



The Town of Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2020



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The Town of
Highland Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2020

Prepared by:
Finance Department

Matthew Lalla
Finance Director

TOWN OF HIGHLAND BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020
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Town of Highland Beach

3614 South Ocean Boulevard • Highland Beach, Florida 33487

September 24, 2021

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 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, 2020.

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

The Town of Highland Beach's financial statements have been audited by Grau & Associates., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Highland Beach for the fiscal year ended September 30, 2020, 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 a qualified opinion on the business-type activities and water fund and has issued an unmodified ("clean") opinion on the governmental activities, sewer fund, general fund, building fund, and the aggregate remaining fund information within the Town of Highland Beach's financial statements for the fiscal year ended September 30, 2020. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

THE TOWN

The Town of Highland Beach is located in the southern portion of eastern Palm Beach County, which is in the southeastern part of the State of Florida. The Town encompasses 0.6 square miles and is bounded on the north and northwest by the City of Delray Beach and on the south and southwest by the City of Boca Raton. The Atlantic Ocean lies adjacent to the Town on the east and the Intracoastal Waterway lies to the west. The Town is a residential community with a year-round population of 3,657 (2020 Estimate – Florida Legislature, Office of Economic and Demographic Research), which increases to approximately 8,000 during the winter months. According to www.city-data.com, the most recently reported (2019) median age in Highland Beach is 68.4 years. Males make up approximately 48% and females 52% of the total population in Highland Beach.

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

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

ECONOMIC CONDITION AND OUTLOOK

The overall economic condition of the Town of Highland Beach is thriving. General Fund Ad Valorem (property tax) tax revenues continue to exceed operating expenditures. Substantial new construction and redevelopment has added to the tax base of the community. In addition, increases in assessed values assigned by the Palm Beach County Property Appraiser's Office have ensured a reliable increase in ad valorem tax revenues year over year. The Town is nearly built-out, with just a few remaining parcels that are available for low-density development. Over the last year, the Town added approximately \$93,000 worth of new construction to the tax base. The trend of replacing the older single-family homes with larger homes continues throughout the community and several condominiums have undergone major restoration work. The Palm Beach County Property Appraiser anticipates another favorable increase in property values for Highland Beach.

The water and wastewater enterprise funds are in stable financial condition. To maintain the future financial stability of these funds, a revenue sufficiency and rate study was completed in January 2021.

The rate study was undertaken to ensure the revenues of the enterprise funds remain sufficient to cover operating costs, maintain adequate reserves for capital repairs and replacements, and provide for the transition of funding debt service costs through water rates instead of through ad valorem taxes. The planned transition of funding debt service costs with water rate revenue will take place over the next five fiscal years with additional rate increases to provide revenue sufficiency.

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

The following chart demonstrates the previously mentioned points regarding the growth in assessed value in the Town over the past nine fiscal years:

Year	Taxable Assessed Valuation	Population	Assessed Value Per Capita
2011	\$1,815,718,250	3,539	\$ 513,060
2012	\$1,732,047,474	3,539	\$ 489,417
2013	\$1,752,273,484	3,572	\$ 490,558
2014	\$1,824,011,226	3,581	\$ 509,358
2015	\$1,937,184,804	3,600	\$ 538,107
2016	\$2,075,380,658	3,600	\$ 576,495
2017	\$2,216,323,448	3,600	\$ 615,645
2018	\$2,400,571,081	3,654	\$ 656,971
2019	\$2,483,303,248	3,671	\$ 676,465
2020	\$2,610,340,084	3657	\$ 713,793

Long-term financial planning

At September 30, 2020, the unassigned fund balance in the general fund was \$6.39 million, an increase of approximately \$294k over the prior fiscal year. This balance is considered to be very healthy, consisting of approximately 56% of total general fund expenditures and transfers out for the FY ended 2020. The Town Commission continues to take an aggressive approach toward preserving the financial future of the Town by adopting policies that create reserve designations labeled as assigned fund balance. These reserves are committed and assigned for a specific use such as recovering from natural disasters and providing a "cash cushion" during months when cash flows fall stagnant. During Fiscal Year 2020, the Town Commission added an additional reserve designation for an assigned fund balance for amounts received from the City of Delray Beach related to the true-up process for contracted Fire Rescue services.

MAJOR INITIATIVES

For the Year:

In order to better respond to economic cycles in the construction industry, during FY 2020 the Town continued its transition to a hybrid model of providing Building Department services. A portion of the Building Department services are provided by full-time Town employees with the remainder provided through contractual services. The hybrid service model will allow for scaling back of certain services if there is a downturn in the construction industry and less demand for these services.

During FY 2020, the Town improved pedestrian safety by enhancing the crosswalks across State Road A1A. After numerous repairs for leaks, a new roof for Town Hall was installed during FY 2020.

For the Future:

The Town is beginning the process to implement its own Fire Rescue Department to replace the contractual services currently provided through the City of Delray Beach Fire Rescue Department. The Fire Rescue Department implementation involves the staffing and equipping of a fire department, literally from the ground up – as a significant addition to the existing fire station is required as part of the start-up.

The Town plans to further improve pedestrian safety through the addition of overhead lighting at the eight crosswalks across State Road A1A. The Town will begin repairs on the sanitary sewer collection system to maintain system integrity and will continue these repairs over the next several years. Lastly, the Town will continue a strategic planning process to align operations and policy development with the goals of the community.

FINANCIAL INFORMATION

Budgetary Control

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

Financial Standards

The Town implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. The objective of GASB 54 is to provide a clearer distinction between available and unavailable financial resources by establishing 5 categories (non-spendable, restricted, committed, assigned, and unassigned) of fund balance. With the adoption of the Fund Balance policy, the Commission established a commitment of fund balance with 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 \$2.06 million at the 2020 fiscal year end. The Commission also assigned fund balance with a Disaster Recovery reserve. The Disaster Recovery had a balance of \$1.02 million at the 2020 fiscal year end. The assigned reserve for Fire Rescue services, added in Fiscal Year 2020, had a balance of \$109,765 at the 2020 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, 2019. This was the twenty-ninth 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.

Acknowledgments

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

Respectfully submitted,



Marshall Labadie
Town Manager



Matthew Lalla
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Highland Beach
Florida**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

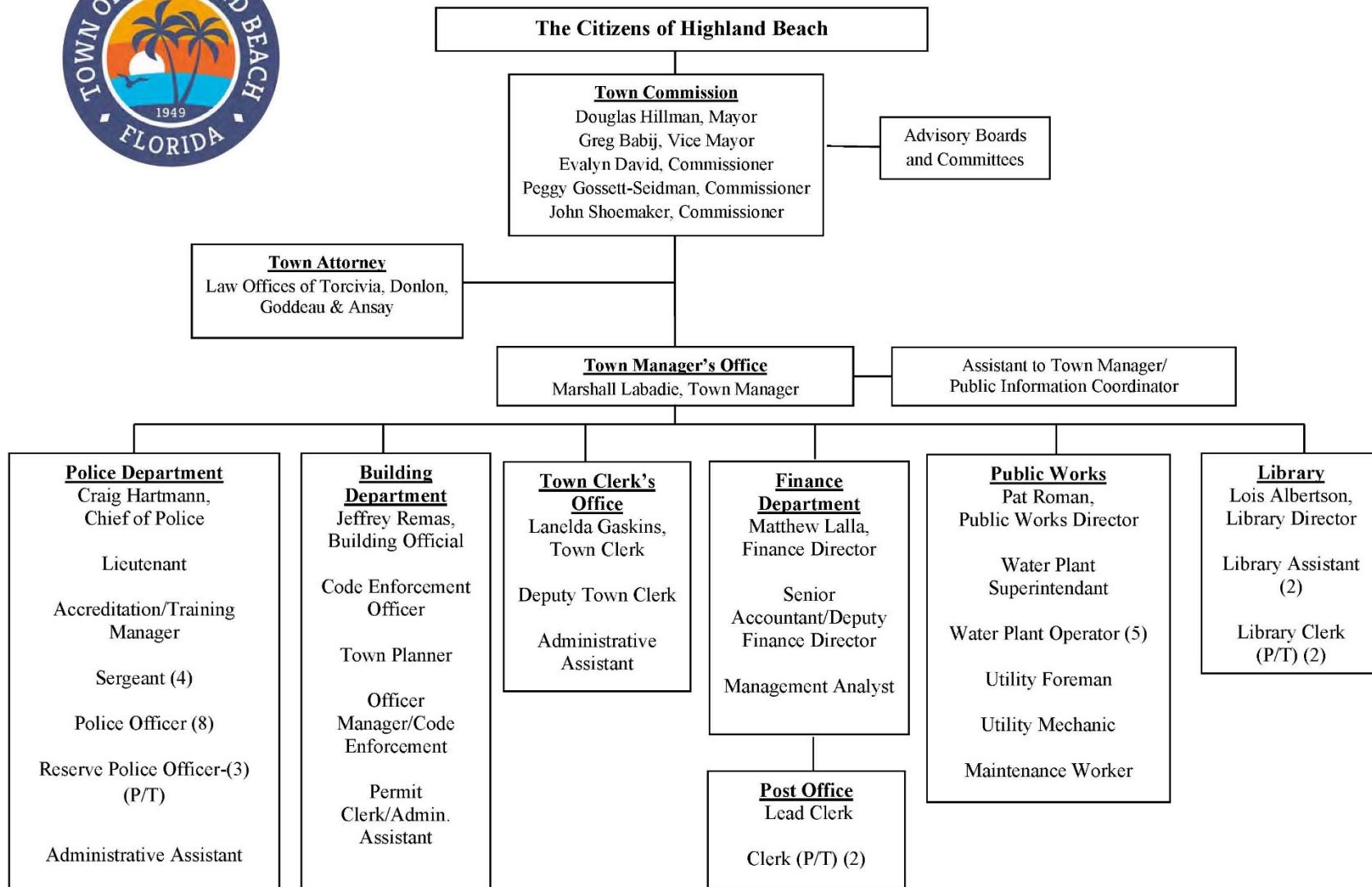
September 30, 2019

Christopher P. Monell

Executive Director/CEO

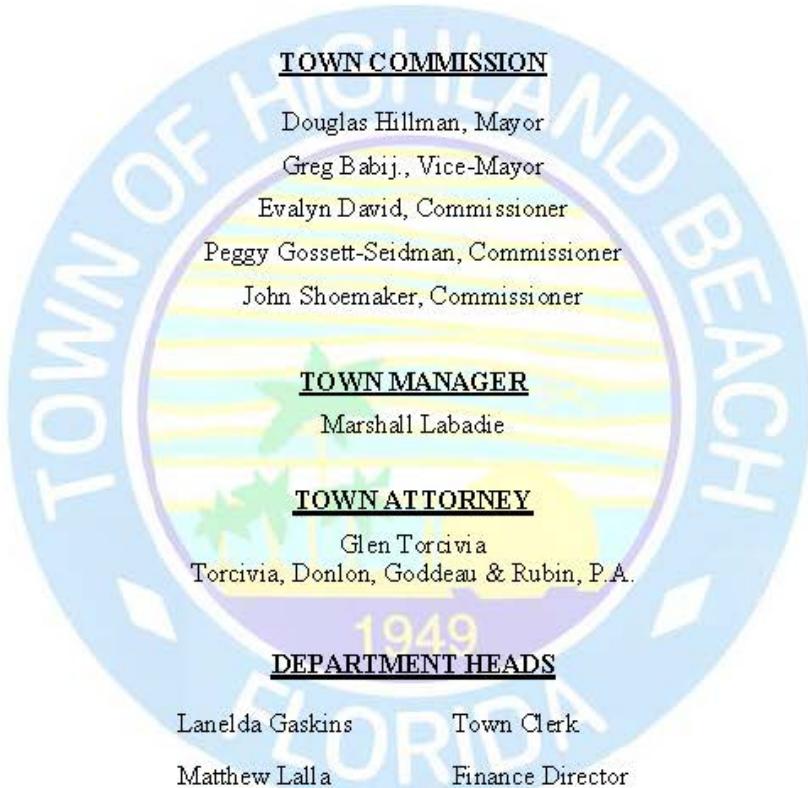


TOWN OF HIGHLAND BEACH Organization Chart



2019-2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF HIGHLAND BEACH, FLORIDA
FOR THE
FISCAL YEAR ENDING SEPTEMBER 30, 2020



TOWN COMMISSION

Douglas Hillman, Mayor

Greg Babij., Vice-Mayor

Evalyn David, Commissioner

Peggy Gossett-Seidman, Commissioner

John Shoemaker, Commissioner

TOWN MANAGER

Marshall Labadie

TOWN ATTORNEY

Glen Torcivia

Torcivia, Donlon, Goddeau & Rubin, P.A.

1949
DEPARTMENT HEADS

Lanelda Gaskins Town Clerk

Matthew Lalla Finance Director

Craig Hartmann Chief of Police

Jeffrey Remas Building Official

Pat Roman Public Works Director

Lois Albertson Library Director



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, (the "Town") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 1) qualified opinion on the business-type activities and water fund and 2) our unmodified audit opinion on the governmental activities, sewer fund, general fund, building fund, and the aggregate remaining fund information.

Basis for Qualified Opinions on Business-Type Activities and Water Fund

Management has not reconciled the water fund billings in the billing system to the general ledger. In addition, billings were posted to pooled cash instead of accounts receivable. As a result, the revenue, receivable and cash balances reported are likely misstated. The amount by which these balances are affected has not been determined.

Qualified Opinion on Business-Type Activities and Water Fund

In our opinion, except for the effects of the matters discussed in Basis for Qualified Opinion on Business-type Activities and Water Fund paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities and water fund of the Town as of September 30, 2020, and the changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, sewer fund, general fund, building fund, and the aggregate remaining fund information of the Town as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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, 2020. 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 and the Town's financial statements.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2020.

