



The Town of Highland Beach, FL

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended September 30, 2024



*The Town of
Highland Beach, Florida*

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended September 30, 2024

**Prepared by:
Finance Department**

**David DiLena
Finance Director**

TOWN OF HIGHLAND BEACH, FLORIDA
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Town of Highland Beach

3614 South Ocean Boulevard • Highland Beach, Florida 33487

June 24, 2025

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

Pursuant to the Town's Charter and in accordance with State law, all general-purpose local governments publish, within nine months of the close of the fiscal year, a complete set of financial statements. These are presented in conformity with generally accepted accounting principles (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Commensurate with this requirement, we are pleased to present the Town of Highland Beach's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2024.

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

The Town of Highland Beach's financial statements have been audited by Nowlen, Holt & Miner, P.A., 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, 2024, are fairly stated and free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor has concluded and issued an unmodified ("clean") opinion on the Town of Highland Beach's financial statements for the fiscal year ended September 30, 2024. 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. This report is divided into four principal sections to provide detailed financial information and activities to the Town

Commission, residents, and other interested parties. 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.

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 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 are not included in this report since the Town is not financially accountable for these agencies. Annual financial reports from these other taxing authorities are available upon request from each respective authority.

THE TOWN

The Town of Highland Beach is in the southern portion of eastern Palm Beach County, which is in the southeastern part of the State of Florida. The Town encompasses 0.6 square miles and is bounded on the north and northwest by the City of Delray Beach and on the south and southwest by the City of Boca Raton. The Atlantic Ocean lies adjacent to the Town on the east and the Intracoastal Waterway lies to the west. The Town is a residential community with a year-round population of 4,303 (2023 Estimated – Florida Legislature, Office of Economic and Demographic Research), which increases to approximately 7,900 during the winter months. According to the United States Census Bureau, the median age in Highland Beach is 70.1 years. Males make up approximately 49.2% and females 50.8% 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 has been appointed by the Town Commission.

The Town provides general municipal services such as police and fire rescue and protection, water and wastewater utility services, public works, street maintenance, landscaping as well as a municipal library and Building Department. The Town also provides solid waste services through a contract Waste Management.

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 have been 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 \$15.5 million 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 continue to improve their financial condition. A revenue sufficiency and rate study resulted in uniform rate adjustments for the water and sewer rates. The Commission adopted a rate structure that increases annually by a rate index that is tied to municipal operations. This rate structure will allow the water and sewer systems to maintain adequate reserves that are necessary for capital repairs and replacements.

The overall economic outlook for the Town is exceptional. 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 table demonstrates the previously mentioned points regarding the growth in assess value in the Town.

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Just Value
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
2021	2,830,390,866	26,312,862	14,849,795	2,871,553,523	3.79	3,210,768,746
2022	3,201,309,493	28,944,149	17,058,146	3,247,311,788	3.62	4,221,158,007
2023	3,631,632,762	31,838,564	19,103,853	3,682,575,179	3.59	5,036,998,299
2024	3,923,525,399	35,022,420	19,858,902	3,978,406,721	3.59	5,331,428,024

Source: Palm Beach County Property Appraiser's Office

Long-term financial planning

As of September 30, 2024, the governmental fund balance increased by \$2 million or 17.8%, from \$10.9 million to \$12.9 million primarily as a result of utilizing reserve funds for the new fire rescue department and the issuance of debt processed as planned with constructing the new fire rescue/EMS building. The Town Commission continues to take an aggressive approach toward preserving the financial future of the Town by adopting policies that create cash reserve designations labeled as assigned fund balance. These cash reserves are assigned for a specific use such as recovering from natural disasters.

In June 2022, the Town issued the Non-Ad Valorem Revenue Note Series 2022, in the principal amount not to exceed \$5,050,000 to provide for the construction and equipping of new fire station and related costs; covenanting to budget and appropriate funds from legally available non-ad valorem revenues to repay the Note. The balance of the proceeds of the Note were received on a draw-down basis to pay construction costs for the new fire station during FY2024. The Note bears interest at a fixed rate of 3.26%.

MAJOR INITIATIVES

The Town passed Ordinance No. 2021-009 on June 15, 2021, to establish a municipal fire-rescue department. The City of Delray Beach was the provider of fire rescue/EMS service and was terminated on April 30, 2024. The Town has completed the design, planning and construction phase and was ready to provide fire rescue/EMS services to the Town on April 5th, 2024.

During FY2024, the Town passed two major ordinances including the Marine Accessory Structures Ordinance establishing certain maximum heights for Accessory Marine Facilities (AMF) and seawall regulations and the Home-Based Occupation Ordinance that brings regulations governing home-based businesses into compliance with Florida Statute.

For the Future

The Town is currently involved with plans to improve State Road A1A in partnership with the Florida Department of Transportation. The Resurfacing, Restoration and Rehabilitation (RRR) Project not only aims to improve the drivability and flow of traffic but also improve pedestrian safety and reduce roadway flooding. The Town also plans to address the condition of its sanitary sewer collection system. Given the age of the sanitary sewer collection system and the salty environment in which the pipes are situated, there is the need for significant repairs and replacements to ensure sewer system integrity. The Town was successful in securing public support for a referendum to approve funding of the project which exceeds the charter limit of \$350,000 to \$950,000 indexed annually. The Town has installed one of two new entry signs at the Town's entry points to enhance aesthetics and complete a Beach Erosion/Dune Management Study to identify critical erosion areas needing restoration to protect against potential storm surge and protect sea turtle nesting habitat. Lastly, the Town continues to undertake an annual 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 fund level within an individual fund. The Town utilizes the encumbrance accounting system which is used to accomplish budgetary control. Encumbrance lapse at year-end and reappropriated in the subsequent year's budget.

Financial Standards

The Town implemented Governmental Accounting Standards Board Statement No. 5 (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. The Town amended the original Fund Balance Policy to correspond with the new Fire-Rescue Department and increase the amounts for Disaster Recovery. Resolution 2022-005 Established the following categories: Budget Stabilization target assignment of 16.7% of General Fund operating expenditures, Disaster Recovery target assignment of 16.7% of General Fund operating expenditures, and Fire Rescue Department sinking fund for future replacement of major equipment and funded with \$250,000 with the remainder of funds to be unassigned (or unrestricted).

