



The Town of  
**Highland Beach, Florida**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
Fiscal Year Ended September 30, 2016



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2016**

**Prepared by:**  
**Finance Department**

**Cale Curtis**  
**Finance Director**

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
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# Town of Highland Beach

3614 SOUTH OCEAN BOULEVARD • HIGHLAND BEACH, FLORIDA 33487

Palm Beach County, Florida

561-278-4548  
FAX 561-265-3582

Mayor:  
Carl Feldman  
Vice Mayor:  
William Weitz, Ph.D.  
Commissioners:  
Rhoda Zelniker  
George V. Kelvin  
Elyse Riesa  
Town Manager:  
Valerie Oakes

March 27, 2017

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

Pursuant to the Town's Charter and in accordance with State law, all general purpose local governments publish, within nine months of the close of the fiscal year, a complete set of financial statements. These are presented in conformity with generally accepted accounting principles (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Commensurate with this requirement, we are pleased to present the Town of Highland Beach's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016.

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

The Town of Highland Beach's financial statements have been audited by Grau & Associates., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Highland Beach for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor has concluded and issued an unmodified ("clean") opinion on the Town of Highland Beach's financial statements for the fiscal year ended September 30, 2016. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **THE TOWN**

The Town of Highland Beach is located in the southern portion of eastern Palm Beach County, which is in the southeastern part of the State of Florida. The Town encompasses 0.6 square miles and is bounded on the north and northwest by the City of Delray Beach and on the south and southwest by the City of Boca Raton. The Atlantic Ocean lies adjacent to the Town on the east and the Intracoastal Waterway lies to the west. The Town is a residential community with a year round population of 3,600 (2015 Estimate- University of Florida's Bureau of Economic & Business Research), which increases to approximately 7,900 during the winter months. According to [www.city-data.com](http://www.city-data.com) the most recently reported (2014) median age in Highland Beach is 65.8 years. Males make up approximately 48% and females 52% of the total population in Highland Beach.

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

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

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

study was conducted during the fiscal year. The results of this study resulted in uniform rate adjustments for the water and sewer rates. The Commission adopted a rate structure that increases annually by a rate index that is tied to municipal operations. This rate structure will allow the water and sewer systems to maintain adequate reserves that are necessary for capital repairs and replacements.

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

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

Year	Taxable Assessed Valuation	Population	Assessed Value Per Capita	
2006	1,875,187,592	4,157	\$	451,092
2007	2,300,831,999	4,155	\$	553,750
2008	2,238,941,501	4,164	\$	537,690
2009	2,140,106,933	4,164	\$	513,955
2010	1,932,060,374	3,989	\$	484,347
2011	1,815,718,250	3,539	\$	513,060
2012	1,732,047,474	3,539	\$	489,417
2013	1,752,273,484	3,572	\$	490,558
2014	1,824,011,226	3,581	\$	509,358
2015	1,937,184,804	3,600	\$	538,107
2016	2,063,280,813	3,600	\$	573,134

### **Long-term financial planning**

At September 30, 2016, the unassigned fund balance in the general fund was \$5.96 million, an increase of \$955k for the fiscal year. This balance is considered to be healthy, consisting of approximately 47% of total general fund expenditures for the FY ended 2016. The Town Commission continues to take an aggressive approach toward preserving the financial future of the Town by adopting policies that create cash reserve designations labeled as assigned fund balance. These cash reserves are assigned for a specific use such as recovering from natural disasters and providing a "cash cushion" during months when cash flows fall stagnant. Future cash reserve designations will include an assigned fund balance for capital improvements and replacements.

### **MAJOR INITIATIVES**

#### **For the Year:**

In Fiscal Year 2016, the Town continued its endeavor to enhance and improve municipal services. The Town successfully negotiated an agreement with the City of Delray Beach that provides the Town with fire rescue and

successfully negotiated an agreement with the City of Delray Beach that provides the Town with fire rescue and ems services for the next 10 years. The first of three reverse osmosis trains had their membranes replaced. Each train has 168 membranes that are aging and due for replacement. The designs for the Water Infrastructure Improvement Projects (WIIP) were completed and construction contracts were advertised for bid. The WIIP includes the side-street water main replacement project and the calcite remineralization water system retrofit projects and are estimated to total around \$5 million. To pay for the WIIP, the Town has secured low-interest funding from the Florida Department of Environmental Protection's State Revolving Fund Program.

#### **For the Future:**

Construction on the WIIP projects began in December 2016 and are anticipated to wrap up by FYE 2017. The Town hired Mathews Consulting to perform a preliminary design and cost estimate on a new Highland Beach streetscape that included walk path replacement, enhanced lighting and safety features, and other hardscape features. The Town's Police Department will replace two patrol vehicles as they continue their efforts to maintain a reliable and cost efficient fleet.

### ***FINANCIAL INFORMATION***

#### **Budgetary Control**

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

#### **Financial Standards**

The Town implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. The objective of GASB 54 is to provide a clearer distinction between available and unavailable financial resources by establishing 5 categories (non-spendable, restricted, committed, assigned, and unassigned) of fund balance. With the adoption of the Fund Balance policy, the Commission established two "assigned" reservations of fund balance: the first is a Target Reserve of 16.7% of general fund revenues. This reserve provides budget stabilization during periods of cash flow shortfalls and had a balance of \$1,794,558 at the 2016 fiscal year end. The second is a Disaster Recovery reserve. The Disaster Recovery had a balance of \$650,000 at the 2016 fiscal year end.

### ***AWARDS AND ACKNOWLEDGMENTS***

#### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Highland Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the twenty-fifth consecutive year that the Town received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted

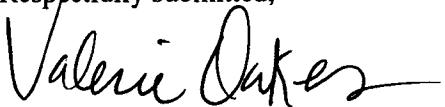
accounting principles and applicable legal requirements.

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

#### **Acknowledgments**

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

Respectfully submitted,



Valerie Oakes  
Town Manager



Cale Curtis  
Finance Director



Government Finance Officers Association

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

Presented to  
**Town of Highland Beach**  
**Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

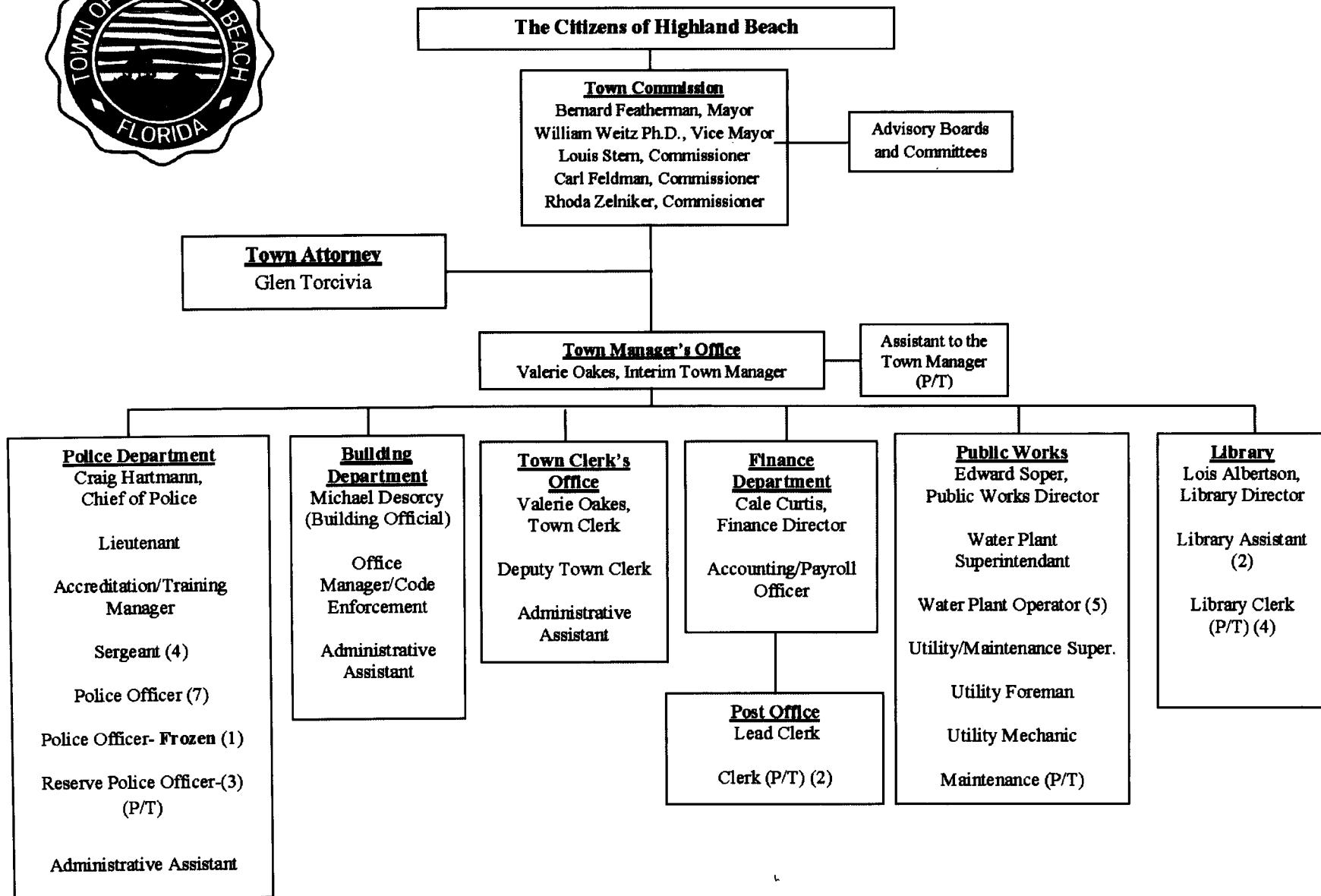
**September 30, 2015**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Evans'.

Executive Director/CEO



## TOWN OF HIGHLAND BEACH Organization Chart



## 2015-2016

ANNUAL OPERATING BUDGET OF THE TOWN OF HIGHLAND BEACH, FLORIDA  
FOR THE  
FISCAL YEAR ENDING SEPTEMBER 30, 2016

TOWN COMMISSION

Bernard Featherman, Mayor

William Weitz, Ph.D., Vice-Mayor

Louis P. Stern, Commissioner

Carl Feldman, Commissioner

Rhoda Zelniker, Commissioner

TOWN MANAGER

Valerie Oakes (Interim)

TOWN ATTORNEY

Glen Torcivia

DEPARTMENT HEADS

Valerie Oakes Town Clerk

Cale D. Curtis Finance Director

Craig Hartmann Chief of Police

Michael Desorcy Building Official

Edward Soper Public Works Director

Lois Albertson Library Director



### **Independent Auditor's Report**

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, (the "Town") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 27, 2017, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

*Brown & Associates*

March 27, 2017

## 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, 2016. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting in changes and currently known facts, please read it in conjunction with the accompanying transmittal letter in the introductory section (beginning on page i) and the Town's financial statements (beginning on page 9).

### FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2016.

- The Town's assets exceeded its liabilities at September 30, 2016 by \$19.6 million (net position), an increase of approximately \$255,000 over the prior year's ending net position of \$19.4 million. Of this amount, \$10.7 million may be used to meet the ongoing obligations to citizens and creditors. The increase in net position is due primarily to the implementation of new reporting standard GASB 68.
- The Town's revenues for governmental activities were \$11.2 million, a decrease of \$477 or 4% over the previous year. The expenses for governmental activities were \$9.7 million, a 9.5% increase from the prior year.
- The business-type activities generated \$3.2 million in operating revenues, a decrease of \$162k over the prior year. The decrease is primarily due to a decrease in water consumption. Operating expenses increased by \$216,000 due to engineering expenses associated with capital improvement projects. The Water and Sewer Funds had a combined operating loss of \$832,000 compared to an operating loss of \$508,000 in the prior year.
- At September 30, 2016, the General Fund's unassigned fund balance was \$5.96 million, an increase of \$948k. The General Fund has designated two assignments of fund balance. One is for budget stabilization and totaled \$1.8 million. The second is for disaster recovery at an amount of \$650,000.
- The Town's long-term liabilities decreased by \$919k, or 8 percent. The key factors of the decrease are due to annual principal payments on current 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 9 through 10) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. The change in net position over time may be an indicator of the Town's financial health.

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

## FUND FINANCIAL STATEMENTS

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements were designed so that the user could determine if the Town is in a better or worse financial condition from the prior year. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.1 million at September 30, 2016.