- The Town's assets exceeded its liabilities at September 30, 2020 by \$21.77 million (net position), an increase of approximately \$677k over the prior year's ending net position of \$21.09 million. Of this amount, \$10.24 million may be used to meet the ongoing obligations to citizens and creditors. The increase in net position is due primarily to growth in Property Taxes and one-time miscellaneous revenues in the form of a \$150k settlement with Waste Management for road repairs and a \$110k payment received from the City of Delray Beach under the True-Up provisions of the Fire Rescue services contract.
- The Town's revenues for governmental activities were \$13.8 million, an increase of \$964k or 7.5% over the previous year. The expenses for governmental activities were \$11.82 million, a 2.0% increase from the prior year.
- The business-type activities generated \$3.44 million in operating revenues, a decrease of \$3k from the prior year. The decrease was primarily due to lower interest earnings. Operating expenses increased by \$386k due to increases in insurance, sewage disposal costs, and contractual services. The Water and Sewer Funds had a combined operating loss of \$1.3 million compared to an operating loss of \$916k in the prior year.
- At September 30, 2020, the General Fund's unassigned fund balance was \$6.4 million, an increase of \$294k from the prior years unassigned balance. The General Fund has an assignment of fund balance for disaster recovery at an amount of \$1.02 million. In addition, the Town has committed fund balance for budget stabilization at an amount of \$2.056 million. During fiscal year 2020, the Town added an assignment of fund balance for Fire Rescue to reflect amounts received from the City of Delray Beach (\$109,765) under the True-Up provisions of the Fire Rescue service contract.
- The Town's long-term liabilities decreased by \$1.25 million, or 9.9%. The key factor of the decrease was the pay down of the Town's outstanding loans which were used to fund major capital improvement projects for the Water System.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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 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 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 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements were designed so that the user could determine if the Town is in a better or worse financial condition from the prior year. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21.77 million at September 30, 2020.

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Town of Highland Beach
Net Position
(In Thousands)

	Governmental Activities 2020	Business Activities 2020	Total Activities 2020	Governmental Activities 2019	Business Activities 2019	Total Activities 2019
Assets:						
Current and other assets	\$ 12,345	\$ 6,800	\$ 19,145	\$ 10,832	\$ 7,132	\$ 17,964
Capital assets	4,538	15,664	20,202	4,627	16,293	20,920
Total assets	16,883	22,464	39,347	15,459	23,425	38,884
Deferred Outflows of Resources:						
FRS Pension	2,038	307	2,345	1,887	283	2,170
OPEB	32	8	40	46	11	57
Total deferred outflow of resources	2,070	315	2,385	1,933	294	2,227
Liabilities:						
Long-term debt outstanding	-	10,940	10,940	-	11,861	11,861
Other liabilities	7,310	1,303	8,613	6,166	1,439	7,605
Total liabilities	7,310	12,243	19,553	6,166	13,300	19,466
Deferred Inflows of Resources:						
FRS Pension	167	35	202	461	81	542
OPEB	171	40	211	11	3	14
Total deferred inflow of resources	338	75	413	472	84	556
Net position:						
Net investment in capital assets	4,538	4,724	9,262	4,626	4,081	8,707
Restricted for:						
Renewal and replacement	-	-	-	-	-	-
Debt service	-	232	232	-	214	214
Special projects	2,035	-	2,035	1,456	-	1,456
Unrestricted	4,733	5,505	10,238	4,672	6,040	10,712
Total net position	\$ 11,306	\$ 10,461	\$ 21,766	\$ 10,754	\$ 10,335	\$ 21,089

The largest portion of the Town's net position (47%) is unrestricted. The unrestricted net position (\$10.24 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

A portion of the Town's net position (\$2.3 million or 10.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$9.26 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, 2020, was \$11.31 million. Property taxes are the main source of revenues and represent approximately 70% of the revenue for governmental activities. Tax revenues were up approximately \$631k for the year due to the adoption of a higher tax rate and an increase in taxable assessed value. Expenses for Public Safety (Police, Fire Rescue, and Building Inspection) were up \$211k from the prior year primarily due to increases in the Fire Rescue contract with the City of Delray Beach. Collectively, they represent approximately 69% of Governmental Activities expenses.

Net position of the Business Type Activities (water and sewer) at September 30, 2020, was \$10.46 million, an increase of \$125k, mainly resulting from rate increases. The cost of providing all Business-Type Activities this year was \$4.74 million.

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

	Governmental Activities 2020	Business Activities 2020	Total Activities 2020	Governmental Activities 2019	Business Activities 2019	Total Activities 2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,568	\$ 3,218	\$ 5,786	\$ 1,531	\$ 3,173	\$ 4,704
Operating grants and contributions	-	-	-	19	-	19
General revenues:						
Property taxes	9,557	-	9,557	8,926	-	8,926
Utility taxes	271	-	271	281	-	281
Franchise Fees	-	-	0	687	-	687
Sales and use taxes	554	-	554	573	-	573
State revenue sharing	91	-	91	109	-	109
Investment earnings	112	46	158	224	122	346
Miscellaneous	648	171	819	486	143	629
Total revenues	13,800	3,435	17,236	12,836	3,438	16,274
Expenses:						
Program expenses:						
General government	2,624	-	2,624	2,580	-	2,580
Public safety	8,163	-	8,163	7,952	-	7,952
Public Works	515	-	515	520	-	520
Culture and recreation	516	-	516	538	-	538
Water and sewer	-	4,740	4,740	-	4,354	4,354
Total expenses	11,819	4,740	16,559	11,590	4,354	15,944
Excess (deficiency) before transfers	1,981	(1,305)	677	1,246	(916)	330
Transfers	(1,430)	1,430	-	(1,430)	1,430	-
Special Item - contribution of capital assets	-	-	-	-	-	-
Increase (decrease) in net position	551	125	677	(184)	514	330
Net position – October 1,	10,754	10,335	21,089	10,938	9,821	20,759
Net position – September 30,	\$11,306	\$10,461	\$21,766	\$10,754	\$10,335	\$21,089

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business type activities as of September 30, 2020 totaled \$20.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during the current fiscal year included the following:

Town of Highland Beach
Capital Assets
(In Thousands)

	Governmental Activities		Business Activities		Total 2020	Total	
	2020	2020	2020	2019		2020	2019
Land and Construction in Progress	\$ 426	\$ -	\$ 426	\$ 324			
Buildings and improvements	5,146	9,472	14,618	14,676			
Improvements other than buildings	2,964	13,321	16,285	16,686			
Furniture, fixtures and equipment	2,706	8,155	10,860	11,117			
Total assets	\$ 11,242	\$ 30,947	\$ 42,190	\$ 42,803			
Less accumulated depreciation	(6,704)	(15,284)	(21,988)	(21,883)			
Total	\$ 4,538	\$ 15,664	\$ 20,202	\$ 20,920			

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

Long-Term Liabilities

The Town's long-term liabilities (considering debt retirement) increased by \$1.25 million as follows:

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

	Governmental Activities		Business Activities		Total 2020	Total	
	2020	2020	2020	2019		2020	2019
Promissory Notes	\$ -	\$ 2,169	\$ 2,169	\$ 2,388			
Revolving Fund Loan	-	8,771	8,771	9,824			
Compensated Absences	309	96	405	382			
Total	\$ 309	\$ 11,036	\$ 11,345	\$ 12,594			

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

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

At September 30, 2020, the Town's ending fund balances of the General Fund totaled \$10.01 million, an increase of approximately \$880k from the prior year. Approximately 67% (\$6.74 million) of the ending fund balances constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the balance is reserved, indicating that it is not available for new spending because it has either been assigned to provide 1) budget stabilization (\$2.056 million), 2) disaster relief (\$1,022,120), or 3) Fire Rescue (\$109,765). Current year governmental fund expenditures increased approximately \$261,000 due primarily to public safety expenses and capital outlay expenditures.

Budgetary Highlights-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report. The budget to actual schedules show the original budgets, the final revised budget, actual results, and variance between the final budget and actual results for the General Fund. Total General Fund expenditures of \$9.95 million were less than the final amended budget of \$10.42 million, a difference of approximately \$468k.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2021 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals included enhancing the level of services, increasing the responsiveness of the local government to the needs of the public, and to technologically improve the operation of the Town government.

Property taxes are the main source of revenues for governmental activities and represent approximately 79% of the General Fund budgeted revenues. The Town's total tax millage rate decreased from a total of 4.6412 mills in FY 2015 to 3.7997 mills in FY 2021.

Notwithstanding one-time capital expenditures, property taxes combined with all other estimated General Fund revenues are projected to be sufficient to cover the expenditures in the fiscal year 2021 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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,369,330	\$ 4,539,570	\$ 13,908,900
Investments	2,623,591	1,344,990	3,968,581
Restricted assets:			
Cash and cash equivalents	-	263,473	263,473
Accounts receivable, net	100,596	642,112	742,708
Due from other governments	170,829	-	170,829
Prepaid costs and inventories	80,620	10,343	90,963
Total current assets	12,344,966	6,800,488	19,145,454
Noncurrent assets:			
Nondepreciable capital assets	426,289	-	426,289
Depreciable capital assets, net	4,111,886	15,663,666	19,775,552
Total noncurrent assets	4,538,175	15,663,666	20,201,841
Total assets	16,883,141	22,464,154	39,347,295
Deferred Outflows of Resources			
FRS Pension	2,038,330	307,091	2,345,421
OPEB	31,675	7,430	39,105
Total deferred outflows of resources	2,070,005	314,521	2,384,526
Liabilities			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	302,608	175,315	477,923
Accrued interest payable	-	31,738	31,738
Noncurrent liabilities due within one year	32,397	1,321,379	1,353,776
Total current liabilities	335,005	1,528,432	1,863,437
Noncurrent liabilities:			
OPEB liability	134,424	31,531	165,955
Net pension liability	6,564,321	968,536	7,532,857
Due in more than one year	276,150	9,714,611	9,990,761
Total noncurrent liabilities	6,974,895	10,714,678	17,689,573
Total liabilities	7,309,900	12,243,110	19,553,010
Deferred Inflows of Resources			
FRS Pension	166,769	34,956	201,725
OPEB	170,726	40,047	210,773
Total deferred inflows of resources	337,495	75,003	412,498
Net Position:			
Net investment in capital assets	4,538,175	4,723,658	9,261,833
Restricted for:			
Recreational land acquisition	232,507	-	232,507
Library activities	7,274	-	7,274
Infrastructure	452,611	-	452,611
Law enforcement	7,366	-	7,366
Building activities	1,335,285	-	1,335,285
Restricted for debt service	-	231,735	231,735
Unrestricted	4,732,533	5,505,169	10,237,702
Total net position	\$ 11,305,751	\$ 10,460,562	\$ 21,766,313

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2020

Function/Program	Expenses					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues		Primary Government				
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Primary government:								
Governmental activities:								
General government	\$ 2,624,269	\$ 783,655	\$ -	\$ (1,840,614)	\$ -	\$ (1,840,614)		
Public safety	8,162,814	1,239,136	-	(6,923,678)	-	(6,923,678)		
Culture and recreation	516,450	18,198	-	(498,252)	-	(498,252)		
Public works	515,326	527,453	-	12,127	-	12,127		
Total government activities	11,818,859	2,568,442	-	(9,250,417)	-	(9,250,417)		
Business-type activities:								
Water utility	3,468,469	2,062,682	-	-	(1,405,787)	(1,405,787)		
Sewer utility	1,262,666	1,155,248	-	-	(107,418)	(107,418)		
Total business-type activities	4,731,135	3,217,930	-	-	(1,513,205)	(1,513,205)		
Total primary government	<u>\$ 16,549,994</u>	<u>\$ 5,786,372</u>	<u>\$ -</u>	<u>(9,250,417)</u>	<u>(1,513,205)</u>	<u>(10,763,622)</u>		
General revenues:								
Property taxes				9,556,810	-	9,556,810		
Utility taxes				271,081	-	271,081		
Sales and use taxes				553,604	-	553,604		
Intergovernmental - unrestricted				90,843	-	90,843		
Investment earnings				111,997	46,000	157,997		
Loss on disposal of capital assets				-	(8,859)	(8,859)		
Miscellaneous				647,563	171,471	819,034		
Transfers				<u>(1,430,004)</u>	<u>1,430,004</u>	<u>-</u>		
Total general revenues and transfers				<u>9,801,894</u>	<u>1,638,616</u>	<u>11,440,510</u>		
Change in net position				551,477	125,411	676,888		
Net position, beginning				<u>10,754,274</u>	<u>10,335,151</u>	<u>21,089,425</u>		
Net position, ending				<u>\$ 11,305,751</u>	<u>\$ 10,460,562</u>	<u>\$ 21,766,313</u>		