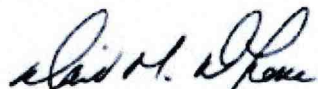
ACKNOWLEDGEMENTS

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



David M. DiLena, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Highland Beach
Florida**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

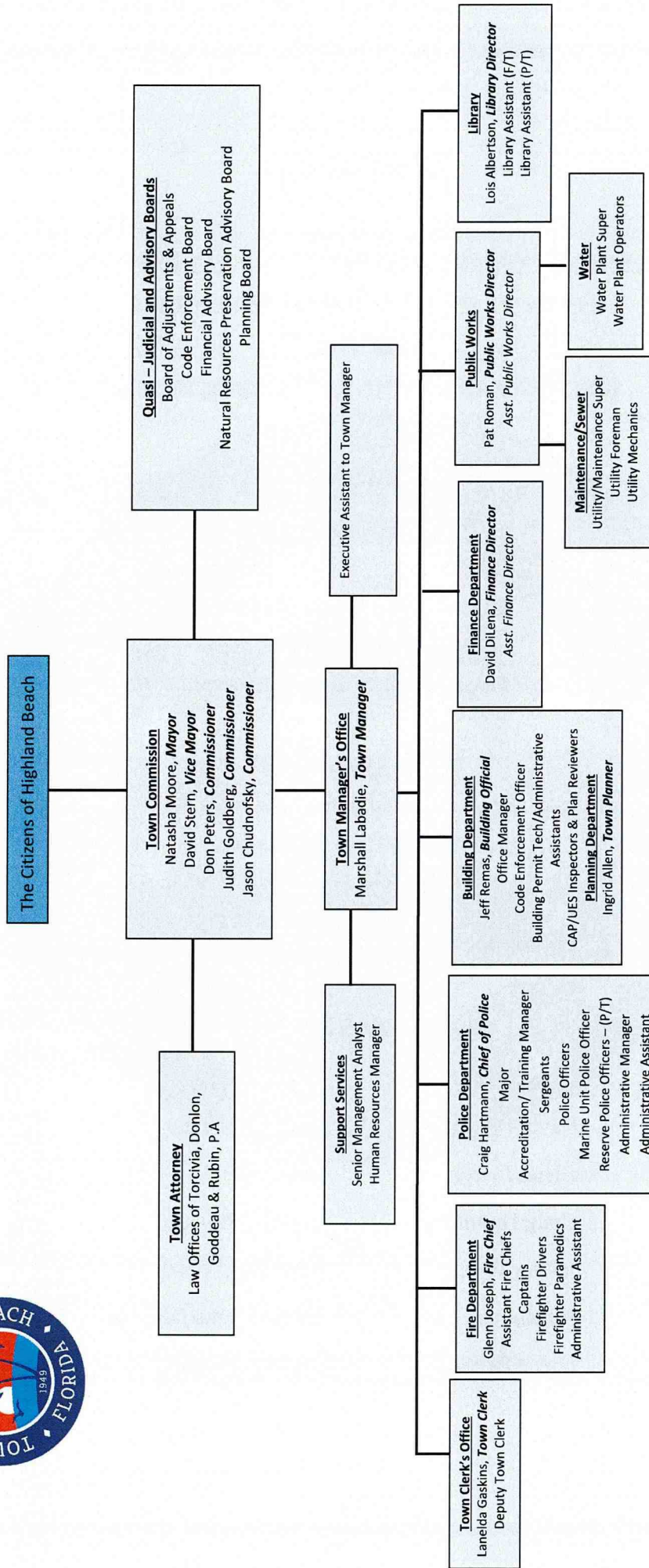
September 30, 2023

Christopher P. Morill

Executive Director/CEO



TOWN OF HIGHLAND BEACH Organizational Chart



2023-2024

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
TOWN OF HIGHLAND BEACH, FLORIDA
FOR THE
FISCAL YEAR ENDING SEPTEMBER 30, 2024**

TOWN COMMISSION

Natasha Moore, Mayor
David Stern, Vice-Mayor
Evalyn David, Commissioner
Judith Goldberg, Commissioner
Donald Peters, Commissioner

TOWN MANAGER

Marshall Labadie

TOWN ATTORNEY

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

DEPARTMENT HEADS

Lanelda Gaskins	Town Clerk
David DiLena	Finance Director
Glenn Joseph	Fire Chief
Craig Hartmann	Chief of Police
Jeffrey Remas	Building Official
Pat Roman	Public Works Director
Lois Albertson	Library Director



INDEPENDENT AUDITORS' REPORT

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CMA, ABV, CFF, CPA
EDWARD T. HOLT, JR., PFS, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WILLIAM C. KISKER, CPA
NANCY V. SALIB, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Highland Beach, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Highland Beach, Florida, as of September 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Highland Beach, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Highland Beach, Florida's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Highland Beach, Florida's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Highland Beach, Florida's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on pages 78 through 82, the other postemployment benefits schedule on page 83, and the pension schedules on pages 84 through 87 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Highland Beach, Florida's basic financial statements. The accompanying combining and individual fund financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 fund financial statements and schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2025, on our consideration of the Town of Highland Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Highland Beach, Florida'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 Town of Highland Beach, Florida's internal control over financial reporting and compliance.

Nowlen, Hale & Mimer, P.A.

West Palm Beach, Florida
June 20, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides a concise and informative narrative overview of the financial activities of the Town of Highland Beach for the fiscal year ended September 30, 2024. This section is intended to supplement the Town's financial statements and should be read in conjunction with the transmittal letter in the introductory section and the accompanying basic financial statements.

This discussion focuses on the Town's financial performance, key financial trends, and significant economic factors that affected the results of operations during the year, as well as known events and decisions that may impact future financial conditions.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2024.

- **Net Position Growth:**

As of September 30, 2024, the Town's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by **\$29.4 million**, representing an increase of approximately **\$3.1 million** from the prior year's net position of **\$26.3 million**. Of the total net position, **\$6.5 million** is unrestricted and available to meet the Town's ongoing obligations to its citizens and creditors.