#### Town of Highland Beach

#### Net Position

(In Thousands)

	Governmental Activities 2016	Business Activities 2016	Total Activities 2016	Governmental Activities 2015	Business Activities 2015	Total Activities 2015
<b>Assets:</b>						
Current and other assets	\$ 9,113	\$ 6,808	\$ 15,921	\$ 7,915	\$ 7,149	\$ 15,064
Capital assets	5,155	14,196	19,351	5,457	14,523	19,980
<b>Total assets</b>	<b>\$ 14,268</b>	<b>\$ 21,004</b>	<b>\$ 35,272</b>	<b>\$ 13,372</b>	<b>\$ 21,672</b>	<b>\$ 35,044</b>
<b>Deferred Outflows of Resources:</b>						
FRS Pension	1,570	243	1,813	509	78	587
<b>Liabilities:</b>						
Long-term debt outstanding		9,957	9,957		10,921	10,921
Other liabilities	5,020	1,925	6,945	3,238	1,562	4,800
<b>Total liabilities</b>	<b>\$ 5,020</b>	<b>\$ 11,882</b>	<b>\$ 16,902</b>	<b>\$ 3,238</b>	<b>\$ 12,483</b>	<b>\$ 15,721</b>
<b>Deferred Inflows of Resources:</b>						
FRS Pension	61	8	69	443	68	511
Net position:						
Net investment in capital assets	5,155	3,356	8,511	5,457	2,741	8,198
Restricted for:						
Debt service		228	228		227	227
Special projects	236		236		228	228
Unrestricted	5,366	5,772	11,138	4,515	6,231	10,746
<b>Total net position</b>	<b>\$ 10,757</b>	<b>\$ 9,356</b>	<b>\$ 20,113</b>	<b>\$ 10,200</b>	<b>\$ 9,199</b>	<b>\$ 19,399</b>

The largest portion of the Town's net position (54%) reflects its unrestricted cash reserves. The unrestricted cash reserves (\$11.1 million) may be used to meet the Town's ongoing obligations to citizens and creditors. Approximately 50% of these cash reserves are earmarked in the Town's 5-year Capital Improvement Plan (CIP).

A portion of the Town's net position (2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$8.5 million) for the Town reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt, used to acquire those assets, that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

*Net position of the Governmental Activities at September 30, 2016, was \$10.8 million.* Property taxes are the main source of revenues and represent approximately 75% of the revenue for governmental activities. Expenses for Public Safety (Police, Fire Rescue, and Building Inspection) represent approximately 68% of Governmental Activities expenses. Tax revenues were down over \$377,000 for the year due to the adoption of a lower tax rate. The Town's capital outlay expenses decreased \$100,000 year over year due to a projects coming to completion. Outstanding Governmental Activities debt decreased \$433,000. The net effect of these major changes primarily contributed to an increase in net position of the Governmental Activities of approximately \$1.1 million.

Net position of the Business Type Activities (water and sewer) at September 30, 2016, was \$9.3 million, an increase of \$100k. The cost of providing all Business-Type Activities this year was \$4.0 million.

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

	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total Activities</b>	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total Activities</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,365	\$ 3,043	\$ 4,408	\$ 1,421	\$ 3,154	\$ 4,575
Operating grants and contributions	15		15	14		14
General revenues:						
Property taxes	8,319		8,319	8,696		8,696
Utility taxes	273		273	285		285
Franchise fees	426		426	443		443
Sales and use taxes	310		310	310		310
State revenue sharing	103		103	95		95
Investment earnings	31	20	51	21	15	36
Miscellaneous	319	161	480	357	210	567
Gain on disposal of fixed assets	7		7	4	7	11
<b>Total revenues</b>	<b>11,168</b>	<b>3,224</b>	<b>14,392</b>	<b>11,646</b>	<b>3,386</b>	<b>15,032</b>
<b>Expenses:</b>						
Program expenses:						
General government	1,910		1,910	1,933		1,933
Public safety	6,346		6,346	5,800		5,800
Public works	491		491	536		536
Culture and recreation	579		579	647		647
Interest on long-term debt				6		6
Water and sewer		4,353	4,353		4,150	4,150
<b>Total expenses</b>	<b>9,326</b>	<b>4,353</b>	<b>13,679</b>	<b>8,922</b>	<b>4,150</b>	<b>13,072</b>
Excess (deficiency) before transfers	1,842	(1,129)	713	2,724	(764)	1,960
Transfers	(1,286)	1,286		(1,286)	1,286	
Increase (decrease) in net position	556	157	713	1,438	522	1,960
Net position – October 1,	10,201	9,199	19,400	8,762	8,677	17,439
<b>Net position – September 30,</b>	<b>\$ 10,757</b>	<b>\$ 9,356</b>	<b>\$ 20,113</b>	<b>\$ 10,200</b>	<b>\$ 9,199</b>	<b>\$ 19,399</b>

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2016 totaled \$19.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during the current fiscal year included the following:

<b>Town of Highland Beach</b>		<b>Capital Assets</b>		<b>(In Thousands)</b>			
<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	<b>Total</b>		
	<b>2016</b>	<b>2016</b>		<b>2016</b>	<b>2015</b>		
Land	\$ 324	\$ -		\$ 324	\$ 324		
Construction in progress			355	355			
Buildings and improvements	5,175	9,472		14,647	14,646		
Improvements other than buildings	3,212	8,426		11,638	11,638		
Furniture, fixtures and equipment	2,541	8,329		10,870	10,834		
<b>Total assets</b>	<b>\$ 11,252</b>	<b>\$ 26,582</b>		<b>\$ 37,834</b>	<b>\$ 37,442</b>		
<b>Less accumulated depreciation</b>		<b>(6,096)</b>		<b>(12,386)</b>	<b>(18,482)</b>		<b>(17,462)</b>
<b>Total</b>	<b>\$ 5,156</b>	<b>\$ 14,196</b>		<b>\$ 19,352</b>	<b>\$ 19,980</b>		

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

### **Long-Term Liabilities**

The Town's long-term liabilities (considering debt retirement) decreased by \$557,000 as follows:

<b>Town of Highland Beach</b>		<b>Long-Term Liabilities</b>			
<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2016</b>		<b>2016</b>	<b>2016</b>	<b>2015</b>
Promissory Notes	\$ -		\$ 3,001	\$ 3,001	\$ 3,192
Revolving Fund Loan			7,840	7,840	8,590
Compensated Absences	279		96	375	353
<b>Total</b>	<b>\$ 279</b>		<b>\$ 10,937</b>	<b>\$ 11,216</b>	<b>\$ 12,135</b>

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

## **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

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

At September 30, 2016 the Town's ending fund balances of the General Fund totaled \$8.6 million, an increase of approximately \$1.1 million from the prior year. Approximately 67% (\$5.96 million) of the ending fund balances constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the balance is reserved, indicating that it is not available for new spending because it has either been assigned to provide 1) budget stabilization (\$1.79 million), or 2) disaster relief (\$650,000); Current year governmental fund expenditures decreased approximately \$662,000 due primarily to the maturity of long-term debt.

*Budgetary Highlights*-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 63). 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 \$8.75 million were less than the final amended budget of \$9.45 million, a difference of approximately \$707,000. The primary source of this difference is due to the Fire Rescue budget variance of \$150,000. The variance is due to a delay in ordering of fire rescue vehicles. Another major source of the budget variance is the delay of a \$100,000 capital project (repaving town hall parking lot). This project will be re-appropriated in FY 2018. Further, all of the general government and cultural (Library) budgets experienced positive variances due to either favorable procurements, unfilled employment positions, and/or a lack of litigation within the legal department.

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

The Town's 2017 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals included enhancing the level of services, increasing the responsiveness of the local government to the needs of the public and to technologically improve the operation of the Town government.

Property taxes are the main source of revenues for governmental activities and represent approximately 72 percent of the General Fund budgeted revenues. The Town's total tax millage rate decreased from a total of 4.6412 mills in FY 2015 to 4.1454 mills in FY 2017.

Notwithstanding one-time capital expenditures, property taxes combined with all other estimated General Fund revenues are projected to be sufficient to cover the expenditures in the fiscal year 2017 budget.

## **REQUESTS FOR INFORMATION**

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

**TOWN OF HIGHLAND BEACH, FLORIDA**

**Statement of Net Position**

**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,035,276	\$ 4,022,126	\$ 10,057,402
Investments	2,847,656	2,017,591	4,865,247
Restricted assets:			
Cash and cash equivalents	-	245,920	245,920
Accounts receivable, net	80,003	504,102	584,105
Due from other governments	123,865	-	123,865
Prepaid costs and inventories	26,371	17,965	44,336
<b>Total current assets</b>	<b>9,113,171</b>	<b>6,807,704</b>	<b>15,920,875</b>
Noncurrent assets:			
Nondepreciable capital assets	323,889	354,542	678,431
Depreciable capital assets, net	4,831,556	13,841,653	18,673,209
<b>Total noncurrent assets</b>	<b>5,155,445</b>	<b>14,196,195</b>	<b>19,351,640</b>
<b>Total assets</b>	<b>14,268,616</b>	<b>21,003,899</b>	<b>35,272,515</b>
<b>Deferred Outflows of resources</b>			
FRS Pension	1,570,342	242,615	1,812,957
<b>Total deferred outflows of resources</b>	<b>1,570,342</b>	<b>242,615</b>	<b>1,812,957</b>
<b>Liabilities and Net Position</b>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	288,184	189,158	477,342
Accrued interest payable	-	17,537	17,537
Noncurrent liabilities due within one year	29,356	979,582	1,008,938
<b>Total current liabilities</b>	<b>317,540</b>	<b>1,186,277</b>	<b>1,503,817</b>
Noncurrent liabilities:			
Net OPEB obligation	299,927	100,894	400,821
Net pension liability	4,152,636	637,949	4,790,585
Due in more than one year	249,904	9,957,485	10,207,389
<b>Total noncurrent liabilities</b>	<b>4,702,467</b>	<b>10,696,328</b>	<b>15,398,795</b>
<b>Total liabilities</b>	<b>5,020,007</b>	<b>11,882,605</b>	<b>16,902,612</b>
<b>Deferred Inflows of resources</b>			
FRS Pension	61,501	8,149	69,650
<b>Total deferred inflows of resources</b>	<b>61,501</b>	<b>8,149</b>	<b>69,650</b>
<b>Net position:</b>			
Net investment in capital assets	5,155,445	3,355,516	8,510,961
Restricted for:			
Recreational land acquisition	222,409	-	222,409
Library activities	6,353	-	6,353
Law enforcement	7,080	-	7,080
Restricted for debt service	-	228,383	228,383
Unrestricted	5,366,163	5,771,861	11,138,024
<b>Total net position</b>	<b>\$ 10,757,450</b>	<b>\$ 9,355,760</b>	<b>\$ 20,113,210</b>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 1,910,244	\$ 167,330	\$ 14,536	\$ (1,728,378)	\$ -	\$ (1,728,378)
Public safety	6,345,596	716,938	-	(5,628,658)	-	(5,628,658)
Culture and recreation	579,310	8,955	-	(570,355)	-	(570,355)
Public works	490,981	471,725	-	(19,256)	-	(19,256)
Total government activities	<u>9,326,131</u>	<u>1,364,948</u>	<u>14,536</u>	<u>(7,946,647)</u>	<u>-</u>	<u>(7,946,647)</u>
Business-type activities:						
Water utility	3,243,497	2,015,477	-	-	(1,228,020)	(1,228,020)
Sewer utility	1,109,658	1,027,246	-	-	(82,412)	(82,412)
Total business-type activities	<u>4,353,155</u>	<u>3,042,723</u>	<u>-</u>	<u>-</u>	<u>(1,310,432)</u>	<u>(1,310,432)</u>
Total primary government	<u>\$ 13,679,286</u>	<u>\$ 4,407,671</u>	<u>\$ 14,536</u>	<u>\$ (7,946,647)</u>	<u>\$ (1,310,432)</u>	<u>\$ (9,257,079)</u>
General revenues:						
Property taxes				8,319,187	-	8,319,187
Utility taxes				272,526	-	272,526
Franchise fees				426,125	-	426,125
Sales and use taxes				310,488	-	310,488
Intergovernmental - unrestricted				103,511	-	103,511
Investment earnings				30,938	20,311	51,249
Gain on disposal of capital assets				7,013	-	7,013
Miscellaneous				319,446	160,541	479,987
Transfers				(1,286,000)	1,286,000	-
Total general revenues and transfers				<u>8,503,234</u>	<u>1,466,852</u>	<u>9,970,086</u>
Change in net position				<u>556,587</u>	<u>156,420</u>	<u>713,007</u>
Net position, beginning				<u>10,200,863</u>	<u>9,199,340</u>	<u>19,400,203</u>
Net position, ending				<u>\$ 10,757,450</u>	<u>\$ 9,355,760</u>	<u>\$ 20,113,210</u>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Balance Sheet - Governmental Funds**  
**September 30, 2016**