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2020

	Major Funds		Nonmajor	Total
	General Fund	Building Fund	Governmental Funds	Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,670,270	\$ 1,160,155	\$ 538,905	\$ 9,369,330
Investments	2,147,340	325,194	151,057	2,623,591
Receivables:				
Accounts receivable, net	100,596	-	-	100,596
Due from other governments	153,052	-	17,777	170,829
Inventory	7,111	-	-	7,111
Prepays	73,509	-	-	73,509
Total assets	<u>\$ 10,151,878</u>	<u>\$ 1,485,349</u>	<u>\$ 707,739</u>	<u>\$ 12,344,966</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 92,973	\$ 18,772	\$ 7,981	\$ 119,726
Bond deposits payable	-	60,000	-	60,000
Accrued liabilities	51,590	71,292	-	122,882
Total liabilities	<u>144,563</u>	<u>150,064</u>	<u>7,981</u>	<u>302,608</u>
Fund balances:				
Non-spendable for inventories and prepaid costs	80,620	-	-	80,620
Committed for budget stabilization	2,056,555	-	-	2,056,555
Restricted for:				
Recreational land acquisition	-	-	232,507	232,507
Library activities	-	-	7,274	7,274
Infrastructure	-	-	257,948	257,948
Law enforcement	-	-	7,366	7,366
Building activities	-	1,299,847	-	1,299,847
Assigned to:				
Disaster recovery	1,022,120	-	-	1,022,120
Fire rescue	109,765	-	-	109,765
Contracts	141,136	35,438	194,663	371,237
Subsequent year expenditures	207,755	-	-	207,755
Unassigned:	6,389,364	-	-	6,389,364
Total fund balances	<u>10,007,315</u>	<u>1,335,285</u>	<u>699,758</u>	<u>12,042,358</u>
Total liabilities and fund balances	<u>\$ 10,151,878</u>	<u>\$ 1,485,349</u>	<u>\$ 707,739</u>	<u>\$ 12,344,966</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, 2020

Fund balance - governmental funds	\$ 12,042,358
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial assets therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.	
Cost of capital assets	11,242,398
Accumulated depreciation	<u>(6,704,223)</u>
	4,538,175
Deferred outflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	2,038,330
Deferred outflows of resources related to OPEB are recorded in the statement of net position but not on the governmental fund financial statements	31,675
Deferred inflows of resources related to pensions are recorded in the statement of net position but not on the governmental fund financial statements	(166,769)
Deferred inflows of resources related to OPEB are recorded in the statement of net position but not on the governmental fund financial statements	(170,726)
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.	
Compensated absences	(308,547)
Total OPEB liability	(134,424)
Net pension liability	<u>(6,564,321)</u>
Net position of governmental activities	<u>\$ 11,305,751</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 Fiscal Year Ended September 30, 2020

	Major Funds		Nonmajor	Total
	General Fund	Building Fund	Governmental Funds	Governmental Funds
Revenues:				
Property taxes	\$ 9,556,810	\$ -	\$ -	\$ 9,556,810
Franchises fees	673,759	-	-	673,759
Permits and fees	10,536	1,228,600	-	1,239,136
Intergovernmental	663,347	-	252,992	916,339
Charges for services	568,935	-	-	568,935
Fines and forfeitures	3,251	-	-	3,251
Interest income	105,178	2,900	3,919	111,997
Rent & Leases	65,830	-	-	65,830
Miscellaneous	664,148	-	135	664,283
Total revenues	12,311,794	1,231,500	257,046	13,800,340
Expenditures:				
Current:				
General government	2,291,193	25,000	10,004	2,326,197
Public safety	6,780,990	774,447	-	7,555,437
Culture and recreation	359,770	-	-	359,770
Public works	442,262	-	-	442,262
Capital outlay	75,862	-	151,969	227,831
Total expenditures	9,950,077	799,447	161,973	10,911,497
Excess (deficiency) of revenues over expenditures	2,361,717	432,053	95,073	2,888,843
Other financing sources (uses):				
Transfers in (out)	(1,482,004)	52,000	-	(1,430,004)
Total other financing sources (uses)	(1,482,004)	52,000	-	(1,430,004)
Net change in fund balances	879,713	484,053	95,073	1,458,839
Fund balances, beginning	9,127,602	851,232	604,685	10,583,519
Fund balances, ending	\$ 10,007,315	\$ 1,335,285	\$ 699,758	\$ 12,042,358

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 Fiscal Year Ended September 30, 2020

Net change in fund balances - total governmental funds	\$ 1,458,839
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of certain of these assets are eliminated and capitalized as capital assets.	210,806
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities.	(283,922)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:	
Loss on disposal of fixed assets	(15,174)
Current change in compensated absence	(14,070)
OPEB expense	(31,292)
Pension expense	<u>(773,710)</u>
Change in net position of governmental activities	<u>\$ 551,477</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position - Proprietary Funds
September 30, 2020

	Water Utility Fund	Sewer Utility Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,950,192	\$ 1,589,378	\$ 4,539,570
Investments	899,484	445,506	1,344,990
Accounts receivable (net)	420,124	221,988	642,112
Prepaid Items	2,666	-	2,666
Supplies inventory	7,677	-	7,677
Restricted cash and cash equivalents	263,473	-	263,473
Total current assets	4,543,616	2,256,872	6,800,488
Non-current Assets			
Capital Assets			
Building and improvements	7,746,507	1,725,534	9,472,041
Improvements other than buildings	12,116,283	1,204,616	13,320,899
Equipment	7,706,828	447,677	8,154,505
Total capital assets	27,569,618	3,377,827	30,947,445
Less accumulated depreciation	(12,216,628)	(3,067,151)	(15,283,779)
Total non-current assets	15,352,990	310,676	15,663,666
Total assets	19,896,606	2,567,548	22,464,154
Deferred Outflows of Resources			
FRS Pension	307,091	-	307,091
OPEB	7,430	-	7,430
Total deferred outflows of resources	314,521	-	314,521
Liabilities			
Current Liabilities			
Accounts payable	113,999	54,490	168,489
Accrued liabilities	6,826	-	6,826
Accrued interest payable	31,738	-	31,738
Compensated absences	15,457	-	15,457
Long-Term Debt	1,305,922	-	1,305,922
Total current liabilities	1,473,942	54,490	1,528,432
Long-Term Liabilities			
Compensated absences	80,525	-	80,525
Total OPEB liability	31,531	-	31,531
Net pension liability	968,536	-	968,536
Long-Term Debt	9,634,086	-	9,634,086
Total long-term liabilities	10,714,678	-	10,714,678
Total Liabilities	12,188,620	54,490	12,243,110
Deferred Inflows of Resources			
FRS Pension	34,956	-	34,956
OPEB	40,047	-	40,047
Total deferred inflows of resources	75,003	-	75,003
Net Position			
Net investment in capital assets	4,412,982	310,676	4,723,658
Restricted for debt service	231,735	-	231,735
Unrestricted	3,302,787	2,202,382	5,505,169
Total net position	\$ 7,947,504	\$ 2,513,058	\$ 10,460,562

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 Fiscal Year Ended September 30, 2020

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 2,062,682	\$ 1,155,248	\$ 3,217,930
Administrative fee	147,000	-	147,000
Total operating revenues	<u>2,209,682</u>	<u>1,155,248</u>	<u>3,364,930</u>
Operating expenses:			
Salaries and fringe benefits	1,091,043	-	1,091,043
Cost of sales and services	802,776	1,020,386	1,823,162
General and administrative	580,620	193,016	773,636
Depreciation	716,500	49,264	765,764
Total operating expenses	<u>3,190,939</u>	<u>1,262,666</u>	<u>4,453,605</u>
Operating income (loss)	<u>(981,257)</u>	<u>(107,418)</u>	<u>(1,088,675)</u>
Nonoperating revenues (expenses):			
Interest income	30,292	15,708	46,000
Loss on disposal and capital assets	(8,859)	-	(8,859)
Other revenue	24,471	-	24,471
Interest expense	(277,530)	-	(277,530)
Total nonoperating revenues (expenses)	<u>(231,626)</u>	<u>15,708</u>	<u>(215,918)</u>
Income before transfers	<u>(1,212,883)</u>	<u>(91,710)</u>	<u>(1,304,593)</u>
Transfers in	<u>1,430,004</u>	<u>-</u>	<u>1,430,004</u>
Total transfers	<u>1,430,004</u>	<u>-</u>	<u>1,430,004</u>
Net income	<u>217,121</u>	<u>(91,710)</u>	<u>125,411</u>
Net position - beginning	<u>7,730,383</u>	<u>2,604,768</u>	<u>10,335,151</u>
Net position, ending	<u>\$ 7,947,504</u>	<u>\$ 2,513,058</u>	<u>\$ 10,460,562</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended September 30, 2020

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,998,710	\$ 1,135,007	\$ 3,133,717
Receipts from interfund services provided	147,000	-	147,000
Payments to suppliers	(1,333,604)	(1,068,770)	(2,402,374)
Payments for interfund services used	-	(147,000)	(147,000)
Payments to employees	(954,007)	-	(954,007)
Net cash provided by (used in) operating activities	(141,901)	(80,763)	(222,664)
Cash Flows From Noncapital Financing activities:			
Transfers from other funds	1,430,004	-	1,430,004
Net cash provided by (used in) noncapital financing	1,430,004	-	1,430,004
Cash Flows From Capital and Related			
Financing Activities			
Purchases to acquire and construct capital assets	(112,122)	(33,267)	(145,389)
Principal paid on debt and leases	(1,271,693)	-	(1,271,693)
Interest paid on long-term debt	(277,530)	-	(277,530)
Net cash provided by (used in) capital and related financing activities	(1,661,345)	(33,267)	(1,694,612)
Cash Flows From Investing Activities			
Purchase of investments	(292,555)	(154,959)	(447,514)
Interest received	30,292	15,708	46,000
Net cash provided by (used in) investing activities	(262,263)	(139,251)	(401,514)
Net increase (decrease) in cash and cash equivalents	(635,505)	(253,281)	(888,786)
Cash and cash equivalents, beginning	3,849,170	1,842,659	5,691,829
Cash and cash equivalents, ending	\$ 3,213,665	\$ 1,589,378	\$ 4,803,043
Reconciliation to the statement of net position:			
Cash and equity in pooled cash	\$ 2,950,192	\$ 1,589,378	\$ 4,539,570
Restricted assets, cash	263,473	-	263,473
	\$ 3,213,665	\$ 1,589,378	\$ 4,803,043

(Continued)

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds (Continued)
For the Fiscal Year Ended September 30, 2020

	Business-Type Activities -		
	Enterprise Funds		
	Water	Sewer	Total
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ (981,257)	\$ (107,418)	\$(1,088,675)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	716,500	49,264	765,764
GASB 68 Pension expense	121,670	-	121,670
GASB 75 OPEB expense	7,339	-	7,339
Other revenues	24,471	-	24,471
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(88,443)	(20,241)	(108,684)
(Increase) decrease in other assets	(1,415)	-	(1,415)
Increase (decrease) in accounts payable	67,468	(2,368)	65,100
Increase (decrease) in other liabilities	(16,261)	-	(16,261)
Increase (decrease) in compensated absences	8,027	-	8,027
Total adjustments	<u>839,356</u>	<u>26,655</u>	<u>866,011</u>
Net cash provided by (used in) operating activities	<u><u>\$ (141,901)</u></u>	<u><u>\$ (80,763)</u></u>	<u><u>\$ (222,664)</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Town reports the following major governmental funds:

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.

Building Fund

The Building Fund is used to account for the building permit department activities.

The Town reports the following major enterprise funds:

Water Utility System Fund

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

Sewer Utility System Fund

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

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

Special Revenue Funds

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

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

Only the Infrastructure Surtax Fund has a legally adopted budget. The remaining special revenue funds do not have legally adopted budgets.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Assets, Liabilities, and Net Position or Equity

Pooled Cash and Investments

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables

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

Prepaid Items

Certain payment to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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.

Capital Assets

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

Asset	Years
Buildings	40-50
Improvements other than buildings	5-50
Equipment, furniture, and books	3-10

Compensated Absences

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

Long-Term Obligations

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For example, the Town would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the Town reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2019, upon which the levy for the current fiscal year was based, was approximately \$2.610 billion. State Statutes permit municipalities to levy ad valorem property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special Town tax requirements. The millage rate assessed by the Town for the year ended September 30, 2020, was 3.2294 (\$3.2294 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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

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

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

The Town Commission has assigned fund balance for disaster recovery in order to provide the resources necessary to ensure continued operations and maintenance of services to the public. The amount shall be increased by \$100,000 per fiscal year up to a maximum amount of 1/12th or 8.3% of the then in effect general fund budget.

In addition, the Town Commission has assigned amounts under the True-Up provision of the Fire Rescue contract with the City of Delray Beach to provide for future increases in the contract. No specific percentage is assigned. The amount assigned is based on the amount received from the City of Delray Beach. For the current fiscal year, the assigned amount is \$109,765.

