333,807	347,748	347,651	357,063	362,096
Fines and forfeitures	47,643	36,568	33,699	36,334	49,436
Impact fees			8,000	9,000	7,000
Interest	155,614	61,974	70,990	65,971	120,171
Net decrease in fair value of investments					
Miscellaneous revenues	143,223	194,952	147,511	217,515	346,363
Total revenues	5,293,238	6,075,461	6,723,060	7,390,681	8,660,442
Expenditures					
General government	1,330,360	1,364,278	1,407,059	1,634,464	1,606,617
Public Safety	2,887,877	3,151,019	3,374,752	3,808,111	4,003,247
Culture/Recreation	140,955	174,516	174,163	148,615	178,501
Physical environment	302,271	299,033	279,459	337,051	318,065
Capital outlay	222,349	200,465	411,689	857,999	2,656,050
Debt service					
Principal	337,995	347,880	362,885	396,445	240,000
Interest	286,626	266,794	251,554	222,659	202,283
Other debt service costs	1,150	1,100			
Total expenditures	5,509,583	5,805,085	6,261,561	7,405,344	9,204,763
Excess of revenues over (under) expenditures	(216,345)	270,376	461,499	(14,663)	(544,321)
Other Financing Sources (Uses)					
Loan Proceeds				468,600	5,360,068
Transfers in	279,657	274,477	459,612	794,344	2,806,583
Transfers out	(287,769)	(316,768)	(603,193)	(1,200,766)	(3,426,018)
Proceeds from lease revenue bonds					
Payment to refunded bond escrow					(4,204,793)
Total other financing sources (uses)	(8,112)	(42,291)	(143,581)	62,178	535,840
Net Change in fund balances	(224,457)	228,085	317,918	47,515	(8,481)
Fund balances - beginning, as restated	1,993,636	1,769,179	1,997,264	2,315,182	2,362,697
Fund balance - ending	$1,769,179	$1,997,264	$2,315,182	$2,362,697	$2,354,216
Debt services (principal & interest) as a percentage of non-capital expenditures	11.84%	10.99%	10.50%	9.46%	6.75%

2006	2007	2008	2009	2010
$ 7,967,255	$ 9,671,871	$ 8,869,061	$ 8,304,641	$ 8,349,714
405,004	445,304	955,718	742,493	741,511
639,256	430,738	470,174	530,054	408,995
356,373	388,118	418,218	479,888	484,117
23,837	14,905	13,978	19,603	18,873
1,000				
221,860	287,194	198,144	109,958	55,880
		(30,354)	(27,301)	28,351
272,758	276,020	187,810	321,915	241,881
9,887,343	11,514,150	11,082,749	10,481,251	10,329,321
2,266,915	1,933,810	2,056,825	1,880,794	1,719,750
4,217,648	4,530,219	5,141,800	4,787,035	4,923,987
251,043	331,850	364,961	414,559	421,513
328,209	361,924	398,871	416,728	401,783
634,409	582,654	396,819	309,980	205,852
362,985	588,403	597,856	607,756	618,331
175,273	158,603	140,778	122,307	103,163
8,236,482	8,487,463	9,097,910	8,539,159	8,394,379
1,650,861	3,026,687	1,984,839	1,942,092	1,934,942
314,054	2,464			
(1,791,089)	(1,071,529)	(1,104,435)	(1,056,737)	(1,605,416)
(1,477,035)	(1,069,065)	(1,104,435)	(1,056,737)	(1,605,416)
173,826	1,957,622	880,404	885,355	329,526
2,354,216	2,528,042	4,485,664	5,366,068	6,251,423
$ 2,528,042	$ 4,485,664	$ 5,366,068	$ 6,251,423	$ 6,580,949
7.08%	9.45%	8.49%	8.87%	8.81%

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

Fiscal Year Ended 9/30	Residental Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Just Value
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	18.51	2,844,277,082
2008	2,213,255,555	16,600,099	9,085,847	2,238,941,501	17.42	2,682,469,538
2009	2,114,725,997	16,600,000	8,780,936	2,140,106,933	17.32	2,546,895,895
2010	1,906,562,451	16,000,000	9,497,923	1,932,060,374	19.31	2,231,562,060

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)

	Highland Beach			Overlapping Rates (1)						
Tax Year	General Fund	Debt Service Fund	Total Town Rate	Palm Beach County	Palm Beach County School Board	Children's Services Council	Palm Beach County Health Care District	South Florida Water Management District	FIND(2) And Everglades	Total
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
2010	3.25	0.94	4.19	4.99	8.15	0.75	1.15	0.62	0.04	19.89

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

2010			2001		
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%
Total	**$ 85,023,318**	**4.40%**	**Total**	**$ 78,616,999**	**9.16%**

Source: Palm Beach County Property Appraiser's Office.

