



The Town of
Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2013



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Highland Beach, Florida*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2013

**Prepared by:
Finance Department**

**Cale Curtis
Finance Director**

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2013
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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:
Bernard Featherman
Vice Mayor:
Ron Brown
Commissioners:
Dennis J. Sheridan
Louis P. Stern
Carl Feldman
Town Manager:
Kathleen D. Weiser

February 25, 2014

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 six 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, 2013.

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 Nowlen, Holt & Miner, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Highland Beach for the fiscal year ended September 30, 2013, 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, 2013. 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 11.

The financial reporting entity includes all the funds of the primary government (i.e., the Town of Highland Beach, Florida as legally defined), as well as all of its component units in accordance with GASB *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity."* Although the Palm Beach County Board of County Commissioners, Palm Beach County School Board, and South Florida Water Management District, among other governments, levy and collect taxes on property located within the corporate limits of the Town of Highland Beach, financial information on these taxing authorities is not included in this report since the Town is not financially accountable for these agencies. Annual financial reports of these other taxing authorities are available upon request from each 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 3,572 (2013 Estimate- University of Florida's Bureau of Economic & Business Research), which increases to approximately 7,900 during the winter months. According to www.city-data.com the most recently reported (2012) median age in Highland Beach is 66.9 years. Males make up approximately 47% and females 53% of the total population in Highland Beach.

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

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

ECONOMIC CONDITION AND OUTLOOK

The overall economic condition of the general operations of the Town of Highland Beach is improving from the 2008 real estate market collapse. Historically, the Town benefited from a steady increase in assessed value assigned by the Palm Beach County Property Appraiser's Office which had insured a reliable increase in Ad Valorem tax revenues year over year. That trend ended during the fiscal year which closed on September 30, 2008. From 2008 to 2012, the Town's tax base (residential property values) fell almost 33%. However, during the latter of FY 2012, investment and redevelopment of property in Highland Beach returned. For the first time in six years, the Town's taxable assessed value increased, albeit a modest 1.2% increase.

As we look forward, there are signs that the economic recovery will continue for the foreseeable future, at least in Highland Beach where building permits for residential redevelopment and new construction are steadily on the rise. Additionally, the State Legislature in Tallahassee continues to analyze and sponsor a number of statewide property tax reform initiatives, which if passed, may have an impact on future Ad Valorem tax revenues. Taking into consideration the level of uncertainty about future tax collection capabilities of the Town, management, the staff, and the elected officials of the community continue to remain vigilant of the Town's revenue and the expenditure trends.

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

Year	Taxable Assessed Valuation	Population	Assessed Value Per Capita
2000	807,510,758	3,518	\$ 229,537
2001	858,637,171	3,775	\$ 227,454
2002	1,037,144,177	3,885	\$ 266,961
2003	1,203,859,271	3,961	\$ 303,928
2004	1,356,599,854	4,019	\$ 337,547
2005	1,546,615,892	4,157	\$ 372,051
2006	1,875,187,592	4,157	\$ 451,092
2007	2,300,831,999	4,155	\$ 553,750
2008	2,238,941,501	4,164	\$ 537,690
2009	2,140,106,933	4,164	\$ 513,955
2010	1,932,060,374	4,162	\$ 464,214
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

Long-term financial planning

The unassigned fund balance in the general fund decreased during the current fiscal year. This balance is still considered to be healthy, consisting of approximately 39% of total general fund expenditures for the FY ended 2013. 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 the months where cash flow falls stagnant. Future cash reserve designations will include an assigned fund balance for capital improvements and replacements.

MAJOR INITIATIVES

The upcoming budget years have some major projects planned. The Town plans to renovate and remodel the Police Department and Commission Chambers in an effort to improve the internal efficiency of operations. The plan is to combine the two separate police areas under one roof providing increased officer safety and efficiency. Completing this task requires moving the Commission Chambers to the Southeast corner of the Town Hall building. Construction is planned to begin the first quarter of 2014 and is estimated to cost approximately \$850,000.

In FY 2014, the Town anticipates closing on a real estate deal of approximately \$3.5 million. The transaction is for the sale of two pieces of Town-owned land located in the City of Boca Raton, FL. The land once housed the Town’s lime-softening water plant and well-field. The plant and well-field were decommissioned following the completion of Town’s Reverse Osmosis Water Plant.

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 \$1,746,100 at the 2013 fiscal year end. The second is a Disaster Recovery reserve. The Disaster Recover had a balance of \$400,000 at the 2013 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, 2012. This was the twenty-second 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,



Kathleen D. Weiser
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

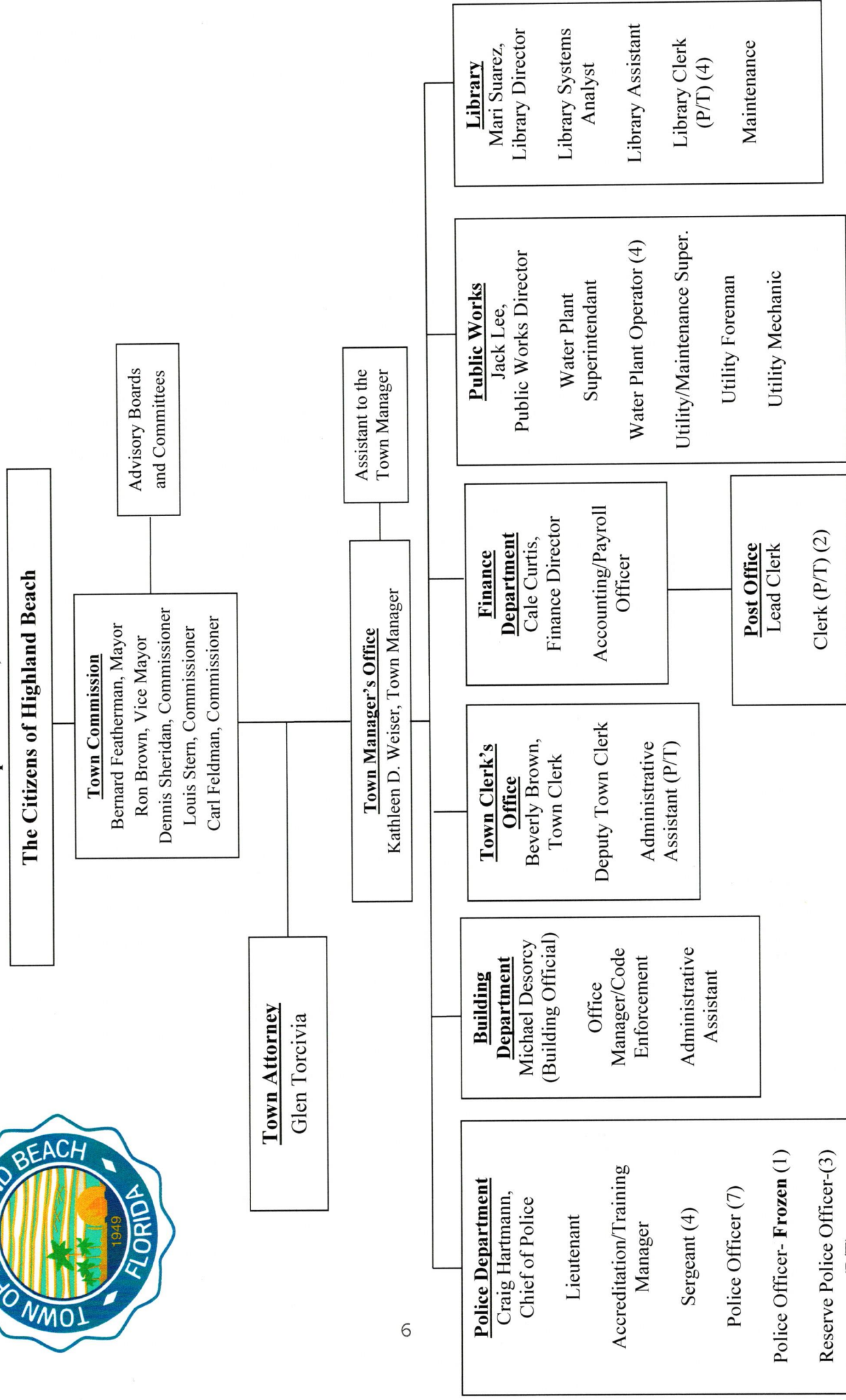
September 30, 2012

Executive Director/CEO

TOWN OF HIGHLAND BEACH

Organization Chart

September 30, 2013



TOWN OF HIGHLAND BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2013

<u>TITLE</u>	<u>NAME</u>
Mayor	Bernard Featherman
Vice Mayor	Ronald Brown
Commissioner	Carl Feldman
Commissioner	Dennis Sheridan
Commissioner	Louis P. Stern
Town Manager	Kathleen D. Weiser
Town Clerk	Beverly M. Brown
Finance Director	Cale Curtis
Chief of Police	Craig Hartmann
Building Official	Michael Desorcy
Public Works Director	Jack W. Lee
Library Director	Maria T. Suarez
Town Attorney	Glen Torcivia

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
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TIMOTHY H. SCHMEDES, CPA
WEI PAN, CPA

INDEPENDENT AUDITOR'S REPORT

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 as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Highland Beach, Florida'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 of 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 of Highland Beach, Florida as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 on pages 11 through 16, the budgetary comparison data on pages 63 through 66, and the Schedule of Funding Progress - Other Postemployment Benefits on page 67 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 of Highland Beach, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section 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 February 25, 2014, on our consideration of the Town of Highland Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 of Highland Beach, Florida's internal control over financial reporting and compliance.

Mawlen, Holt & Miner, P.A.

West Palm Beach, Florida
February 25, 2014

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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, 2013. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting in changes and currently known facts, please read it in conjunction with the accompanying transmittal letter in the introductory section (beginning on page 1) and the Town's financial statements (beginning on page 17).

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2013.

- The Town's assets exceeded its liabilities at September 30, 2013 by \$17.1 million (net position), an increase of approximately \$1.3 million over the prior year's ending net position of \$15.8 million. Of this amount, \$8.3 million may be used to meet the ongoing obligations to citizens and creditors.
- The Town's revenues for governmental activities, excluding transfers, were \$10.6 million, an increase of 13.9% or \$1.3 million over the previous year. The expenses for governmental activities were \$8.1 million, a 2.5% increase from the prior year. Property tax revenues increased \$962,000 due to increases in property values and tax rate. The total governmental activities expenses were up a modest 1.8% (\$143,000) year over year due to salary increases (up to 5%) for bargaining and non-bargaining employees.
- The business-type activities experienced a \$7,000 increase in revenues. Expenses increased by \$131,000. The Water and Sewer Funds had a combined operating loss of \$875,000 compared to an operating loss of \$728,000 in the prior year. Revenues remained consistent with the prior year. Increases in employee salaries as well as repairs and maintenance are attributed to the increase in expenses.
- At September 30, 2013, the General Fund's unassigned fund balance was \$3.5 million. The General Fund has designated two assignments of fund balance. One is for budget stabilization and totaled \$1.7 million. The second is for disaster recovery at an amount of \$400,000.
- The Town's long-term debt decreased by \$1.52 million, or 9.4 percent. The key factors of the decrease were annual principal payments on current debt and no new borrowing.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* (pages 17 through 19) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reports 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 20) are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirement. Most of the Town's basic services are reported in the governmental funds.

Proprietary Funds (beginning on page 24) provide the same type of information as the government-wide financial statements, only in more detail. The Town's proprietary funds consist of the water and sewer funds. These enterprise funds are the equivalent of business-type activities in the government-wide statements.

Notes to the Financial Statements (beginning on page 28) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements were designed so that the user could determine if the Town is in a better or worse financial condition from the prior year. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$17.1 million.

Town of Highland Beach
Net Position
(In Thousands)

	Governmental Activities 2013	Business Activities 2013	Total Activities 2013	Governmental Activities 2012	Business Activities 2012	Total Activities 2012
Assets:						
Current and other assets	\$ 7,040	\$ 3,391	\$ 10,431	\$ 6,252	\$ 3,225	\$ 9,477
Capital assets	4,987	17,329	\$ 22,316	5,145	18,349	\$ 23,494
Total assets	\$ 12,027	\$ 20,720	\$ 32,747	\$ 11,397	\$ 21,574	\$ 32,971
Liabilities:						
Long-term liabilities	\$ 1,594	\$ 13,784	\$ 15,378	\$ 2,212	\$ 14,644	\$ 16,856
Other liabilities	183	106	289	171	98	269
Total liabilities	\$ 1,777	\$ 13,890	\$ 15,667	\$ 2,383	\$ 14,742	\$ 17,125
Net position:						
Net investment in capital assets	\$ 4,499	\$ 3,818	\$ 8,317	\$ 4,273	\$ 3,984	\$ 8,257
Restricted for:						
Transportation	4		4	4		4
Debt service		233	233		233	233
Special projects	206		206	204		204
Unrestricted	5,541	2,779	8,320	4,533	2,615	7,148
Total net position	\$ 10,250	\$ 6,830	\$ 17,080	\$ 9,014	\$ 6,832	\$ 15,846

The largest portion of the Town's net position (49%) reflects its unrestricted cash reserves. The unrestricted cash reserves (\$8.3 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 (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$8.3 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, 2013, was \$10.2 million. Property taxes are the main source of revenues and represent approximately 78% of the revenue for governmental activities. Expenditures for Public Safety (Police, Fire Rescue, and Building Inspection) represent approximately 66% of Governmental Activities expenditures. Tax revenues were up over \$990,000 for the year due to an increase in property values as well as the tax rate. Outstanding debt decreased \$618k. Expenses were up over \$173,000 due primarily to increases in personnel costs. The net effect of these major changes primarily contributed to an increase to fund net position of the Governmental Activities of approximately \$1,236,000.