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

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

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

Use of Estimates

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Accounting Pronouncements Adopted in the Current Fiscal Year

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

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

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

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Statement No. 83, 84, 88, 89, 90, 91, 92, 93 and implementation guides 2017-3, 2018-1, 2019-1 & 2019-2 have been postponed by one year. Statement No 87 & implementation guide 2019-3 has been postponed by 18 months.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted

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

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For reporting periods beginning after December 15, 2019.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB 92 – Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

GASB 93 – *Replacement of Interbank Offered Rates*

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of

fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2020, the Town had the following investments:

	Amortized cost	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 3,968,181	S&P AAAm	Weighted average of the fund portfolio: 48 days
Total Investments	<u>\$ 3,968,181</u>		

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

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

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

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

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town's investments have been reported at amortized cost above.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

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

Credit Risk

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2020, for the Town's individual major fund's governmental activities and business-type activities are as follows:

	General Fund	Infrastructure Surtax	Water Utility Fund	Sewer Utility Fund	Total
Receivables:					
Accounts	\$ 100,051	\$ -	\$ 420,124	\$ 221,988	\$ 742,163
Franchise fees	98,972	-	-	-	98,972
Due from other governments:					
State of Florida:					
Half cent sales tax	23,178	-	-	-	23,178
Discretionary sales tax	-	17,777	-	-	17,777
Communication service tax	21,232	-	-	-	21,232
Local option gas tax	2,419	-	-	-	2,419
Revenue sharing	7,251	-	-	-	7,251
Other	545	-	-	-	545
Total receivables	<u>253,648</u>	<u>17,777</u>	<u>420,124</u>	<u>221,988</u>	<u>913,537</u>
Less allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 253,648</u>	<u>\$ 17,777</u>	<u>\$ 420,124</u>	<u>\$ 221,988</u>	<u>\$ 913,537</u>

NOTE 4 – CAPITAL ASSETS

For the fiscal year ended September 30, 2020, depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 72,683
Public safety	44,259
Sanitation	93,916
Culture and recreation	73,064
Total depreciation expense, governmental activities	<u>\$ 283,922</u>

Business-type activities:

Water utility system	716,500
Sewer utility system	49,264
Total depreciation expense, business-type activities	<u>\$ 765,764</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 323,889	\$ -	\$ -	\$ 323,889
Construction in progress	-	102,400	-	102,400
Total capital assets, not being depreciated	<u>323,889</u>	<u>102,400</u>	<u>-</u>	<u>426,289</u>
Capital assets, being depreciated:				
Buildings	5,204,412	-	(58,124)	5,146,288
Improvements other than buildings	3,407,102	-	(443,166)	2,963,936
Equipment, furniture, and books	2,772,510	108,406	(175,031)	2,705,885
Total capital assets, being depreciated	<u>11,384,024</u>	<u>108,406</u>	<u>(676,321)</u>	<u>10,816,109</u>
Less accumulated depreciation:				
Buildings	(2,580,799)	(129,195)	57,443	(2,652,551)
Improvements other than buildings	(2,075,987)	(81,123)	428,673	(1,728,437)
Equipment, furniture, and books	(2,424,662)	(73,604)	175,031	(2,323,235)
Total accumulated depreciation	<u>(7,081,448)</u>	<u>(283,922)</u>	<u>661,147</u>	<u>(6,704,223)</u>
Total capital assets being depreciated, net	<u>4,302,576</u>	<u>(175,516)</u>	<u>(15,174)</u>	<u>4,111,886</u>
Governmental activities capital assets, net	<u><u>\$ 4,626,465</u></u>	<u><u>\$ (73,116)</u></u>	<u><u>\$ (15,174)</u></u>	<u><u>\$ 4,538,175</u></u>
Business-type activities				
Capital assets, being depreciated:				
Buildings	\$ 9,472,041	\$ -	\$ -	\$ 9,472,041
Improvements other than buildings	13,278,539	42,360	-	13,320,899
Equipment, furniture, and books	8,344,107	103,029	(292,632)	8,154,504
Total capital assets, being depreciated	<u>31,094,687</u>	<u>145,389</u>	<u>(292,632)</u>	<u>30,947,444</u>
Less accumulated depreciation:				
Buildings	(4,602,711)	(201,996)	-	(4,804,707)
Improvements other than buildings	(3,622,450)	(282,234)	-	(3,904,684)
Equipment, furniture, and books	(6,576,626)	(281,534)	283,773	(6,574,387)
Total accumulated depreciation	<u>(14,801,787)</u>	<u>(765,764)</u>	<u>283,773</u>	<u>(15,283,778)</u>
Total capital assets, being depreciated, net	<u>16,292,900</u>	<u>(620,375)</u>	<u>(8,859)</u>	<u>15,663,666</u>
Business-type activities capital assets, net	<u><u>\$ 16,292,900</u></u>	<u><u>\$ (620,375)</u></u>	<u><u>\$ (8,859)</u></u>	<u><u>\$ 15,663,666</u></u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – LONG-TERM LIABILITIES

During the year ended September 30, 2020, the following changes occurred in long-term liabilities:

Business type activities:	Beginning			Total	Due Within One Year
	Balances	Additions	Reductions		
Promissory note, 2007	\$ 2,387,936	\$ -	\$ (218,768)	\$ 2,169,168	\$ 226,353
Revolving fund loan DW500200	1,864,328	-	(146,764)	1,717,564	150,932
Revolving fund loan DW500201	495,729	-	(39,453)	456,276	40,490
Revolving fund loan DW502901	3,096,315	-	(654,146)	2,442,169	673,069
Revolving fund loan DW500210	4,367,393	-	(212,562)	4,154,831	215,078
Total notes and loans payable	12,211,701	-	(1,271,693)	10,940,008	1,305,922
Compensated Absences	87,955	64,415	(56,388)	95,982	15,457
	<u>\$ 12,299,656</u>	<u>\$ 64,415</u>	<u>\$ (1,328,081)</u>	<u>\$ 11,035,990</u>	<u>\$ 1,321,379</u>

Governmental type activities:	Beginning			Total	Due Within One Year
	Balances	Additions	Reductions		
Compensated Absences	\$ 294,477	\$ 221,760	\$ (207,690)	\$ 308,547	\$ 32,397
	<u>\$ 294,477</u>	<u>\$ 221,760</u>	<u>\$ (207,690)</u>	<u>\$ 308,547</u>	<u>\$ 32,397</u>

Interest Expense

Total interest costs incurred and paid on all Town debt for the years ended September 30, 2019 and 2020, were \$310,599 and \$277,530, respectively. No interest cost was capitalized during the year.

Long-term debt at September 30, 2020, consists of the following individual issues:

Promissory Note, 2007

The \$4,400,000 promissory note was obtained for the purpose of financing the expansion of the Town's water treatment plant. As of September 30, 2020, proceeds in the amount of \$4,299,000 have been received from the note. Interest only was due for the first twenty-four months. Thereafter, interest and principal is due in monthly installments through February, 2029. For the interest only period, the annual interest rate was 0.67% plus 63.7% of the LIBOR. After the interest only period, the interest rate will be a fixed rate at 84% of the ask yield on the non-callable U.S. Treasury obligation with a maturity closest to but not less than 10 years after the Fixed Rate Conversion Date, as quoted in the Wall Street Journal on the date two business days before the Fixed Rate Conversion Date. As of September 30, 2020, the interest rate was 3.414%.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Promissory Note, 2007 (Continued)

Based on the rate as of September 30, 2020, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2021	\$ 226,353	\$ 70,527	\$ 296,880
2022	234,202	62,678	296,880
2023	242,323	54,557	296,880
2024	250,726	46,155	296,881
2025	259,420	37,461	296,881
2026-2029	<u>956,145</u>	<u>58,200</u>	<u>1,014,345</u>
	<u>\$ 2,169,169</u>	<u>\$ 329,578</u>	<u>\$ 2,498,747</u>

State Revolving Fund Loan - DW 502901

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the purpose of constructing a reverse osmosis water treatment facility. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$738,424 and pledged ad valorem taxes were \$9,556,810. At September 30, 2020, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$2,584,484. As of September 30, 2020, outstanding principal, including capitalized interest, was \$2,442,169. 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, 2020 are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 673,069	\$ 65,355	\$ 738,424
2022	692,540	45,884	738,424
2023	712,577	25,847	738,424
2024	363,983	5,229	369,212
	<u>\$ 2,442,169</u>	<u>\$ 142,315</u>	<u>\$ 2,584,484</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 \$9,556,810. At September 30, 2020, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$1,983,109. As of September 30, 2020, outstanding principal, including capitalized interest, was \$1,717,565. 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, 2020 are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 150,931	\$ 47,379	\$ 198,310
2022	155,219	43,092	198,311
2023	159,627	38,684	198,311
2024	164,160	34,151	198,311
2025	168,822	29,489	198,311
2026-2030	918,805	72,749	991,554
	<u>\$ 1,717,564</u>	<u>\$ 265,544</u>	<u>\$ 1,983,108</u>

State Revolving Fund Loan - DW500201

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$52,136 and pledged ad valorem taxes were \$9,556,810. At September 30, 2020, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$521,362. As of September 30, 2020, outstanding principal, including capitalized interest, was \$456,276. The loan bears interest at 2.61%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan - DW500201 (Continued)

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2020 are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 40,490	\$ 11,646	\$ 52,136
2022	41,554	10,583	52,137
2023	42,645	9,491	52,136
2024	43,765	8,371	52,136
2025	44,915	7,221	52,136
2026-2030	242,907	17,774	260,681
	<u>\$ 456,276</u>	<u>\$ 65,086</u>	<u>\$ 521,362</u>

State Revolving Fund Loan - DW500210

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the Water Infrastructure Improvement Projects (“WIIP”). The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$263,473 and pledged ad valorem taxes were \$9,556,810. The loan agreement award is for a total of \$4,702,856. At September 30, 2020, principal and interest to maturity in 2038 to be paid from pledged future revenues totaled \$4,610,772. As of September 30, 2020, outstanding principal, including capitalized interest, was \$4,154,831. The loan bears interest at 1.18%. The Town must fix, establish, maintain and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2020 are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 215,078	\$ 48,394	\$ 263,472
2022	217,624	45,849	263,473
2023	220,199	43,273	263,472
2024	222,805	40,667	263,472
2025	225,442	38,031	263,473
2026-2030	1,167,869	149,495	1,317,364
2031-2035	1,238,631	78,732	1,317,363
2036-2038	647,183	11,500	658,683
	<u>\$ 4,154,831</u>	<u>\$ 455,941</u>	<u>\$ 4,610,772</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2020:

	Transfers		Transfers
	In	Out	
General Fund	\$ -	\$ 1,482,004	
Building Fund	52,000	-	
Water Utility Fund	1,430,004	-	
	\$ 1,482,004	\$ 1,482,004	

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been allocated for use. During the current fiscal year, there was a transfer from the General Fund to the Building Fund and the Water Fund in accordance with the adopted budget.

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	Specified Percent	
	Completed	Vested
One	50%	
Two	75%	
Three	100%	

Employees hired after September 30, 1991:

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

The total payroll for the sole employee covered by the Plan, who retired in January 2020, for the current year was \$36,590. 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, 2020, the Town and the covered employees made the required contributions of \$4,594 and \$1,464, respectively, for a total of \$6,058.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

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 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, 2020, Town employees did not make any voluntary contributions to the Plan.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – DEFINED CONTRIBUTION PLANS (Continued)

Town Manager Retirement Plan

On August 29, 2019, the Town approved Resolution 19R establishing a Money Purchase Plan with ICMA effective October 1, 2019 for the Town Manager. The Town is required to contribute 16% of earnings to the plan for the town manager. There are no mandatory participant contributions required. The town manager may make voluntary pretax contributions to the Plan based upon a percentage of base payroll. For the year ended September 30, 2020, the Town made the required contribution of \$24,846.

Under the plan provisions, normal retirement age is 60 and contributions vest immediately.

The Plans are administered by the International City Management Association Retirement Corporation (“ICMA”), 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 Plans, the Plans do not meet the criteria for inclusion in the Town’s financial statements as a fiduciary fund.

NOTE 8 – FLORIDA RETIREMENT SYSTEM

Florida Retirement System Pension Plan

General Information about the FRS

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

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

The Town’s pension expense totaled \$1,457,094 for the fiscal year ended September 30, 2020.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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

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

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
Special Risk	3.00
Senior Management Service Class	2.00
Elected Local Officers	3.00

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020 fiscal year were as follows:

Class	Percent of Gross Salary		Percent of Gross Salary	
	October 1, 2019 to		July 1, 2020 to	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	8.47	3.00	10.00
FRS, Special Risk - Regular	3.00	25.48	3.00	24.45
FRS, Special Risk - Admin	3.00	38.59	3.00	35.84
FRS, Elected Officials	3.00	48.82	3.00	49.18
FRS, Senior Management Service Class	3.00	25.41	3.00	27.29
DROP, Applicable to all members in the above classes	0.00	14.60	0.00	16.98

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The Town's contributions to the Plan totaled \$452,122 for the fiscal year ended September 30, 2020. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020, the Town reported a liability of \$6,410,119 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2020 relative to the contributions made during the year ended June 30, 2020 of all participating members. At June 30, 2020, the Town's proportionate share was .01479%, which was an increase of .0036% from its proportionate share measured as of June 30, 2019.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

For the fiscal year ended September 30, 2020 the Town recognized pension expense of \$1,367,499 related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 245,328	\$ -
Change of assumptions	1,160,436	-
Net difference between projected and actual earnings on FRS pension plan investments	381,665	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	181,835	(89,555)
Town FRS contributions subsequent to the measurement date	132,312	-
Total	\$ 2,101,576	\$ (89,555)

The deferred outflows of resources related to pensions, totaling \$132,312, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2021	\$ 387,362
2022	603,294
2023	512,798
2024	306,553
2025	69,702
Thereafter	-
Total	\$ 1,879,709

Actuarial Assumptions – The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions – The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.4%	1.7%

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

Discount Rate – The discount rate used to measure the total pension liability was 6.8 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	5.80%	6.80%	7.80%
Net Pension Liability	\$ 10,235,883	\$ 6,410,119	\$ 3,214,825

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

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

Payables to the Pension Plan – At September 30, 2020, the Town did not report a payable.

Retiree Health Insurance Subsidy Program

Plan Description

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

Benefits Provided – For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the contribution rate was 1.66% of payroll from October 1, 2019 through September 30, 2020 pursuant to section 112.363, Florida Statues. The Town contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town’s contributions to the HIS Plan totaled \$43,463 for the fiscal year ended September 30, 2020.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020, the Town reported a net pension liability of \$1,122,738 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town’s proportionate share of the net pension liability was based on the year ended June 30, 2020 contributions relative to the year ended June 30, 2019 contributions of all participating members. At June 30, 2020, the Town’s proportionate share was .0092%, a decrease of .0001% compared to its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$89,595 related to the HIS Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,927	\$ (866)
Change of assumptions	120,726	(65,283)
Net difference between projected and actual earnings on FRS pension plan investments	896	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	62,267	(46,021)
Town FRS contributions subsequent to measurement date	14,029	-
Total	\$ 243,845	\$ (112,170)

The deferred outflows of resources related to pensions, totaling \$14,029, resulting from Town contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending	Amount
September 30,	
2021	\$ 32,559
2022	24,152
2023	6,600
2024	15,325
2025	20,867
Thereafter	18,143
Total	\$ 117,646

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25% average, including inflation
Investment rate of return	2.21 percent

Mortality rates were based on the Generational RP-2010 with Projected Scale MP-2018. The actuarial assumptions used in the June 30, 2020 measurement date were based on the results of an actuarial valuation dated July 1, 2020. For the HIS plan, valuations are performed on a biennial basis.