- **Governmental Activities Performance:**

Total revenues from governmental activities were **\$21.5 million**, an increase of **\$3.7 million** or **20.7%** from the previous fiscal year. This significant growth is primarily attributed to:

- Increased **ad valorem (property) tax revenues** driven by rising property values.
- Additional **charges for services**, notably from the Interlocal Agreement (ILA) with the Town of Gulf Stream for building and inspection services.

Total expenses for governmental activities amounted to **\$18.7 million**, up **\$2.3 million** or **13.9%** over the prior year. The increase is largely due to:

- Inflationary pressures on operating costs.
- Outsourced contractual services for inspections.
- Higher **public safety expenditures**, including personnel and equipment.

- **Business-Type Activities – Water and Sewer:**

Business-type activities reported an increase in revenues of **\$601,000** or **11.7%**, primarily due to:

- Rate adjustments implemented at the beginning of the fiscal year.
- Growth in interest income due to improved investment returns.

Related expenses rose by **\$272,000** or **5.3%**, driven by:

- General inflation-related increases in operating costs.
- Continued investment in capital improvements in the Town's utility infrastructure.

- **General Fund Position:**

As of the fiscal year end, the **unassigned fund balance** in the General Fund stood at **\$2.79 million**. The Town has also established the following assigned reserves to address future operational and emergency needs:

- **\$2.56 million** for budget stabilization.
- **\$2.56 million** for disaster recovery.
- **\$250,000** for fire rescue services.

- **Long-Term Liabilities:**

The Town's long-term liabilities (excluding net pension liability) increased by **\$3.8 million** or **32.7%**, primarily due to the issuance of new debt to finance the construction of the **new Fire/Rescue Department facility**, which was completed on **June 1, 2024**.

CONCLUSION

The Town of Highland Beach continues to demonstrate sound financial management, strong fiscal discipline, and strategic investment in critical infrastructure and public safety. The improvements in both governmental and business-type activities reflect positive economic conditions and proactive governance. Looking ahead, the Town remains committed to maintaining financial sustainability while meeting the service demands of its residents.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as net position. The change in net position over time may be an indicator of the Town's financial health.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds 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.

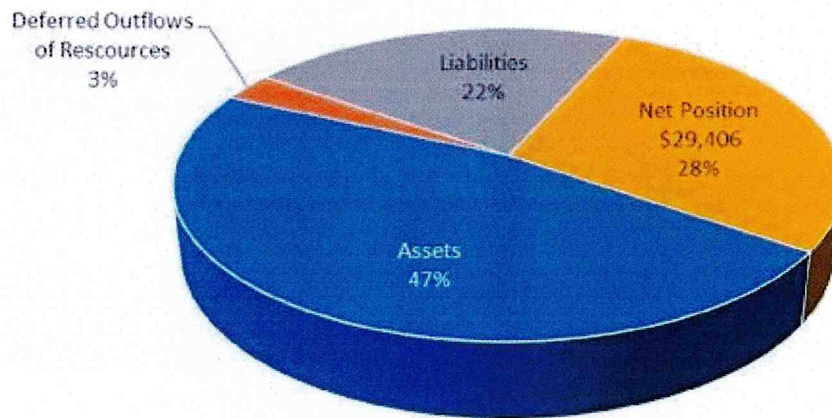
Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Town's proprietary funds consist of the water and sewer funds. These enterprise funds are the equivalent of business-type activities in the government-wide statements.

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 are intended to provide users with a clear perspective on whether the Town's overall financial condition has improved or declined compared to the prior year. As previously mentioned, **net positions** are a key indicator of a government's long-term financial health. For the Town of Highland Beach, **total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$29.4 million as of September 30, 2024**. This represents an **increase of \$3.1 million, or 11.7%**, from the prior year, signaling a continued improvement in the Town's financial position.

FY2024 Net Position (\$000)



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Town of Highland Beach
Net Position
(In Thousands)

	Governmental 2024	Business 2024	Total 2024	Governmental 2023	Business 2023	Total 2023
Assets:						
Current and other assets	\$ 13,677	\$ 6,724	\$ 20,401	\$ 13,375	\$ 6,616	\$ 19,991
Capital assets - Net	15,001	13,952	28,953	8,986	14,473	23,459
Total assets	28,678	20,676	49,354	22,361	21,089	43,450
Deferred Outflows of Resources:						
Pension related items	4,057	318	4,375	1,576	188	1,764
OPEB related items	42	9	51	12	3	15
Total deferred outflow of resources	4,099	327	4,426	1,588	191	1,779
Liabilities:						
Current and other liabilities	1,482	1,552	3,034	2,499	746	3,245
Long-term liabilities	13,993	6,025	20,018	7,207	7,884	15,091
Total liabilities	15,475	7,577	23,052	9,706	8,630	18,336
Deferred Inflows of Resources						
Pension related items	822	64	886	298	35	333
OPEB related items	171	35	206	190	44	234
Lease related items	230	-	230	-	-	-
Total deferred inflow of resources	1,223	99	1,322	488	79	567
Net position:						
Net investment in capital assets	10,264	8,005	18,269	8,449	7,487	15,936
Restricted for:						
Debt service	-	53	53	-	52	52
Transportation	72	-	72	37	-	37
Special projects	4,558	-	4,558	3,820	-	3,820
Unrestricted	1,185	5,269	6,454	1,449	5,032	6,481
Total net position	\$ 16,079	\$ 13,327	\$ 29,406	\$ 13,755	\$ 12,571	\$ 26,326

The Town's **net position** is a key measure of its overall financial health at the end of the fiscal year. For the fiscal year ending September 30, 2024, the Town's net position grew by **\$3.1 million**, increasing from **\$26.3 million to \$29.4 million**, which represents a **notable 11.7% increase**. This growth trend was largely driven by an **increase in property values**, reflecting both a strong local real estate market and the Town's stable economic environment.

Approximately **16% of the Town's net position is restricted**, meaning these resources are subject to external constraints and can only be used for specified purposes. A significant portion of the Town's net position is also invested in **capital assets**, such as land, buildings, and equipment, net of related debt. These assets are essential to delivering municipal services and, as such, are not available for discretionary spending.