Net position of the Business Type Activities (water and sewer) at September 30, 2013, was \$6.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$4 million. As shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position, amounts paid by customers for water and sewer services were less than operating expenses. The operating loss of \$875,000 was primarily due to current period depreciation of over \$1.05 million.

Town of Highland Beach
Changes in Fund Net Position
(In thousands)

	Governmental Activities 2013	Business Activities 2013	Total Activities 2013	Governmental Activities 2012	Business Activities 2012	Total Activities 2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,064	\$ 3,004	\$ 4,068	\$ 945	\$ 2,995	\$ 3,940
Operating grants and contribution	13		13	13		13
General revenues:						
Property taxes	8,247		8,247	7,285		7,285
Utility taxes	307		307	277		277
Franchise Fees	410		410	411		411
Sales and use taxes	273		273	261		261
State revenue sharing	104		104	114		114
Investment earnings	17	6	23	18	5	23
Miscellaneous	188	3	191	9	4	13
Net increase in fair value of investments	7	1	8	16	3	19
Gain on disposal of fixed assets	3		3			
Total revenues	10,633	3,014	13,647	9,349	3,007	12,356
Expenses:						
Program expenses:						
General government	1,566		1,566	1,657		1,657
Public safety	5,326		5,326	5,153		5,153
Sanitation	579		579	572		572
Culture and recreation	599		599	525		525
Interest on long-term debt	41		41	61		61
Water and sewer		4,302	4,302		4,171	4,171
Total expenses	8,111	4,302	12,413	7,968	4,171	12,139
Excess (deficiency) before transfers	2,522	(1,288)	1,234	1,381	(1,164)	217
Transfers	(1,286)	1,286		(1,288)	1,288	
Increase (decrease) in net position	1,236	(2)	1,234	93	124	217
Net position – October 1	9,014	6,832	15,846	8,921	6,708	15,629
Net position – September 30	\$ 10,250	\$ 6,830	\$ 17,080	\$ 9,014	\$ 6,832	\$ 15,846

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, 2013, the Town's governmental funds reported combined ending fund balances of \$6.9 million, an increase of approximately \$772,000 from the prior year. Approximately 51% (\$3.5 million) of the combined 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 (\$1.75 million); 2) disaster relief (\$400,000); 3) liquidation of carry-overs from the prior year and/or allocation for the following budget (\$931k); 4) for a variety of other restricted purposes (\$210,000); or 5) is nonspendable (\$82,000).

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 \$8.8 million were less than the final amended budget of \$9.2 million, a difference of approximately \$400,000. The difference can be primarily attributed to savings realized from a new legal services contract and an unspent balance in the contingency account.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2013 totaled \$23.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during the current fiscal year included the following:

Town of Highland Beach Capital Assets (In thousands)

	Governmental Activities 2013	Business Activities 2013	Total 2013	Total 2012
Land	\$ 324	\$ 25	\$ 349	\$ 349
Construction in progress				
Idle Property		1,357	1,357	1,357
Buildings and improvements	5,175	9,767	14,942	14,941
Improvements other than buildings	2,196	10,315	12,511	12,376
Furniture, fixtures and equipment	3,176	8,102	11,278	11,197
Total assets	\$ 10,871	\$ 29,566	\$ 40,437	\$ 40,220
Less accumulated depreciation	(\$ 5,884)	(\$ 12,237)	(\$ 18,121)	(\$ 16,726)
Total	\$ 4,987	\$ 17,329	\$ 22,316	\$ 23,494

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

Long-Term Liabilities

The Town's outstanding bonded indebtedness (considering debt retirement) decreased by \$1,523,000 as follows:

Town of Highland Beach Outstanding Debt (In thousands)

	Governmental Activities 2013	Business Activities 2013	Total 2013	Total 2012
Promissory Notes	\$ 1,047	\$ 3,574	\$ 4,621	\$ 5,454
Revolving Fund Loan		10,028	10,028	10,718
Other Postemployment Benefits	226	78	304	273
Compensated Absences	321	104	425	411
Total	\$ 1,594	\$ 13,784	\$ 15,378	\$ 16,856

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

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2014 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals included enhancing the level of services, increase the responsiveness of the local government to the needs of the public and to technologically improve the operation of the Town government.

Property taxes are the main source of revenues for governmental activities and represent approximately 72 percent of the General Fund budgeted revenues. The Town's property tax millage rate decreased from a total of 4.8673 mills in FY 2013 to 4.8054 mills in FY 2014.

The taxable value of the Town increased by approximately 4.15%. This increase combined with a millage rate equal to the prior year has resulted in an increase in tax revenue sufficient to cover the operating deficit. Other estimated General Fund revenues are projected to be sufficient to cover the expenditures in the fiscal year 2014 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,754,777	\$ 2,492,966	\$ 9,247,743
Investments	33,816	5,561	39,377
Receivables (net)	154,284	501,228	655,512
Due from other governments	48,014		48,014
Inventories	3,020	6,263	9,283
Prepaid items	46,320	48,384	94,704
Restricted Assets			
Cash and cash equivalents		245,683	245,683
Deferred charges		91,436	91,436
Capital assets			
Non-depreciable			
Land	323,889	24,730	348,619
Idle property		1,356,970	1,356,970
Depreciable			
Buildings and improvements	5,174,519	9,767,168	14,941,687
Improvements other than buildings	2,196,292	10,314,733	12,511,025
Equipment	3,175,761	8,102,297	11,278,058
Less: accumulated depreciation	(5,883,760)	(12,237,234)	(18,120,994)
Total assets	<u>12,026,932</u>	<u>20,720,185</u>	<u>32,747,117</u>
Liabilities			
Accounts payable	113,701	59,068	172,769
Accrued liabilities	63,172	18,496	81,668
Accrued interest payable	6,360	9,168	15,528
Deferred revenue		7,190	7,190
Payable from restricted			
Accrued interest		12,509	12,509
Non-current liabilities			
Due within one year	655,064	907,758	1,562,822
Due in more than one year	938,668	12,876,028	13,814,696
Total liabilities	<u>1,776,965</u>	<u>13,890,217</u>	<u>15,667,182</u>
Net Position			
Net investment in capital assets	4,498,697	3,817,724	8,316,421
Restricted for:			
Debt service		233,174	233,174
Recreational land acquisition	191,493		191,493
Cultural activities	1,497		1,497
Law enforcement	6,858		6,858
Library activities	5,853		5,853
Transportation	4,311		4,311
Unrestricted	5,541,258	2,779,070	8,320,328
Total net position	<u>\$ 10,249,967</u>	<u>\$ 6,829,968</u>	<u>\$ 17,079,935</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2013

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,566,138	\$ 94,508	\$ 13,304
Public safety	5,326,258	496,821	
Culture recreation	599,345	5,451	
Sanitation	578,934	467,051	
Interest on long term debt	40,924		
Total governmental activities	<u>8,111,599</u>	<u>1,063,831</u>	<u>13,304</u>
Business-type activities:			
Water utility	3,448,030	1,981,222	
Sewer utility	853,988	1,022,232	
Total business-type activities	<u>4,302,018</u>	<u>3,003,454</u>	
Total government	<u>\$ 12,413,617</u>	<u>\$ 4,067,285</u>	<u>\$ 13,304</u>

General revenues:

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

Change in net position

Net position, beginning of year
Net position, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$ (1,458,326)	\$	\$ (1,458,326)
	(4,829,437)		(4,829,437)
	(593,894)		(593,894)
	(111,883)		(111,883)
	(40,924)		(40,924)
	<u>(7,034,464)</u>		<u>(7,034,464)</u>
		(1,466,808)	(1,466,808)
		168,244	168,244
		<u>(1,298,564)</u>	<u>(1,298,564)</u>
<u>\$</u>	<u>(7,034,464)</u>	<u>(1,298,564)</u>	<u>(8,333,028)</u>
	8,246,672		8,246,672
	306,747		306,747
	409,721		409,721
	273,625		273,625
	104,220		104,220
	16,853	6,082	22,935
	7,288	1,199	8,487
	3,295		3,295
	187,537	3,400	190,937
	<u>(1,286,000)</u>	<u>1,286,000</u>	
	<u>8,269,958</u>	<u>1,296,681</u>	<u>9,566,639</u>
	1,235,494	(1,883)	1,233,611
	9,014,473	6,831,851	15,846,324
<u>\$</u>	<u>10,249,967</u>	<u>\$ 6,829,968</u>	<u>\$ 17,079,935</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,550,193	\$ 204,584	\$ 6,754,777
Investments	32,699	1,117	33,816
Receivables (net)			
Accounts	154,284		154,284
Due from other governments	48,014		48,014
Inventory	3,020		3,020
Prepays	46,320		46,320
Total assets	<u>\$ 6,834,530</u>	<u>\$ 205,701</u>	<u>\$ 7,040,231</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 113,701	\$	\$ 113,701
Accrued liabilities	63,172		63,172
Total liabilities	<u>176,873</u>		<u>176,873</u>
Fund balances			
Nonspendable			
Inventory	3,020		3,020
Prepays	46,320		46,320
SBA - Fund B	32,699		32,699
Restricted for:			
Recreational land acquisition		191,493	191,493
Library activities		5,853	5,853
Cultural activities		1,497	1,497
Law enforcement		6,858	6,858
Transportation	4,311		4,311
Assigned to:			
Disaster recovery	400,000		400,000
Mandatory reserves	1,746,100		1,746,100
Subsequent year expenditures	931,355		931,355
Unassigned	3,493,852		3,493,852
Total fund balances	<u>6,657,657</u>	<u>205,701</u>	<u>6,863,358</u>
Total liabilities and fund balances	<u>\$ 6,834,530</u>	<u>\$ 205,701</u>	<u>\$ 7,040,231</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2013

Fund balances total governmental funds		\$ 6,863,358
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 10,870,461	
Less accumulated depreciation	<u>(5,883,760)</u>	4,986,701
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long term liabilities at year-end consist of:		
Compensated absences	(320,189)	
Other postemployment benefits	(226,196)	
Notes payable	(1,047,347)	
Accrued interest on long-term debt	<u>(6,360)</u>	<u>(1,600,092)</u>
Net position of governmental activities		<u><u>\$ 10,249,967</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,584,777	\$	\$ 8,584,777
Licenses and permits	854,123		854,123
Intergovernmental	361,367		361,367
Fines and forfeitures	57,870		57,870
Rent	53,580		53,580
Interest	16,419	434	16,853
Net increase in fair value of investments	7,046	242	7,288
Charges for services	506,403		506,403
Miscellaneous	488,380	1,000	489,380
Total revenues	<u>10,929,965</u>	<u>1,676</u>	<u>10,931,641</u>
Expenditures:			
Current			
General government	1,652,393		1,652,393
Public safety	5,289,583		5,289,583
Culture and recreation	492,452		492,452
Sanitation	450,651		450,651
Capital outlay	292,522		292,522
Debt service:			
Principal	651,646		651,646
Interest and fiscal charges	44,337		44,337
Total expenditures	<u>8,873,584</u>	<u></u>	<u>8,873,584</u>
Excess (deficiency) of revenues over (under expenditures)	<u>2,056,381</u>	<u>1,676</u>	<u>2,058,057</u>
Other financing sources (uses):			
Transfers out	(1,286,000)		(1,286,000)
Total other financing sources (uses)	<u>(1,286,000)</u>	<u></u>	<u>(1,286,000)</u>
Net change in fund balances	770,381	1,676	772,057
Fund balances, beginning of year	<u>5,887,276</u>	<u>204,025</u>	<u>6,091,301</u>
Fund balances, end of year	<u>\$ 6,657,657</u>	<u>\$ 205,701</u>	<u>\$ 6,863,358</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

Net change in fund balances - Total governmental funds \$ 772,057

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

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

Expenditures for capital assets	\$ 210,892	
Less: current year depreciation	<u>(368,953)</u>	(158,061)