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

Fiscal Year Ended 9/30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	8,239,412	7,938,812	96.35%		7,938,812	96.35%
2010	8,254,728	7,999,103	96.90%		7,999,103	96.90%

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 [1]	Median Family Income	Governmental Activities: General Obligation Bonds	Governmental Activities: Revenue Bonds	Governmental Activities: Lease Revenue Bonds	Governmental Activities: Promissory Notes	Business Type Activity: Revenue Bonds	Business Type Activity: Promissory Notes	Business Type Activity: Revolving Loan Fund	Total Primary Government	Percentage Personal Income	Per Capita
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
2010	3,989	N/A				2,967,969		4,171,986	11,207,287	18,347,242	N/A	4,599

Source: (1) Bureau of Economic & Business Rearch (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
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	2,238,941,501	7,959,302	0.36%	1,911
2009	4,164	2,141,822,291	7,088,868	0.33%	1,702
2010	3,989	1,932,060,374	16,220,765	0.84%	4,066

Source: (1) Bureau of Economic & Business Rearch (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, 2010 Governmental Unit	Net General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town direct debt:			
Town of Highland Beach	$ 16,220,765	100.00%	$ 16,220,765
Overlapping debt:			
Palm Beach School District	$ 29,555,000		
Palm Beach County	2,259,475,000		
	$ 2,289,030,000	1.37%	$ 31,359,711
Total direct and overlapping debt:			$ 47,580,476
Estimated population:			3,989
Direct and overlapping net debt per capita:			$ 11,928

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

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 Principal	Debt Service Interest	Coverage	Pledged Revenue	Debt Service Principal	Debt Service Interest	Coverage
1997	$ 1,246,455	$	$ 228,638	5.45	$ 381,759	$ 100,000	$ 21,817	3.13
1998	745,639		228,638	3.26	397,497	80,000	45,886	3.16
1999	416,518		228,638	1.82	409,634	85,000	41,797	3.23
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 Principal	Debt Service Interest	Coverage	Pledged Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2010	1,176,815	491,917	246,507	1.59	571,254	376,836	67,358	1.29

(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 povided by ad valorum 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)
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%
2010	3,989	$ 104,474	$ 72,079	N/A	67	12.4%

Sources: (1) Bureau of Economic & Business Rearch (BEBR).
(2) Business Deveopment 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

2010			2001		
Employer	**Employees**	**Percentage of Total County Employment**	**Employer**	**Employees**	**Percentage of Total County Employment**
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.	5,127	NA	Columbia Palm Beach Healthcare	4,000	NA
HCA (Hospital Corp. of America)	4,150	NA	Intracoastal Health Systems	3,200	NA
Florida Power and Light	3,658	NA	Motorola	2,300	NA
Wackenhut Corporation	3,000	NA	Florida Power & Light	2,300	NA
Florida Atlantic University	2,776	NA	Florida Crystals	2,300	NA
Bethesda Memorial Hospital	2,300	NA	Boca Raton Resort & Club	1,850	NA
Boca Raton Resort and Club	2,100	NA	Boca Raton Community Hospital	2,000	NA
Office Depot (Hdqtrs)	2,100	NA	Office Depot	1,500	NA
Total	**58,248**	**NA**	**Total**	**45,250**	**NA**

Source: Business Development Board of Palm Beach County.

No information available for the Town of Highland Beach

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

Fiscal Year Ended 9/30	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function/Program										
General Government										
Town Manager	1	1	1	2	2	2	2	2	2	2
Town Clerk	2	2	2	2	2	2	2	2	2	2
Finance	2	2	3	2	2	2	2	2	1	1
Maintenance	2	2	2	2	2	2	2	2	2	2
Post Office	1	1	1	1	1	1	1	1	1	1
Public Safety										
Building	3	3	3	3	3	3	3	3	1	1
Police	12	12	13	14	14	15	15	15	15	13
Cultural and Recreation										
Library	1	1	1	1	1	2	2	2	3	3
Physical Evironment										
Utilities	7	8	8	9	10	9	9	9	9	9
Total	31	32	34	36	37	38	38	38	36	34

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	2010
Function/Program									
Public Safety									
Number of arrests by police officers	30	10	10	17	15	4	1	1	5
Number of traffic citations issued	920	761	1,420	1,099	494	338	319	570	363
Number of fire calls (1)	234	255	255	256	271	224	254	206	241
Number of EMS calls (1)	389	425	347	369	421	364	414	457	416
Number of code enforcement inspections	28	25	8	31	9	9	15	26	234
Number of building permits issued	1,274	1,140	1,232	1,095	1,575	1,491	1,105	976	1,045
Physical Environment									
Number of water and sewer active accounts (meters)	425	427	433	439	448	450	459	472	470
Number of water and sewer units served		4,290	4,292	4,298	4,304	4,313	4,318	4,311	4,232
Cultural & Recreation									
Number of library patrons		2,597	2,651	2,800	3,239	3,498	4,103	4,555	4,805
Number of items in collection		21,540	22,225	23,215	24,616	26,552	29,728	32,744	37,231
Number of community events presented		79	79	81	81	189	251	502	633