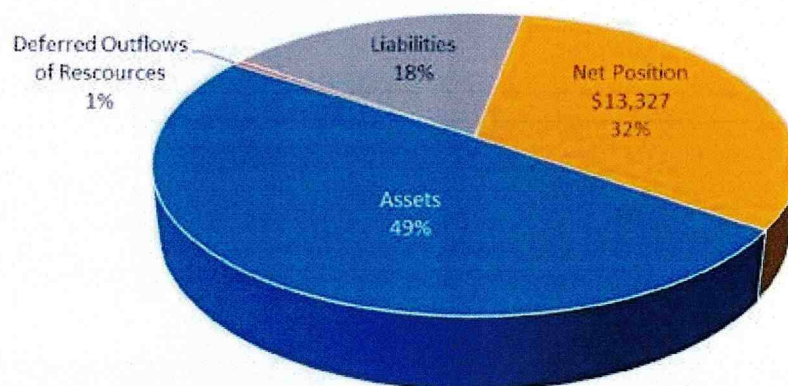
As of September 30, 2024, the **net position attributable to governmental activities totaled \$16.1 million**. The primary source of revenue for these activities continues to be **property taxes**, which accounted for approximately **57% of total governmental revenues**. On the expenditure side, **Public Safety functions—encompassing Police, Fire Rescue, and Building Inspection—represented 74% of total governmental expenses**, and experienced a **16.5% increase over the prior year**, reflecting both operational enhancements and inflationary impacts.

Overall, **governmental revenues increased**, primarily due to rising property values, which more than offset a slight decrease in the Town's debt service millage rate. In addition, **charges for services increased** in alignment with interlocal agreements and service demand. **Governmental expenditure rose by \$2.3 million, or 14%**, largely due to the **completion and activation of the Town's new Fire/Rescue Department and facility**.

As of September 30, 2024, the **net position of the Town's business-type activities (Water and Sewer Fund) totaled \$13.3 million**. During the fiscal year, **user rates for water and sewer services increased** as part of a strategic effort to ensure the long-term **financial self-sufficiency of these enterprise operations by the end of Fiscal Year 2024**.

While the rate adjustments contributed to increased revenue, their impact was **partially offset by rising operating expenditure**, largely due to inflationary pressures and infrastructure maintenance costs. Additionally, **a reduction in transfers from the General Fund** further tempered the net financial gain, reflecting the Town's ongoing shift toward a more self-sustaining utility model.

FY2024 Net Position Business Type Activity (\$000)



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

	Governmental 2024	Business 2024	Total 2024	Governmental 2023	Business 2023	Total 2023
Revenues:						
Program revenues:						
Charges for services	\$ 4,605	\$ 5,464	\$ 10,069	\$ 4,242	\$ 4,883	\$ 9,125
Operating grants and contributions	23	-	23	21	-	21
Capital grants and contributions	1,500	-	1,500	-	-	-
General revenues:						
Property taxes	12,246	-	12,246	10,844	-	10,844
Utility taxes	505	-	505	532	-	532
Franchise Fees	562	-	562	590	-	590
Sales and use taxes	892	-	892	903	-	903
State revenue sharing	163	-	163	166	-	166
Investment earnings	928	259	1,187	442	240	682
Miscellaneous	12	4	16	30	-	30
Gain on disposal of capital assets	21	2	23	10	5	15
Total revenues	21,457	5,729	27,186	17,780	5,128	22,908
Expenses:						
Program expenses:						
General government	3,195	-	3,195	3,332	-	3,332
Public safety	13,793	-	13,793	11,835	-	11,835
Public works	974	-	974	591	-	591
Culture and recreation	550	-	550	636	-	636
Interest on long-term debt	169	-	169	1	-	1
Water and sewer	-	5,425	5,425	-	5,153	5,153
Total expenses	18,681	5,425	24,106	16,395	5,153	21,548
Excess (deficiency) before transfers	2,776	304	3,080	1,385	(25)	1,360
Transfers	(452)	452	-	(946)	946	-
Increase (decrease) in net position	2,324	756	3,080	439	921	1,360
Net position – October 1	13,755	12,571	26,326	13,316	11,650	24,966
Net position – September 30,	\$ 16,079	\$ 13,327	\$ 29,406	\$ 13,755	\$ 12,571	\$ 26,326

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CAPITAL ASSET AND DEBT ADMINISTRATION

As of September 30, 2024, the Town's **investment in capital assets** for both governmental and business-type activities totaled **\$29.0 million, net of accumulated depreciation**. This represents an increase of **\$5.5 million, or 23%**, over the prior fiscal year. The **primary driver** of this increase was the **completion of the Town's new Fire Rescue Building**, a significant infrastructure project finalized on **April 5, 2024**.

Capital assets include **buildings, infrastructure improvements, machinery, and equipment**. The new Fire Rescue facility accounts for a substantial portion of the year's additions and reflects the Town's continued commitment to enhancing public safety services and infrastructure.

Major capital asset additions during the fiscal year included the following:

Town of Highland Beach Capital Assets (In Thousands)

	Governmental Activities 2024	Business Activities 2024	Total 2024	Total 2023
Land	\$ 324	\$ -	\$ 324	\$ 324
Construction in progress	-	78	78	156
Amortized leases	44	-	44	44
Buildings and improvements	14,037	9,477	23,514	32,991
Improvements other than buildings	3,246	14,143	17,389	31,532
Equipment, furniture, and books	4,761	8,725	13,486	22,211
Total assets	\$ 22,412	\$ 32,423	\$ 54,835	\$ 87,258
Less accumulated depreciation & amortization	(\$7,411)	(\$18,471)	(\$25,882)	(\$23,928)
Total	\$ 15,001	\$ 13,952	\$ 28,953	\$ 63,330

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 (excluding Net Pension Liability) increased by \$3.8 million as follows:

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

	Governmental Activities 2024	Business Activities 2024	Total 2024	Total 2023
Promissory notes	\$ 4,708	\$ 1,216	\$ 5,924	\$ 1,466
Revolving fund loans	-	4,655	4,655	5,449
Contract transfer ownership	29	-	29	10
Pension liability (Net)	9,245	725	9,970	6,471
Other postemployment benefits	107	22	129	88
Compensated absences	784	151	935	836
Total	\$ 14,872	\$ 6,769	\$ 21,641	\$ 14,320

Additional information on the Town's long-term liabilities can be found in Note 7 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.