	<b>Major Fund</b>	<b>Nonmajor</b>	<b>Total</b>
	<b>General</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,875,136	\$ 160,140	\$ 6,035,276
Investments	2,771,954	75,702	2,847,656
Receivables:			
Accounts receivable, net	80,003	-	80,003
Due from other governments	123,865	-	123,865
Inventory	6,227	-	6,227
Prepays	20,144	-	20,144
<b>Total assets</b>	<b>\$ 8,877,329</b>	<b>\$ 235,842</b>	<b>\$ 9,113,171</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 170,853	\$ -	\$ 170,853
Accrued liabilities	117,331	-	117,331
<b>Total liabilities</b>	<b>288,184</b>	<b>-</b>	<b>288,184</b>
<b>Fund balances:</b>			
Non-spendable for inventories and prepaid costs	26,371	-	26,371
Restricted for:			
Recreational land acquisition	-	222,409	222,409
Library activities	-	6,353	6,353
Law enforcement	-	7,080	7,080
Assigned to:			
Disaster recovery	650,000	-	650,000
Mandatory reserves	1,794,558	-	1,794,558
Subsequent year expenditures	152,760	-	152,760
Unassigned:	5,965,456	-	5,965,456
<b>Total fund balances</b>	<b>8,589,145</b>	<b>235,842</b>	<b>8,824,987</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,877,329</b>	<b>\$ 235,842</b>	<b>\$ 9,113,171</b>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Reconciliation of the Balance Sheet - Governmental**  
**Funds to the Statement of Net Position**  
**September 30, 2016**

Fund balance - governmental funds \$ 8,824,987

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

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

Cost of capital assets	11,251,883	
Accumulated depreciation	<u>(6,096,438)</u>	5,155,445

Deferred outflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	1,570,342	
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Deferred inflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	(61,501)	
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences	(279,260)	
OPEB obligation	(299,927)	
Net pension liability	<u>(4,152,636)</u>	
<b>Net position of governmental activities</b>	<b><u>\$ 10,757,450</u></b>	

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, 2016**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Property taxes	\$ 8,319,187	\$ -	\$ 8,319,187
Franchises fees	426,125	-	426,125
Permits and fees	728,608	-	728,608
Intergovernmental	701,061	-	701,061
Charges for services	527,314	-	527,314
Fines and forfeitures	6,363	-	6,363
Interest income	28,740	2,198	30,938
Rent & Leases	97,663	5,000	102,663
Miscellaneous	326,035	424	326,459
<b>Total revenues</b>	<b>11,161,096</b>	<b>7,622</b>	<b>11,168,718</b>
<b>Expenditures:</b>			
Current:			
General government	1,721,674	-	1,721,674
Public safety	6,092,829	-	6,092,829
Culture and recreation	435,177	-	435,177
Public works	395,998	-	395,998
Capital outlay	106,498	-	106,498
<b>Total expenditures</b>	<b>8,752,176</b>	<b>-</b>	<b>8,752,176</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,408,920</b>	<b>7,622</b>	<b>2,416,542</b>
<b>Other financing sources (uses):</b>			
Transfers out	(1,286,000)	-	(1,286,000)
<b>Total other financing sources (uses)</b>	<b>(1,286,000)</b>	<b>-</b>	<b>(1,286,000)</b>
<b>Net change in fund balances</b>	<b>1,122,920</b>	<b>7,622</b>	<b>1,130,542</b>
<b>Fund balances, beginning</b>	<b>7,466,225</b>	<b>228,220</b>	<b>7,694,445</b>
<b>Fund balances, ending</b>	<b>\$ 8,589,145</b>	<b>\$ 235,842</b>	<b>\$ 8,824,987</b>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2016**

Net change in fund balances - total governmental funds	\$ 1,130,542
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of certain of these assets are eliminated and capitalized as capital assets.	106,498
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities.	(401,118)
Loss on disposal of capital assets is not reported on the governmental fund statements. However, these amounts are reported as expenses on the statement of activities.	(7,320)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:	
Current change in compensated absence	(15,316)
Current change in OPEB obligation	(28,501)
Pension expense	<u>(228,198)</u>
Change in net position of governmental activities	<u>\$ 556,587</u>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Net Position - Proprietary Funds**  
**September 30, 2016**

	<b>Water Utility Fund</b>	<b>Sewer Utility Fund</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 2,854,654	\$ 1,167,472	\$ 4,022,126
Investments	1,465,704	551,887	2,017,591
Accounts receivable (net)	333,967	170,135	504,102
Prepaid Items	11,703	-	11,703
Supplies inventory	6,262	-	6,262
Restricted cash and cash equivalents	245,920	-	245,920
<b>Total current assets</b>	<b>4,918,210</b>	<b>1,889,494</b>	<b>6,807,704</b>
Non-current Assets			
Capital Assets			
Construction in progress	354,542	-	354,542
Building and improvements	7,746,507	1,725,534	9,472,041
Improvements other than buildings	7,221,850	1,204,616	8,426,466
Equipment	7,897,802	431,209	8,329,011
<b>Total capital assets</b>	<b>23,220,701</b>	<b>3,361,359</b>	<b>26,582,060</b>
Less accumulated depreciation	(9,624,891)	(2,760,974)	(12,385,865)
<b>Total non-current assets</b>	<b>13,595,810</b>	<b>600,385</b>	<b>14,196,195</b>
<b>Total assets</b>	<b>18,514,020</b>	<b>2,489,879</b>	<b>21,003,899</b>
<b>Deferred Outflows of Resources</b>			
FRS Pension	242,615	-	242,615
Total deferred outflows of resources	<b>242,615</b>	<b>-</b>	<b>242,615</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 102,896	\$ 58,238	\$ 161,134
Accrued liabilities	28,024	-	28,024
Accrued interest payable	17,537	-	17,537
Compensated absences	10,121	-	10,121
Long-Term Debt	969,461	-	969,461
<b>Total current liabilities</b>	<b>1,128,039</b>	<b>58,238</b>	<b>1,186,277</b>
Long-Term Liabilities			
Compensated absences	86,267	-	86,267
OPEB obligation	100,894	-	100,894
Net pension liability	637,949	-	637,949
Long-Term Debt	9,871,218	-	9,871,218
<b>Total long-term liabilities</b>	<b>10,696,328</b>	<b>-</b>	<b>10,696,328</b>
<b>Total Liabilities</b>	<b>11,824,367</b>	<b>58,238</b>	<b>11,882,605</b>
<b>Deferred Inflows of Resources</b>			
FRS Pension	8,149	-	8,149
Total deferred inflows of resources	<b>8,149</b>	<b>-</b>	<b>8,149</b>
<b>Net Position</b>			
Net investment in capital assets	2,755,131	600,385	3,355,516
Restricted for debt service	228,383	-	228,383
Unrestricted	3,940,605	1,831,256	5,771,861
<b>Total net position</b>	<b>\$ 6,924,119</b>	<b>\$ 2,431,641</b>	<b>\$ 9,355,760</b>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in**  
**Fund Net Position - Proprietary Funds**  
**For the Year Ended September 30, 2016**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services	\$ 2,015,477	\$ 1,022,246	\$ 3,037,723
Administrative fee	140,000	-	140,000
Total operating revenues	<u>2,155,477</u>	<u>1,022,246</u>	<u>3,177,723</u>
 <b>Operating expenses:</b>			
Salaries and fringe benefits	1,140,446	-	1,140,446
Cost of sales and services	611,917	871,983	1,483,900
General and administrative	455,559	144,455	600,014
Depreciation	692,468	93,220	785,688
Total operating expenses	<u>2,900,390</u>	<u>1,109,658</u>	<u>4,010,048</u>
 Operating income (loss)	 (744,913)	 (87,412)	 (832,325)
 <b>Nonoperating revenues (expenses):</b>			
Interest income	14,574	5,737	20,311
Connection fees	15,000	5,000	20,000
Other revenue	5,541	-	5,541
Interest expense	(343,107)	-	(343,107)
Total nonoperating revenues (expenses)	<u>(307,992)</u>	<u>10,737</u>	<u>(297,255)</u>
Income before transfers	<u>(1,052,905)</u>	<u>(76,675)</u>	<u>(1,129,580)</u>
Transfers in	1,286,000	-	1,286,000
Total transfers	<u>1,286,000</u>	<u>-</u>	<u>1,286,000</u>
Net income	<u>233,095</u>	<u>(76,675)</u>	<u>156,420</u>
 Net position - beginning	 6,691,024	 2,508,316	 9,199,340
Total net position, ending	<u>\$ 6,924,119</u>	<u>\$ 2,431,641</u>	<u>\$ 9,355,760</u>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended September 30, 2016**

	<b>Business-Type Activities -</b> <b>Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 2,040,702	\$ 1,020,851	\$ 3,061,553
Receipts from interfund services provided	140,000	-	140,000
Payments to suppliers	(696,967)	(891,432)	(1,588,399)
Payments for interfund services used	(298,550)	(140,000)	(438,550)
Payments to employees	(1,088,285)	-	(1,088,285)
<b>Net cash provided by (used in) operating activities</b>	<b>96,900</b>	<b>(10,581)</b>	<b>86,319</b>
<b>Cash Flows From Noncapital Financing activities:</b>			
Connection fees received	15,000	5,000	20,000
Other revenue	5,541	-	5,541
Transfers from other funds	1,286,000	-	1,286,000
<b>Net cash provided by (used in) noncapital financing</b>	<b>1,306,541</b>	<b>5,000</b>	<b>1,311,541</b>
<b>Cash Flows From Capital and Related</b>			
Financing Activities			
Purchase to acquire and construct capital assets	(419,925)	(38,555)	(458,480)
Principal paid on debt and leases	(941,209)	-	(941,209)
Interest paid on long-term debt	(344,544)	-	(344,544)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(1,705,678)</b>	<b>(38,555)</b>	<b>(1,744,233)</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	(331,935)	(141,316)	(473,251)
Interest received	14,574	5,737	20,311
<b>Net cash provided by (used in) investing activities</b>	<b>(317,361)</b>	<b>(135,579)</b>	<b>(452,940)</b>
Net increase (decrease) in cash and cash equivalents	(619,598)	(179,715)	(799,313)
Cash and cash equivalents, beginning	3,720,172	1,347,187	5,067,359
Cash and cash equivalents, ending	<b>\$ 3,100,574</b>	<b>\$ 1,167,472</b>	<b>\$ 4,268,046</b>
<b>Reconciliation to the statement of net position:</b>			
Cash and equity in pooled cash	\$ 2,854,654	\$ 1,167,472	\$ 4,022,126
Restricted assets, cash	245,920	-	245,920
	<b>\$ 3,100,574</b>	<b>\$ 1,167,472</b>	<b>\$ 4,268,046</b>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Statement of Cash Flows - Proprietary Funds (Continued)**  
**For the Year Ended September 30, 2016**

	<b>Business-Type Activities -</b> <b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Utility</b>	<b>Utility</b>		
<b>Reconciliation of Operating Income (loss) to Net Cash Provided By (Used In) Operating Activities</b>			
Operating income (loss)	\$ (744,913)	\$ (87,412)	\$ (832,325)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>			
Depreciation and amortization	692,468	93,220	785,688
GASB 68 Pension expense	35,492	-	35,492
<b>Changes in assets and liabilities:</b>			
(Increase) decrease in accounts receivable	25,225	(1,395)	23,830
(Increase) decrease in other assets	(9,037)	-	(9,037)
Increase (decrease) in accounts payable	74,551	(14,994)	59,557
Increase (decrease) in other liabilities	6,445	-	6,445
Increase (decrease) in compensated absences	7,082	-	7,082
Increase (decrease) in OPEB	9,587	-	9,587
<b>Total adjustments</b>	<b>841,813</b>	<b>76,831</b>	<b>918,644</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 96,900</b>	<b>\$ (10,581)</b>	<b>\$ 86,319</b>

See notes to the financial statements

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***Financial Reporting Entity***

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

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

The Town reports the following major governmental fund:

**General Fund**

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

The Town reports the following major enterprise funds:

**Water Utility System Fund**

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

**Sewer Utility System Fund**

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

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

**Special Revenue Funds**

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

Open Space and Recreation Land Fund

Library Donation Fund

Law Enforcement Fund

The special revenue funds do not have legally adopted budgets.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

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

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

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

*Assets, Liabilities, and Net Position or Equity*

Pooled Cash and Investments

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Receivables**

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

**Inventories**

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

**Capital Assets**

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

Capital Assets (Continued)

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

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

Compensated Absences

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

Long-Term Obligations

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

*Assets, Liabilities, and Net Position 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, 2016, upon which the levy for the current fiscal year was based, was approximately \$2.076 billion. State Statutes permit municipalities to levy ad valorem property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special Town tax requirements. The millage rate assessed by the Town for the year ended September 30, 2016, was 4.1453 (\$4.1453 for each \$1,000 of assessed valuation).