Discount Rate – The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	1.21%	2.21%	3.21%
Net Pension Liability	\$ 1,297,835	\$ 1,122,738	\$ 979,421

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

Payables to the Pension Plan – At September 30, 2020, the Town did not reported a payable to the Plan.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 member allocation rates by job class for the Town's employees at September 30, 2020, were as follows: regular employees 6.30%, special risk employees 14%, senior management service employees 7.67%, and elected officials 11.34%.

The Town's total payroll for the year ended September 30, 2020 was \$3,388,265 and payroll for employees covered by the Plan was \$770,028. The Town and the covered employees made the required contributions of \$107,842 and \$21,051, respectively.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Funding Policy

Currently, the Town's other postemployment benefits are unfunded. The Plan is funded under a pay-as-you-go approach. That is, the Town Commission has not established a separate trust fund or equivalent arrangement into which the Town would make contributions to advance fund the obligation. The Town does not directly make a contribution to the plan on behalf of normal retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an employer contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year. The Plan provides for a direct subsidy for special risk retirees disabled in the line of duty and spouses of special risk employees upon death in the line of duty by paying the full cost of coverage for both the retiree and spouse.

Plan Membership

At September 30, 2020, the following members were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>39</u>
	<u><u>41</u></u>

Changes in Net OPEB Liability

Sources of changes in the net OPEB liability were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 342,836	\$ -	\$ 342,836
Changes due to:			
Service cost	43,851	-	43,851
Expected interest growth	14,678	-	14,678
Differences between expected and actual experience	(223,805)	-	(223,805)
Changes in assumptions	(4,652)	-	(4,652)
Benefit payments	(6,953)	-	(6,953)
Ending balance	<u>\$ 165,955</u>	<u>\$ -</u>	<u>\$ 165,955</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Actuarial Methods and Assumptions

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

Measurement date	October 1, 2019
Actuarial valuation date	October 1, 2019
Actuarial assumptions:	
Inflation	2.6%, not explicitly used in valuation
Discount rate	2.74%; based on the return on the Fidelity 20-Year Municipal Bond GO AA Index
Projected salary increases	3.6% - 8.4% per year
Actuarial cost method	Individual entry age level percent of pay Based on the Getzen Model starting at 6.00% gradually decreasing to an ultimate rate of 4.10% in 2040
Healthcare cost trend rates	100% of blended health insurance premium rates except by statute 0% for certain conditions for Police Officers and Firefighters death and disability benefits
Retirees' share of benefit-related costs	Healthy members based on various PUB-2010 base tables, generational mortality using gender-specific MP-2018 mortality improvement projection scale. Disabled Employees based on various PUB-2010 Disabled mortality tables and no projected improvements.
Mortality rates	

Demographic and other economic actuarial assumptions are based on demographic and other economic actuarial assumptions used in the Florida Retirement System (FRS) for the July 1, 2019 Actuarial valuation. The trend and participation assumptions are set by Gabriel, Roeder, Smith & Company based upon general and program specific experience.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability calculated using the discount rate of 2.74%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	(1.74%)	(2.74%)	(3.74%)
	\$ 197,565	\$ 165,955	\$ 141,415

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0% decreasing to 3.1%) or 1-percentage-point higher (7.0% decreasing to 5.1%) than the current trend rates:

1% Decrease (5% decreasing to 3.1%)	Healthcare Cost Trend Rates (6% Graded Down to 4.1%)	1% Increase (7% decreasing to 5.1%)
\$ 136,029	\$ 165,955	\$ 204,799

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

For the fiscal year ended September 30, 2020, the Town recognized OPEB expense of \$41,539. In addition, at September 30, 2020, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 195,475
Change of assumptions	36,198	15,298
Town's OPEB contributions subsequent to the measurement date	2,908	-
Total	\$ 39,106	\$ 210,773

The deferred outflows of resources related to OPEB, totaling \$2,908, resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2021	\$ (23,190)
2022	(23,190)
2023	(23,190)
2024	(23,190)
2025	(24,697)
Thereafter	(57,118)
Total	\$ (174,575)

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

During the year ended September 30, 2020, 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 \$352,870.

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

During the year ended September 30, 2020, 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 \$147,000.

NOTE 12 – RISK MANAGEMENT

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

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

NOTE 13 – CONTINGENCIES

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – COMMITMENTS

Solid Waste and Recycling Collection Services

The Town has entered into an agreement with Waste Management Inc. of Florida to provide solid waste and recycling collection services. The term of the agreement ended December 14, 2014. In November 2014, Waste Management was awarded a new contract as the result of a competitive bidding process. The term of the new agreement is for the period beginning January 1, 2015 and expiring May 31, 2020. The agreement may be renewed for one three year term, at the discretion of the Town. Under the terms of the new agreement, the Town received a significant reduction in rates. Under the terms of both agreements, the Town pays an established rate per month per unit picked up curbside or containerized. Waste Management bills the Town monthly for services provided. For the year ended September 30, 2020, the Town made payment of \$438,673 pursuant to the agreements.

Encumbrances

At September 30, 2020, the Town had encumbrances of \$141,136 in the General Fund, \$35,438 in the Building fund, \$194,663 in the Infrastructure Surtax Fund, \$188,890 in the Water Utility Fund and \$139,153 in the Sewer Fund.

Fire Protection and Fire Rescue Services

The Town has an agreement with the City of Delray Beach (the City) under which the City provides fire protection and fire rescue services. The term of the agreement is for fifteen years, beginning October 1, 2002, and extending through September 30, 2019, 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, 2020 was \$4,440,148.

NOTE 15 – INTERLOCAL GOVERNMENTAL AGREEMENTS

Sewage Disposal Services

The Town has a second Interlocal Agreement with the City of Delray Beach under which the City provides sewage disposal services to the Town. Under the terms of the agreement, which will expire in 2030, the City charges the Town a rate per gallon based on the cost of providing the services. For the year ended September 30, 2020, the Town was charged \$799,975 for sewage disposal services.

NOTE 16 – SUBSEQUENT EVENTS

PBC CARES Funding

Subsequent to year end, the Town entered into the Palm Beach County Municipal CARES Act reimbursement program whereby the County will provide the Town with CAREs funds. The Town received \$61,603.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16 – SUBSEQUENT EVENTS (Continued)

American Rescue Plan Act (“ARPA”)

In March 2021, the ARPA was signed into law. The law provides relief funds resulting from the pandemic. Subsequent to year end, the Town received COVID relief funding under the ARPA of \$980,671.

Fire Contract

Subsequent to year-end, the Town sent a notice of termination to the City of Delray Beach for the interlocal agreement for fire rescue services. The termination is effective April 30, 2024.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Property taxes	\$ 9,521,775	\$ 9,521,775	\$ 9,556,810	\$ 35,035
Franchise fees	484,500	484,500	673,759	189,259
Permits and fees	0	0	10,536	10,536
Intergovernmental	699,900	699,900	663,347	(36,553)
Charges for services	520,000	520,000	568,935	48,935
Fines and forfeitures	10,700	10,700	3,251	(7,449)
Interest income	150,000	150,000	105,178	(44,822)
Rent & Leases	67,000	67,000	65,830	(1,170)
Miscellaneous	446,400	446,400	664,148	217,748
Total revenues	11,900,275	11,900,275	12,311,794	411,519
Expenditures:				
General Government:				
Town Commission	183,575	183,575	122,319	61,256
Town Manager	361,320	361,320	354,206	7,114
Town Clerk	375,550	375,550	351,603	23,947
Finance	519,000	569,000	464,713	104,287
Legal	175,000	125,000	106,291	18,709
Public Works	358,300	358,300	330,425	27,875
Post office	135,600	135,600	115,689	19,911
Non -departmental and contingency	362,040	467,040	427,095	39,945
Total general government	2,470,385	2,575,385	2,272,341	303,044
Public safety:				
Police	2,566,550	2,461,550	2,348,579	112,971
Fire Rescue	4,469,700	4,469,700	4,451,263	18,437
Total public safety	7,036,250	6,931,250	6,799,842	131,408

(Continued)

(See notes to budgetary required supplementary information)

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual General Fund (Continued)
For the Year Ended September 30, 2020

	Budgeted Amounts		Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual Amounts	
Sanitation:				
Refuse Collection	454,500	454,500	442,262	12,238
Total physical environment	454,500	454,500	442,262	12,238
Culture and recreation:				
Library	407,140	407,140	359,770	47,370
Total culture and recreation	407,140	407,140	359,770	47,370
Capital outlay	50,000	50,000	75,862	(25,862)
Total Capital Outlay	50,000	50,000	75,862	(25,862)
Total expenditures	10,418,275	10,418,275	9,950,077	468,198
Excess (deficiency) of revenues over expenditures	1,482,000	1,482,000	2,361,717	879,717
Other financing sources (uses):				
Interfund Transfer In (Out)	(1,482,000)	(1,482,000)	(1,482,004)	(4)
Total other financing sources (uses)	(1,482,000)	(1,482,000)	(1,482,004)	(4)
Net change in fund balance	\$ -	\$ -	879,713	\$ 879,713
Fund balance, beginning				<u>9,127,602</u>
Fund balance, ending				<u>\$10,007,315</u>

(See notes to budgetary required supplementary information)

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual Building Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues:				
Permits and fees	\$ 785,730	\$ 905,730	\$ 1,228,600	\$ 322,870
Interest income	-	-	2,900	2,900
Total revenues	785,730	905,730	1,231,500	325,770
Expenditures:				
Public safety:				
General governmnet	25,000	25,000	25,000	-
Protective Inspections	812,730	932,730	774,447	158,283
Total expenditures	837,730	957,730	799,447	158,283
Excess (deficiency) of revenues over expenditures	(52,000)	(52,000)	432,053	484,053
Other financing sources (uses):				
Interfund Transfer In (Out)	52,000	52,000	52,000	-
Total other financing sources (uses)	52,000	52,000	52,000	-
Net change in fund balance	\$ -	\$ -	484,053	\$ 484,053
Fund balance, beginning			<u>851,232</u>	
Fund balance, ending			<u>\$ 1,335,285</u>	

(See notes to budgetary required supplementary information)

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplementary
Information September 30, 2020

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, Building Fund, Infrastructure Surtax Special Revenue Fund, and all Proprietary Funds. The procedures for establishing budgetary data are as follows:

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

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

NOTE 2. Encumbrances

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

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*

	2020	2019	2018
Total OPEB Liability			
Beginning balance	\$ 342,836	\$ 306,113	\$ 215,454
Service cost	43,851	44,095	26,340
Expected interest growth	14,678	12,177	9,148
Difference between expected and actual experience	(223,805)	-	-
Assumption changes	(4,652)	(14,859)	58,821
Benefit payments and refunds	(6,953)	(4,690)	(3,650)
Ending balance	<u>\$ 165,955</u>	<u>\$ 342,836</u>	<u>\$ 306,113</u>
Plan Fiduciary Net Position			
Beginning balance	\$ -	\$ -	\$ -
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability			
Ending balance	<u>\$ 165,955</u>	<u>\$ 342,836</u>	<u>\$ 306,113</u>
Covered payroll	\$ 2,755,738	\$ 2,556,053	\$ 3,049,233
Total OPEB liability as a percentage of covered payroll	6.02%	13.41%	10.04%

Notes to Schedule:

1. Change to Benefit Terms: For Firefighters, in service disability retirement includes the diagnose circumstances that arise out of the treatment of cancer. Please note this change has an immaterial in liabilities.
2. Changes of assumptions:

Measurement date	October 1, 2019	October 1, 2018
Discount rate	2.74%	3.83%

*GASB 75 requires information for 10 year. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
For the Fiscal Year Ended September 30, 2020

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

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.014789805%	0.014753601%	0.013527603%	0.013937482%	0.014810371%	0.014781336%	0.014314377%
Town's proportionate share of the FRS net pension liability	6,410,119	5,080,935	4,074,584	4,122,614	3,739,630	1,909,208	873,387
Town's covered payroll	2,518,832	2,502,063	2,111,773	2,046,749	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered employee payroll	254%	203%	193%	201%	197%	68%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
			0.000036204%				

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

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.009195355%	0.009303253%	0.008472311%	0.008631749%	0.009017520%	0.009320335%	0.009381402%
Town's proportionate share of the FRS net pension liability	1,122,738	1,040,941	896,719	922,946	1,050,955	950,528	877,184
Town's covered payroll	2,518,832	2,502,063	2,111,773	2,046,749	1,894,770	2,827,626	2,786,472
Liability as a percentage of its covered employee payroll	45%	42%	42%	45%	55%	34%	31%
FRS plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

*Information is not available for periods prior to 2014.

*Amounts presented for 6/30.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
For the Year Ended September 30, 2020

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

	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 452,122	\$ 427,611	\$ 337,341	\$ 312,670	\$ 292,521	\$ 286,753
FRS contributions in relation to the contractually required contribution	(452,122)	(427,611)	(337,341)	(312,670)	(292,521)	(286,753)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Town's covered payroll	 \$ 2,618,237	 \$ 2,561,478	 \$ 2,126,277	 \$ 2,074,302	 \$ 1,989,913	 \$ 2,083,665
FRS contributions as a percentage of covered payroll	17%	17%	16%	15%	15%	14%

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

	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 43,463	\$ 42,521	\$ 35,296	\$ 34,433	\$ 33,033	\$ 37,938
HIS contributions in relation to the contractually required contribution	(43,463)	(42,521)	(35,296)	(34,433)	(33,033)	(37,938)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Town's covered payroll	 \$ 2,618,237	 \$ 2,561,478	 \$ 2,126,277	 \$ 2,074,302	 \$ 1,989,913	 \$ 2,083,665
HIS contributions as a percentage of covered payroll	2%	2%	2%	2%	2%	2%

*Information is not available for periods prior to 2015.