As of **September 30, 2024**, the **General Fund's ending fund balance totaled \$8.3 million**, reflecting an **increase of approximately \$1.2 million** over the prior year. Of this total, **approximately 34% (\$2.786 million)** is classified as **unassigned fund balance**, which is available for discretionary spending. The remaining balance is either **assigned, restricted, or non-spendable**, and is allocated as follows:

- **Assigned:**
 - Budget stabilization: \$2.560 million
 - Disaster recovery: \$2.560 million
 - Fire rescue: \$250,000
- **Restricted:**
 - Transportation-related uses: \$72,000
- **Non-spendable:**
 - Inventory or prepaids: \$68,000

The **Building Fund's ending fund balance was \$3.6 million**, representing an **increase of approximately \$706,000** from the prior year. Of this total, **\$2,328** is classified as **non-spendable** with the remaining balance of **\$3,596,658** classified as **restricted for building-related activities**, in accordance with statutory requirements.

Fund Balance Changes and Contributing Factors

The **\$1.2 million increase in the General Fund balance** is primarily attributed to:

- **Higher property tax revenues**, driven by increased property values assessed in the local real estate market.
- **Issuance of debt classified as Other Financing Sources**, which funded the completion of the new Fire Rescue Department building.

These revenue gains were partially offset by:

- **Rising operating costs** in public safety, particularly in Fire Rescue and related services.
- **Capital outlays** are associated with the establishment of the new Fire Rescue Department and facility.

The **Building Fund's \$706,000 increase** was largely driven by:

- **Higher permitting and service fee revenues**, stemming from the Interlocal Agreement with the **Town of Gulf Stream**, under which Highland Beach provides inspection and permitting services.
- **Growth in interest income**, reflecting improved investment returns during the fiscal year.

Budgetary Highlights-Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report. The budget and actual schedules show the original budgets, the final revised budget, actual results, and variance between the final budget and actual results for the General Fund. Total General Fund expenditures of \$22.0 million were less than the final amended budget of \$22.1 million, a difference of approximately \$130,000.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2025 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 the continuation of the Town's Fire Rescue Department to enhance public safety for our residents.

Property taxes are the main source of revenues for governmental activities and represent approximately 75% of the General Fund budgeted revenues. The Town's total tax millage rate remained unchanged at 3.5875 mills. A favorable increase of 8.8% in the Town's total assessed property value produces approximately \$1.1 million more in property taxes year over year.

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 2025 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.

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BASIC FINANCIAL STATEMENTS

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TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position
September 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 4,004,953	\$ 2,196,507	\$ 6,201,460
Investments	8,947,326	3,624,000	12,571,326
Accounts receivable (net)	315,887	825,694	1,141,581
Due from other governments	92,821	-	92,821
Lease receivable	50,313	-	50,313
Inventories	12,708	7,677	20,385
Prepaid items	66,664	4,469	71,133
Restricted Assets			
Cash and cash equivalents	-	65,868	65,868
Total current assets	<u>13,490,672</u>	<u>6,724,215</u>	<u>20,214,887</u>
Noncurrent assets			
Lease receivable	185,593	-	185,593
Capital assets			
Non-depreciable	323,889	77,549	401,438
Depreciable, net	14,648,793	13,874,744	28,523,537
Amortized, net	28,758	-	28,758
Total noncurrent assets	<u>15,187,033</u>	<u>13,952,293</u>	<u>29,139,326</u>
Total assets	<u>28,677,705</u>	<u>20,676,508</u>	<u>49,354,213</u>
Deferred outflows of resources			
Pension related items	4,056,758	318,190	4,374,948
OPEB related items	42,308	8,687	50,995
Total deferred outflows of resources	<u>4,099,066</u>	<u>326,877</u>	<u>4,425,943</u>
Liabilities			
Current liabilities			
Accounts payable	324,192	214,219	538,411
Capital accounts payable/retainage payable		77,549	77,549
Accrued liabilities	266,615	23,386	290,001
Accrued interest payable	10,898	2,711	13,609
Unearned revenue	906	477,748	478,654
Compensated absences payable	274,225	45,447	319,672
Payable from restricted			
Accrued interest	-	12,743	12,743
Current portion of lease liability	13,342	-	13,342
Current portion of long-term debt	591,353	698,567	1,289,920
Total current liabilities	<u>1,481,531</u>	<u>1,552,370</u>	<u>3,033,901</u>
Noncurrent liabilities			
Compensated absences payable	509,276	106,044	615,320
Net pension liability	9,244,657	725,100	9,969,757
Total OPEB liability	106,634	21,893	128,527
Lease liability	15,954	-	15,954
Long-term debt	4,116,928	5,171,601	9,288,529
Total noncurrent liabilities	<u>13,993,449</u>	<u>6,024,638</u>	<u>20,018,087</u>
Total liabilities	<u>15,474,980</u>	<u>7,577,008</u>	<u>23,051,988</u>
Deferred inflows of resources			
Pension related items	821,621	64,443	886,064
OPEB related items	170,569	35,020	205,589
Lease related items	230,060	-	230,060
Total deferred inflows of resources	<u>1,222,250</u>	<u>99,463</u>	<u>1,321,713</u>
Net Position			
Net investment in capital assets	10,263,863	8,004,576	18,268,439
Restricted for:			
Debt service	-	53,125	53,125
Recreational land acquisition	251,069	-	251,069
Library activities	9,246	-	9,246
Infrastructure	691,338	-	691,338
Law enforcement	7,452	-	7,452
Building activities	3,598,986	-	3,598,986
Transportation	72,066	-	72,066
Unrestricted	1,185,521	5,269,213	6,454,734
Total net position	<u>\$ 16,079,541</u>	<u>\$ 13,326,914</u>	<u>\$ 29,406,455</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2024