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

Principal payments on debt	651,646
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Net effect of accrued interest on long-term debt

Decrease in accrued interest payable	3,413
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in other postemployment benefits	(24,279)
Change in long-term compensated absences	<u>(9,282)</u>

Change in net position	<u>\$ 1,235,494</u>
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See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2013

	Water Utility	Sewer Utility	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 1,036,044	\$ 1,456,922	\$ 2,492,966
Investments	187	5,374	5,561
Accounts receivable (net)	325,414	175,814	501,228
Prepaid items	46,955	1,429	48,384
Supplies inventory	6,263		6,263
Restricted Assets			
Cash and cash equivalents	245,683		245,683
Total current assets	<u>1,660,546</u>	<u>1,639,539</u>	<u>3,300,085</u>
Non-current assets			
Deferred charges, net	91,436		91,436
Capital assets			
Non depreciable			
Land	24,730		24,730
Idle property	1,356,970		1,356,970
Depreciable			
Building and improvements	8,041,634	1,725,534	9,767,168
Improvements other than buildings	9,110,117	1,204,616	10,314,733
Equipment	7,696,626	405,671	8,102,297
Less accumulated depreciation	<u>(9,730,878)</u>	<u>(2,506,356)</u>	<u>(12,237,234)</u>
Total non-current assets	<u>16,590,635</u>	<u>829,465</u>	<u>17,420,100</u>
Total assets	<u>18,251,181</u>	<u>2,469,004</u>	<u>20,720,185</u>
Liabilities			
Current liabilities			
Accounts payable	13,882	45,186	59,068
Accrued liabilities	18,496		18,496
Accrued interest payable	9,168		9,168
Deferred revenue	7,190		7,190
Compensated absences payable	10,938		10,938
Payable from restricted			
Accrued interest	12,509		12,509
Current portion of long-term debt	<u>896,820</u>		<u>896,820</u>
Total current liabilities	<u>969,003</u>	<u>45,186</u>	<u>1,014,189</u>
Non-current liabilities			
Compensated absences payable	93,232		93,232
Other postemployment benefits	77,241		77,241
Long-term debt	<u>12,705,555</u>		<u>12,705,555</u>
Total non-current liabilities	<u>12,876,028</u>		<u>12,876,028</u>
Total liabilities	<u>13,845,031</u>	<u>45,186</u>	<u>13,890,217</u>
Net Position			
Net investment in capital assets	2,988,260	829,464	3,817,724
Restricted for debt service	233,174		233,174
Unrestricted	<u>1,184,716</u>	<u>1,594,354</u>	<u>2,779,070</u>
Total net position	<u>\$ 4,406,150</u>	<u>\$ 2,423,818</u>	<u>\$ 6,829,968</u>

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, 2013

	Water Utility	Sewer Utility	Total
Operating revenue			
Charges for services	\$ 1,981,222	\$ 1,022,232	\$ 3,003,454
Administrative fee	131,352		131,352
Total operating revenues	<u>2,112,574</u>	<u>1,022,232</u>	<u>3,134,806</u>
Operating expenses			
Personal services	935,094		935,094
Sewage disposal costs		671,221	671,221
Contractual services	25,706		25,706
Maintenance and repair	218,258	33,825	252,083
Meters and supplies	174,949	210	175,159
Utilities	237,384	26,399	263,783
Depreciation	930,853	116,598	1,047,451
Amortization	16,592		16,592
Administrative charges	298,548	131,352	429,900
Professional services	18,945		18,945
Other	168,229	5,735	173,964
Total operating expenses	<u>3,024,558</u>	<u>985,340</u>	<u>4,009,898</u>
Operating income (loss)	<u>(911,984)</u>	<u>36,892</u>	<u>(875,092)</u>
Nonoperating revenues (expenses)			
Interest revenue	2,971	3,111	6,082
Net increase in fair value of investments	41	1,158	1,199
Connection fees	3,000		3,000
Other revenue	400		400
Interest expense	(423,472)		(423,472)
Total nonoperating revenues (expenses)	<u>(417,060)</u>	<u>4,269</u>	<u>(412,791)</u>
Income (loss) before contributions and transfers	<u>(1,329,044)</u>	<u>41,161</u>	<u>(1,287,883)</u>
Transfers in	<u>1,286,000</u>		<u>1,286,000</u>
Change in net position	(43,044)	41,161	(1,883)
Net position, beginning of year	<u>4,449,194</u>	<u>2,382,657</u>	<u>6,831,851</u>
Net position, end of year	<u>\$ 4,406,150</u>	<u>\$ 2,423,818</u>	<u>\$ 6,829,968</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	Water Utility	Sewer Utility	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 1,974,517	\$ 1,014,959	\$ 2,989,476
Receipts from interfund services provided	131,352		131,352
Payments to suppliers	(849,815)	(736,010)	(1,585,825)
Payments for interfund services used	(298,548)	(131,352)	(429,900)
Payments to employees	(920,277)		(920,277)
Net cash provided (used) by operating activities	<u>37,229</u>	<u>147,597</u>	<u>184,826</u>
Cash flows from non-capital financing activities:			
Connection fees received	3,000		3,000
Other	400		400
Transfers from other funds	1,286,000		1,286,000
Net cash provided by non-capital financing activities	<u>1,289,400</u>		<u>1,289,400</u>
Cash flows from capital and related financing activities:			
Principal paid on long term debt	(870,920)		(870,920)
Interest paid on long term debt	(424,734)		(424,734)
Payments to acquire and construct capital assets	(26,871)		(26,871)
Net cash (used) by capital and related financing activities	<u>(1,322,525)</u>		<u>(1,322,525)</u>
Cash flows from investing activities:			
Interest and dividends on investments	2,971	3,111	6,082
Sale of investments	197	5,621	5,818
Net cash provided by investing activities	<u>3,168</u>	<u>8,732</u>	<u>11,900</u>
Net increase (decrease) in cash and cash equivalents	7,272	156,329	163,601
Cash and cash equivalents, beginning of year	<u>1,274,455</u>	<u>1,300,593</u>	<u>2,575,048</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,281,727</u></u>	<u><u>\$ 1,456,922</u></u>	<u><u>\$ 2,738,649</u></u>

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (911,984)	\$ 36,892	\$ (875,092)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	947,445	116,598	1,064,043
(Increase) decrease in:			
Accounts receivable	(13,895)	(7,273)	(21,168)
Prepays	(3,202)	(23)	(3,225)
Increase (decrease) in:			
Accounts payable	(3,142)	1,403	(1,739)
Accrued liabilities	14,817		14,817
Deferred revenue	7,190		7,190
Total adjustments	<u>949,213</u>	<u>110,705</u>	<u>1,059,918</u>
Net cash provided (used) by operating activities	<u>\$ 37,229</u>	<u>\$ 147,597</u>	<u>\$ 184,826</u>
Noncash investing activities			
Unrealized gain in fair value of investments	<u>\$ 41</u>	<u>\$ 1,158</u>	<u>\$ 1,199</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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. 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.

Organizations for which the Town is not financially accountable are also included when doing so is necessary in order to prevent the Town's financial statements from being misleading.

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.

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 non-fiduciary activities of the Town. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental, enterprise, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise funds:

Water Utility System Fund

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

Sewer Utility System Fund

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

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

Special Revenue Funds

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

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

The Library Donation Fund has a legally adopted budget.

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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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

Compensated Absences

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

In the government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or enterprise fund statement of net assets. Fees incurred in connection with a loan accounted for in the Water Utility Enterprise Fund have been deferred and capitalized as a deferred charge and are being amortized over the term of the loan. The amortization commenced in October 2004 when loan repayments commenced.

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, 2012, upon which the levy for the current fiscal year was based, was approximately \$1.76 billion. State Statutes permit municipalities to levy ad valorem property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the Town for the year ended September 30, 2013, was 4.7049 (\$4.7049 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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (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.
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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

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 \$50,000 per fiscal year up to a maximum amount of \$500,000.

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Recently Issued Accounting Pronouncements

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This Statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the fiscal year ending September 30, 2015. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize the beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

At September 30, 2013, Florida PRIME was rated AAAm by Standard and Poor’s. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any national rating agency.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2013 was 44 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The weighted average life based on expected cash flows (WAL) of Fund B at September 30, 2013 was 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

As of September 30, 2013, the Town of Highland Beach had \$296,847 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2013 was \$34,767 and the fair value and adjusted book value was \$39,377. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2013, the Town had the following investments. The investment in the State Board of Administration Investment Florida PRIME pool is reported as cash and cash equivalents in the balance sheet. The investment in the Fund B is reported as investments.

Investment	Weighted Average Maturity	Fair Value
State Board of Administration Investment Pool		
Florida PRIME	44 days	\$ 296,847
Fund B	4.04 years	<u>39,377</u>
		<u>\$ 336,224</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2013, Florida PRIME was rated AAAm by Standard and Poor's Ratings Services. The State Board of Administration Fund B is not rated by any nationally recognized rating agency.

Interest Rate Risk

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2013, for the Town's individual major fund's governmental activities and business-type activities are as follows:

	Governmental Activities	Business-Type Activities		
	General Fund	Water Utility	Sewer Utility	Total
Receivables:				
Accounts - unbilled	\$ 75,834	\$ 320,211	\$ 172,928	\$ 568,973
Accounts - billed	78,450	5,203	2,886	86,539
Intergovernmental	48,014			48,014
Less allowance for uncollectibles				
Net total receivables	<u>\$ 202,298</u>	<u>\$ 325,414</u>	<u>\$ 175,814</u>	<u>\$ 703,526</u>

NOTE 4 – CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 173,541
Public safety	35,311
Sanitation	31,818
Culture and recreation	128,283
Total depreciation expense-governmental activities	<u>\$ 368,953</u>
<u>Business-type activities:</u>	
Water utility system	\$ 930,853
Sewer utility system	116,598
Total depreciation expense-business-type activities	<u>\$ 1,047,451</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 323,889	\$	\$	\$ 323,889
Total capital assets not being depreciated	323,889			323,889
Capital assets being depreciated:				
Buildings	5,174,519			5,174,519
Improvements other than buildings	2,060,761	135,531		2,196,292
Equipment, furniture, and books	3,113,668	75,361	(13,268)	3,175,761
Total capital assets being depreciated	10,348,948	210,892	(13,268)	10,546,572
Less accumulated depreciation for:				
Buildings	(1,671,593)	(132,973)		(1,804,566)
Improvements other than buildings	(1,237,330)	(112,733)		(1,350,063)
Equipment, furniture and books	(2,619,152)	(123,247)	(13,268)	(2,729,131)
Total accumulated depreciation	(5,528,075)	(368,953)	(13,268)	(5,883,760)
Governmental activities Capital assets, net	<u>\$ 5,144,762</u>	<u>\$ (158,061)</u>	<u>\$</u>	<u>\$ 4,986,701</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 24,730	\$	\$	\$ 24,730
Idle property	1,356,970			1,356,970
Total capital assets not being depreciated	1,381,700			1,381,700
Capital assets being depreciated:				
Buildings	9,767,168			9,767,168
Improvements other than buildings	10,314,733			10,314,733
Equipment	8,083,194	26,871	(7,768)	8,102,297
Total capital assets being depreciated	28,165,095	26,871	(7,768)	28,184,198
Less accumulated depreciation for:				
Buildings	(3,198,722)	243,943		(3,442,665)
Improvements other than buildings	(3,959,474)	258,240		(4,217,714)
Equipment	(4,039,355)	545,268	(7,768)	(4,576,855)
Total accumulated depreciation	(11,197,551)	1,047,451	(7,768)	(12,237,234)
Business-type activities Capital assets, net	<u>\$ 18,349,244</u>	<u>\$(1,020,580)</u>	<u>\$</u>	<u>\$ 17,328,664</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – LONG-TERM LIABILITIES

During the year ended September 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
GOB Promissory note, 2004B	\$ 458,333	\$	\$ 250,000	\$ 208,333	\$ 208,333
Promissory note, 2005	1,240,660		401,646	839,014	413,112
Total notes payable	1,698,993		651,646	1,047,347	621,445
Other postemployment benefits	201,917	24,279		226,196	
Compensated absences	310,907	271,745	262,463	320,189	33,619
Total governmental activities	<u>\$ 2,211,817</u>	<u>\$ 296,024</u>	<u>\$ 914,109</u>	<u>\$ 1,593,732</u>	<u>\$ 655,064</u>

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Promissory note, 2005	\$ 28,201	\$	\$ 9,129	\$ 19,072	\$ 9,391
Promissory note, 2007	3,727,324		172,435	3,554,889	178,289
Revolving fund loan DW 502901	7,188,488		535,814	6,652,674	551,305
Revolving fund loan DW 500200	2,784,255		120,639	2,663,616	124,066
Revolving fund loan DW 500201	745,027		32,903	712,124	33,769
Total notes and loans payable	14,473,295		870,920	13,602,375	896,820
Other post employment benefits	70,584	6,657		77,241	
Compensated absences	100,336	68,111	64,277	104,170	10,938
Total business-type activities	<u>\$14,644,215</u>	<u>\$ 74,768</u>	<u>\$ 935,197</u>	<u>\$13,783,786</u>	<u>\$ 907,758</u>

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2013, were \$464,396 and \$469,071, respectively. No interest cost was capitalized during the year.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Long-term debt at September 30, 2013, consists of the following individual issues:

General Obligation Promissory Note, 2004B

The \$2,000,000 promissory note was obtained for the purpose of financing construction of a new library building. Interest only is due for the first twenty-four months. Thereafter, interest is due monthly and principal is due in semi-annual installments through July 2014. For the interest only period, the annual interest rate is 63.7% of the 30 day LIBOR plus 67 basis points. After the interest only period, the interest rate will be 67.5% of the 8 year U.S. Swap “ask” rate plus 15 basis points. As of September 30, 2013, the interest rate was 3.4%. The note is secured by a general obligation pledge of the Town. Loan covenants require the Town to demonstrate debt service coverage of no less than 110% from the pledged source of revenues.