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Fund Balance**

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following categories:

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

Fund Balance (Continued)

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

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

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

Net Position

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

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

Use of Estimates

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Encumbrances**

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

**New Accounting Standards Adopted**

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2016.

*GASB 72, Fair Value Measurement and Application*

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature.

*GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

*GASB 79 - Certain External Investment Pools and Pool Participants*

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Recently Issued Accounting Pronouncements Not Yet Adopted**

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

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

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

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

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

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

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

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

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

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

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Recently Issued Accounting Pronouncements Not Yet Adopted** (Continued)

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

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

GASB Statement No. 84, *Fiduciary Activities*

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

*Deposits*

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

*Investments*

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

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

As of September 30, 2016, the Town had the following investments:

	<u>Amortized cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 1,848,747	S&P AA Am	Weighted average of the fund portfolio: 50 days
Certificate of deposit	3,016,500	Not rated	10/31/2016
<b>Total Investments</b>	<b>\$ 4,865,247</b>		

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Investments** (Continued)

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

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

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

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

Non-negotiable, non-transferable certificates of deposits that do not consider market rates are reported at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town's investments have been reported at amortized cost above.

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

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

**Credit Risk**

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 3 – RECEIVABLES**

Receivables as of September 30, 2016, for the Town's individual major fund's governmental activities and business-type activities are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>			<b>Total</b>
	<b>General Fund</b>	<b>Water Utility Fund</b>	<b>Sewer Utility Fund</b>			
Receivables:						
Accounts	\$ 80,003	\$ 333,967	\$ 170,135			\$ 584,105
Franchise fees	77,067	-	-			77,067
Due from other governments:						
State of Florida:						
Half cent sales tax	21,255	-	-			21,255
Communication service	20,828	-	-			20,828
Local option gas tax	2,632	-	-			2,632
Other	2,083	-	-			2,083
	<u>203,868</u>	<u>333,967</u>	<u>170,135</u>			<u>707,970</u>
Less allowance for uncollectibles	-	-	-			-
Net total receivables	<u>\$ 203,868</u>	<u>\$ 333,967</u>	<u>\$ 170,135</u>			<u>\$ 707,970</u>

**NOTE 4 – CAPITAL ASSETS**

For the fiscal year ended September 30, 2016, depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 107,099
Public safety	75,755
Sanitation	123,281
Culture and recreation	94,983
Total depreciation expense, governmental activities	<u>\$ 401,118</u>
<b>Business-type activities:</b>	
Water utility system	692,468
Sewer utility system	93,220
Total depreciation expense, business-type activities	<u>\$ 785,688</u>

**TOWN OF HIGHLAND BEACH,  
FLORIDA NOTES TO FINANCIAL  
STATEMENTS SEPTEMBER 30, 2016**

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

Capital assets activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 323,889	\$ -	\$ -	\$ 323,889
Total capital assets, not being depreciated	<u>323,889</u>	<u>-</u>	<u>-</u>	<u>323,889</u>
<b>Capital assets, being depreciated:</b>				
Buildings	5,174,519	-	-	5,174,519
Improvements other than buildings	3,212,261	-	-	3,212,261
Equipment, furniture, and books	2,580,354	106,498	(145,638)	2,541,214
Total capital assets, being depreciated	<u>10,967,134</u>	<u>106,498</u>	<u>(145,638)</u>	<u>10,927,994</u>
<b>Less accumulated depreciation:</b>				
Buildings	(2,063,015)	(127,975)	-	(2,190,990)
Improvements other than buildings	(1,599,755)	(139,226)	-	(1,738,981)
Equipment, furniture, and books	(2,170,868)	(133,917)	138,318	(2,166,467)
Total accumulated depreciation	<u>(5,833,638)</u>	<u>(401,118)</u>	<u>138,318</u>	<u>(6,096,438)</u>
Total capital assets being depreciated, net	<u>5,133,496</u>	<u>(294,620)</u>	<u>(7,320)</u>	<u>4,831,556</u>
Governmental activities capital assets, net	<u><u>\$ 5,457,385</u></u>	<u><u>\$ (294,620)</u></u>	<u><u>\$ (7,320)</u></u>	<u><u>\$ 5,155,445</u></u>
 <b>Business-type activities</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ -	\$ 354,542	\$ -	\$ 354,542
Total capital assets, not being depreciated	<u>-</u>	<u>354,542</u>	<u>-</u>	<u>354,542</u>
<b>Capital assets, being depreciated:</b>				
Buildings	\$ 9,472,041	\$ -	\$ -	\$ 9,472,041
Improvements other than buildings	8,426,466	-	-	8,426,466
Equipment, furniture, and books	8,254,073	103,938	(29,000)	8,329,011
Total capital assets, being depreciated	<u>26,152,580</u>	<u>103,938</u>	<u>(29,000)</u>	<u>26,227,518</u>
<b>Less accumulated depreciation:</b>				
Buildings	(3,648,283)	(241,015)	-	(3,889,298)
Improvements other than buildings	(2,633,293)	(216,235)	-	(2,849,528)
Equipment, furniture, and books	(5,347,603)	(328,436)	29,000	(5,647,039)
Total accumulated depreciation	<u>(11,629,179)</u>	<u>(785,686)</u>	<u>29,000</u>	<u>(12,385,865)</u>
Total capital assets, being depreciated, net	<u>14,523,401</u>	<u>(681,748)</u>	<u>-</u>	<u>13,841,653</u>
 Business-type activities capital assets, net	<u><u>\$ 14,523,401</u></u>	<u><u>\$ (327,206)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,196,195</u></u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 5 – LONG-TERM LIABILITIES**

During the year ended September 30, 2016, the following changes occurred in long-term liabilities:

Business type:	Beginning			Total	Due Within One Year
	Balances	Additions	Reductions		
Promissory note, 2007	\$ 3,192,102	\$ -	\$ (190,786)	\$ 3,001,316	\$ 197,501
Revolving fund loan DW500200	2,411,961	-	(131,213)	2,280,748	134,938
Revolving fund loan DW500201	643,699	-	(35,566)	608,133	36,501
Revolving fund loan DW502901	5,534,126	-	(583,644)	4,950,482	600,521
Total notes and loans payable	11,781,888	-	(941,209)	10,840,679	969,461
Compensated Absences	89,306	72,519	(65,437)	96,388	10,121
	<b>\$ 11,871,194</b>	<b>\$ 72,519</b>	<b>\$ (1,006,646)</b>	<b>\$ 10,937,067</b>	<b>\$ 979,582</b>

Governmental:	Beginning			Total	Due Within One Year
	Balances	Additions	Reductions		
Compensated Absences	\$ 263,944	\$ 266,021	\$ (250,705)	\$ 279,260	\$ 29,356
	<b>\$ 263,944</b>	<b>\$ 266,021</b>	<b>\$ (250,705)</b>	<b>\$ 279,260</b>	<b>\$ 29,356</b>

**Interest Expense**

Total interest costs incurred and paid on all Town debt for the years ended September 30, 2015 and 2016, were \$360,860 and \$343,107, respectively. No interest cost was capitalized during the year.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

Long-term debt at September 30, 2016, consists of the following individual issues:

*Promissory Note, 2007*

The \$4,400,000 promissory note was obtained for the purpose of financing the expansion of the Town's water treatment plant. As of September 30, 2016, proceeds in the amount of \$4,299,000 have been received from the note. Interest only was due for the first twenty-four months. Thereafter, interest and principal is due in monthly installments through February, 2029. For the interest only period, the annual interest rate was 0.67% plus 63.7% of the LIBOR. After the interest only period, the interest rate will be a fixed rate at 84% of the ask yield on the non-callable U.S. Treasury obligation with a maturity closest to but not less than 10 years after the Fixed Rate Conversion Date, as quoted in the Wall Street Journal on the date two business days before the Fixed Rate Conversion Date. As of September 30, 2016, the interest rate was 3.414%.

Based on the rate as of September 30, 2016, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 197,501	\$ 99,379	\$ 296,880
2018	204,350	92,531	296,881
2019	211,436	85,445	296,881
2020	218,767	78,113	296,880
2021	226,353	70,527	296,880
2022-2026	1,255,085	229,316	1,484,401
2027-2029	687,824	29,734	717,558
	<b>\$ 3,001,316</b>	<b>\$ 685,045</b>	<b>\$ 3,686,361</b>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**State Revolving Fund Loan - DW 502901**

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the purpose of constructing a reverse osmosis water treatment facility. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$738,424 and pledged ad valorem taxes were \$8,319,187. At September 30, 2016, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$5,538,178. As of September 30, 2016, outstanding principal, including capitalized interest, was \$4,950,482. The loan bears interest at 2.87%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 600,521	\$ 137,903	\$ 738,424
2018	617,887	120,536	738,423
2019	635,758	102,666	738,424
2020	654,146	84,277	738,423
2021	673,069	65,355	738,424
2022-2024	1,769,101	76,959	1,846,060
	<b>\$ 4,950,482</b>	<b>\$ 587,696</b>	<b>\$ 5,538,178</b>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**State Revolving Fund Loan – DW 500200**

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$198,311 and pledged ad valorem taxes were \$8,319,187. At September 30, 2016, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$2,776,351. As of September 30, 2016, outstanding principal, including capitalized interest, was \$2,280,748. The loan bears interest at 2.82%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 134,938	\$ 63,372	\$ 198,310
2018	138,771	59,540	198,311
2019	142,711	55,599	198,310
2020	146,764	51,547	198,311
2021	150,932	47,379	198,311
2022-2026	821,443	170,112	991,555
2027-2030	745,189	48,054	793,243
	<b>\$ 2,280,748</b>	<b>\$ 495,603</b>	<b>\$ 2,776,351</b>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**State Revolving Fund Loan - DW500201**

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$52,136 and pledged ad valorem taxes were \$8,319,187. At September 30, 2016, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$729,907. As of September 30, 2016, outstanding principal, including capitalized interest, was \$608,133. The loan bears interest at 2.61%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 36,501	\$ 15,636	\$ 52,137
2018	37,459	14,677	52,136
2019	38,443	13,693	52,136
2020	39,454	12,683	52,137
2021	40,490	11,646	52,136
2022-2026	218,974	41,706	260,680
2027-2030	196,812	11,733	208,545
	<u>\$ 608,133</u>	<u>\$ 121,774</u>	<u>\$ 729,907</u>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 6 – INTERFUND TRANSFERS**

The following is a summary of interfund transfers for the year ended September 30, 2016:

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

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

**NOTE 7 – DEFINED CONTRIBUTION PLANS**

*Town of Highland Beach Retirement Plan*

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

Employees hired before September 30, 1991:

<b>Years of Service Completed</b>	<b>Specified Percent Vested</b>	
One	50%	
Two	75%	
Three	100%	

Employees hired after September 30, 1991:

<b>Years of Service Completed</b>	<b>Specified Percent Vested</b>	
Three	33%	
Four	66%	
Five	100%	

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 7 – DEFINED CONTRIBUTION PLANS** (Continued)

*Town of Highland Beach Retirement Plan* (Continued)

The total payroll for all employees and payroll for employees covered by the Plan for the current year were \$2,998,893 and \$164,325, respectively. The Town is required to contribute 8% of each eligible employee's base salary. Plan members are required to contribute 2% of their base salary. If an employee contributes an additional 1% of base salary, the Town will contribute an additional 2% of the employee's base salary. If an employee contributes an additional 2% of base salary, the Town will contribute an additional 4% of the employee's base salary. For the year ended September 30, 2016, the Town and the covered employees made the required contributions of \$19,719 and \$6,572, respectively, for a total of \$26,291.

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 7 – DEFINED CONTRIBUTION PLANS** (Continued)

*Town of Highland Beach Retirement Plan* (Continued)

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

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

*Town of Highland Beach Voluntary Retirement Plan*

On September 5, 2006, the Town approved Resolution 864 establishing the Town of Highland Beach Voluntary Retirement Plan. The Plan is a defined contribution Money Purchase 401 Plan to provide benefits at retirement to the employees of the Town. The effective date of the Plan was October 1, 2006. All employees age 21 or over may participate in the Plan. Participants may make voluntary pretax contributions to the Plan based upon a percentage of their base payroll. The Town does not make contributions to the Plan. For the year ended September 30, 2016, Town employees did not make any voluntary contributions to the Plan.

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM**

***Florida Retirement System Pension Plan***

**General Information about the FRS**

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

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

The Town's pension expense totaled \$315,132 for the fiscal year ended September 30, 2016.