Function/ Program Activities	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,195,006	\$ 1,157,248	\$ 21,643	\$ -
Public safety	13,792,939	2,450,748	1,056	1,500,000
Culture recreation	550,346	2,321	354	-
Public works	973,512	994,357	-	-
Interest on long-term debt	168,915	-	-	-
Total governmental activities	<u>18,680,718</u>	<u>4,604,674</u>	<u>23,053</u>	<u>1,500,000</u>
Business-type activities:				
Water utility	4,089,086	3,653,654	-	-
Sewer utility	1,335,536	1,809,808	-	-
Total business-type activities	<u>5,424,622</u>	<u>5,463,462</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 24,105,340</u>	<u>\$ 10,068,136</u>	<u>\$ 23,053</u>	<u>\$ 1,500,000</u>

General revenues:

- Property taxes
- Utility taxes
- Franchise fees based on gross receipts
- Sales and use taxes
- Intergovernmental unrestricted
- Investment earnings
- Gain on disposal of capital assets
- Miscellaneous
- Transfers
- Total general revenues and transfers

Change in net position

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,016,115)	\$ -	\$ (2,016,115)
(9,841,135)	-	(9,841,135)
(547,671)	-	(547,671)
20,845	-	20,845
(168,915)	-	(168,915)
<u>(12,552,991)</u>	<u>-</u>	<u>(12,552,991)</u>
-	(435,432)	(435,432)
-	474,272	474,272
-	38,840	38,840
<u>(12,552,991)</u>	<u>38,840</u>	<u>(12,514,151)</u>
12,246,292	-	12,246,292
504,550	-	504,550
562,460	-	562,460
891,669	-	891,669
162,852	-	162,852
928,314	259,349	1,187,663
21,298	2,023	23,321
11,737	4,220	15,957
(451,753)	451,753	-
<u>14,877,419</u>	<u>717,345</u>	<u>15,594,764</u>
2,324,428	756,185	3,080,613
13,755,113	12,570,729	26,325,842
<u>\$ 16,079,541</u>	<u>\$ 13,326,914</u>	<u>\$ 29,406,455</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2024

	Major Funds		Nonmajor	Total
	General	Building Fund	Governmental Funds	Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,578,492	\$ 1,148,268	\$ 278,193	\$ 4,004,953
Investments	5,751,694	2,572,409	623,223	8,947,326
Receivables (net)				
Accounts	315,887	-	-	315,887
Due from other governments	51,164	-	41,657	92,821
Lease	235,906	-	-	235,906
Inventory	12,708	-	-	12,708
Prepays	48,178	2,328	16,158	66,664
Total assets	<u>\$ 8,994,029</u>	<u>\$ 3,723,005</u>	<u>\$ 959,231</u>	<u>\$ 13,676,265</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 269,111	\$ 54,955	\$ 126	\$ 324,192
Accrued liabilities	197,551	69,064	-	266,615
Unearned revenue	906	-	-	906
Total liabilities	<u>467,568</u>	<u>124,019</u>	<u>126</u>	<u>591,713</u>
Deferred inflows of resources				
Lease related items	230,060	-	-	230,060
Total deferred inflows of resources	<u>230,060</u>	<u>-</u>	<u>-</u>	<u>230,060</u>
Fund balances				
Nonspendable				
Inventory	12,708	-	-	12,708
Prepays	48,178	2,328	16,158	66,664
Leases	5,846	-	-	5,846
Restricted for:				
Transportation	72,066	-	-	72,066
Recreational land acquisition	-	-	251,069	251,069
Library activities	-	-	9,246	9,246
Infrastructure	-	-	675,180	675,180
Law enforcement	-	-	7,452	7,452
Building activities	-	3,596,658	-	3,596,658
Assigned to:				
Budget stabilization	2,560,719	-	-	2,560,719
Disaster recovery	2,560,719	-	-	2,560,719
Fire rescue	250,000	-	-	250,000
Unassigned	2,786,165	-	-	2,786,165
Total fund balances	<u>8,296,401</u>	<u>3,598,986</u>	<u>959,105</u>	<u>12,854,492</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,994,029</u>	<u>\$ 3,723,005</u>	<u>\$ 959,231</u>	<u>\$ 13,676,265</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, 2024

Fund balances total governmental funds		\$ 12,854,492
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 22,412,056	
Less accumulated depreciation and amortization	<u>(7,410,616)</u>	15,001,440
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(783,501)	
Net pension liability	(9,244,657)	
Total other postemployment benefits liability	(106,634)	
Revenue note	(4,477,101)	
Loan payable	(231,180)	
Accrued interest payable	(10,898)	
Lease liability	<u>(29,296)</u>	<u>(14,883,267)</u>
Deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans and other postemployment benefits are applicable to future periods and are not reported in the governmental funds.		
Deferred outflows related to pensions	4,056,758	
Deferred outflows related to other postemployment benefits	42,308	
Deferred inflows related to pensions	(821,621)	
Deferred inflows related to other postemployment benefits	<u>(170,569)</u>	<u>3,106,876</u>
Net position of governmental activities		<u>\$ 16,079,541</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, 2024