Based on the rate as of September 30, 2013, annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 208,333</u>	<u>\$ 3,248</u>	<u>\$ 211,581</u>
Total	<u>\$ 208,333</u>	<u>\$ 3,248</u>	<u>\$ 211,581</u>

Promissory Note, 2005

The \$3,828,668 promissory note was issued to refinance the \$4,485,000 Water and Sewer Revenue Bonds, Series 1995. The note is secured by a pledge of the half-cent sales tax revenues and the discretionary communication service tax revenues. Principal and interest paid for the current fiscal year was \$444,195 and pledged half-cent sales taxes and communication service taxes totaled \$550,590 for the year. The rate covenant for the note requires pledged revenues to be at least 125% of the scheduled principal and interest on the note in each fiscal year. The pledged revenues for the current fiscal year were approximately \$4,650 less than required to meet the rate covenant.

At September 30, 2013, principal and interest to maturity in 2015 to be paid from pledged future revenues totaled \$888,390. The note bears interest at the rate of 2.88% per annum. The principal and interest are payable in twenty equal installments of \$222,097 beginning on January 1, 2006, and on the first day of January and July thereafter, until July 1, 2015.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Promissory Note, 2005 (Continued)

The note is allocated between governmental activities and business-type activities in the government-wide statements. The amount reported as business-type activities is also reported in the Water Utility Enterprise Fund and is expected to be repaid from enterprise revenues. Amounts reported as governmental activities will be repaid from the General Fund. The balance of the note outstanding as of September 30, 2013, is as follows:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 839,014
Business-type activities	<u>19,072</u>
	<u>\$ 858,086</u>

Annual debt service requirements to maturity are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 413,112	\$ 21,210	\$ 434,322
2015	<u>425,902</u>	<u>8,420</u>	<u>434,322</u>
Total	<u>\$ 839,014</u>	<u>\$ 29,630</u>	<u>\$ 868,644</u>

Business-Type Activities:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 9,391	\$ 482	\$ 9,873
2015	<u>9,681</u>	<u>192</u>	<u>9,873</u>
Total	<u>\$ 19,072</u>	<u>\$ 674</u>	<u>\$ 19,746</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Promissory Note, 2007

The \$4,400,000 promissory note was obtained for the purpose of financing the expansion of the Town's water treatment plant. As of September 30, 2013, proceeds in the amount of \$4,299,000 have been received from the note. Interest only is due for the first twenty-four months. Thereafter, interest and principal is due in monthly installments through February, 2029. For the interest only period, the annual interest rate shall be 0.67% plus 63.7% of the LIBOR. After the interest only period, the interest rate will be a fixed rate at 84% of the ask yield on the non-callable U.S. Treasury obligation with a maturity closest to but not less than 10 years after the Fixed Rate Conversion Date, as quoted in the Wall Street Journal on the date two business days before the Fixed Rate Conversion Date. As of September 30, 2013, the interest rate was 3.41%.

Based on the rate as of September 30, 2013, annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 178,289	\$ 118,591	\$ 296,880
2015	184,472	112,408	296,880
2016	190,869	106,011	296,880
2017	197,489	99,391	296,880
2018	204,337	92,543	296,880
2019-2023	1,133,026	351,377	1,484,403
2024-2028	1,343,595	140,808	1,484,403
2029	122,812	1,051	123,863
Total	<u>\$ 3,554,889</u>	<u>\$ 1,022,180</u>	<u>\$ 4,577,069</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 \$8,246,672. At September 30, 2013, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$7,753,451. As of September 30, 2013, outstanding principal, including capitalized interest, was \$6,652,674. 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, 2013 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 551,305	\$ 187,119	\$ 738,424
2015	567,243	171,181	738,424
2016	583,644	154,780	738,424
2017	600,521	137,903	738,424
2018	617,888	120,536	738,424
2019-2023	3,368,090	324,029	3,692,119
2024	<u>363,983</u>	<u>5,229</u>	<u>369,212</u>
Total	<u>\$ 6,652,674</u>	<u>\$ 1,100,777</u>	<u>\$ 7,753,451</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 \$8,246,672. At September 30, 2013, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$3,371,286. As of September 30, 2013, outstanding principal, including capitalized interest, was \$2,663,616. 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, 2013 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 124,066	\$ 74,245	\$ 198,311
2015	127,589	70,722	198,311
2016	131,212	67,099	198,311
2017	134,938	63,373	198,311
2018	138,771	59,540	198,311
2019-2023	755,253	236,302	991,555
2024-2028	868,761	122,794	991,555
2029-2030	383,026	13,595	396,621
Total	<u>\$ 2,663,616</u>	<u>\$ 707,670</u>	<u>\$ 3,371,286</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 \$8,246,672. At September 30, 2013, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$886,315. As of September 30, 2013, outstanding principal, including capitalized interest, was \$712,124. 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, 2013 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 33,769	\$ 18,367	\$ 52,136
2015	34,656	17,480	52,136
2016	35,566	16,570	52,136
2017	36,501	15,635	52,136
2018	37,459	14,677	52,136
2019-2023	202,585	58,096	260,681
2024-2028	230,630	30,051	260,681
2029-2030	<u>100,958</u>	<u>3,315</u>	<u>104,273</u>
Total	<u>\$ 712,124</u>	<u>\$ 174,191</u>	<u>\$ 886,315</u>

NOTE 6 – INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2013:

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – INTERFUND TRANSFERS (Continued)

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

NOTE 7 – DEFINED CONTRIBUTION PLANS

Town of Highland Beach Retirement Plan

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

Employees hired before September 30, 1991:

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

Employees hired after September 30, 1991:

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

The total payroll for all employees and payroll for employees covered by the Plan for the current year were \$3,013,672 and \$161,651, 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, 2013, the Town and the covered employees made the required contributions of \$19,398 and \$6,466, respectively, for a total of \$25,864.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Retirement Plan (Continued)

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

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town of Highland Beach Voluntary Retirement Plan

On September 5, 2006, the Town approved Resolution 864 establishing the Town of Highland Beach Voluntary Retirement Plan. The Plan is a defined contribution Money Purchase 401 Plan to provide benefits at retirement to the employees of the Town. The effective date of the Plan was October 1, 2006. All employees age 21 or over may participate in the Plan. Participants may make voluntary pretax contributions to the Plan based upon a percentage of their base payroll. The Town does not make contributions to the Plan. For the year ended September 30, 2013, Town employees did not make any voluntary contributions to the Plan.

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM

Florida Retirement System Pension Plan

Plan Description

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Funding Policy

Participating employers are required to make monthly contributions based upon statewide contribution rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer and employee contribution rates are established by state law as a level percentage of payroll. Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. Unfunded actuarial liability as a result of past and future plan benefit changes, assumption changes, or methodology changes, and actuarial gains and losses are being amortized over 30 years, using level percentage of payroll amounts. Only gains reserved for rate stabilization will be amortized on a rolling 10 percent basis, as a level dollar amount.

The contribution rates by job class for the Town's employees at September 30, 2013, were as follows: regular employees 9.95%, special risk employees 22.06%, senior management service employees 21.31%, and elected officials 36.03%. These rates include a 3.00% employee contribution, 1.20% for the Retiree Health Insurance Subsidy Program discussed below, and a 0.03% administrative fee.

The Town's contributions to the Florida Retirement System Pension Plan for the fiscal years ending September 30, 2011 through 2013 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Employer	\$ 270,843	\$ 174,270	\$ 215,912
Employee	<u>15,278</u>	<u>59,471</u>	<u>62,116</u>
Total	<u>\$ 286,121</u>	<u>\$ 233,741</u>	<u>\$ 278,028</u>

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Plan Description

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

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

Funding Policy

The State's current funding policy for the HIS is pay-as-you-go and provides for monthly employer contributions currently set as the legislatively determined rate of 1.20% of annual covered payroll. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The GASB annual required contribution (ARC) calculated by the consulting actuary in the July 1, 2012 actuarial valuation for the fiscal year ending June 30, 2012 is 1.71% of active payroll (including DROP payroll).

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

The Town's contributions to the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2011 through 2013 were \$26,857, \$29,099 and \$31,363 respectively, which were equal to 100% of the required contributions for each fiscal year.

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013, were as follows: regular employees 9.95%, special risk employees 22.06%, senior management service employees 21.31%, and elected officials 36.03%. These rates include a 3.00% employee contribution, 1.20% for the Retiree Health Insurance Subsidy Program, and a 0.03% administrative fee.

The Town's total payroll for the year ended September 30, 2013 was \$3,013,672 and payroll for employees covered by the Plan was \$587,186. The Town and the covered employees made the required contributions of \$38,103 and \$17,615, 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, 2013

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, 2013, three retirees received other postemployment benefits (including one retiree covered under the Town's health plan). The Town provided required contributions of \$7,298 toward the annual OPEB cost, in the form of age adjusted premiums paid on behalf of retirees, and net of retiree contributions totaling \$8,851.

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, 2013

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 rate - employer	Pay-as-you-go
Required contribution rate - plan members	N/A
Annual required contribution (ARC)	\$ 39,798
Interest on net OPEB obligation	8,175
Adjustment to annual required contribution	(9,739)
Annual OPEB cost	38,234
Employer contributions	(7,298)
Increase in net OPEB obligation	30,936
Net OPEB obligation (NOO) October 1, 2012	272,501
Net OPEB obligation (NOO) September 30, 2013	<u>\$ 303,437</u>

Trend Information

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/11	\$ 83,220	0%	\$ 240,182
09/30/12	\$ 36,673	12%	\$ 272,501
09/30/13	\$ 39,986	19%	\$ 303,437

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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	09/30/12
Actuarial accrued liability	\$ 175,617
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ 175,617
Funded ratio	0.0%
Covered payroll	\$ 1,942,955
UAAL as a percentage of covered payroll	9%

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, 2015. The Town has not contributed assets to the plan at this time.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2012 was 30 years. The expected rate of increase in health insurance premiums start at 8.00% for the fiscal year ending in 2013 and 7.50% for 2014, grading down to 3.50% at the ultimate trend rate by 2022.

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, 2013

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

During the year ended September 30, 2013, 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 \$298,548.

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

During the year ended September 30, 2013, 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 \$131,352.

NOTE 12 – ENCUMBRANCES

At September 30, 2013, the Town had the following encumbrances:

General Fund	<u>\$ 11,355</u>
Total	<u>\$ 11,355</u>

NOTE 13 – INTERLOCAL GOVERNMENTAL AGREEMENTS

The Town has an agreement with the City of Delray Beach (the City) under which the City provides fire protection and fire rescue services. The term of the agreement is for fifteen years, beginning October 1, 2002, and extending through September 30, 2017, with options to renew for additional periods of ten years each upon the mutual agreement of both parties. Under the terms of the agreement, the City charges the Town a flat rate, which is adjusted annually based on changes in the consumer price index. The amount paid for the year ended September 30, 2013 was \$2,928,033.

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, 2013, the Town was charged \$668,221 for sewage disposal services.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$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. During the year ended September 30, 2012, one settled claim exceeded insurance coverage. There were no other settled claims which exceeded insurance coverage during the past three fiscal years.