**FRS Pension Plan**

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Florida Retirement System Pension Plan*** (Continued)

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

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

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Florida Retirement System Pension Plan*** (Continued)

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016 fiscal year were as follows:

Class	Percent of Gross Salary		Percent of Gross Salary	
	October 1, 2015 to		July 1, 2016 to	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	7.26	3.00	7.52
FRS, Special Risk - Regular	3.00	22.04	3.00	22.57
FRS, Special Risk - Admin	3.00	32.95	3.00	28.06
FRS, Elected Officials	3.00	45.80	3.00	42.10
FRS, Senior Management Service Class	3.00	21.43	3.00	21.77
DROP, Applicable to all members in the above classes	0.00	12.88	0.00	12.99

(1) Employer rates include a postemployment HIS contribution rate of 1.66% through June 30, 2016 and 1.66% from July 1 to September 30, 2016. Also, employer rates include .04% for administrative costs of the Investment plan through June 30, 2016 and .06% from July 1 to September 30, 2016.

The Town's contributions to the Plan totaled \$292,521 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, the Town reported a liability of \$3,739,630 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2016 relative to the contributions made during the year ended June 30, 2015 of all participating members. At June 30, 2016, the Town's proportionate share was .01481%, which was an increase of .00003% from its proportionate share measured as of June 30, 2015.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Florida Retirement System Pension Plan*** (Continued)

For the fiscal year ended September 30, 2016 the Town recognized pension expense of \$315,132 related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 286,335	\$ (34,818)
Change of assumptions	226,236	-
Net difference between projected and actual earnings on FRS pension plan investments	966,649	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	69,836	-
Town FRS contributions subsequent to the measurement date	88,213	-
<b>Total</b>	<b>\$ 1,637,269</b>	<b>\$ (34,818)</b>

The deferred outflows of resources related to pensions, totaling \$88,213, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2017	\$ 208,579
2018	208,579
2019	603,659
2020	413,140
2021	60,768
<b>Thereafter</b>	<b>19,513</b>
<b>Total</b>	<b>\$ 1,514,238</b>

Actuarial Assumptions – The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Florida Retirement System Pension Plan*** (Continued)

**Actuarial Assumptions** – The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean		2.6%		1.9%

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

**Discount Rate** – The discount rate used to measure the total pension liability was 7.60 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Net Pension Liability	\$ 6,884,913	\$ 3,739,630	\$ 1,121,598

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Florida Retirement System Pension Plan*** (Continued)

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

Payables to the Pension Plan – At September 30, 2016, the Town reported a payable of \$22,707 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2016.

***Retiree Health Insurance Subsidy Program***

Plan Description

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

Benefits Provided – For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the contribution rate was 1.66% of payroll from October 1, 2015 through June 30, 2016 and 1.66% of payroll for July 1, 2015 through September 30, 2016 pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$33,033 for the fiscal year ended September 30, 2016.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Retiree Health Insurance Subsidy Program***

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2016, the Town reported a net pension liability of \$1,050,955 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Town’s proportionate share of the net pension liability was based on the year ended June 30, 2016 contributions relative to the year ended June 30, 2015 contributions of all participating members. At June 30, 2016, the Town’s proportionate share was .0090%, a decrease of .0003% compared to its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Town recognized pension expense of \$47,006 related to the HIS Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (2,394)
Change of assumptions	164,921	-
Net difference between projected and actual earnings on FRS pension plan investments	531	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	-	(32,438)
Town FRS contributions subsequent to measurement date	10,235	-
<b>Total</b>	<b>\$ 175,687</b>	<b>\$ (34,832)</b>

The deferred outflows of resources related to pensions, totaling \$10,235, resulting from Town contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2017	\$ 23,390
2018	23,390
2019	23,309
2020	23,269
2021	20,131
<b>Thereafter</b>	<b>17,131</b>
<b>Total</b>	<b>\$ 130,620</b>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Retiree Health Insurance Subsidy Program***

***Actuarial Assumptions*** – The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25% average, including in
Investment rate of return	2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014.

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

***Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	1.85%	2.85%	3.85%
Net Pension Liability	\$ 1,205,684	\$ 1,050,955	\$ 922,538

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

***Payables to the Pension Plan*** – At September 30, 2016, the Town reported a payable of \$2,560 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2016.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Florida Retirement System Investment Plan***

**Plan Description**

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

**Funding Policy**

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town's employees at September 30, 2016, were as follows: regular employees 10.52%, special risk employees 25.57%, senior management service employees 24.77%, and elected officials 45.1%. These rates include a 3.00% employee contribution, 1.66% for the Retiree Health Insurance Subsidy Program, and a 0.06% administrative fee.

The Town's total payroll for the year ended September 30, 2016 was \$2,708,175 and payroll for employees covered by the Plan was \$718,262. The Town and the covered employees made the required contributions of \$105,040 and \$21,548, respectively.

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Plan Description**

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

**Funding Policy**

Currently, the Town's other postemployment benefits are unfunded. That is, the Town Commission has not established a separate trust fund or equivalent arrangement into which the Town would make contributions to advance fund the obligation. The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an employer contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year. As of September 30, 2016, there were four retirees receiving other postemployment benefits, including one retiree covered under the Town's health plan. The Town was not required to make contributions toward the annual OPEB cost, and no amounts were contributed on behalf of retirees. Retiree contributions totaled \$3,265.

**Annual OPEB Cost and Net OPEB Obligation**

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Annual OPEB Cost and Net OPEB Obligation** (Continued)

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

Required contribution rates:

Employer Plan members	Pay-as-you-go N/A
Annual Required Contribution	\$ 40,170
Interest on net OPEB Obligation	10,882
Adjustment to ARC	<u>(12,964)</u>
Annual OPEB cost	38,088
Contributions made*	-
Increase in net OPEB obligation	<u>38,088</u>
Net OPEB obligation - beginning of year	<u>362,733</u>
Net OPEB obligation - end of year	<u><u>\$ 400,821</u></u>

\*Represents a credit for the implied subsidy

**Trend Information**

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

Fiscal Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
2014	\$ 39,886	31%	\$ 330,858
2015	36,528	13%	362,733
2016	38,088	0%	400,821

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Funded Status**

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

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

**Funding Progress**

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**Actuarial Methods and Assumptions**

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

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

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

During the year ended September 30, 2016, the cost of administrative services rendered by the General Fund to the Water Utility Enterprise Fund was shown as revenue in the General Fund and as an operating expense in the enterprise. The amount charged by the General Fund was \$298,550.

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

During the year ended September 30, 2016, the cost of administrative services rendered by the Water Utility Enterprise Fund to the Sewer Utility Enterprise Fund was shown as revenue in the Water Fund and as an operating expense in the Sewer Fund. The amount charged by the Water Fund was \$140,000.

**NOTE 12 – RISK MANAGEMENT**

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

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

**NOTE 13 – CONTINGENCIES**

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 14 – COMMITMENTS**

*Solid Waste and Recycling Collection Services*

The Town has entered into an agreement with Waste Management Inc. of Florida to provide solid waste and recycling collection services. The term of the agreement ended December 14, 2014. In November 2014, Waste Management was awarded a new contract as the result of a competitive bidding process. The term of the new agreement is for the period beginning January 1, 2015 and expiring May 31, 2020. The agreement may be renewed for one three year term, at the discretion of the Town. Under the terms of the new agreement, the Town received a significant reduction in rates. Under the terms of both agreements, the Town pays an established rate per month per unit picked up curbside or containerized. Waste Management bills the Town monthly for services provided. For the year ended September 30, 2016, the Town made payment of \$392,638 pursuant to the agreements.

*Encumbrances*

At September 30, 2016, the Town had encumbrances of \$57,590 in the General Fund and Water Utility Fund.

*Fire Protection and Fire Rescue Services*

The Town has an agreement with the City of Delray Beach (the City) under which the City provides fire protection and fire rescue services. The term of the agreement is for fifteen years, beginning October 1, 2002, and extending through September 30, 2017, with options to renew for additional periods of ten years each upon the mutual agreement of both parties. Under the terms of the agreement, the City charges the Town a flat rate, which is adjusted annually based on changes in the consumer price index. The amount paid for the year ended September 30, 2016 was \$3,331,405.

**NOTE 15 – INTERLOCAL GOVERNMENTAL AGREEMENTS**

*Sewage Disposal Services*

The Town has a second Interlocal Agreement with the City of Delray Beach under which the City provides sewage disposal services to the Town. Under the terms of the agreement, which will expire in 2030, the City charges the Town a rate per gallon based on the cost of providing the services. For the year ended September 30, 2016, the Town was charged \$735,487 for sewage disposal services.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual General Fund**  
**For the Year Ended September 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 8,263,000	\$ 8,263,000	\$ 8,319,187	\$ 56,187
Franchise fees	409,000	409,000	426,125	17,125
Permits and fees	385,000	385,000	728,608	343,608
Intergovernmental	693,400	693,400	701,061	7,661
Charges for services	510,000	510,000	527,314	17,314
Fines and forfeitures	12,500	12,500	6,363	(6,137)
Interest income	15,000	15,000	28,740	13,740
Rent & Leases	58,000	58,000	97,663	39,663
Miscellaneous	308,550	308,550	326,035	17,485
<b>Total revenues</b>	<b>10,654,450</b>	<b>10,654,450</b>	<b>11,161,096</b>	<b>506,646</b>
<b>Expenditures:</b>				
General Government:				
Town Commission	155,550	155,550	129,472	26,078
Town Manager	239,705	239,705	207,151	32,554
Town Clerk	306,700	306,700	285,556	21,144
Finance	307,650	307,650	304,624	3,026
Legal	130,000	130,000	97,426	32,574
Public Works	297,530	297,530	241,234	56,296
Post office	143,650	143,650	125,199	18,451
Non -departmental and contingency	675,930	462,930	331,012	131,918
<b>Total general government</b>	<b>2,256,715</b>	<b>2,043,715</b>	<b>1,721,674</b>	<b>322,041</b>
Public safety:				
Police	2,203,430	2,203,430	2,174,163	29,267
Fire Rescue	3,510,000	3,510,000	3,355,374	154,626
Protective Inspections	358,060	558,060	551,292	6,768
Ambulance Services	12,000	12,000	12,000	-
<b>Total public safety</b>	<b>6,083,490</b>	<b>6,283,490</b>	<b>6,092,829</b>	<b>190,661</b>

(See notes to budgetary required supplementary information)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Sanitation:				
Refuse Collection	385,000	398,000	395,998	2,002
<b>Total physical environment</b>	<b>385,000</b>	<b>398,000</b>	<b>395,998</b>	<b>2,002</b>
Culture and recreation:				
Library	537,650	537,650	435,177	102,473
<b>Total culture and recreation</b>	<b>537,650</b>	<b>537,650</b>	<b>435,177</b>	<b>102,473</b>
Capital outlay	197,000	197,000	106,498	90,502
<b>Total Capital Outlay</b>	<b>197,000</b>	<b>197,000</b>	<b>106,498</b>	<b>90,502</b>
<b>Total expenditures</b>	<b>9,459,855</b>	<b>9,459,855</b>	<b>8,752,176</b>	<b>707,679</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,194,595</b>	<b>1,194,595</b>	<b>2,408,920</b>	<b>1,214,325</b>
Other financing sources (uses):				
Interfund Transfer Out	(1,286,000)	(1,286,000)	(1,286,000)	-
Use of fund balance	91,405	91,405	-	(91,405)
Total other financing sources (uses)	(1,194,595)	(1,194,595)	(1,286,000)	(91,405)
Net change in fund balance	\$ -	\$ -	1,122,920	\$ 1,122,920
Fund balance, beginning			7,466,225	
Fund balance, ending			<b>\$ 8,589,145</b>	

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Notes to the Budgetary Required Supplementary**  
**Information September 30, 2016**

**NOTE 1. Budgets and Budgetary Accounting**

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

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

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

**NOTE 2. Encumbrances**

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

**NOTE 3. Excess of Expenditures Over Appropriations**

No departments had expenditures in excess of appropriations for the fiscal year ended September 30, 2016.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits**  
**For the Year Ended September 30, 2016**

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

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

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplementary Information**  
**For the Year Ended September 30, 2016**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the FRS net pension liability	0.014810371%	0.014781336%	0.014314377%
Town's proportionate share of the FRS net pension liability	3,739,630	1,909,208	873,387
Town's covered employee payroll	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered employee payroll	197%	68%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the FRS net pension liability	0.009017520%	0.009320335%	0.009381402%
Town's proportionate share of the FRS net pension liability	1,050,955	950,528	877,184
Town's covered employee payroll	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered employee payroll	55%	34%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

\*Information is not available for periods prior to 2014.