	Major Funds		Nonmajor	Total
	General	Building Fund	Governmental Funds	Governmental Funds
Revenues:				
Taxes	\$ 12,786,302	\$ -	\$ 428,043	\$ 13,214,345
Permits and fees	563,299	1,269,408	-	1,832,707
Intergovernmental	2,113,717	-	-	2,113,717
Fines and forfeitures	12,726	-	-	12,726
Rent	67,180	-	-	67,180
Interest	757,380	131,474	39,460	928,314
Charges for services	1,053,564	1,150,957	-	2,204,521
Miscellaneous	1,110,748	-	354	1,111,102
Total revenues	<u>18,464,916</u>	<u>2,551,839</u>	<u>467,857</u>	<u>21,484,612</u>
Expenditures:				
Current				
General government	2,958,900	-	7,117	2,966,017
Public safety	10,124,836	1,838,471	-	11,963,307
Culture and recreation	445,137	-	-	445,137
Sanitation	967,663	-	-	967,663
Capital outlay	6,783,894	67,418	429,526	7,280,838
Debt service:				
Principal	532,607	1,761	-	534,368
Interest and fiscal charges	157,819	198	-	158,017
Total expenditures	<u>21,970,856</u>	<u>1,907,848</u>	<u>436,643</u>	<u>24,315,347</u>
Excess (deficiency) of revenues over (under expenditures)	<u>(3,505,940)</u>	<u>643,991</u>	<u>31,214</u>	<u>(2,830,735)</u>
Other financing sources (uses):				
Issuance of debt	5,229,080	-	-	5,229,080
Issuance of lease financing	25,835	7,371	-	33,206
Transfers in	-	55,000	-	55,000
Transfers out	(506,753)	-	-	(506,753)
Total other financing sources (uses)	<u>4,748,162</u>	<u>62,371</u>	<u>-</u>	<u>4,810,533</u>
Net change in fund balances	1,242,222	706,362	31,214	1,979,798
Fund balances, beginning of year	<u>7,054,179</u>	<u>2,892,624</u>	<u>927,891</u>	<u>10,874,694</u>
Fund balances, end of year	<u>\$ 8,296,401</u>	<u>\$ 3,598,986</u>	<u>\$ 959,105</u>	<u>\$ 12,854,492</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2024

Net change in fund balances - Total governmental funds		\$ 1,979,798
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation and amortization expense:		
Expenditures for capital assets	\$ 7,076,647	
Less: current year depreciation and amortization	<u>(1,033,718)</u>	6,042,929
Net book value of capital asset disposals		(27,713)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.		
Lease financing issuance	(33,206)	
Debt issuance	(5,229,080)	
Principal payments on debt	<u>534,368</u>	(4,727,918)
Net effect of accrued interest on long-term debt		
Change in accrued interest payable		(10,898)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in compensated absences payable	(129,313)	
Change in net pension liability and related deferred amounts	(816,486)	
Change in total other postemployment benefits liability and related deferred amounts	<u>14,029</u>	(931,770)
Change in net position		<u><u>\$ 2,324,428</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2024

	Water Utility	Sewer Utility	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 1,260,829	\$ 935,678	\$ 2,196,507
Investments	1,527,843	2,096,157	3,624,000
Accounts receivable (net)	540,274	285,420	825,694
Prepaid items	3,356	1,113	4,469
Supplies inventory	7,677	-	7,677
Restricted Assets			
Cash and cash equivalents	65,868	-	65,868
Total current assets	<u>3,405,847</u>	<u>3,318,368</u>	<u>6,724,215</u>
Noncurrent assets			
Capital assets			
Non depreciable			
Construction in progress	-	77,549	77,549
Depreciable			
Building and improvements	7,752,035	1,725,534	9,477,569
Improvements other than buildings	12,424,195	1,719,380	14,143,575
Equipment	8,258,190	466,574	8,724,764
Less accumulated depreciation	<u>(15,207,019)</u>	<u>(3,264,145)</u>	<u>(18,471,164)</u>
Total noncurrent assets	<u>13,227,401</u>	<u>724,892</u>	<u>13,952,293</u>
Total assets	<u>16,633,248</u>	<u>4,043,260</u>	<u>20,676,508</u>
Deferred outflows of resources			
Pension related items	318,190	-	318,190
OPEB related items	8,687	-	8,687
Total deferred outflows of resources	<u>326,877</u>	<u>-</u>	<u>326,877</u>
Liabilities			
Current liabilities			
Accounts payable	137,063	77,156	214,219
Capital accounts payable/retainage payable	-	77,549	77,549
Accrued liabilities	23,386	-	23,386
Accrued interest payable	2,711	-	2,711
Unearned revenue	15,216	462,532	477,748
Compensated absences payable	45,447	-	45,447
Payable from restricted			
Accrued interest	12,743	-	12,743
Current portion of long-term debt	698,567	-	698,567
Total current liabilities	<u>935,133</u>	<u>617,237</u>	<u>1,552,370</u>
Non-current liabilities			
Compensated absences payable	106,044	-	106,044
Net pension liability	725,100	-	725,100
Total OPEB liability	21,893	-	21,893
Long-term debt	5,171,601	-	5,171,601
Total non-current liabilities	<u>6,024,638</u>	<u>-</u>	<u>6,024,638</u>
Total liabilities	<u>6,959,771</u>	<u>617,237</u>	<u>7,577,008</u>
Deferred inflows of resources			
Pension related items	64,443	-	64,443
OPEB related items	35,020	-	35,020
Total deferred intflows of resources	<u>99,463</u>	<u>-</u>	<u>99,463</u>
Net Position			
Net investment in capital assets	7,357,233	647,343	8,004,576
Restricted for debt service	53,125	-	53,125
Unrestricted	2,490,533	2,778,680	5,269,213
Total net position	<u>\$ 9,900,891</u>	<u>\$ 3,426,023</u>	<u>\$ 13,326,914</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Water Utility	Sewer Utility	Total
Operating revenue			
Charges for services	\$ 3,433,654	\$ 1,809,808	\$ 5,243,462
Administrative fee	220,000	-	220,000
Total operating revenues	<u>3,653,654</u>	<u>1,809,808</u>	<u>5,463,462</u>
Operating expenses			
Personnel services	1,091,189	-	1,091,189
Sewage disposal costs	-	908,578	908,578
Contractual services	28,583	14,498	43,081
Maintenance and repair	323,278	70,412	393,690
Meters and supplies	427,926	892	428,818
Utilities	326,950	37,561	364,511
Depreciation	927,313	66,024	993,337
Administrative charges	550,000	220,000	770,000
Professional services	84,193	16,359	100,552
Other	198,896	1,212	200,108
Total operating expenses	<u>3,958,328</u>	<u>1,335,536</u>	<u>5,293,864</u>
Operating income (loss)	<u>(304,674)</u>	<u>474,272</u>	<u>169,598</u>
Nonoperating revenues (expenses)			
Interest revenue	144,250	115,099	259,349
Gain on disposal of capital assets	2,023	-	2,023
Other revenue	4,220	-	4,220
Interest expense	<u>(130,758)</u>	<u>-</u>	<u>(130,758)</u>
Total nonoperating revenues (expenses)	<u>19,735</u>	<u>115,099</u>	<u>134,834</u>
Income (loss) before contributions and transfers	<u>(284,939)</u>	<u>589,371</u>	<u>304,432</u>
Transfers in	<u>451,753</u>	<u>-</u>	<u>451,753</u>
Change in net position	166,814	589,371	756,185
Net position, beginning of year	<u>9,734,077</u>	<u>2,836,652</u>	<u>12,570,729</u>
Net position, end of year	<u>\$ 9,900,891</u>	<u>\$ 3,426,023</u>	<u>\$ 13,326,914</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, 2024