NOTE 15 – CONTINGENCIES

The Town is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable 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
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2013

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes				
Ad valorem taxes	\$ 8,209,000	\$ 8,209,000	\$ 8,246,672	\$ 37,672
Local option gas tax	30,000	30,000	29,782	(218)
Communications service tax	275,000	275,000	306,747	31,747
Local business tax	2,000	2,000	1,576	(424)
Total taxes	<u>8,516,000</u>	<u>8,516,000</u>	<u>8,584,777</u>	<u>68,777</u>
Licenses and permits				
Franchise fees	401,000	401,000	409,721	8,721
Building permits	300,000	300,000	444,402	144,402
Total licenses and permits	<u>701,000</u>	<u>701,000</u>	<u>854,123</u>	<u>153,123</u>
Intergovernmental				
Grants	12,900	12,900	13,304	404
State revenue sharing	75,000	75,000	79,012	4,012
Alcoholic beverage licenses	645	645	636	(9)
Half cent sales tax	235,000	235,000	243,843	8,843
Motor fuel tax rebate	1,100	1,100	1,318	218
Local shared revenues	28,000	28,000	23,254	(4,746)
Total intergovernmental	<u>352,645</u>	<u>352,645</u>	<u>361,367</u>	<u>8,722</u>
Fines and forfeitures				
Court fines	10,000	10,000	4,493	(5,507)
Library fines and fees	6,500	6,500	5,451	(1,049)
Violation of local ordinance	1,000	1,000	47,000	46,000
Miscellaneous	3,000	3,000	926	(2,074)
Total fines and forfeitures	<u>20,500</u>	<u>20,500</u>	<u>57,870</u>	<u>37,370</u>
Rent				
U.S. Postal Station	25,000	25,000	25,000	
Sprint PCS	25,200	25,200	28,580	3,380
Total rent	<u>50,200</u>	<u>50,200</u>	<u>53,580</u>	<u>3,380</u>
Interest				
Interest on investment	35,000	35,000	16,419	(18,581)
Tax collector interest	3,000	3,000		(3,000)
Total interest	<u>38,000</u>	<u>38,000</u>	<u>16,419</u>	<u>(21,581)</u>
Net increase in fair value of investments			7,046	7,046

(continued)

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2013
(Continued)

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (continued):				
Charges for services				
Zoning fees	\$ 1,500	\$ 1,500	\$ 5,527	\$ 4,027
Sales of documents	20,100	20,100	33,825	13,725
Solid waste fees	466,000	466,000	467,051	1,051
Total charges for services	<u>487,600</u>	<u>487,600</u>	<u>506,403</u>	<u>18,803</u>
Miscellaneous				
Disposition of fixed assets			3,295	3,295
Administrative reimbursements	298,550	298,550	298,548	(2)
Donations			2,105	2,105
Insurance reimbursements			181,333	181,333
Other	10,000	10,000	3,099	(6,901)
Total miscellaneous	<u>308,550</u>	<u>308,550</u>	<u>488,380</u>	<u>179,830</u>
Total revenues	<u>10,474,495</u>	<u>10,474,495</u>	<u>10,929,965</u>	<u>455,470</u>
Expenditures:				
General government:				
Town commission	125,970	125,970	123,773	2,197
Town manager	318,375	318,375	314,204	4,171
Town clerk	237,865	244,266	242,888	1,378
Finance	271,475	276,935	270,456	6,479
Legal	146,000	146,000	61,101	84,899
Public buildings	295,700	364,107	361,013	3,094
Post office	120,375	120,375	116,333	4,042
Non-departmental	359,000	362,500	326,564	35,936
Total general government	<u>1,874,760</u>	<u>1,958,528</u>	<u>1,816,332</u>	<u>142,196</u>
Public safety:				
Police	2,045,390	2,050,830	2,017,510	33,320
Protective inspections	298,650	372,650	354,199	18,451
Ambulance service	12,000	12,000	12,000	
Fire rescue	2,954,000	2,954,000	2,948,305	5,695
Total public safety	<u>5,310,040</u>	<u>5,389,480</u>	<u>5,332,014</u>	<u>57,466</u>

(continued)

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2013
(Continued)

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (continued)				
Culture and recreation	\$ 565,575	\$ 565,575	\$ 554,556	\$ 11,019
Sanitation	458,000	459,585	450,651	8,934
Contingency	273,720	147,253	24,048	123,205
Debt service:				
Principal	660,700	660,700	651,646	9,054
Interest	45,700	45,700	44,337	1,363
Total debt service	<u>706,400</u>	<u>706,400</u>	<u>695,983</u>	<u>10,417</u>
Total expenditures	<u>9,188,495</u>	<u>9,226,821</u>	<u>8,873,584</u>	<u>353,237</u>
Excess of revenues over (under) expenditures	<u>1,286,000</u>	<u>1,247,674</u>	<u>2,056,381</u>	<u>808,707</u>
Other financing sources (uses):				
Transfers out	(1,286,000)	(1,286,000)	(1,286,000)	
Total other financing sources (uses)	<u>\$ (1,286,000)</u>	<u>\$ (1,286,000)</u>	<u>\$ (1,286,000)</u>	<u>\$</u>
Net change in fund balances			770,381	
Fund balances, beginning of year			<u>5,887,276</u>	
Fund balances, end of year			<u>\$ 6,657,657</u>	

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplemental Information
September 30, 2013

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 reappropriate 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, 2013.

TOWN OF HIGHLAND BEACH, FLORIDA

Required Supplemental Information

Schedule of Funding Progress

Other Postemployment Benefits

For the Year Ended September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as % of Covered Payroll
09/30/09	\$	\$ 339,134	\$ 339,134	0.0%	\$ 2,197,591	15.4%
09/30/12	\$	\$ 175,617	\$ 175,617	0.0%	\$ 1,942,955	9.0%

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, 2015. The Town has not contributed assets to the plan at this time.

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2013

	Special Revenue Funds				Total Non-major Funds
	Open Space and Recreation Land	Library Donation	Cultural Society	Law Enforcement	
Assets:					
Cash and cash equivalents	\$ 190,497	\$ 5,824	\$ 1,440	\$ 6,823	\$ 204,584
Investments	996	29	57	35	1,117
Total assets	<u>\$ 191,493</u>	<u>\$ 5,853</u>	<u>\$ 1,497</u>	<u>\$ 6,858</u>	<u>\$ 205,701</u>
Liabilities and fund balance:					
Fund balance:					
Restricted for					
Recreational land acquisition	\$ 191,493	\$	\$	\$	\$ 191,493
Library activities		5,853			5,853
Cultural activities			1,497		1,497
Law enforcement				6,858	6,858
Total fund balance	<u>191,493</u>	<u>5,853</u>	<u>1,497</u>	<u>6,858</u>	<u>205,701</u>
Total liabilities and fund balance	<u>\$ 191,493</u>	<u>\$ 5,853</u>	<u>\$ 1,497</u>	<u>\$ 6,858</u>	<u>\$ 205,701</u>

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue Funds				Total Non-major Funds
	Open Space and Recreation Land	Library Donation	Cultural Society	Law Enforcement	
Revenues:					
Interest	\$ 404	\$ 12	\$ 3	\$ 15	\$ 434
Net increase in fair value of investments	215	7	13	7	242
Miscellaneous	1,000				1,000
Total revenues	<u>1,619</u>	<u>19</u>	<u>16</u>	<u>22</u>	<u>1,676</u>
Expenditures:					
Culture and recreation					
Total expenditures					
Net change in fund balances	1,619	19	16	22	1,676
Fund balance, beginning of year	<u>189,874</u>	<u>5,834</u>	<u>1,481</u>	<u>6,836</u>	<u>204,025</u>
Fund balance, end of year	<u>\$ 191,493</u>	<u>\$ 5,853</u>	<u>\$ 1,497</u>	<u>\$ 6,858</u>	<u>\$ 205,701</u>

TOWN OF HIGHLAND BEACH, FLORIDA
Library Donation Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended September 30, 2013

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Interest	\$	\$ 12	\$ 12
Net decrease in fair value of investments		7	7
Total revenues	<u>\$</u>	<u>\$ 19</u>	<u>\$ 19</u>
Expenditures			
Capital outlay	\$ 5,000	\$	\$ 5,000
Total Expenditures	<u>\$ 5,000</u>	<u>\$</u>	<u>\$ 5,000</u>

STATISTICAL SECTION

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

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Financial Trends	
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:</i>	
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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>	
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 <i>Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.</i>	

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

Fiscal Year Ended 9/30	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 1,745,513	\$ 2,840,713	\$ 3,187,681	\$ 2,736,193
Restricted	780,382	177,936	196,464	206,652
Unrestricted	(1,270,667)	(561,376)	(206,984)	2,804,943
Total governmental activities	\$ 1,255,228	\$ 2,457,273	\$ 3,177,161	\$ 5,747,788
Business type activities				
Net investment in capital assets	\$ 5,994,294	\$ 5,415,861	\$ 5,152,365	\$ 4,806,874
Restricted	102,369			
Unrestricted	923,425	629,199	1,092,036	1,385,963
Total business type activities	\$ 7,020,088	\$ 6,045,060	\$ 6,244,401	\$ 6,192,837
Primary Government				
Net investment in capital assets	\$ 7,739,807	\$ 8,256,574	\$ 8,340,046	\$ 7,543,067
Restricted	882,751	177,936	196,464	206,652
Unrestricted	(347,242)	67,823	885,052	4,190,906
Total primary government	\$ 8,275,316	\$ 8,502,333	\$ 9,421,562	\$ 11,940,625

	2008		2009		2010		2011		2012		2013
\$	3,891,288	\$	4,055,665	\$	4,105,395	\$	4,721,472	\$	4,272,876	\$	4,498,697
	215,900		208,117		206,674		203,401		204,025		210,012
	3,099,905		4,125,914		4,648,565		3,996,161		4,537,572		5,541,258
\$	7,207,093	\$	8,389,696	\$	8,960,634	\$	8,921,034	\$	9,014,473	\$	10,249,967
<hr/>											
\$	4,643,383	\$	4,440,519	\$	4,824,750	\$	4,109,700	\$	3,983,977	\$	3,817,724
					226,211		227,426		233,095		233,174
	730,965		1,321,947		1,288,498		2,370,880		2,636,441		2,779,070
\$	5,374,348	\$	5,762,466	\$	6,339,459	\$	6,708,006	\$	6,853,513	\$	6,829,968
<hr/>											
\$	8,534,671	\$	8,496,184	\$	8,930,145	\$	8,831,172	\$	8,256,853	\$	8,316,421
	215,900		208,117		432,885		430,827		437,120		443,186
	3,830,870		5,447,861		5,937,063		6,367,041		7,174,013		8,320,328
\$	12,581,441	\$	14,152,162	\$	15,300,093	\$	15,629,040	\$	15,867,986	\$	17,079,935