*Amounts reported for 9/30.

TOWN OF HIGHLAND BEACH, FLORIDA

Combining Balance Sheet

Non-major Governmental Funds

September 30, 2020

	Special Revenue Funds					Total Governmental Funds
	Open Space and Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement		
Assets						
Cash and cash equivalents	\$ 181,603	\$ 5,681	\$ 345,868	\$ 5,753	\$ 538,905	
Investments	50,904	1,593	96,947	1,613		151,057
Due from other governments	-	-	17,777	-		17,777
Total assets	\$ 232,507	\$ 7,274	\$ 460,592	\$ 7,366	\$ 707,739	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 7,981	\$ -	\$ 7,981	
Total liabilities	-	-	7,981	-	7,981	
Fund balances:						
Restricted for:						
Recreation land acquisition	\$ 232,507	\$ -	-	\$ -	\$ 232,507	
Library activities	-	7,274	-	-	7,274	
Infrastructure	-	-	257,948	-	257,948	
Law enforcement	-	-	-	7,366	7,366	
Assigned for:						
Contracts	-	-	194,663	-	194,663	
Total fund balances	232,507	7,274	452,611	7,366	699,758	
Total liabilities and fund balances	\$ 232,507	\$ 7,274	\$ 460,592	\$ 7,366	\$ 707,739	

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, 2020

	Special Revenue Funds				Total	Non-major
	Open Space and Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement		
Revenues:						
Interest	\$ 1,385	\$ 43	\$ 2,463	\$ 28	\$ 3,919	
Intergovernmental revenue	-	-	252,992	-	252,992	
Miscellaneous	-	114	-	21	135	
Total revenues	1,385	157	255,455	49	257,046	
Expenditures:						
Current:						
General government	-	-	10,004	-	10,004	
Capital outlay	-	-	151,969	-	151,969	
Total expenditures	-	-	161,973	-	161,973	
Excess (deficiency) of revenues over expenditures	1,385	157	93,482	49	95,073	
Fund balances, beginning	231,122	7,117	359,129	7,317	604,685	

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STATISTICAL SECTION

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

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

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

Fiscal Year Ended 9/30	2011	2012	2013	2014	2015
Governmental activities					
Net investment in capital assets	\$ 4,721,472	\$ 4,272,876	\$ 4,498,697	\$ 5,456,728	\$ 1,734,664
Restricted	203,401	204,025	210,012	206,981	206,981
Unrestricted	3,996,161	4,537,572	5,541,258	5,662,355	8,259,218
Total governmental activities	\$ 8,921,034	\$ 9,014,473	\$ 10,249,967	\$ 11,326,064	\$ 10,200,863
Business type activities					
Net investment in capital assets	\$ 4,109,700	\$ 3,983,977	\$ 3,817,724	\$ 2,394,642	\$ 2,741,513
Restricted	227,426	233,095	233,174	234,891	226,867
Unrestricted	2,370,880	2,636,441	2,779,070	6,438,537	6,230,960
Total business type activities	\$ 6,708,006	\$ 6,853,513	\$ 6,829,968	\$ 9,068,070	\$ 9,199,340
Primary Government					
Net investment in capital assets	\$ 8,831,172	\$ 8,256,853	\$ 8,316,421	\$ 7,851,370	\$ 4,476,177
Restricted	430,827	437,120	443,186	441,872	433,848
Unrestricted	6,367,041	7,174,013	8,320,328	12,100,892	14,490,178
Total primary government	\$ 15,629,040	\$ 15,867,986	\$ 17,079,935	\$ 20,394,134	\$ 19,400,203

	2016		2017		2018		2019		2020
\$	1,734,664	\$	4,867,370	\$	4,668,927	\$	4,626,465	\$	4,538,175
	206,981		375,328		639,794		1,455,917		2,035,043
	8,259,218		5,587,777		5,629,803		4,671,892		4,732,533
<u>\$</u>	<u>10,200,863</u>	<u>\$</u>	<u>10,830,475</u>	<u>\$</u>	<u>10,938,524</u>	<u>\$</u>	<u>10,754,274</u>	<u>\$</u>	<u>11,305,751</u>
\$	2,741,513	\$	3,646,633	\$	3,682,997	\$	4,081,199	\$	4,723,658
	226,867		229,897		214,340		214,420		231,735
	6,230,960		5,661,297		5,923,337		6,039,532		5,505,169
<u>\$</u>	<u>9,199,340</u>	<u>\$</u>	<u>9,537,827</u>	<u>\$</u>	<u>9,820,674</u>	<u>\$</u>	<u>10,335,151</u>	<u>\$</u>	<u>10,460,562</u>
\$	4,476,177	\$	8,514,003	\$	8,351,924	\$	8,707,664	\$	9,261,833
	433,848		605,225		854,134		1,670,337		2,266,778
	14,490,178		11,249,074		11,553,140		10,711,424		10,237,702
<u>\$</u>	<u>19,400,203</u>	<u>\$</u>	<u>20,368,302</u>	<u>\$</u>	<u>20,759,198</u>	<u>\$</u>	<u>21,089,425</u>	<u>\$</u>	<u>21,766,313</u>

Town of Highland Beach, Florida

Schedule 2

Changes in Net Position (Unaudited) (Accrual Basis of Accounting)

Fiscal Year Ended 9/30	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 1,704,445	\$ 1,656,544	\$ 1,566,138	\$ 1,626,937
Public Safety	5,207,887	5,152,662	5,326,258	5,496,560
Culture/recreation	559,744	524,797	599,345	609,624
Sanitation	530,279	572,668	578,934	573,240
Interest	80,526	61,143	40,924	20,812
Total governmental activities	\$ 8,082,881	\$ 7,967,814	\$ 8,111,599	\$ 8,327,173
Business type activities:				
Water utility	2,946,428	2,884,123	3,024,558	3,024,044
Sewer utility	933,160	976,631	853,988	842,387
Interest on long term debt	415,749	448,728	423,472	397,554
Total business type activities	4,295,337	4,309,482	4,302,018	4,263,985
Total primary government expenses	\$ 12,378,218	\$ 12,277,296	\$ 12,413,617	\$ 12,591,158
Program Revenues				
Charges for Services- Governmental Activities				
General Government	62,767	60,880	94,508	106,466
Public Safety	333,943	412,314	496,821	438,037
Culture recreation	4,780	5,106	5,451	4,904
Sanitation	466,732	467,004	467,051	468,008
Total Charges for Services	\$ 868,222	\$ 945,304	\$ 1,063,831	\$ 1,017,415
Operating Grants and Contributions	13,016	13,134	13,304	13,702
Capital Grants and Contributions	5,000	-	-	-
Total governmental activities program revenues	\$ 886,238	\$ 958,438	\$ 1,077,135	\$ 1,031,117
Business type activities program revenue:				
Water utility	2,123,564	1,992,304	1,981,222	2,048,100
Sewer utility	1,033,147	1,002,973	1,022,232	1,005,431
Capital Grants and Contributions	-	-	-	-
Total business type activities program revenues	3,156,711	2,995,277	3,003,454	3,053,531
Total primary government program revenue	\$ 4,042,949	\$ 3,953,715	\$ 4,080,589	\$ 4,084,648
Net (expense) revenue				
Governmental activities	(7,196,643)	(7,009,376)	(7,034,464)	(7,296,056)
Business type activities	(1,138,626)	(1,314,205)	(1,298,564)	(1,210,454)
Total primary government net expense	\$ (8,335,269)	\$ (8,323,581)	\$ (8,333,028)	\$ (8,506,510)
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 7,338,543	\$ 7,285,358	\$ 8,246,672	\$ 8,452,116
Utility service taxes	723,808	688,278	716,468	730,249
Sales and use taxes	296,928	261,339	273,625	296,259
State revenue sharing	109,768	113,482	104,220	108,289
Investment earnings	42,230	34,136	24,141	14,621
Miscellaneous revenues	6,522	8,622	187,537	52,919
Loss on disposal of capital assets				
Gain (loss) on disposal of assets			3,295	3,700
Transfers	(1,360,956)	(1,288,400)	(1,286,000)	(1,286,000)
Total general revenues	\$ 7,156,843	\$ 7,102,815	\$ 8,269,958	\$ 8,372,153
Business type activities program revenue				
Investment earnings	\$ 10,091	\$ 7,761	\$ 7,281	\$ 7,265
Other miscellaneous revenues	2,214	3,979	3,400	18,551
Gain (loss) on disposal of assets	(356)			2,228,176
Transfers	1,360,956	1,288,400	1,286,000	1,286,000
Total business type activities program revenues	1,372,905	1,300,140	1,296,681	3,539,992
Total primary government	\$ 8,529,748	\$ 8,402,955	\$ 9,566,639	\$ 11,912,145
Changes in Net Position				
Government activities	\$ (39,800)	\$ 93,439	\$ 1,235,494	\$ 1,076,097
Business type activities	368,547	123,863	(1,883)	2,329,538
Total primary government	\$ 328,747	\$ 217,302	\$ 1,233,611	\$ 3,405,635

2015		2016		2017		2018		2019		2020	
\$ 1,933,634	\$ 1,910,544	\$ 1,961,725	\$ 2,565,663	\$ 2,580,389	\$ 2,624,269						
5,800,175	6,345,596	6,707,253	6,849,032	7,218,463	8,162,814						
646,909	579,310	516,399	521,074	537,827	516,450						
536,672	490,981	492,947	513,735	1,253,961	515,326						
6,404	-	-	-	-	-						
\$ 8,923,794	\$ 9,326,431	\$ 9,678,324	\$ 10,449,504	\$ 11,590,640	\$ 11,818,859						
2,794,114	3,243,497	3,332,073	3,416,906	3,249,206	3,468,469						
985,294	1,109,658	994,083	1,065,506	1,104,554	1,262,666						
370,648	343,107	325,584	336,738	-	-						
4,150,056	4,696,262	4,651,740	4,819,150	4,353,760	4,731,135						
\$ 13,073,850	\$ 14,022,693	\$ 14,330,064	\$ 15,268,654	\$ 15,944,400	\$ 16,549,994						
116,323	16,733	116,204	127,534	125,964	783,655						
808,930	716,938	560,566	619,445	930,740	1,239,136						
26,548	8,955	4,657	4,069	3,900	18,198						
468,757	471,725	470,300	471,580	470,716	527,453						
\$ 1,420,558	\$ 1,214,351	\$ 1,151,727	\$ 1,222,628	\$ 1,531,320	\$ 2,568,442						
14,113	14,536	17,598	18,126	18,669	-						
-	-	-	-	-	-						
\$ 1,434,671	\$ 1,228,887	\$ 1,169,325	\$ 1,240,754	\$ 1,549,989	\$ 2,568,442						
2,117,789	2,015,477	2,002,402	1,987,503	2,044,913	2,062,682						
1,035,901	1,027,246	1,054,354	1,085,969	1,128,148	1,155,248						
3,153,690	3,042,723	3,056,756	3,073,472	3,173,061	3,217,930						
\$ 4,588,361	\$ 4,271,610	\$ 4,226,081	\$ 4,314,226	\$ 4,723,050	\$ 5,786,372						
(7,489,123)	(8,097,544)	(8,508,999)	(9,208,750)	(10,040,651)	(9,250,417)						
(996,366)	(1,653,539)	(1,594,984)	(1,745,678)	(1,180,699)	(1,513,205)						
\$ (8,485,489)	\$ (9,751,083)	\$ (10,103,983)	\$ (10,954,428)	\$ (11,221,350)	\$ (10,763,622)						
8,696,269	\$ 8,319,187	\$ 8,211,536	\$ 8,608,075	\$ 8,925,672	\$ 9,556,810						
728,123	698,651	708,943	760,603	968,395	271,081						
310,488	310,488	474,774	579,638	572,729	553,604						
95,491	103,511	104,100	100,835	109,116	90,843						
21,043	30,938	42,713	144,231	223,638	111,997						
357,917	319,446	322,343	361,835	486,351	647,563						
4,392	7,013	3,615	1,598	-	-						
(1,286,000)	(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)	(1,430,004)						
\$ 8,927,723	\$ 8,503,234	\$ 8,582,024	\$ 9,139,273	\$ 9,856,401	\$ 9,801,894						
15,477	\$ 20,311	\$ 21,906	\$ 81,210	\$ 122,387	\$ 46,000						
209,802	160,541	143,561	142,027	143,289	171,471						
6,925	-	-	-	-	(8,859)						
1,286,000	1,286,000	1,286,000	1,417,542	1,429,500	1,430,004						
1,518,204	1,466,852	1,451,467	1,640,779	1,695,176	1,638,616						
\$ 10,445,927	\$ 9,970,086	\$ 10,033,491	\$ 10,780,052	\$ 11,551,577	\$ 11,440,510						
1,438,600	\$ 405,690	\$ 73,025	\$ (69,477)	\$ (184,250)	\$ 551,477						
521,838	(186,687)	(143,517)	(104,899)	514,477	125,411						
\$ 1,960,438	\$ 219,003	\$ (70,492)	\$ (174,376)	\$ 330,227	\$ 676,888						