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

Fiscal Year Ended 9/30	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function/Program										
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	8	8	7	9	9	7
Vehicles- Protective Inspections	2	2	2	2	2	2	2	2	0	0
Transportation										
Street (miles)	3	3	3	3	3	3	3	3	3	3
Physical Environment										
Vehicles-Public Works	4	5	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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Town of Highland Beach, Florida's basic financial statements and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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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 management of Town of Town of Highland Beach, Florida in the accompanying Management Letter in Accordance with the Rules of the Auditor General dated March 22, 2011.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 22, 2011

NOWLEN, HOLT & MINER, P.A.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Town of Highland Beach, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect the Town of Highland Beach, Florida's major federal program for the year ended September 30, 2010. The Town of Highland Beach, Florida's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Highland Beach, Florida's management. Our responsibility is to express an opinion on the Town of Highland Beach, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of the Town of Highland Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Highland Beach, Florida's compliance with those requirements.

In our opinion, the Town of Highland Beach, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

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Internal Control over Compliance

Management of the Town of Highland Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Highland Beach, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Highland Beach, Florida's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the management of the Town of Highland Beach, Florida, the Town Council, others within the entity, 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 + Miner, P.A.

West Palm Beach, Florida
March 22, 2011

TOWN OF HIGHLAND BEACH
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-Through Number	Federal/State Expenditures
Major Federal Program:			
U.S. Environmental Protection Agency			
Passed through Florida Department of Environmental Protection Capitialization Grants for Drinking Water State Revolving Funds Loan	66.468	DW500201	$ 249,770
American Recovery and Reinvestment Act			
U.S. Environmental Protection Agency			
Passed through Florida Department of Environmental Protection ARRA - Capitialization Grants for Drinking Water State Revolving Funds Loan	66.468	DW500200	$ 2,700,257
Total U.S. Environmental Protection Agency			2,950,027
Total federal awards			$ 2,950,027

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the Town's federal awards programs for the year ended September 30, 2010, and is presented in accordance with the requirements of OMB Circular A-133. The schedule has been prepared in accordance with generally accepted accounting principles.

NOTE 2 - CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

TOWN OF HIGHLAND BEACH
Schedule of Findings and Questioned Costs
September 30, 2010

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____yes __X__no
- Reportable condition identified that is not considered to be a material weakness? _____yes __X__none reported

Noncompliance material to financial statements noted? _____yes __X__no

Federal Awards

Internal control over major programs/projects:

- Material weakness identified? _____yes __X__no
- Reportable condition identified that is not considered to be a material weakness? _____yes __X__none reported

Type of auditor's report issued on compliance for major programs/project: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Chapter 10.550 Rules of the Auditor General? _____yes __X__no

Identification of Major Programs

CFDA Numbers	*Name of Federal Program*
	U.S. Environmental Protection Agency (EPA)
66.468	• Capitalization Grants for Drinking Water State Revolving Funds Loan

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? _____yes __X__no

TOWN OF HIGHLAND BEACH
Schedule of Findings and Questioned Costs
September 30, 2010

Section II—Financial Statement Findings

No material weaknesses were identified during the audit of the financial statements nor were any instances of noncompliance material to the financial statements of the Town of Highland Beach, Florida disclosed during the audit.

Section III—Federal Award Findings and Questioned Costs

Major Federal Program

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Funds

No material weaknesses in internal control were disclosed by the audit of the major federal award program, nor were any audit findings relative to the major federal award program identified that are required to be reported under OMB circular A-133.

TOWN OF HIGHLAND BEACH
Summary Schedule of Prior Audit Findings
September 30, 2010

Federal Summary Schedule of Prior Audit Findings

The Town was not required to have and did not have a single audit in the prior year.

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

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, 2010, and have issued our report thereon dated March 22, 2011.

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 22, 2011 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

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.

There were no comments in the prior year that required corrective actions by the Town.

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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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Oversight Unit and Component Units

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, 2010. In connection with our audit, we noted that the two reports are 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, 2010 there were no departments that had expenditures in excess of appropriations.

Single Audits

The Town expended more than $500,000 of federal awards and less than $500,000 of state financial assistance for the year ended September 30, 2010. The Town was required to have a federal single audit but was not required to have a state single audit.

Response to Management Letter

There were no items that required a response by management.

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this Management Letter is intended solely for the information of the management of the Town of Highland Beach, members of the Town Commission, 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 & Miner, P.A.

West Palm Beach, Florida
March 22, 2011