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

Fiscal Year Ended 9/30	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 1,618,870	\$ 1,726,541	\$ 2,337,885	\$ 1,963,868	\$ 2,082,101	\$ 1,985,394	\$ 1,742,170	\$ 1,704,445	\$ 1,656,544	\$ 1,566,138
Public Safety	3,944,556	4,142,712	4,386,918	4,676,540	5,224,278	4,994,823	5,058,750	5,207,887	5,152,662	5,326,258
Culture/recreation	203,610	206,779	364,037	499,442	512,999	586,308	607,773	559,744	524,797	599,345
Sanitation	348,965	377,751	369,965	403,190	437,217	452,133	437,106	530,279	572,668	578,934
Interest on long term debt	232,031	184,431	168,583	155,786	145,818	110,327	99,866	80,526	61,143	40,924
Total governmental activities	\$ 6,348,032	\$ 6,638,214	\$ 7,627,388	\$ 7,698,826	\$ 8,402,413	\$ 8,128,985	\$ 7,945,665	\$ 8,082,881	\$ 7,967,814	\$ 8,111,599
Business type activities:										
Water utility	1,269,157	2,313,852	2,392,210	2,594,317	2,800,840	2,961,803	2,870,516	2,946,428	2,884,123	3,024,558
Sewer utility	836,290	839,257	737,138	856,529	876,225	1,024,162	965,202	933,160	976,631	853,988
Interest on long term debt		330,982	351,393	304,552	427,622	420,614	379,477	415,749	448,728	423,472
Total business type activities	2,105,447	3,484,091	3,480,741	3,755,398	4,104,687	4,406,579	4,215,195	4,295,337	4,309,482	4,302,018
Total primary government expenses	\$ 8,453,479	\$ 10,122,305	\$ 11,108,129	\$ 11,454,224	\$ 12,507,100	\$ 12,535,564	\$ 12,160,860	\$ 12,378,218	\$ 12,277,296	\$ 12,413,617
Program Revenues										
Charges for Services- Governmental Activities										
General Government	50,829	51,137	50,983	71,754	70,861	54,539	56,688	62,767	60,880	94,508
Public Safety	462,355	463,069	443,549	453,299	463,487	261,729	294,618	333,943	412,314	496,821
Culture recreation	4,429	5,272	4,992	4,879	4,047	6,273	6,160	4,780	5,106	5,451
Sanitation	349,672	353,015	350,127	381,775	412,813	476,579	478,931	466,732	467,004	467,051
Total Charges for Services	\$ 867,285	\$ 872,493	\$ 849,651	\$ 911,707	\$ 951,208	\$ 799,120	\$ 836,397	\$ 868,222	\$ 945,304	\$ 1,063,831
Operating Grants and Contributions	79,078	6,334	4,500	10,575		7,605	1,600	13,016	13,134	13,304
Capital Grants and Contributions		300,000	200,000		75,436	184,387	7,316	5,000	-	-
Total governmental activities program revenues	\$ 946,363	\$ 1,178,827	\$ 1,054,151	\$ 922,282	\$ 1,026,644	\$ 991,112	\$ 845,313	\$ 886,238	\$ 958,438	\$ 1,077,135
Business type activities program revenue:										
Water utility	1,185,831	1,296,600	1,282,171	1,705,302	1,941,274	2,147,620	2,059,032	2,123,564	1,992,304	1,981,222
Sewer utility	824,727	839,337	844,200	847,096	842,837	851,892	982,696	1,033,147	1,002,973	1,022,232
Capital Grants and Contributions	300,000		3,000							
Total business type activities program revenues	2,310,558	2,135,937	2,129,371	2,552,398	2,784,111	2,999,512	3,041,728	3,156,711	2,995,277	3,003,454
Total primary government program revenue	\$ 3,256,921	\$ 3,314,764	\$ 3,183,522	\$ 3,474,680	\$ 3,810,755	\$ 3,990,624	\$ 3,887,041	\$ 4,042,949	\$ 3,953,715	\$ 4,080,589
Net (expense) revenue										
Governmental activities	(5,401,669)	(5,459,387)	(6,573,237)	(6,776,544)	(7,375,769)	(7,137,873)	(7,100,352)	(7,196,643)	(7,009,376)	(7,034,464)
Business type activities	205,111	(1,348,154)	(1,351,370)	(1,203,000)	(1,320,576)	(1,407,067)	(1,173,467)	(1,138,626)	(1,314,205)	(1,298,564)
Total primary government net expense	\$ (5,196,558)	\$ (6,807,541)	\$ (7,924,607)	\$ (7,979,544)	\$ (8,696,345)	\$ (8,544,940)	\$ (8,273,819)	\$ (8,335,269)	\$ (8,323,581)	\$ (8,333,028)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 5,242,428	\$ 5,976,900	\$ 7,227,968	\$ 8,901,807	\$ 8,553,333	\$ 7,938,812	\$ 7,999,103	\$ 7,338,543	\$ 7,285,358	\$ 8,246,672
Utility service taxes	600,177	641,671	701,028	732,989	781,749	824,927	775,264	723,808	688,278	716,468
Sales and use taxes	340,247	343,457	357,251	345,079	323,586	290,488	289,248	296,928	261,339	273,625
State revenue sharing	68,842	94,302	97,404	95,488	88,678	87,777	102,500	109,768	113,482	104,220
Investment earnings	65,970	120,171	221,860	287,194	167,790	109,958	57,242	42,230	34,136	24,141
Miscellaneous revenues	41,517	86,366	164,599	53,679	24,372	123,751	53,549	6,522	8,622	187,537
Loss on disposal of capital assets										
Gain (loss) on disposal of assets		18,000	50			1,500				3,295
Transfers	(406,422)	(619,435)	(1,477,035)	(1,069,065)	(1,104,435)	(1,056,737)	(1,605,416)	(1,360,956)	(1,288,400)	(1,286,000)
Total general revenues	\$ 5,952,759	\$ 6,661,432	\$ 7,293,125	\$ 9,347,171	\$ 8,835,073	\$ 8,320,476	\$ 7,671,490	\$ 7,156,843	\$ 7,102,815	\$ 8,269,958
Business type activities program revenue										
Investment earnings	\$ 10,150	\$ 28,559	\$ 70,343	\$ 77,393	\$ 24,731	\$ 16,342	\$ 9,641	\$ 10,091	\$ 7,761	\$ 7,281
Other miscellaneous revenues	5,858	87,483	1,747	4,979	2,920	(3,781)	9,477	2,214	3,979	3,400
Gain (loss) on disposal of assets		(362,351)	1,586			900		(356)		
Transfers	406,422	619,435	1,477,035	1,069,065	1,104,435	1,056,737	1,605,416	1,360,956	1,288,400	1,286,000
Total business type activities program revenues	422,430	373,126	1,550,711	1,151,437	1,132,086	1,070,198	1,624,534	1,372,905	1,300,140	1,296,681
Total primary government	\$ 6,375,189	\$ 7,034,558	\$ 8,843,836	\$ 10,498,608	\$ 9,967,159	\$ 9,390,674	\$ 9,296,024	\$ 8,529,748	\$ 8,402,955	\$ 9,566,639
Changes in Net Position										
Government activities	\$ 551,090	\$ 1,202,045	\$ 719,888	\$ 2,570,627	\$ 1,459,304	\$ 1,182,603	\$ 571,138	\$ (39,800)	\$ 93,439	\$ 1,235,494
Business type activities	627,541	(975,028)	199,341	(51,563)	(188,490)	(241,881)	576,993	368,547	123,863	(1,883)
Total primary government	\$ 1,178,631	\$ 227,017	\$ 919,229	\$ 2,519,064	\$ 1,270,814	\$ 940,722	\$ 1,148,131	\$ 328,747	\$ 217,302	\$ 1,233,611

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

<u>Fiscal Year Ended 9/30</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 5,287	\$ 7,329	\$ 188,670	\$ 199,727
Unreserved	1,522,937	2,168,951	2,142,908	4,079,285
<u>GASB 54 Reporting Fund Balance</u>				
Nonspendable				
Restricted				
Assigned				
Unassigned				
<u>Total general fund</u>	<u>\$ 1,528,224</u>	<u>\$ 2,176,280</u>	<u>\$ 2,331,578</u>	<u>\$ 4,279,012</u>
All Other Governmental Funds				
Reserved	\$ 834,473	\$ 177,936	\$ 196,464	\$ 206,652
<u>GASB 54 Reporting Fund Balance</u>				
Restricted				
<u>Total all other governmental funds</u>	<u>\$ 834,473</u>	<u>\$ 177,936</u>	<u>\$ 196,464</u>	<u>\$ 206,652</u>

2008	2009	2010	2011	2012	2013
\$ 244,903	\$ 221,095	\$ 44,898	\$	\$	\$
4,905,265	5,822,211	6,327,935			
			8,020	104,653	82,039
				4,311	4,311
			2,797,500	2,083,391	3,077,455
			3,293,303	3,694,921	3,493,852
<u>\$ 5,150,168</u>	<u>\$ 6,043,306</u>	<u>\$ 6,372,833</u>	<u>\$ 6,098,823</u>	<u>\$ 5,887,276</u>	<u>\$ 6,657,657</u>
\$ 215,900	\$ 208,117	\$ 206,874	\$	\$	\$
			203,401	204,025	205,701
<u>\$ 215,900</u>	<u>\$ 208,117</u>	<u>\$ 206,874</u>	<u>\$ 203,401</u>	<u>\$ 204,025</u>	<u>\$ 205,701</u>

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

Fiscal Year Ended 9/30	2004	2005	2006	2007
Revenues				
Taxes	\$ 5,881,529	\$ 6,652,530	\$ 7,967,255	\$ 9,671,871
Licenses and permits	425,888	396,994	405,004	445,304
Intergovernmental	397,381	725,852	639,256	430,738
Charges for services	357,063	362,096	356,373	388,118
Fines and forfeitures	36,334	49,436	23,837	14,905
Impact fees	9,000	7,000	1,000	
Interest	65,971	120,171	221,860	287,194
Net decrease in fair value of investments				
Miscellaneous revenues	217,515	346,363	272,758	276,020
Total revenues	7,390,681	8,660,442	9,887,343	11,514,150
Expenditures				
General government	1,634,464	1,606,617	2,266,915	1,933,810
Public Safety	3,808,111	4,003,247	4,217,648	4,530,219
Culture/Recreation	148,615	178,501	251,043	331,850
Sanitation	337,051	318,065	328,209	361,924
Capital outlay	857,999	2,656,050	634,409	582,654
Debt service				
Principal	396,445	240,000	362,985	588,403
Interest	222,659	202,283	175,273	158,603
Total expenditures	7,405,344	9,204,763	8,236,482	8,487,463
Excess of revenues over (under) expenditures	(14,663)	(544,321)	1,650,861	3,026,687
Other Financing Sources (Uses)				
Loan Proceeds	468,600	5,360,068		
Transfers in	794,344	2,806,583	314,054	2,464
Transfers out	(1,200,766)	(3,426,018)	(1,791,089)	(1,071,529)
Proceeds from lease revenue bonds				
Payment to refunded bond escrow		(4,204,793)		
Total other financing sources (uses)	62,178	535,840	(1,477,035)	(1,069,065)
Net Change in fund balances	47,515	(8,481)	173,826	1,957,622
Fund balances - beginning	2,315,182	2,362,697	2,354,216	2,528,042
Fund balance - ending	\$ 2,362,697	\$ 2,354,216	\$ 2,528,042	\$ 4,485,664
Debt services (principal & interest) as a percentage of non-capital expenditures	9.46%	6.75%	7.08%	9.45%

2008	2009	2010	2011	2012	2013
\$ 8,869,061	\$ 8,304,641	\$ 8,349,714	\$ 7,666,791	\$ 7,593,593	\$ 8,584,777
955,718	742,493	741,511	750,713	809,022	854,123
470,174	530,054	366,110	391,226	358,103	361,367
418,218	479,888	484,117	477,960	476,145	506,403
13,978	19,603	18,923	18,395	19,832	57,870
198,144	109,958	57,242	32,268	17,511	16,853
(30,354)	(27,301)	29,148	9,962	16,625	7,288
187,810	321,915	287,315	311,395	316,454	542,960
11,082,749	10,481,251	10,334,079	9,658,710	9,607,285	10,931,641
2,056,825	1,880,794	1,786,346	1,771,183	1,735,593	1,652,393
5,141,800	4,787,035	4,923,985	5,088,694	5,092,071	5,289,583
364,961	414,559	426,016	513,386	484,848	492,452
398,871	416,728	401,783	364,942	421,181	450,651
396,819	309,980	150,917	121,233	91,629	292,522
597,856	607,756	618,331	629,143	639,833	651,646
140,778	122,307	103,163	83,736	64,653	44,337
9,097,910	8,539,159	8,410,541	8,572,317	8,529,808	8,873,584
1,984,839	1,942,092	1,923,538	1,086,393	1,077,477	2,058,057
(1,104,435)	(1,056,737)	(1,605,416)	(1,360,956)	(1,288,400)	(1,286,000)
(1,104,435)	(1,056,737)	(1,605,416)	(1,360,956)	(1,288,400)	(1,286,000)
880,404	885,355	318,122	(274,563)	(210,923)	772,057
4,485,664	5,366,068	6,251,423	6,579,707	6,302,224	6,091,301
\$ 5,366,068	\$ 6,251,423	\$ 6,569,545	\$ 6,305,144	\$ 6,091,301	\$ 6,863,358
8.49%	8.87%	8.74%	8.44%	8.35%	8.11%

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
2004	\$ 1,337,767,321	\$ 10,500,000	\$ 8,332,533	\$ 1,356,599,854	19.92	\$ 1,542,246,322
2005	1,527,169,511	11,200,000	8,246,381	1,546,615,892	19.73	1,804,845,506
2006	1,854,650,291	11,200,099	9,337,202	1,875,187,592	19.34	2,213,968,392
2007	2,271,637,312	20,004,323	9,190,364	2,300,831,999	18.51	2,844,277,082
2008	2,213,255,555	16,600,099	9,085,847	2,238,941,501	17.42	2,682,469,538
2009	2,114,725,997	16,600,000	8,780,936	2,140,106,933	17.32	2,546,895,895
2010	1,906,562,451	16,000,000	9,497,923	1,932,060,374	19.31	2,231,562,060
2011	1,790,003,250	16,000,000	9,715,000	1,815,718,250	19.36	2,051,532,163
2012	1,707,337,791	15,040,000	9,669,683	1,732,047,474	19.86	1,939,540,909
2013	1,727,623,028	15,040,000	9,610,456	1,752,273,484	19.95	1,966,422,907

Source: Palm Beach County Property Appraiser's Office

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

Fiscal Year	Highland Beach			Overlapping Rates (1)						
	General Fund	Debt Service Fund	Total Town Rate	Palm Beach		Palm Beach	South Florida		FIND(2) And Everglades	Total
				Palm Beach County	County School Board	Children's Services Council	County Health Care District	Water Management District		
2004	3.50	0.50	4.00	4.79	8.57	0.69	1.13	0.60	0.14	19.92
2005	3.55	0.45	4.00	4.77	8.43	0.69	1.10	0.60	0.14	19.73
2006	3.59	0.41	4.00	4.72	8.11	0.69	1.08	0.60	0.14	19.34
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

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

Fiscal Year 2013			Fiscal Year 2004		
Taxpayers	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayers	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Musa, Marc A	\$ 8,380,902	0.48%	Highland Beach Holdings, LLC	\$ 28,054,000	2.07%
Kappel, James S	7,520,000	0.43%	Gordon, Jeffrey M.	9,210,234	0.68%
Kappel, Sarah A	7,520,000	0.43%	Muller, Ralph	9,206,665	0.68%
Rap Knifore LLC	7,620,170	0.43%	Omega Group of Highland Beach	13,026,000	0.96%
Muller, Ralph	7,596,243	0.43%	Chaifetz, Richard	7,341,726	0.54%
Florida Power and Light	7,241,793	0.41%	Knight, William	6,770,710	0.50%
Goetz, David	7,006,430	0.40%	Goldberg, Henry	6,540,758	0.48%
Pross, Randy	6,999,962	0.40%	Aloupis, Pamela	6,386,376	0.47%
Toth, Tibor	6,572,013	0.38%	2366 South Ocean Blvd	10,443,801	0.77%
Chaifetz, Jill B Trust	6,190,431	0.35%	Jacura Florida Inc	6,361,325	0.47%
Total	\$ 72,647,944	4.15%	Total	\$ 103,341,595	7.62%

Source: Palm Beach County Property Appraiser's Office.