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Nonspendable	8,020	104,653	82,039	44,561
Committed	-	-	-	-
Restricted		4,311	4,311	-
Assigned	2,797,500	2,083,391	3,077,455	2,931,908
Unassigned	3,293,303	3,694,921	3,493,852	3,562,626
Total general fund	\$ 6,098,823	\$ 5,887,276	\$ 6,657,657	\$ 6,539,095
All Other Governmental Funds				
Restricted	203,401	204,025	205,701	206,981
Assigned	-	-	-	-
Total all other governmental funds	\$ 203,401	\$ 204,025	\$ 205,701	\$ 206,981

2015	2016	2017	2018	2019	2020
4,798	26,371	19,969	86,093	77,829	80,620
-	-	-	-	1,966,434	2,056,555
-	-	-	-	-	-
2,449,960	2,597,318	4,922,400	3,640,887	987,723	1,480,776
5,011,467	5,965,456	4,163,722	5,543,284	8,062,050	6,389,364
<u>\$ 7,466,225</u>	<u>\$ 8,589,145</u>	<u>\$ 9,106,091</u>	<u>\$ 9,270,264</u>	<u>\$ 9,127,602</u>	<u>\$ 10,007,315</u>
228,220	235,842	375,328	639,794	1,455,917	1,754,942
-	-	-	-	-	280,101
<u>\$ 228,220</u>	<u>\$ 235,842</u>	<u>\$ 375,328</u>	<u>\$ 639,794</u>	<u>\$ 1,455,917</u>	<u>\$ 2,035,043</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	2011	2012	2013	2014
Revenues				
Taxes	\$ 7,666,791	\$ 7,593,593	\$ 8,584,777	\$ 8,775,709
Licenses, permits and fees	750,713	809,022	854,123	872,586
Intergovernmental	391,226	358,103	361,367	387,021
Charges for services	477,960	476,145	506,403	516,835
Fines and forfeitures	18,395	19,832	57,870	9,979
Impact fees				
Interest	32,268	17,511	16,853	19,267
Net decrease in fair value of investments	9,962	16,625	7,288	(4,646)
Miscellaneous revenues	311,395	316,454	542,960	411,069
 Total revenues	 9,658,710	 9,607,285	 10,931,641	 10,987,820
Expenditures				
General government	1,771,183	1,735,593	1,652,393	1,740,984
Public Safety	5,088,694	5,092,071	5,289,583	5,430,246
Culture/Recreation	513,386	484,848	492,452	569,339
Sanitation	364,942	421,181	450,651	455,234
Capital outlay	121,233	91,629	210,892	977,443
Debt service				
Principal	629,143	639,833	651,646	621,434
Interest	83,736	64,653	44,337	24,422
 Total expenditures	 8,572,317	 8,529,808	 8,791,954	 9,819,102
Excess of revenues over (under) expenditures	1,086,393	1,077,477	2,139,687	1,168,718
Other Financing Sources (Uses)				
Transfers out	(1,360,956)	(1,288,400)	(1,286,000)	(1,286,000)
Total other financing sources (uses)	(1,360,956)	(1,288,400)	(1,286,000)	(1,286,000)
 Net Change in fund balances	 (274,563)	 (210,923)	 853,687	 (117,282)
Fund balances - beginning	6,579,707	6,302,224	6,091,301	6,863,358
 Fund balance - ending	 \$ 6,305,144	 \$ 6,091,301	 \$ 6,944,988	 \$ 6,746,076
Debt services (principal & interest) as a percentage of non-capital expenditures	8.44%	8.35%	8.11%	7.30%

2015	2016	2017	2018	2019	2020
\$ 8,696,269	\$ 8,319,187	\$ 8,211,536	\$ 8,608,075	\$ 8,925,672	\$ 9,556,810
1,257,117	1,154,733	1,002,695	1,103,439	1,626,013	1,912,895
704,806	701,061	711,363	723,756	981,793	916,339
521,207	527,314	508,880	528,113	519,619	568,935
6,816	6,363	13,907	6,117	6,150	3,251
21,043	28,740	41,871	137,749	223,638	111,997
<u>441,136</u>	<u>423,698</u>	<u>387,989</u>	<u>425,854</u>	<u>553,005</u>	<u>730,113</u>
<u>11,648,394</u>	<u>11,161,096</u>	<u>10,878,241</u>	<u>11,533,103</u>	<u>12,835,890</u>	<u>13,800,340</u>
1,885,669	1,721,674	1,785,835	2,240,026	2,282,194	2,326,197
5,811,416	6,092,829	6,417,442	6,615,002	7,348,443	7,555,437
617,722	435,177	380,473	387,471	383,555	359,770
413,271	395,998	404,002	422,440	435,645	442,262
250,880	106,498	87,543	286,449	283,092	227,831
425,913	-	-	-	-	-
<u>9,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,414,025</u>	<u>8,752,176</u>	<u>9,075,295</u>	<u>9,951,388</u>	<u>10,732,929</u>	<u>10,911,497</u>
2,234,369	2,408,920	1,802,946	1,581,715	2,102,961	2,888,843
(1,286,000)	(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)	(1,430,004)
<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,417,542)</u>	<u>(1,429,500)</u>	<u>(1,430,004)</u>
948,369	1,122,920	516,946	164,173	673,461	1,458,839
6,746,076	7,466,225	8,589,145	9,106,091	9,910,058	10,583,519
<u>\$ 7,694,445</u>	<u>\$ 8,589,145</u>	<u>\$ 9,106,091</u>	<u>\$ 9,270,264</u>	<u>\$10,583,519</u>	<u>\$12,042,358</u>
4.75%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Just Value
2011	1,790,003,250	16,000,000	9,715,000	1,815,718,250	4.19	2,051,532,163
2012	1,707,337,791	15,040,000	9,669,683	1,732,047,474	4.34	1,939,540,909
2013	1,727,623,028	15,040,000	9,610,456	1,752,273,484	4.87	1,966,422,907
2014	1,798,567,981	15,400,000	10,043,245	1,824,011,226	4.81	2,072,656,191
2015	1,910,980,084	15,400,000	10,683,925	1,937,064,009	4.64	2,260,380,097
2016	2,047,110,813	16,170,000	11,959,998	2,075,240,811	4.15	2,475,549,166
2017	2,186,088,224	17,787,000	12,448,224	2,216,323,448	3.86	2,716,856,926
2018	2,369,865,868	19,565,700	11,139,513	2,400,571,081	3.70	2,915,050,463
2019	2,449,537,041	21,524,470	12,241,737	2,483,303,248	3.72	2,939,022,067
2020	2,566,581,797	23,676,917	12,083,552	2,602,342,266	3.80	3,079,744,504

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	Overlapping Rates (1)									
	Highland Beach			Palm Beach			Palm Beach		South Florida	
	General Fund	Debt Service Fund	Total Town Rate	Palm Beach County	County School Board	Children's Services Council	County Health Care District	Water Management District	FIND(2) And Everglades	Total
2011	3.25	0.94	4.19	5.00	8.15	0.75	1.15	0.00	0.12	19.36
2012	3.41	0.93	4.34	4.99	8.18	0.75	1.13	0.37	0.10	19.86
2013	3.95	0.92	4.87	4.99	7.78	0.73	1.12	0.37	0.10	19.95
2014	3.95	0.86	4.81	4.99	7.59	0.70	1.08	0.35	0.09	19.61
2015	3.95	0.69	4.64	4.97	7.59	0.67	1.08	0.33	0.09	19.38
2016	3.50	0.65	4.15	4.93	7.51	0.67	1.04	0.30	0.08	18.68
2017	3.25	0.61	3.86	4.91	7.07	0.68	0.90	0.28	0.08	17.79
2018	3.08	0.62	3.70	4.90	6.77	0.66	0.78	0.27	0.08	17.15
2019	3.12	0.60	3.72	4.90	6.57	0.64	0.73	0.25	0.07	16.88
2020	3.23	0.57	3.80	4.86	7.16	0.65	0.73	0.28	0.03	17.51

Source: Palm Beach County Property Appraiser's office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the Town of Highland Beach

(2) Florida Inland Navigation District.

Town of Highland Beach, Florida
Schedule 7
Principal Property Tax Payers (Unaudited)
Current Year and Ten Years Ago

Taxpayers	Fiscal Year 2020			Fiscal Year 2011		
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayers	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	
Leeds, Bruce	\$ 15,389,656	0.59%	Musa, Marc A.	\$ 10,482,049	0.54%	
Rothberg, Michael	15,317,035	0.59%	Muller, Ralph P.	9,670,580	0.50%	
Decoy Investments LLC	14,710,379	0.57%	Blake, Alfred J.	8,845,293	0.46%	
Montgomery, Joel & Sarah Trust	13,641,020	0.52%	Pross, Randy	8,810,972	0.46%	
Karp, Simone	13,127,436	0.50%	Rap Knifor, LLC	8,772,905	0.45%	
Hamister, Mark	13,095,341	0.50%	Chaifetz, Jill B. Trust	8,133,001	0.42%	
Kappel, James	12,400,927	0.48%	Kappel, James S.	8,000,000	0.41%	
Persaud, Krishna	12,076,840	0.46%	Kappel, Sarah A.	8,000,000	0.41%	
Pastore, James	11,863,995	0.46%	Direnzo, August A.	7,164,687	0.37%	
Ferenc, Sidney	9,900,000	0.38%	Musa, Marco	7,143,831	0.37%	
Total	\$116,132,973	4.46%	Total	\$ 85,023,318	4.39%	

Source: Palm Beach County Property Appraiser's Office.

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

Fiscal Year Ended 9/30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2011	7,539,269	7,338,543	97.34%	9,131	7,347,674	97.46%
2012	7,518,298	7,285,358	96.90%	200,288	7,485,646	99.57%
2013	8,209,000	8,032,937	97.86%		8,032,937	97.86%
2014	8,765,104	8,246,672	94.09%		8,246,672	94.09%
2015	8,996,821	8,681,402	96.49%	14,867	8,696,269	96.66%
2016	8,603,075	8,319,187	96.70%	-	8,319,187	96.70%
2017	8,200,200	8,203,649	100.04%	7,888	8,211,537	100.14%
2018	8,527,000	8,563,619	100.43%	45,078	8,608,697	100.96%
2019	9,245,815	8,913,954	96.41%	11,718	8,925,673	96.54%
2020	9,909,142	9,550,573	96.38%	71	9,550,644	96.38%

Source: Tax Collector, Palm Beach County.

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

Fiscal Year Ended	9/30	Governmental Activities			Business Type Activity			Percentage		
		Median Family	General Obligation	Promissory Notes	Promissory Notes	Revolving Loan Fund	Total Government	Primary Income	Personal Income	Per Capita
2011	3,539	N/A		2,338,826	3,931,241	11,386,558	17,656,625	N/A		4,989
2012	3,539	N/A		1,698,993	3,755,525	10,717,770	16,172,288	N/A		4,570
2013	3,572	N/A		1,047,347	3,573,961	10,028,414	14,649,722	N/A		4,101
2014	3,581	N/A		425,913	3,386,268	9,319,274	13,131,455	N/A		3,667
2015	3,600	N/A		-	3,192,102	8,589,786	11,781,888	N/A		3,273
2016	3,600	N/A		-	3,001,316	7,839,363	10,840,679	N/A		3,011
2017	3,600	N/A		-	2,803,727	10,491,253	13,294,980	N/A		3,693
2018	3,654	N/A		-	2,599,375	10,850,952	13,450,327	N/A		3,681
2019	3,671	N/A		-	2,387,936	9,823,765	12,211,701	N/A		3,327
2020	3,657	N/A		-	2,169,168	8,770,840	10,940,008	N/A		2,992

Source: (1) Florida Legislature, Office of Economic and Demographic Research

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
2011	3,539	1,815,718,250	16,026,132	0.88%	4,528
2012	3,539	1,732,047,474	14,903,429	0.86%	4,211
2013	3,572	1,752,273,484	13,791,636	0.79%	3,861
2014	3,581	1,824,011,226	12,695,861	0.70%	3,545
2015	3,600	1,937,064,009	11,781,888	0.61%	3,273
2016	3,600	2,063,280,813	10,840,679	0.53%	3,011
2017	3,600	2,216,323,448	13,294,980	0.60%	3,693
2018	3,654	2,400,571,081	13,450,327	0.56%	3,681
2019	3,671	2,483,303,248	12,211,701	0.49%	3,327
2020	3,657	2,602,342,266	10,940,008	0.42%	2,992

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, 2020	Estimated			
Governmental Unit	Net General Obligation Debt	Estimated Percentage Outstanding	Share of Applicable	Estimated Overlapping Debt

Town direct debt:

Town of Highland Beach \$ 10,940,008 100.00% \$ 10,940,008

Overlapping debt:

Palm Beach School District	\$ 6,498,000
Palm Beach County	49,498,000
	<u>\$ 55,996,000</u>
	1.24%
	\$ 693,427

Total direct and overlapping debt: \$ 11,633,435

Estimated population: 3,657

Direct and overlapping net debt per capita: \$ 3,181

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

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

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

The Town of Highland Beach has no legal debt margin.