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Required Supplementary Information**  
**For the Year Ended September 30, 2016**

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

	<b>2016</b>	<b>2015</b>
Contractually required FRS contribution	\$ 292,521	\$ 286,753
FRS contributions in relation to the contractually required contribution	(292,521)	(286,753)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Town's covered employee payroll	 \$ 1,989,913	 \$ 2,083,665
FRS contributions as a percentage of covered employee payroll	15%	14%

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

	<b>2016</b>	<b>2015</b>
Contractually required FRS contribution	\$ 33,033	\$ 37,938
HIS contributions in relation to the contractually required contribution	(33,033)	(37,938)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Town's covered employee payroll	 \$ 1,989,913	 \$ 2,083,665
HIS contributions as a percentage of covered employee payroll	2%	2%

\*Information is not available for periods prior to 2015.

**TOWN OF HIGHLAND BEACH, FLORIDA**

**Combining Balance Sheet**

**Non-major Governmental Funds**

**September 30, 2016**

	<b>Special Revenue Funds</b>			<b>Total Governmental Funds</b>
	<b>Open Space Recreation Land</b>	<b>Library Donation</b>	<b>Law Enforcement</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 151,019	\$ 4,314	\$ 4,807	\$ 160,140
Investments	71,390	2,039	2,273	75,702
Total assets	<b>222,409</b>	<b>6,353</b>	<b>7,080</b>	<b>235,842</b>
<b>Liabilities and Fund Balances</b>				
<b>Fund balances:</b>				
Restricted for:				
Recreation land acquisition	\$ 222,409	\$ -	\$ -	\$ 222,409
Library activities	-	6,353	-	6,353
Law enforcement	-	-	7,080	7,080
Total fund balances	<b>222,409</b>	<b>6,353</b>	<b>7,080</b>	<b>235,842</b>
Total liabilities and fund balances	<b>\$ 222,409</b>	<b>\$ 6,353</b>	<b>\$ 7,080</b>	<b>\$ 235,842</b>

**TOWN OF HIGHLAND BEACH, FLORIDA**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended September 30, 2016**

	<b>Special Revenue Funds</b>			<b>Total Non-major Funds</b>
	<b>Open Space and Recreation Land</b>	<b>Library Donation</b>	<b>Law Enforcement</b>	
<b>Revenues:</b>				
Interest	\$ 2,164	\$ 20	\$ 14	\$ 2,198
Miscellaneous	5,000	244	180	5,424
Total revenues	<u>7,164</u>	<u>264</u>	<u>194</u>	<u>7,622</u>
<b>Expenditures:</b>				
Operating supplies	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>7,164</u>	<u>264</u>	<u>194</u>	<u>7,622</u>
Net change in fund balances	7,164	264	194	7,622
Fund balances, beginning	<u>215,245</u>	<u>6,089</u>	<u>6,886</u>	<u>228,220</u>
Fund balances, ending	<u>\$ 222,409</u>	<u>\$ 6,353</u>	<u>\$ 7,080</u>	<u>\$ 235,842</u>

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## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:</i>	
Net Position by Component.....	69-70
Changes in Net Position.....	71-72
Fund Balances, Governmental Funds.....	73-74
Changes in Fund Balances, Governmental Funds.....	75-76
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Assessed Value and Actual Value of Taxable Property.....	77
Direct and Overlapping Property Tax Rates.....	78
Principal Property Tax Payers.....	79
Property Tax Levies and Collections.....	80
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
Ratios of Outstanding Debt by Type.....	81
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Direct and Overlapping Governmental Activities Debt.....	83
Legal Debt Margin Information.....	84
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<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Demographic and Economic Information.....	86
Principal Employers.....	87
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<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	
Full-Time Equivalent Town Government Employees by Function/Program.....	88
Operating Indicators by Function/Program.....	89
Capital Asset Statistics by Function/Program.....	90

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

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

<b>Fiscal Year Ended 9/30</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 2,736,193	\$ 3,891,288	\$ 4,055,665	\$ 4,105,395
Restricted	206,652	215,900	208,117	206,674
Unrestricted	2,804,943	3,099,905	4,125,914	4,648,565
<b>Total governmental activities</b>	<b>\$ 5,747,788</b>	<b>\$ 7,207,093</b>	<b>\$ 8,389,696</b>	<b>\$ 8,960,634</b>
<b>Business type activities</b>				
Net investment in capital assets	\$ 4,806,874	\$ 4,643,383	\$ 4,440,519	\$ 4,824,750
Restricted				226,211
Unrestricted	1,385,963	730,965	1,321,947	1,288,498
<b>Total business type activities</b>	<b>\$ 6,192,837</b>	<b>\$ 5,374,348</b>	<b>\$ 5,762,466</b>	<b>\$ 6,339,459</b>
<b>Primary Government</b>				
Net investment in capital assets	\$ 7,543,067	\$ 8,534,671	\$ 8,496,184	\$ 8,930,145
Restricted	206,652	215,900	208,117	432,885
Unrestricted	4,190,906	3,830,870	5,447,861	5,937,063
<b>Total primary government</b>	<b>\$11,940,625</b>	<b>\$12,581,441</b>	<b>\$14,152,162</b>	<b>\$15,300,093</b>

2011	2012	2013	2014	2015	2016
\$ 4,721,472	\$ 4,272,876	\$ 4,498,697	\$ 5,456,728	\$ 5,457,385	\$ 5,155,445
203,401	204,025	210,012	206,981	228,220	235,842
3,996,161	4,537,572	5,541,258	5,662,355	4,515,258	5,366,163
<b>\$ 8,921,034</b>	<b>\$ 9,014,473</b>	<b>\$10,249,967</b>	<b>\$11,326,064</b>	<b>\$10,200,863</b>	<b>\$10,757,450</b>
\$ 4,109,700	\$ 3,983,977	\$ 3,817,724	\$ 2,394,642	\$ 2,741,513	\$ 3,355,516
227,426	233,095	233,174	234,891	226,867	228,383
2,370,880	2,636,441	2,779,070	6,438,537	6,230,960	5,771,861
<b>\$ 6,708,006</b>	<b>\$ 6,853,513</b>	<b>\$ 6,829,968</b>	<b>\$ 9,068,070</b>	<b>\$ 9,199,340</b>	<b>\$ 9,355,760</b>
\$ 8,831,172	\$ 8,256,853	\$ 8,316,421	\$ 7,851,370	\$ 8,198,898	\$ 8,510,961
430,827	437,120	443,186	441,872	455,087	464,225
6,367,041	7,174,013	8,320,328	12,100,892	10,746,218	11,138,024
<b>\$15,629,040</b>	<b>\$15,867,986</b>	<b>\$17,079,935</b>	<b>\$20,394,134</b>	<b>\$19,400,203</b>	<b>\$20,113,210</b>

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

Fiscal Year Ended 9/30	2007	2008	2009	2010
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,963,868	\$ 2,082,101	\$ 1,985,394	\$ 1,742,170
Public Safety	4,676,540	5,224,278	4,994,823	5,058,750
Culture/recreation	499,442	512,999	586,308	607,773
Public works	403,190	437,217	452,133	437,106
Interest	155,786	145,818	110,327	99,866
<b>Total governmental activities</b>	<b>\$ 7,698,826</b>	<b>\$ 8,402,413</b>	<b>\$ 8,128,985</b>	<b>\$ 7,945,665</b>
Business type activities:				
Water utility	2,594,317	2,800,840	2,961,803	2,870,516
Sewer utility	856,529	876,225	1,024,162	965,202
Interest on long term debt	304,552	427,622	420,614	379,477
<b>Total business type activities</b>	<b>3,755,398</b>	<b>4,104,687</b>	<b>4,406,579</b>	<b>4,215,195</b>
<b>Total primary government expenses</b>	<b>\$ 11,454,224</b>	<b>\$ 12,507,100</b>	<b>\$ 12,535,564</b>	<b>\$ 12,160,860</b>
<b>Program Revenues</b>				
Charges for Services- Governmental Activities				
General Government	71,754	70,861	54,539	56,688
Public Safety	453,299	463,487	261,729	294,618
Culture recreation	4,879	4,047	6,273	6,160
Public works	381,775	412,813	476,579	478,931
<b>Total Charges for Services</b>	<b>\$ 911,707</b>	<b>\$ 951,208</b>	<b>\$ 799,120</b>	<b>\$ 836,397</b>
Operating Grants and Contributions				
Capital Grants and Contributions	10,575	75,436	184,387	7,316
<b>Total governmental activities program revenues</b>	<b>\$ 922,282</b>	<b>\$ 1,026,644</b>	<b>\$ 991,112</b>	<b>\$ 845,313</b>
Business type activities program revenue:				
Water utility	1,705,302	1,941,274	2,147,620	2,059,032
Sewer utility	847,096	842,837	851,892	982,696
Capital Grants and Contributions				
<b>Total business type activities program revenues</b>	<b>2,552,398</b>	<b>2,784,111</b>	<b>2,999,512</b>	<b>3,041,728</b>
<b>Total primary government program revenue</b>	<b>\$ 3,474,680</b>	<b>\$ 3,810,755</b>	<b>\$ 3,990,624</b>	<b>\$ 3,887,041</b>
<b>Net (expense) revenue</b>				
Governmental activities	(6,776,544)	(7,375,769)	(7,137,873)	(7,100,352)
Business type activities	(1,203,000)	(1,320,576)	(1,407,067)	(1,173,467)
<b>Total primary government net expense</b>	<b>\$ (7,979,544)</b>	<b>\$ (8,696,345)</b>	<b>\$ (8,544,940)</b>	<b>\$ (8,273,819)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Taxes				
Property taxes	\$ 8,901,807	\$ 8,553,333	\$ 7,938,812	\$ 7,999,103
Utility service taxes	732,989	781,749	824,927	775,264
Sales and use taxes	345,079	323,586	290,488	289,248
State revenue sharing	95,488	88,678	87,777	102,500
Investment earnings	287,194	167,790	109,958	57,242
Miscellaneous revenues	53,679	24,372	123,751	53,549
Gain (loss) on disposal of assets			1,500	
Transfers	(1,069,065)	(1,104,435)	(1,056,737)	(1,605,416)
<b>Total general revenues</b>	<b>\$ 9,347,171</b>	<b>\$ 8,835,073</b>	<b>\$ 8,320,476</b>	<b>\$ 7,671,490</b>
Business type activities program revenue				
Investment earnings	\$ 77,393	\$ 24,731	\$ 16,342	\$ 9,641
Other miscellaneous revenues	4,979	2,920	(3,781)	9,477
Gain (loss) on disposal of assets			900	
Transfers	1,069,065	1,104,435	1,056,737	1,605,416
<b>Total business type activities program revenues</b>	<b>1,151,437</b>	<b>1,132,086</b>	<b>1,070,198</b>	<b>1,624,534</b>
<b>Total primary government</b>	<b>\$ 10,498,608</b>	<b>\$ 9,967,159</b>	<b>\$ 9,390,674</b>	<b>\$ 9,296,024</b>
<b>Changes in Net Position</b>				
Government activities	\$ 2,570,627	\$ 1,459,304	\$ 1,182,603	\$ 571,138
Business type activities	(51,563)	(188,490)	(241,881)	576,993
<b>Total primary government</b>	<b>\$ 2,519,064</b>	<b>\$ 1,270,814</b>	<b>\$ 940,722</b>	<b>\$ 1,148,131</b>