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

Fiscal Year Ended 9/30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 5,426,399	\$ 5,241,966	96.60%	\$ 656	\$ 5,242,622	96.61%
2005	6,186,464	5,974,234	96.57%	2,860	5,977,094	96.62%
2006	7,500,750	7,228,241	96.37%	117	7,228,358	96.37%
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%

Source: Tax Collector, Palm Beach County.

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

Fiscal Year Ended	Population ⁽¹⁾	Median Family Income	Governmental Activities				Business Type Activity			Total Primary Government	Percentage Personal Income	Per Capita
			General Obligation Bonds	Revenue Bonds	Lease Revenue Bonds	Promissory Notes	Revenue Bonds	Promissory Notes	Revolving Loan Fund			
2004	4,019	N/A		\$ 4,013,465	\$240,000	\$ 468,600	\$ 91,535	\$ 3,585,350	\$7,514,163	\$ 15,913,113	N/A	\$ 3,959
2005	4,157	N/A				5,743,300		3,668,091	7,117,397	16,528,788	N/A	3,976
2006	4,157	N/A				5,380,314		655,872	10,101,701	16,137,887	N/A	3,882
2007	4,155	N/A				4,791,912		4,529,938	9,650,076	18,971,926	N/A	4,566
2008	4,164	N/A				4,194,055		4,697,307	9,185,402	18,076,764	N/A	4,341
2009	4,164	N/A				3,586,300		4,471,066	8,707,301	16,764,667	N/A	4,026
2010	3,989	N/A				2,967,969		4,171,986	11,207,287	18,347,242	N/A	4,599
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

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
2004	4,019	\$ 1,356,599,854	\$ 8,267,150	0.61%	\$ 2,057
2005	4,157	1,546,615,892	9,384,001	0.61%	2,257
2006	4,157	1,875,187,592	8,987,303	0.48%	2,162
2007	4,155	2,300,831,999	8,333,002	0.36%	2,006
2008	4,164	2,238,941,501	7,959,302	0.36%	1,911
2009	4,164	2,141,822,291	7,088,868	0.33%	1,702
2010	3,989	1,932,060,374	16,220,765	0.84%	4,066
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

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, 2013

Governmental Unit	Net General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town direct debt:			
Town of Highland Beach	\$ 13,791,636	100.00%	<u>\$ 13,791,636</u>
Overlapping debt:			
Palm Beach School District	\$ 26,370,000		
Palm Beach County	187,210,000		
	<u>\$ 213,580,000</u>	1.43%	<u>\$ 3,054,194</u>
Total direct and overlapping debt:			<u>\$ 16,845,830</u>
Estimated population:			<u>3,572</u>
Direct and overlapping net debt per capita:			<u>\$ 4,716</u>

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

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

The Town of Highland Beach has no legal debt margin.

Town of Highland Beach, Florida
Schedule 13
Pledged-Revenue Coverage (Unaudited)

Fiscal Year Ended 9/30	Revenue Bonds Series 1995 (1)				1997 Lease Revenue Bond			
	Pledged Revenue	Debt Service		Coverage	Pledged Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
1997	\$ 1,246,455	\$	\$ 228,638	5.45	\$ 381,759	\$ 100,000	\$ 21,817	3.13
1998	745,639		228,638	3.26	397,497	80,000	45,886	3.16
1999	416,518		228,638	1.82	409,634	85,000	41,797	3.23
2000	735,047		228,638	3.21	419,378	90,000	37,449	3.29
2001	989,581	90,000	228,638	3.11	472,904	95,000	32,831	3.70
2002	712,024	95,000	224,768	2.23	409,634	100,000	23,681	3.31
2003	438,793	95,000	220,588	1.39	572,035	100,000	17,572	4.87
2004	263,766	100,000	216,313	0.83	600,177	110,000	13,667	4.85
2005			147,611		641,671	240,000	9,353	5.16

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

(1) Retired by advance funding in 2005.

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)
2004	4,019	N/A	N/A	N/A	39	4.6%
2005	4,157	N/A	N/A	N/A	40	4.0%
2006	4,157	\$ 83,415	\$ 81,091	N/A	39	3.6%
2007	4,155	N/A	N/A	N/A	38	4.8%
2008	4,164	\$ 93,915	\$ 79,036	N/A	45	6.3%
2009	4,164	\$ 94,662	\$ 84,430	N/A	64	7.8%
2010	3,989	\$ 104,474	\$ 72,079	N/A	67	12.4%
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%

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

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

2013			2004		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
School Board	21,495	NA	School Board	18,677	NA
Palm Beach County	11,381	NA	Palm Beach County	9,000	NA
Tenet Healthcare Corp.	6,100	NA	Columbia Palm Beach Healthcare	4,000	NA
Florida Power and Light	3,632	NA	Tenant Healthcare Corp.	3,040	NA
G4S (Hdqtrs)	3,000	NA	Florida Power & Light	2,800	NA
Hospital Corp of America	2,714	NA	Boca Raton Resort & Club	2,380	NA
Florida Atlantic University	2,706	NA	Florida Crystals	2,000	NA
Bethesda Memorial Hospital	2,391	NA	The Breakers	1,800	NA
Office Depot (Hdqtrs)	2,250	NA	Bethesda Memorial Hospital	1,800	NA
Boca Raton Community Hospital	2,250	NA	Boca Raton Community Hospital	1,700	NA
Total	57,919	NA	Total	47,197	NA

Source: Business Development Board of Palm Beach County.

No information available for the Town of Highland Beach

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

Fiscal Year Ended 9/30	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
General Government										
Town Manager	2	2	2	2	2	2	2	2	2	2
Town Clerk	2	2	2	2	2	2	2	2	2	2
Finance	2	2	2	2	2	1	1	2	2	2
Maintenance	2	2	2	2	2	2	2	0	0	0
Post Office	1	1	1	1	1	1	1	1	1	1
Public Safety										
Building	3	3	3	3	3	1	1	1	1	2
Police	14	14	15	15	15	15	13	14	15	16
Cultural and Recreation										
Library	1	1	2	2	2	3	3	4	4	4
Physical Environment										
Utilities	9	10	9	9	9	9	9	9	9	9
Total	36	37	38	38	38	36	34	35	36	38

Source: Town of Highland Beach Finance Department.

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

Fiscal Year Ended 9/30	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Function/Program</u>										
Public Safety										
Number of arrests by police officers	10	17	15	4	1	1	5	5	9	9
Number of traffic citations issued	1,420	1,099	494	338	319	570	363	1,067	479	280
Number of fire calls (1)	255	256	271	224	254	206	241	154	111	139
Number of EMS calls (1)	347	369	421	364	414	457	416	391	625	574
Number of code enforcement inspections	8	31	9	9	15	26	234	199	172	239
Number of building permits issued	1,232	1,095	1,575	1,491	1,105	976	1,045	1,409	1,778	1,827
Physical Environment										
Number of water and sewer active accounts (meters)	433	439	448	450	459	472	470	469	468	467
Number of water and sewer units served	4,292	4,298	4,304	4,313	4,318	4,311	4,322	4,322	4,322	4,324
Cultural & Recreation										
Number of library patrons	2,651	2,800	3,239	3,498	4,103	4,555	4,805	4,610	3,543	3,234
Number of items in collection	22,225	23,215	24,616	26,552	29,728	32,744	37,231	37,818	39,492	37,195
Number of community events presented	79	81	81	189	251	502	633	718	663	706

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

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

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

<u>Fiscal Year Ended 9/30</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Function/Program</u>										
Public Safety										
Fire Trucks	1	1	1	1	1	1	1	1	1	1
EMS Units	1	1	1	1	1	1	1	1	1	1
Police Vehicles	6	8	8	7	9	9	7	7	6	7
Vehicles- Protective Inspections	2	2	2	2	2	0	0	0	0	0
Transportation										
Street (miles)	3	3	3	3	3	3	3	3	3	3
Physical Environment										
Vehicles-Public Works	5	5	5	5	5	5	5	5	5	5

Source: Town of Highland Beach, FL

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NOWLEN, HOLT & MINER, P.A.

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

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The Honorable Mayor and Members of the Town Commission
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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Highland Beach, Florida's basic financial statements and have issued our report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

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

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.

Mawlen, Hest & Muner, P.A.

West Palm Beach, Florida
February 25, 2014



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited the financial statements of the Town of Highland Beach, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated February 25, 2014.

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. We have issued our 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*. Disclosures in that report, which is dated February 25, 2014, should be considered in conjunction with this Management Letter.

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

PRIOR YEAR COMMENTS

Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following prior year comment still applies.

Finding 2012 -1 Rate Covenant

Condition: For the fiscal years ended September 30, 2012 and 2013, the Town did not collect sufficient pledged revenues to satisfy 125% of the bond service requirements. Pledged revenues were approximately \$47,000 less than required for fiscal year 2012 and approximately \$4,650 less than required for fiscal year 2013.

Criteria: In accordance with the Promissory Note, Series 2005 covenants, pledged revenues should not be less than 125% of the scheduled principal and interest on the Note and on any parity debt. Pledged revenues consist of the half-cent sales tax and discretionary communications service tax proceeds.

Effect: Noncompliance with bond rate covenant.

Recommendation: We recommend that the Town discuss this issue with the lender and the Town's bond counsel to determine an appropriate course of action.

Management Response: Management discussed this issue with the Town's bond counsel and the lender, and no action was requested by the lender. The Note matures on July 1, 2015, and as of September 30, 2013, the outstanding principal balance was only \$858,086.

CURRENT YEAR COMMENTS

Investment of Public Funds

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

Current Year Recommendations

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Violations of Provisions of Contracts or Grant Agreements, or Abuse

Rules of the Auditor General require that we address 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. In connection with our audit, we did not have any such findings.

Oversight Unit and Component Units

Rules of the Auditor General require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements, but has been repeated here. The Town of Highland Beach, Florida is a municipal corporation originally incorporated in 1926 and reincorporated in 1947 pursuant to Special Act 24537, Laws of Florida 1047. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

Consideration of Financial Emergency Criteria

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

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Town of Highland Beach, Florida for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

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

Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2013. Consequently, the Town was not required to have a federal single audit or a state single audit.

Response to Management Letter

We did not audit management's response to the Management Letter and express no opinion on it.

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

Maulens Helt & Mireu, P.A.

West Palm Beach, Florida
February 25, 2014

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NOWLEN, HOLT & MINER, P.A.

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March 10, 2014

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

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida (the "Town") for the year ended September 30, 2013, and have issued our report thereon dated February 25, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 27, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Highland Beach, Florida are described in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, the Town changed its accounting policies by adopting the following Statements of Governmental Accounting Standards (GASB Statements) during 2013:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.



- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

The application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts which is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense which is based on the estimated useful lives using the straight line method. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit. Management was helpful and cooperative throughout our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Misstatements are often minor in nature, such as rounding of numbers, timing differences, and expenditures paid after year end for products or services received prior to year end. The adjusting journal entries presented in Appendix I represent misstatements detected during the audit process and were corrected by management prior to the preparation of the Comprehensive Annual Financial Report. A summary of uncorrected misstatements is presented in Appendix II. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 25, 2014, presented in Appendix III.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

As part of obtaining reasonable assurance about whether the Town of Highland Beach, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, our audit procedures would not necessarily identify all instances of noncompliance. However, we noted certain items which are reported in our Management Letter dated February 25, 2014.

This information is intended solely for the use of the Town Commission and management 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.

Very truly yours,

Nowlen, Holt & Miner, P.A.

Nowlen, Holt & Miner, P.A.