Town of Highland Beach, Florida
Schedule 13

Pledged-Revenue Coverage (Unaudited)

Fiscal Year	State Revolving Loan(s)				2005 Promissory Note				
	Ended 9/30	Pledged Revenue	Debt Service		Pledged Revenue	Debt Service			
			Principal	Interest	Coverage		Principal	Interest	Coverage
2011	1,193,275	506,133	232,291	1.62	557,064	379,121	55,169	1.28	
2012	7,285,358	669,455	320,215	7.36	508,331	398,957	45,237	1.14	
2013	8,246,672	689,356	299,512	8.34	550,590	410,775	33,556	1.24	
2014	8,452,116	709,140	279,731	8.55	555,655	422,503	21,692	1.25	
2015	8,696,269	729,488	259,383	8.79	713,738	435,913	8,600	1.61	
2016	8,319,187	750,423	237,722	8.42	NA	NA	NA	NA	
2017	8,211,537	771,960	226,826	8.22	NA	NA	NA	NA	
2018	8,608,697	809,792	314,703	7.66	NA	NA	NA	NA	
2019	8,925,673	1,027,185	225,158	7.13	NA	NA	NA	NA	
2020	9,556,810	1,052,925	199,417	7.63	NA	NA	NA	NA	

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

Fiscal Year Ended 9/30	Population(1)	Median Family Income(2)	Per Capita Income(2)	Median House Value (3)	School Enrollment(4)	Unemployment Rate(5)
2011	3,539	\$ 104,570	\$ 72,222	N/A	81	10.2%
2012	3,539	\$ 90,729	\$ 73,199	N/A	204	8.5%
2013	3,572	\$ 83,879	\$ 82,916	\$ 422,914	76	7.1%
2014	3,581	\$ 83,879	\$ 79,235	\$ 422,914	119	5.8%
2015	3,600	\$ 83,879	\$ 82,846	\$ 422,914	146	5.2%
2016	3,600	\$ 102,868	\$ 84,790	\$ 541,000	166	5.0%
2017	3,600	\$ 104,232	\$ 95,825	\$ 560,000	139	4.2%
2018	3,654	\$ 104,232	\$ 99,682	\$ 572,000	178	3.4%
2019	3,671	\$ 105,929	\$ 105,919	\$ 572,000	230	3.2%
2020	3,657	\$ 115,219	\$ 112,930	\$ 649,273	242	6.6%

Source: (1) Florida Legislature, Office of Economic and Demographic Research
(2) U.S. Census Bureau (2019)
(3) Zillow.com (2019)
(4) data.census.gov (2019)
(5) U.S. Bureau of Labor Statistics (September of year indicated)

Town of Highland Beach, Florida
Schedule 15
Principal Employers - Palm Beach County (Unaudited)
Current Year and Ten Years Ago

Employer	Employees	Percentage of Total County Employment	2020	2011	Percentage of Total County Employment
			Employer	Employees	
Palm Beach County School District	22,049	3.14%	Palm Beach County School District	21,495	3.46%
Palm Beach County Government	11,652	1.66%	Palm Beach County Government	11,381	1.83%
Tenet Healthcare Group	6,505	0.93%	State of Florida	9,200	1.48%
NextEra Energy, Inc (FPL)	4,807	0.68%	United States Federal Government	6,200	1.00%
Florida Atlantic University	2,898	0.41%	Tenet Healthcare Corp.	6,100	0.98%
Hospital Corp of America (HCA)	2,806	0.40%	Florida Power & Light	3,632	0.58%
Boca Raton Regional Hospital	2,800	0.40%	G4S	3,000	0.48%
Veterans Health Administration	2,700	0.38%	HCA (Hospital Corp. of America)	2,714	0.44%
The Breakers	2,300	0.33%	Florida Atlantic University	2,706	0.44%
Bethesda Memorial Hospital	2,282	0.33%	Bethesda Memorial Hospital	2,391	0.38%
Total	60,799	8.66%	Total	68,819	11.07%

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function/Program										
General Government										
Town Manager	2	2	2	2	1	1	2	2	2	2
Town Clerk	2	2	2	3	3	3	3	3	3	3
Finance	2	2	2	2	2	2	2	2	2	3
Maintenance	0	0	0	0	0	1	0	0	0	0
Post Office	1	1	1	1	1	1	1	1	1	1
Public Safety										
Building	1	1	2	2	2	2	1	2	4	5
Police	14	15	16	15	15	15	15	16	16	16
Cultural and Recreation										
Library	4	4	4	4	4	4	3	3	3	3
Physical Environment										
Utilities	9	9	9	10	10	10	10	10	10	10
Total	35	36	38	39	38	39	37	39	41	43

Source: Town of Highland Beach Finance Department.

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

Fiscal Year Ended 9/30	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Function/Program</u>										
Public Safety										
Number of arrests by police officers	5	9	9	12	8	9	7	7	9	4
Number of traffic citations issued	1,067	479	280	127	100	61	64	39	55	16
Number of fire calls (1)	154	111	139	277	*	*	111	102	106	*
Number of EMS calls (1)	391	625	574	537	*	*	11	33	30	*
Number of building permits issued	1,409	1,778	1,827	1,812	1,164	1,036	899	1,242	866	749
Physical Environment										
Number of water and sewer active accounts (meters)	469	468	467	466	465	465	471	471	650	576
Number of water and sewer units served	4,322	4,322	4,324	4,327	4,356	4,356	4,353	4,353	4,362	4,339
Cultural & Recreation										
Number of library patrons	4,610	3,543	3,234	3,473	3,440	3,352	3,339	3,593	3,370	3,209
Number of items in collection	37,818	39,492	37,195	40,536	41,261	42,262	42,323	42,330	42,178	42,511
Number of community events presented	718	663	706	831	880	920	893	687	701	396

Note: Fire Department contracted through Delray Beach.

Sources: Town of Highland Beach, FL

(1) City of Delray Beach

(*) Data unavailable at time report issued.

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

Fiscal Year Ended 9/30	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Function/Program</u>										
Public Safety										
Fire Trucks	1	1	1	1	0	0	0	0	0	0
EMS Units	1	1	1	1	1	1	0	0	0	0
Police Vehicles	7	6	7	7	7	6	6	6	6	7
Vehicles- Protective Inspections	0	0	0	0	0	0	0	0	0	0
Transportation										
Street (miles)	3	3	3	3	3	3	3	3	3	3
Physical Environment										
Vehicles-Public Works	5	5	5	5	5	5	5	5	5	5

Source: Town of Highland Beach, FL



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 24, 2021, which includes explanatory paragraphs regarding the qualified opinion on the business-type activities and water fund.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Management Letter as items 2020-01 and 2020-02 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Management Letter as items 2020-03, 2020-04, and 2020-05 to be significant deficiencies.

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. However, as described in the accompanying Management Letter, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Compliance and Other Matters

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

We noted certain involving the internal control over financial reporting and compliance that we reported to management of the Town in a separate letter dated September 24, 2021.

The Town's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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.

September 24, 2021



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

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

We have examined the Town of Highland Beach, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2020. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

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

September 24, 2021



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

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Highland Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated September 24, 2021, which includes explanatory paragraphs regarding the qualified opinion on the business-type activities and water fund.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated September 24, 2021, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

September 24, 2021

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness

2020-01 Water Fund Reconciliation:

Observation: During the audit, it was discovered that the utility billings for the year under audit were all incorrectly recorded to pooled cash in the water fund instead of receivables to the various funds affected. In addition, the billings and cash receipts were not reconciled to the general ledger. As a result, there is a material variance in billings per the billing system versus what is recorded in the general ledger that could not be reconciled or explained by management.

Recommendation: Management should ensure the following;

- Monthly the utility billing system is reconciled to the general ledger
- Billings are posted to a receivable in the appropriate fund and not to pooled cash
- Cash receipts are posted to the correct fund
- Pooled cash fund is appropriately updated for cash receipts.

Also, it is highly recommended that all finance staff get additional training in governmental accounting as the errors discovered were not a result of the accounting software but lack of knowledge.

Management Response: The problems included in Findings 1 and 2 were the result of several factors. One factor was staff turnover in the Finance Department. While the departure of the personnel who caused this issue provided an opportunity to improve the staff within the Finance Department, the vacancy of any position in a small office has significant operational impacts.

In March 2020, a part-time/temporary position was converted to a full-time position to assist in improving the Town's handling of Utility Billing. Despite the addition of the full-time position, the Town's Finance Department could be considered understaffed when compared to similarly situated jurisdictions.

The Town, in general, encourages professional development and agrees that more training of Finance Department staff is needed – particularly with new Utility Billing system. Several training opportunities within the next several months have been identified. In addition, the Town intends to undertake a third-party assessment of its accounting procedures to improve operations within the Finance Department.

2020-02 Pooled Cash Reconciliation:

Observation: During the audit, it was discovered that there were numerous errors in the pooled cash accounts, including that the cash reported in the individual funds did not agree to the cash in the pool fund and that multiple types of transactions were recorded erroneously to pooled cash. This resulted in adjustments being proposed during the audit to correct these errors.

Recommendation: Management should ensure that finance staff receive additional governmental accounting training to improve their knowledge of pooled cash.

Management Response: See 2020-01 for response.

REPORT TO MANAGEMENT (Continued)

Significant Deficiencies

2020-03 Permit Surcharge Not Remitted to State:

Observation: During the audit, it was discovered that the Town had not remitted the applicable fees to the State for building permits since last quarter 2018. This was not detected by the Town's internal control procedures but rather when questions arose during the audit regarding the balances. Pursuant to FL Statutes 468.631 and 553.721, the surcharge must be remitted to the State quarterly.

Recommendation: Management should ensure that all State fees be remitted as required by Statute.

Management Response: Staff turnover in both the Finance Department and the Building Department contributed to the problem included in Finding 3. Finance Department staff identified this problem for the auditors, and it has been addressed. All building permit surcharges have been remitted to the State and reported through the State's online system

2020-04 Encumbrances and Budget Amendment Transactions:

Observation: The trial balance and general ledger reports provided for the audit were run including encumbrances and budget amendment transactions causing the unadjusted figures to be misstated which required adjusting entries. In the prior year, management explained this discrepancy as a shortcoming of the current accounting system. We advised that in previous years audits this was not the case and so the finance team should seek training from the software provider. Apparently, the recommendation was not implemented as the reports provided for the current year audit were also incorrect.

Recommendation: Since the Town has implemented a new ERP, we again recommend that staff be sufficiently trained on how to run reports needed for the audit and other financial reports from the system.

Management Response: The Town implemented a new ERP system shortly after the end of fiscal year 2020. This is the first audit cycle with the new ERP and as with any new system, the Finance Department staff is still learning as new tasks and challenges are encountered. Town staff agree that additional training is needed and training opportunities within the next several months have been identified. In addition, the Town intends to undertake a third-party assessment of its accounting procedures to improve operations within the Finance Department.

2020-05 Adjusting Journal Entries:

Observation: During the audit, it was again necessary to propose numerous journal entries to adjust the Town's account balances. It appears that year-end reconciliations were not performed resulting in incorrect balances provided for the audit.

Recommendation: The Town should ensure that timely reconciliations are performed in order to report accurate financial information.

Reference Number for Prior Year Finding: 2018-02, 2019-02

REPORT TO MANAGEMENT (Continued)

Management Response: The Town's Finance Department consists of three full-time positions (as of March 2020) and a staff vacancy can have a significant impact on department operations. In November 2020, the Deputy Finance Director unexpectedly resigned. This position remained vacant for several months at fiscal yearend. At the same time, the Finance Director was out of the office for over a month due to health issues. This left the Finance Department down to one position (out of three positions) shortly after the end of fiscal year 2020.

The Town concurs with the recommendation to perform timely reconciliations in order to report accurate financial information. However, with a single person to maintain the operations of the Finance Department, the need for timely reconciliations was competing with the high priority needs of paying employees, paying vendors, and collecting utility bills. The conversion of a part-time/temporary position to a full-time position in March 2020 helped to improve Finance Department operations. Despite the addition of the full-time position during fiscal year 2020, the Town's Finance Department could be considered understaffed when compared to similarly situated jurisdictions.

The personnel who caused this issue are no longer with the Town and the new personnel in the Finance Department are working hard to prevent any delays with yearend reconciliations. The Town intends to undertake a third-party assessment of its accounting procedures to improve the timeliness of reconciliations and other operational matters within the Finance Department.

Other Findings

2020-06 Capital Asset Disposal:

Observation: During the audit, it was discovered that procedures related to capital asset disposal were not followed, including surplusing items prior to disposal.

Recommendation: We recommend that the Town follow its disposal procedures relating to capital assets.

Management Response: In general, Town staff concurs with the finding to follow disposal procedures. However, fiscal yearend 2020 was unique due to the timing of the implementation of the new ERP system. The capital assets disposed of during FY 2020 were part of a record cleanup completed in conjunction with the implementation of a new Fixed Assets module of the Town's new ERP. Future handling of fixed assets (and their disposal) is expected to be less burdensome with the new ERP system.

2020-07 Late filing of audit and annual financial report:

Observation: Pursuant to FL Statute 218.32 and 218.39, the annual financial report and annual financial audit report are to be filed by June 30th each year. The Town missed the deadline for the reports for fiscal year ended September 30, 2020 which were due on June 30, 2021.

Recommendation: The Town should put procedures in place to ensure reports are filed timely with the State.

Management Response: The Town's Finance Department consists of three full-time positions (as of March 2020) and a single staff vacancy can have an oversized impact on department operations. In November 2020, the Deputy Finance Director unexpectedly resigned. This position remained vacant for several months at fiscal yearend. At the same time, the Finance Director was out of the office for over a month due to health issues. This left the Finance Department down to one position (out of three positions) shortly after the end of fiscal year 2020.

REPORT TO MANAGEMENT (Continued)

In March 2020, a part-time/temporary position was converted to a full-time position. Despite the addition of the full-time position during fiscal year 2020, the Town's Finance Department could be considered understaffed when compared to similarly situated jurisdictions.

The Town intends to undertake a third-party assessment of its accounting procedures to improve operational matters within the Finance Department. A schedule for the next audit cycle will be one of the tasks assigned to the third-party providing an assessment of the accounting procedures within the Finance Department.

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS AND RECOMMENDATIONS

2019-01 Encumbrances and Budget Amendment Transactions

Current status: Matter not resolved, see finding 2020-04 above.

2019-02 Adjusting Journal Entries:

Current status: Matter not resolved, see finding 2020-05 above.

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2019, except as noted above.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2020, except as noted above.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2020.

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

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

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2020. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.