	2011	2012	2013	2014	2015	2016
\$ 1,704,445	\$ 1,656,544	\$ 1,566,138	\$ 1,626,937	\$ 1,933,634	\$ 1,910,244	
5,207,887	5,152,662	5,326,258	5,496,560	5,800,175	6,345,596	
559,744	524,797	599,345	609,624	646,909	579,310	
530,279	572,668	578,934	573,240	536,672	490,981	
80,526	61,143	40,924	20,812	6,404	-	
<b>\$ 8,082,881</b>	<b>\$ 7,967,814</b>	<b>\$ 8,111,599</b>	<b>\$ 8,327,173</b>	<b>\$ 8,923,794</b>	<b>\$ 9,326,131</b>	
<b>2,946,428</b>	<b>2,884,123</b>	<b>3,024,558</b>	<b>3,024,044</b>	<b>2,794,114</b>	<b>2,900,390</b>	
933,160	976,631	853,988	842,387	985,294	1,109,658	
415,749	448,728	423,472	397,554	370,648	343,107	
<b>4,295,337</b>	<b>4,309,482</b>	<b>4,302,018</b>	<b>4,263,985</b>	<b>4,150,056</b>	<b>4,353,155</b>	
<b>\$ 12,378,218</b>	<b>\$ 12,277,296</b>	<b>\$ 12,413,617</b>	<b>\$ 12,591,158</b>	<b>\$ 13,073,850</b>	<b>\$ 13,679,286</b>	
62,767	60,880	94,508	106,466	116,323	167,330	
333,943	412,314	496,821	438,037	808,930	716,938	
4,780	5,106	5,451	4,904	26,548	8,955	
466,732	467,004	467,051	468,008	468,757	471,725	
<b>\$ 868,222</b>	<b>\$ 945,304</b>	<b>\$ 1,063,831</b>	<b>\$ 1,017,415</b>	<b>\$ 1,420,558</b>	<b>\$ 1,364,948</b>	
13,016	13,134	13,304	13,702	14,113	14,536	
5,000	-	-	-	-	-	
<b>\$ 886,238</b>	<b>\$ 958,438</b>	<b>\$ 1,077,135</b>	<b>\$ 1,031,117</b>	<b>\$ 1,434,671</b>	<b>\$ 1,379,484</b>	
2,123,564	1,992,304	1,981,222	2,048,100	2,117,789	2,015,477	
1,033,147	1,002,973	1,022,232	1,005,431	1,035,901	1,027,246	
<b>3,156,711</b>	<b>2,995,277</b>	<b>3,003,454</b>	<b>3,053,531</b>	<b>3,153,690</b>	<b>3,042,723</b>	
<b>\$ 4,042,949</b>	<b>\$ 3,953,715</b>	<b>\$ 4,080,589</b>	<b>\$ 4,084,648</b>	<b>\$ 4,588,361</b>	<b>\$ 4,422,207</b>	
(7,196,643)	(7,009,376)	(7,034,464)	(7,296,056)	(7,489,123)	(7,946,647)	
(1,138,626)	(1,314,205)	(1,298,564)	(1,210,454)	(996,366)	(1,310,432)	
<b>\$ (8,335,269)</b>	<b>\$ (8,323,581)</b>	<b>\$ (8,333,028)</b>	<b>\$ (8,506,510)</b>	<b>\$ (8,485,489)</b>	<b>\$ (9,257,079)</b>	
\$ 7,338,543	\$ 7,285,358	\$ 8,246,672	\$ 8,452,116	\$ 8,696,269	\$ 8,319,187	
723,808	688,278	716,468	730,249	728,123	698,651	
296,928	261,339	273,625	296,259	310,488	310,488	
109,768	113,482	104,220	108,289	95,491	103,511	
42,230	34,136	24,141	14,621	21,043	30,938	
6,522	8,622	187,537	52,919	357,917	319,446	
		3,295	3,700	4,392	7,013	
<b>(1,360,956)</b>	<b>(1,288,400)</b>	<b>(1,286,000)</b>	<b>(1,286,000)</b>	<b>(1,286,000)</b>	<b>(1,286,000)</b>	
<b>\$ 7,156,843</b>	<b>\$ 7,102,815</b>	<b>\$ 8,269,958</b>	<b>\$ 8,372,153</b>	<b>\$ 8,927,723</b>	<b>\$ 8,503,234</b>	
\$ 10,091	\$ 7,761	\$ 7,281	\$ 7,265	\$ 15,477	\$ 20,311	
2,214	3,979	3,400	18,551	209,802	160,541	
(356)			2,228,176	6,925	-	
<b>1,360,956</b>	<b>1,288,400</b>	<b>1,286,000</b>	<b>1,286,000</b>	<b>1,286,000</b>	<b>1,286,000</b>	
<b>1,372,905</b>	<b>1,300,140</b>	<b>1,296,681</b>	<b>3,539,992</b>	<b>1,518,204</b>	<b>1,466,852</b>	
<b>\$ 8,529,748</b>	<b>\$ 8,402,955</b>	<b>\$ 9,566,639</b>	<b>\$ 11,912,145</b>	<b>\$ 10,445,927</b>	<b>\$ 9,970,086</b>	
\$ (39,800)	\$ 93,439	\$ 1,235,494	\$ 1,076,097	\$ 1,438,600	\$ 556,587	
368,547	123,863	(1,883)	2,329,538	521,838	156,420	
<b>\$ 328,747</b>	<b>\$ 217,302</b>	<b>\$ 1,233,611</b>	<b>\$ 3,405,635</b>	<b>\$ 1,960,438</b>	<b>\$ 713,007</b>	

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

<b>Fiscal Year Ended 9/30</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>General Fund</b>				
Reserved	\$ 199,727	\$ 244,903	\$ 221,095	\$ 44,898
Unreserved	4,079,285	4,905,265	5,822,211	6,327,935
<b>GASB 54 Reporting Fund Balance</b>				
Nonspendable				
Restricted				
Assigned				
Unassigned				
<b>Total general fund</b>	<b>\$ 4,279,012</b>	<b>\$ 5,150,168</b>	<b>\$ 6,043,306</b>	<b>\$ 6,372,833</b>
<b>All Other Governmental Funds</b>				
Reserved	\$ 206,652	\$ 215,900	\$ 208,117	\$ 206,874
<b>GASB 54 Reporting Fund Balance</b>				
Restricted				
<b>Total all other governmental funds</b>	<b>\$ 206,652</b>	<b>\$ 215,900</b>	<b>\$ 208,117</b>	<b>\$ 206,874</b>

2011	2012	2013	2014	2015	2016
8,020	104,653	82,039	44,561	4,798	26,371
4,311	4,311	-	-	-	-
2,797,500	2,083,391	3,077,455	2,931,908	2,449,960	2,597,318
3,293,303	3,694,921	3,493,852	3,562,626	5,011,467	5,965,456
<b>\$ 6,098,823</b>	<b>\$ 5,887,276</b>	<b>\$ 6,657,657</b>	<b>\$ 6,539,095</b>	<b>\$ 7,466,225</b>	<b>\$ 8,589,145</b>
203,401	204,025	205,701	206,981	228,220	235,842
<b>\$ 203,401</b>	<b>\$ 204,025</b>	<b>\$ 205,701</b>	<b>\$ 206,981</b>	<b>\$ 228,220</b>	<b>\$ 235,842</b>

**Town of Highland Beach, Florida**

**Schedule 4**

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

Fiscal Year Ended 9/30	2007	2008	2009	2010
<b>Revenues</b>				
Taxes	\$ 9,671,871	\$ 8,869,061	\$ 8,304,641	\$ 8,349,714
Licenses and permits	445,304	955,718	742,493	741,511
Intergovernmental	430,738	470,174	530,054	366,110
Charges for services	388,118	418,218	479,888	484,117
Fines and forfeitures	14,905	13,978	19,603	18,923
Impact fees				
Interest	287,194	198,144	109,958	57,242
Net decrease in fair value of investments		(30,354)	(27,301)	29,148
Miscellaneous revenues	276,020	187,810	321,915	287,315
 Total revenues	 11,514,150	 11,082,749	 10,481,251	 10,334,079
<b>Expenditures</b>				
General government	1,933,810	2,056,825	1,880,794	1,786,346
Public Safety	4,530,219	5,141,800	4,787,035	4,923,985
Culture/Recreation	331,850	364,961	414,559	426,016
Sanitation	361,924	398,871	416,728	401,783
Capital outlay	582,654	396,819	309,980	150,917
Debt service				
Principal	588,403	597,856	607,756	618,331
Interest	158,603	140,778	122,307	103,163
 Total expenditures	 8,487,463	 9,097,910	 8,539,159	 8,410,541
Excess of revenues over (under) expenditures	3,026,687	1,984,839	1,942,092	1,923,538
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,464			
Transfers out	(1,071,529)	(1,104,435)	(1,056,737)	(1,605,416)
Total other financing sources (uses)	(1,069,065)	(1,104,435)	(1,056,737)	(1,605,416)
 Net Change in fund balances	 1,957,622	 880,404	 885,355	 318,122
Fund balances - beginning	2,528,042	4,485,664	5,366,068	6,251,423
 Fund balance - ending	 \$4,485,664	 \$5,366,068	 \$ 6,251,423	 \$ 6,569,545
Debt services (principal & interest) as a percentage of non-capital expenditures	9.45%	8.49%	8.87%	8.74%

2011	2012	2013	2014	2015	2016
\$ 7,666,791	\$ 7,593,593	\$ 8,584,777	\$ 8,775,709	\$ 8,696,269	\$ 8,745,312
750,713	809,022	854,123	872,586	1,257,117	728,608
391,226	358,103	361,367	387,021	704,806	701,061
477,960	476,145	506,403	516,835	521,207	527,314
18,395	19,832	57,870	9,979	6,816	6,363
32,268	17,511	16,853	19,267	21,043	30,938
9,962	16,625	7,288	(4,646)		
311,395	316,454	542,960	411,069	441,136	429,122
<b>9,658,710</b>	<b>9,607,285</b>	<b>10,931,641</b>	<b>10,987,820</b>	<b>11,648,394</b>	<b>11,168,718</b>
1,771,183	1,735,593	1,652,393	1,740,984	1,885,669	1,721,674
5,088,694	5,092,071	5,289,583	5,430,246	5,811,416	6,092,829
513,386	484,848	492,452	569,339	617,722	435,177
364,942	421,181	450,651	455,234	413,271	395,998
121,233	91,629	210,892	977,443	250,880	106,498
629,143	639,833	651,646	621,434	425,913	-
83,736	64,653	44,337	24,422	9,154	-
<b>8,572,317</b>	<b>8,529,808</b>	<b>8,791,954</b>	<b>9,819,102</b>	<b>9,414,025</b>	<b>8,752,176</b>
1,086,393	1,077,477	2,139,687	1,168,718	2,234,369	2,416,542
(1,360,956)	(1,288,400)	(1,286,000)	(1,286,000)	(1,286,000)	(1,286,000)
<b>(1,360,956)</b>	<b>(1,288,400)</b>	<b>(1,286,000)</b>	<b>(1,286,000)</b>	<b>(1,286,000)</b>	<b>(1,286,000)</b>
(274,563)	(210,923)	853,687	(117,282)	948,369	1,130,542
6,579,707	6,302,224	6,091,301	6,863,358	6,746,076	7,694,445
<b>\$ 6,305,144</b>	<b>\$ 6,091,301</b>	<b>\$ 6,944,988</b>	<b>\$ 6,746,076</b>	<b>\$ 7,694,445</b>	<b>\$ 8,824,987</b>
8.44%	8.35%	8.11%	7.30%	4.75%	0.00%

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

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Just Value
2007	2,271,637,312	20,004,323	9,190,364	2,300,831,999	4.00	2,844,277,082
2008	2,213,255,555	16,600,099	9,085,847	2,238,941,501	3.95	2,682,469,538
2009	2,114,725,997	16,600,000	8,780,936	2,140,106,933	3.85	2,546,895,895
2010	1,906,562,451	16,000,000	9,497,923	1,932,060,374	4.27	2,231,562,060
2011	1,790,003,250	16,000,000	9,715,000	1,815,718,250	4.19	2,051,532,163
2012	1,707,337,791	15,040,000	9,669,683	1,732,047,474	4.34	1,939,540,909
2013	1,727,623,028	15,040,000	9,610,456	1,752,273,484	4.87	1,966,422,907
2014	1,798,567,981	15,400,000	10,043,245	1,824,011,226	4.81	2,072,656,191
2015	1,910,980,084	15,400,000	10,683,925	1,937,064,009	4.64	2,260,380,097
2016	2,035,150,815	16,170,000	11,959,998	2,063,280,813	4.15	2,462,599,650

Source: Palm Beach County Property Appraiser's Office

**Town of Highland Beach, Florida**

**Schedule 6**

**Direct and Overlapping Property Tax Rates  
(Unaudited) (Per \$1,000 of Assessed Value)**

Fiscal Year	Highland Beach				Overlapping Rates (1)						
	General Fund	Debt Fund	Service Fund	Total 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
2007	3.58	0.42	4.00	4.48	7.87	0.62	0.97	0.60	0.14	18.68	
2008	3.52	0.43	3.95	3.98	7.35	0.58	0.89	0.53	0.12	17.40	
2009	3.40	0.45	3.85	3.97	7.25	0.60	1.00	0.53	0.12	17.32	
2010	3.35	0.92	4.27	4.56	7.98	0.69	1.15	0.62	0.04	19.31	
2011	3.25	0.94	4.19	5.00	8.15	0.75	1.15	0.00	0.12	19.36	
2012	3.41	0.93	4.34	4.99	8.18	0.75	1.13	0.37	0.10	19.86	
2013	3.95	0.92	4.87	4.99	7.78	0.73	1.12	0.37	0.10	19.95	
2014	3.95	0.86	4.81	4.99	7.59	0.70	1.08	0.35	0.09	19.61	
2015	3.95	0.69	4.64	4.97	7.59	0.67	1.08	0.33	0.09	19.38	
2016	3.50	0.65	4.15	4.93	7.51	0.67	1.04	0.30	0.08	18.68	

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**

<b>Taxpayers</b>	<b>Fiscal Year 2016</b>			<b>Fiscal Year 2007</b>		
	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxpayers</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	
Leeds, Bruce	\$ 14,183,111	0.73%	Hidden Harbor Development Corp	\$ 8,540,000	0.37%	
Montgomery Joel Trus	11,616,372	0.60%	Highland Ocean Associates Ltd	8,035,229	0.35%	
Bendin Financial	11,353,407	0.59%	Furnary, S J & C Grossman &	6,696,736	0.29%	
Persaud, Krishna	11,134,542	0.57%	Muller, Ralph P & Alice	3,801,526	0.17%	
Hamister, Mark	10,803,229	0.56%	Chauvier, Daniel & Carla	3,467,773	0.15%	
Janay, Gad	9,847,471	0.51%	Kappel, Sarah A & J S Kappel	3,000,000	0.13%	
Florida Power and Light	9,509,382	0.49%	Loftin, Peter T	3,104,408	0.13%	
Kappel, James	9,132,674	0.47%	Osherow, Shepard D Tr	3,101,190	0.13%	
Wheeler, Daniel	9,014,650	0.47%	Phyle, Charles E Tr	3,084,298	0.13%	
Highland Beach Ocean	8,512,257	0.44%	Merkert, Eugene F	3,000,518	0.13%	
<b>Total</b>	<b>\$ 105,107,095</b>	<b>5.43%</b>	<b>Total</b>	<b>\$ 45,831,678</b>	<b>1.99%</b>	

Source: Palm Beach County Property Appraiser's Office.