APPENDIX I

Prepared by_____

Highland Beach Adjusting Journal Entries

14602

Page 1

Reviewed by_____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
AJE01	Adjusting	09/30/13				
		001-000-000-271-000	FUND BALANCE		5,637.00	
		001-519-300-534-000	OTHER CONTRACTUAL SERVI	5,637.00		
			TO ADJUST BEGINNING FUND BALANCE.			(5,637.00)
AJE02	Adjusting	09/30/13				
		001-310-000-313-100	FRANCHISE FEES-FPL		38,144.00	
		001-000-000-115-000	ACCOUNTS RECEIVABLE	38,144.00		
			TO RECORD SEPTEMBER FPL FRANCHISE FEE REVENUE AND RECEIVABLE.			38,144.00
AJE03	Adjusting	09/30/13				
		401-000-000-216-100	COMPENSATED ABSENCES		403.00	
		401-000-000-216-110	COMPENSATED ABSENCE- NC		3,431.00	
		401-533-000-526-000	COMPENSATED ABSENCES	3,834.00		
			TO POST CLIENT ENTRY TO ADJUST COMPENSATED ABSENCES.			(3,834.00)
AJE04	Adjusting	09/30/13				
		401-000-000-166-900	EQUIPMENT AND FURNITURE	26,871.00		
		401-533-000-564-000	MACHINERY AND EQUIPMEN		26,871.00	
			TO RECORD WATER FUND CAPITAL ASSET ADDITIONS.			26,871.00
AJE05	Adjusting	09/30/13				
		402-000-000-167-900	ACC. DEPRECIATION- EQUIPM	7,768.00		
		402-000-000-166-900	EQUIPMENT AND FURNITURE		7,768.00	
			TO POST CLIENT ENTRY TO RECORD DISPOSAL OF SEWER FUND CAPITAL ASSETS.			(7,768.00)

Prepared by _____

Highland Beach Adjusting Journal Entries

14602

Page 2

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
AJE06	Adjusting	09/30/13				
		401-533-000-559-000	DEPRECIATION	930,853.00		
		401-000-000-163-900	ACC. DEPRECIATION- BUILDING		200,599.00	
		401-000-000-165-900	ACC. DEPREC.-IMP OT THAN F		204,592.00	
		401-000-000-167-900	ACC. DEPRECIATION- EQUIPM		525,662.00	
						(930,853.00)
			TO POST CLIENT ENTRY TO RECORD WATER FUND DEPRECIATION EXPENSE.			
AJE07	Adjusting	09/30/13				
		402-535-000-559-000	DEPRECIATION	116,598.00		
		402-000-000-163-900	ACC. DEPRECIATION- BUILDING		43,344.00	
		402-000-000-165-900	ACC. DEPREC.-IMP OT THAN F		53,648.00	
		402-000-000-167-900	ACC. DEPRECIATION- EQUIPM		19,606.00	
						(96,992.00)
			TO POST CLIENT ENTRY TO RECORD SEWER FUND DEPRECIATION EXPENSE.			
AJE08	Adjusting	09/30/13				
		401-000-000-230-003	CURRENT PORTION-2005 REFUNDING	29.00		
		401-000-000-230-940	2005 REFUNDING LOAN		57.00	
		401-533-000-572-700	INTEREST-2005 REFUNDING LOAN	28.00		
		401-000-000-230-004	CURRENT PORTION-2007 NOT	15,257.00		
		401-000-000-230-980	2007 PROMISSORY NOTE		15,257.00	
		001-517-000-571-700	PRINCIPAL-2005 REFUNDING LOAN	130.00		
		001-517-000-572-700	INTEREST-2005 REFUNDING LOAN		130.00	
						(28.00)
			TO RECLASSIFY LONG TERM DEBT.			
AJE09	Adjusting	09/30/13				
		401-533-000-523-000	HEALTH INSURANCE/ALLOWANCE	6,657.00		
		401-000-000-216-200	UNFUNDED ACTUARIAL ACCRUAL		6,657.00	
						(6,657.00)
			TO RECORD CLIENT ENTRY TO ADJUST OPEB LIABILITY.			
AJE10	Adjusting	09/30/13				
		001-000-000-133-300	DUE FROM OTHER GOVT AGENCY		38,203.00	
		001-000-000-115-000	ACCOUNTS RECEIVABLE	38,203.00		
						0.00
			TO RECLASSIFY FPL RECEIVABLE..			

Prepared by_____

Highland Beach Adjusting Journal Entries

14602

Page 3

Reviewed by_____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
AJE11	Adjusting	09/30/13				
		402-535-000-543-100	SEWAGE TREATMENT-CITY O	3,000.00		
		402-000-000-202-000	ACCOUNTS PAYABLE		3,000.00	
						(3,000.00)
			TO RECORD CLIENT ENTRY TO RECORD PAYABLE DUE TO DELRAY BEACH BILLING ERROR..			
AJE12	Adjusting	09/30/13				
		401-533-000-573-400	OTHER DEBT COSTS-AMORTL	16,592.00		
		401-000-000-158-000	INTANGIBLE ASSET-LOAN SEI		15,113.00	
		401-000-000-158-100	INTANG. ASSET- A1A LOAN SE		1,479.00	
						(16,592.00)
			TO RECORD AMORTIZATION OF LOAN ISSUE COSTS.			
AJE13	Adjusting	09/30/13				
		401-000-000-115-500	ACCOUNTS RECEIVABLE- USI	7,190.00		
		401-000-000-223-000	DEFERRED REVENUE		7,190.00	
						0.00
			TO RECLASSIFY PREPAID WATER BILLS.			
AJE14	Adjusting	09/30/13				
		401-000-000-115-500	ACCOUNTS RECEIVABLE- USI	16,372.00		
		401-000-000-343-300	WATER UTILITY REVENUE		16,372.00	
		402-000-000-115-500	ACCOUNTS RECEIVABLE- USI	8,261.00		
		402-535-000-343-500	SEWER UTILITIES REVENUE		8,261.00	
						24,633.00
			TO RECORD UNBILLED REVENUE FOR THE OCTOBER/NOVEMBER BILLING CYCLE.			
AJE15	Adjusting	09/30/13				
		001-000-000-202-000	ACCOUNTS PAYABLE	4,339.00		
		001-000-000-216-000	ACCRUED WAGES PAYABLE		4,339.00	
		401-000-000-202-000	ACCOUNTS PAYABLE	1,337.00		
		401-000-000-216-000	ACCRUED WAGES PAYABLE		1,337.00	
						0.00
			TO RECLASSIFY ACCRUED PAYROLL.			
		TOTAL		<u>1,247,100.00</u>	<u>1,247,100.00</u>	<u>(981,713.00)</u>

APPENDIX II



ALG-CX-12.2: Audit Difference Evaluation Form

Governmental Unit:

Town of Highland Beach

Financial Statement Date:

9/30/2013

Completed by:

RT

Date:

2/20/14

Opinion Unit:

Business Type Activities

A Listing of Known Audit Differences Over: \$5,000

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should *not* include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/Net Position
				Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
Overstatement of Accumulated Depreciation for idle property	Factual	Depreciation of idle assets for FY 2009 & 2010.	WF F.1	-130,000			-130,000			
Total				-130,000	0	0	-130,000	0	0	0
Less audit adjustments subsequently booked				0			0			
Net unadjusted AD—current year (iron curtain method)				-130,000	0	0	-130,000	0	0	0
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)				-130,000	0	0	-130,000	0	0	0
Financial statement caption totals				20,720,185	13,890,217		6,829,968	4,300,135	4,302,018	-1,883
Current year AD as % of F/S captions (iron curtain method)				-0.63%	0.00%	0.00%	-1.90%	0.00%	0.00%	0.00%
Current and prior year AD as % of F/S captions (rollover method)				-0.63%	0.00%	0.00%	-1.90%	0.00%	0.00%	0.00%

ALG-CX-12.2: Audit Difference Evaluation Form

Governmental Unit:	Town of Highland Beach	Financial Statement Date:	9/30/2013
Completed by:	RT	Date:	2/20/14
Opinion Unit:	Water Fund	A Listing of Known Audit Differences Over:	\$4,000

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

Financial Statement Effect—Amount of Over (Under) Statement of:											Change in Fund Balance/Net Position
Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work-paper Ref.	Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expn.		
Overstatement of Accumulated Depreciation for idle property	Factual	Depreciation of idle assets for FY 2009 & 2010.	WF F. 1	-130,000			-130,000				
Total				-130,000	0	0	-130,000	0	0	0	
Less audit adjustments subsequently booked				0			0				
Net unadjusted AD—current year (iron curtain method)				-130,000	0	0	-130,000	0	0	0	
Effect of unadjusted AD—prior years											
Combined current year and prior year AD (rollover method)				-130,000	0	0	-130,000	0	0	0	
Financial statement caption totals				18,251,181	13,845,031		4,406,150	3,404,986	3,448,030	-43,044	
Current year AD as % of F/S captions (iron curtain method)				-0.71%	0.00%		0.00%	0.00%	0.00%	0.00%	
Current and prior year AD as % of F/S captions (rollover method)				-0.71%	0.00%		-2.95%	0.00%	0.00%	0.00%	



APPENDIX III





Town of Highland Beach

3614 SOUTH OCEAN BOULEVARD • HIGHLAND BEACH, FLORIDA 33487

Palm Beach County, Florida

561-278-4548
FAX 561-265-3582

Mayor:
Bernard Featherman
Vice Mayor:
Ron Brown
Commissioners:
Dennis J. Sheridan
Louis P. Stern
Carl Feldman
Town Manager:
Kathleen D. Weiser

February 25, 2014

Nowlen, Holt & Miner, P.A.
Certified Public Accountants
515 North Flagler Drive, Suite 1700
West Palm Beach, FL 33401

Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of the Town of Highland Beach, Florida, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 25, 2014, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 27, 2013, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) As part of your audit, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those entries and accepted responsibility for them.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Town of Highland Beach, Florida is contingently liable, if any, have been properly recorded or disclosed.
- 12) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Board Statements (GASB) No. 65, 66, 67, 68, and 71, as discussed in Note 1 to the financial statements. The Town of Highland Beach, Florida is therefore unable to disclose the impact that adopting GASB 65, 66, 67, 68, and 71 will have on its financial position and the results of its operations when the Statements are adopted.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Town Commission or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



- 16) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

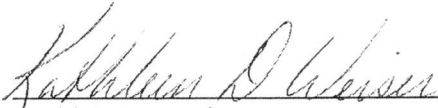
- 21) We have made available to you all financial records and related data.
- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24) The Town of Highland Beach, Florida has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The Town of Highland Beach, Florida has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Town of Highland Beach, Florida has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the Town of Highland Beach, Florida's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We have appropriately disclosed the Town of Highland Beach, Florida's policy regarding classifying fund balance amounts and have determined that fund balances and changes in fund balance classifications were properly recognized under the policy.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the combining and individual nonmajor fund financial statements and schedules on which an in-relation-to opinion is issued.
 - a) We acknowledge our responsibility for presenting the combining and individual nonmajor fund financial statements and schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual nonmajor fund financial statements and schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual nonmajor fund financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the combining and individual nonmajor fund financial statements and schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 45) During the fiscal year ended September 30, 2013, the Town of Highland Beach, Florida has not adopted an impact fee by ordinance or resolution.
- 46) We agree with the findings of the actuary in evaluating the Town of Highland Beach, Florida's OPEB liability and have adequately considered the qualifications of the actuary in determining the amounts and disclosure used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have had an impact on the independence or objectivity of the actuary. We believe the actuarial assumptions and methods used to measure the Town's OPEB liability and costs for financial accounting purposes are appropriate in the circumstances.
- 47) During the fiscal year ended September 30, 2013, the Town of Highland Beach, Florida has not met any of the following financial emergency conditions specified in Section 218.503(1), Florida Statutes:
- a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.
 - b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.
 - c) Failure to transfer at the appropriate time, due to lack of funds:
 - 1. Taxes withheld on the income of employees; or
 - 2. Employer and employee contributions for:
 - i. Federal social security; or
 - ii. Any pension, retirement, or benefit plan of an employee.
 - d) Failure for one pay period to pay, due to lack of funds:
 - 1. Wages and salaries owed to employees; or
 - 2. Retirement benefits owed to former employees.
- 48) We have received a copy of the most recent peer review report for Nowlen, Holt & Miner, P.A. dated October 23, 2012.
- 49) During the fiscal year ended September 30, 2013, the Town of Highland Beach, Florida expended less than \$500,000 in federal awards and less than \$500,000 in state financial assistance, and the Town is not required to have a Federal Single Audit or a State Single Audit.



50) We understand that it is management's responsibility to monitor the Town of Highland Beach, Florida's financial condition, and that your financial condition assessment was based in part on representations made by management and the review of financial information provided by management.



Kathleen D. Weiser
Town Manager



Cale Curtis
Finance Director