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

Fiscal Year Ended 9/30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		<u>Amount</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>
2007	9,203,328	8,921,067	96.93%	1,545	8,922,612	96.95%
2008	8,846,761	8,553,333	96.68%	419	8,553,752	96.69%
2009	8,239,412	7,938,812	96.35%	413	7,939,225	96.36%
2010	8,254,728	7,999,103	96.90%	2,677	8,001,780	96.94%
2011	7,539,269	7,338,543	97.34%	9,131	7,347,674	97.46%
2012	7,518,298	7,285,358	96.90%	200,288	7,485,646	99.57%
2013	8,209,000	8,032,937	97.86%		8,032,937	97.86%
2014	8,765,104	8,246,672	94.09%		8,246,672	94.09%
2015	8,996,821	8,681,402	96.49%	14,867	8,696,269	96.66%
2016	8,603,075	8,319,187	96.70%	-	8,319,187	96.70%

Source: Tax Collector, Palm Beach County.

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

Fiscal Year Ended	9/30	Population <sup>(1)</sup>	Governmental Activities		Business Type Activity		Percentage		
			Median Family Income	Promissory Notes	Promissory Notes	Revolving Loan Fund	Total Primary Government	Personal Income	Per Capita
2007	4,155	N/A	4,791,912	4,529,938	9,650,076	18,971,926	N/A	4,566	
2008	4,164	N/A	4,194,055	4,697,307	9,185,402	18,076,764	N/A	4,341	
2009	4,164	N/A	3,586,300	4,471,066	8,707,301	16,764,667	N/A	4,026	
2010	3,989	N/A	2,967,969	4,171,986	11,207,287	18,347,242	N/A	4,599	
2011	3,539	N/A	2,338,826	3,931,241	11,386,558	17,656,625	N/A	4,989	
2012	3,539	N/A	1,698,993	3,755,525	10,717,770	16,172,288	N/A	4,570	
2013	3,572	N/A	1,047,347	3,573,961	10,028,414	14,649,722	N/A	4,101	
2014	3,581	N/A	425,913	3,386,268	9,319,274	13,131,455	N/A	3,667	
2015	3,600	N/A	-	3,192,102	8,589,786	11,781,888	N/A	3,273	
2016	3,600	N/A	-	3,001,316	7,839,363	10,840,679	N/A	3,011	

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

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

Fiscal Year Ended 9/30	Population(1)	Taxable Value(2)	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2007	4,155	2,300,831,999	8,333,002	0.36%	2,006
2008	4,164	2,238,941,501	7,959,302	0.36%	1,911
2009	4,164	2,141,822,291	7,088,868	0.33%	1,702
2010	3,989	1,932,060,374	16,220,765	0.84%	4,066
2011	3,539	1,815,718,250	16,026,132	0.88%	4,528
2012	3,539	1,732,047,474	14,903,429	0.86%	4,211
2013	3,572	1,752,273,484	13,791,636	0.79%	3,861
2014	3,581	1,824,011,226	12,695,861	0.70%	3,545
2015	3,600	1,937,064,009	11,781,888	0.61%	3,273
2016	3,600	2,063,280,813	10,840,679	0.53%	3,011

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

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

As of September 30, 2016

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

Town of Highland Beach	\$ 10,840,679	100.00%	<u>\$ 10,840,679</u>
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**Overlapping debt:**

Palm Beach School District	\$ 17,430,000		
Palm Beach County	141,605,000		
	<u>\$ 159,035,000</u>	1.39%	\$ 2,210,587

Total direct and overlapping debt:	<u>\$ 13,051,266</u>	
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Estimated population:	<u>3,600</u>	
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Direct and overlapping net debt per capita:	<u>\$ 3,625</u>	
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Source: Palm Beach County School District.  
 Town of Highland Beach.

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

All debt related to the Town's business-type activities is secured by a voter-approved pledge of  
 ad-valorem taxes. Thus, it is management's view that, although the debt is within the  
 enterprise fund, it should be included in the presentation of direct and overlapping debt.

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

*The Town of Highland Beach has no legal debt margin.*

**Town of Highland Beach, Florida**

**Schedule 13**

**Pledged-Revenue Coverage (Unaudited)**

Fiscal Year Ended 9/30	State Revolving Loan(s)				2005 Promissory Note			
	Pledged Revenue	Debt Service			Pledged Revenue	Debt Service		
		Principal	Interest	Coverage		Principal	Interest	Coverage
2007	1,087,143	451,625	286,798	1.47	568,421	346,120	98,074	1.28
2008	1,117,162	464,674	273,750	1.51	568,363	355,789	88,406	1.28
2009	1,108,490	478,102	260,322	1.50	587,353	366,323	77,871	1.32
2010	1,176,815	491,917	246,507	1.59	571,254	376,836	67,358	1.29
2011	1,193,275	506,133	232,291	1.62	557,064	379,121	55,169	1.28
2012	7,285,358	669,455	320,215	7.36	508,331	398,957	45,237	1.14
2013	8,246,672	689,356	299,512	8.34	550,590	410,775	33,556	1.24
2014	8,452,116	709,140	279,731	8.55	555,655	422,503	21,692	1.25
2015	8,696,269	729,488	259,383	8.79	713,738	435,913	8,600	1.61
2016	8,319,187	750,423	237,722	8.42	NA	NA	NA	NA

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

Fiscal Year Ended 9/30	Population(1)	Median Family Income(1)	Per Capita Income(1)	Median House Value (1)	School Enrollment(1)	Unemployment Rate(1)
2007	4,155	N/A	N/A	N/A	38	4.8%
2008	4,164	\$ 93,915	\$ 79,036	N/A	45	6.3%
2009	4,164	\$ 94,662	\$ 84,430	N/A	64	7.8%
2010	3,989	\$ 104,474	\$ 72,079	N/A	67	12.4%
2011	3,539	\$ 104,570	\$ 72,222	N/A	65	1.4%
2012	3,539	\$ 90,729	\$ 73,199	N/A	65	1.5%
2013	3,572	\$ 83,879	\$ 65,713	\$ 422,914	62	7.7%
2014	3,581	\$ 83,879	\$ 65,713	\$ 422,914	62	7.7%
2015	3,600	\$ 83,879	\$ 65,713	\$ 422,914	62	7.7%
2016	3,600	\$ 102,868	\$ 89,318	\$ 543,045	62	4.9%

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

**Town of Highland Beach, Florida**

**Schedule 15**

**Principal Employers - Palm Beach County (Unaudited)**

**Current Year and Ten Years Ago**

	2016			2007	
<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>	<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
School Board	21,656	NA	School Board	21,707	NA
Palm Beach County	5,930	NA	Palm Beach County	11,293	NA
Tenet Healthcare Corp.	4,595	NA	Tenet Healthcare Corp.	4,500	NA
NextEra Energy, Inc	4,005	NA	HCA ( Hospital Corp. of America)	3,411	NA
Hospital Corp of America	3,476	NA	Florida Power & Light	3,250	NA
Veterans Health Administration	2,700	NA	Florida Atlantic University	2,923	NA
Florida Atlantic University	2,529	NA	The Breakers	2,300	NA
Boca Raton Community Hospital	2,500	NA	Office Depot ( Hdqtrs)	2,180	NA
Jupiter Medical Center	2,195	NA	Boca Raton Community Hospital	1,860	NA
Bethesda Memorial Hospital	2,150	NA	Boca Raton Resort & Club	1,650	NA
<b>Total</b>	<b>51,736</b>	<b>NA</b>	<b>Total</b>	<b>55,074</b>	<b>NA</b>

Source: Business Development Board of Palm Beach County.

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

<b>Function/Program</b>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
Town Manager	2	2	2	2	2	2	2	2	1	1
Town Clerk	2	2	2	2	2	2	2	3	3	3
Finance	2	2	1	1	2	2	2	2	2	2
Maintenance	2	2	2	2	0	0	0	0	0	1
Post Office	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
Building	3	3	1	1	1	1	2	2	2	2
Police	15	15	15	13	14	15	16	15	15	15
<b>Cultural and Recreation</b>										
Library	2	2	3	3	4	4	4	4	4	4
<b>Physical Environment</b>										
Utilities	9	9	9	9	9	9	9	10	10	10
<b>Total</b>	<b>38</b>	<b>38</b>	<b>36</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>38</b>	<b>39</b>	<b>38</b>	<b>39</b>

Source: Town of Highland Beach Finance Department.

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

Fiscal Year Ended 9/30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Function/Program</u>										
<b>Public Safety</b>										
Number of arrests by police officers	4	1	1	5	5	9	9	12	8	9
Number of traffic citations issued	338	319	570	363	1,067	479	280	127	100	61
Number of fire calls (1)	224	254	206	241	154	111	139	277	179	*
Number of EMS calls (1)	364	414	457	416	391	625	574	537	346	*
Number of building permits issued	1,491	1,105	976	1,045	1,409	1,778	1,827	1,812	1,164	1,036
<b>Physical Environment</b>										
Number of water and sewer active accounts (meters)	450	459	472	470	469	468	467	466	465	465
Number of water and sewer units served	4,313	4,318	4,311	4,322	4,322	4,322	4,324	4,327	4,356	4,356
<b>Cultural &amp; Recreation</b>										
Number of library patrons	3,498	4,103	4,555	4,805	4,610	3,543	3,234	3,473	3,440	3,352
Number of items in collection	26,552	29,728	32,744	37,231	37,818	39,492	37,195	40,536	41,261	42,262
Number of community events presented	189	251	502	633	718	663	706	831	880	920

Note: Fire Department contracted through Delray Beach.

Sources: Town of Highland Beach, FL

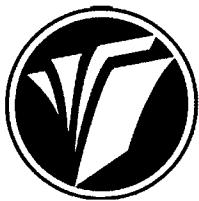
(1) City of Delray Beach

(\*) Data unavailable at time report issued.

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

<u>Fiscal Year Ended 9/30</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u><b>Function/Program</b></u>										
<b>Public Safety</b>										
Fire Trucks	1	1	1	1	1	1	1	1	0	0
EMS Units	1	1	1	1	1	1	1	1	1	1
Police Vehicles	7	9	9	7	7	6	7	7	7	6
Vehicles- Protective Inspections	2	2	0	0	0	0	0	0	0	0
<b>Transportation</b>										
Street (miles)	3	3	3	3	3	3	3	3	3	3
<b>Physical Environment</b>										
Vehicles-Public Works	5	5	5	5	5	5	5	5	5	5

Source: Town of Highland Beach, FL



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 27, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

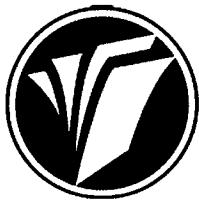
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on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

### **Purpose of this Report**

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

*Gray & Associates*

March 27, 2017



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

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

We have examined the Town of Highland Beach, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

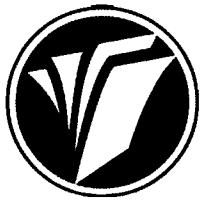
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

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

*Grau & Associates*

March 27, 2017



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

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Town of Highland Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 27, 2017.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 27, 2017, should be considered in conjunction with this management letter.

**Purpose of this Letter**

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

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

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

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

*Grau & Associates*

March 27, 2017

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2015.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2016.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2016.

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

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.

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

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2016. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.