	Water Utility	Sewer Utility	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 3,405,775	\$ 1,796,678	\$ 5,202,453
Receipts from interfund services provided	220,000	-	220,000
Payments to suppliers	(1,393,555)	(1,053,194)	(2,446,749)
Payments for interfund services used	(550,000)	(220,000)	(770,000)
Payments to employees	(1,276,567)	-	(1,276,567)
Net cash provided (used) by operating activities	<u>405,653</u>	<u>523,484</u>	<u>929,137</u>
Cash flows from non-capital financing activities:			
Other	4,220	-	4,220
Transfers from other funds	451,753	-	451,753
Net cash provided by non-capital financing activities	<u>455,973</u>	<u>-</u>	<u>455,973</u>
Cash flows from capital and related financing activities:			
Proceeds from disposal of capital assets	2,023	-	2,023
Principal paid on long-term debt	(1,045,360)	-	(1,045,360)
Interest paid on long-term debt	(133,238)	-	(133,238)
Payments to acquire and construct capital assets	(344,549)	(50,918)	(395,467)
Net cash (used) by capital and related financing activities	<u>(1,521,124)</u>	<u>(50,918)</u>	<u>(1,572,042)</u>
Cash flows from investing activities:			
Interest and dividends on investments	144,250	115,099	259,349
Sale of investments	839,798	14,099	853,897
Net cash provided by investing activities	<u>984,048</u>	<u>129,198</u>	<u>1,113,246</u>
Net increase (decrease) in cash and cash equivalents	324,550	601,764	926,314
Cash and cash equivalents, beginning of year	1,002,147	333,914	1,336,061
Cash and cash equivalents, end of year	<u>\$ 1,326,697</u>	<u>\$ 935,678</u>	<u>\$ 2,262,375</u>
Reconciliation to the statement of net position:			
Cash and cash equivalents	\$ 1,260,829	\$ 935,678	\$ 2,196,507
Cash and cash equivalents - restricted	65,868	-	65,868
	<u>\$ 1,326,697</u>	<u>\$ 935,678</u>	<u>\$ 2,262,375</u>

(continued)

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024
(Continued)

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (304,674)	\$ 474,272	\$ 169,598
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	927,313	66,024	993,337
Changes in net pension liability and deferred items	(146,521)	-	(146,521)
Changes in OPEB liability and deferred items	(9,493)	-	(9,493)
(Increase) decrease in:			
Accounts receivable	(22,123)	(11,789)	(33,912)
Prepays	(696)	(584)	(1,280)
Increase (decrease) in:			
Accounts payable	(3,033)	(3,098)	(6,131)
Accrued liabilities	719	-	719
Unearned revenue	(5,756)	(1,341)	(7,097)
Compensated absences	(30,083)	-	(30,083)
Total adjustments	<u>710,327</u>	<u>49,212</u>	<u>759,539</u>
Net cash provided (used) by operating activities	<u>\$ 405,653</u>	<u>\$ 523,484</u>	<u>\$ 929,137</u>

See notes to the financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate entities for which the Town is financially accountable. The Town is financially accountable if:

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

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

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

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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental 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 activities of the building permit department.

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

The Infrastructure Surtax Fund has a legally adopted budget. The remaining non-major special revenue funds do not have legally adopted budgets.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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 and charges between the General Fund and the Building Fund. 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. 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 stated at fair value, except as discussed below. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pooled Cash and Investments (Continued)

Investments include amounts held in the Florida PRIME external investment pool administered by the State Board of Administration and two money market mutual fund. The Town reports its investment in Florida PRIME and the money market funds at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments reported at amortized cost are exempt from the GASB 72 fair value hierarchy disclosures.

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.

Receivables

Receivables include amounts due from other governments and others for services provided by the Town. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of receivables.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. In the governmental funds, prepaid items are recorded using the consumption method and are offset by the nonspendable fund balance component which indicates that they do not constitute “available spendable resources,” even though they are a component of current assets.

Inventories

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of one year. Purchased capital assets are recorded at fair value on the acquisition date. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair 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.

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

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

Leases

Lease contracts that provide the Town with control of a non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as an intangible right to use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right to use leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases (Continued)

Lease contracts that provide an external entity with control of the Town's non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as a leased receivable with a related lease deferred inflow of resources. The lease receivable is recorded at the present value of future lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The lease deferred inflow of resources is recorded for the same amount as the related lease receivable less any lease incentives. Leased deferred inflow of resources are amortized over the lease term. The lease receivable is reduced for lease payments made, less the interest portion of the lease payment.

Subscription-Based Information Technology Arrangements

A contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction is a subscription-based information technology arrangement (SBITA). At the commencement of the subscription term the City recognizes a subscription liability and an intangible right-to-use asset. Subscription liabilities are initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the City or the City's incremental borrowing rate if the interest rate is not readily determinable. Amortization of the discount on the subscription liability is recognized as an outflow of resources (for example, interest expense). The SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, plus any ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straight-line basis over the life of the related contract. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend the asset lives are not capitalized and are expensed as incurred. The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will do so if certain changes occur that would be expected to significantly affect the amount of the lease liability. SBITA assets are reported with other capital assets and SBITA lease liabilities are reported with long-term liabilities on the statement of net position.

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences (Continued)

it has matured, for example, as a result of employee resignations or retirement. The General Fund is used to liquidate such amounts.

Long-Term Obligations

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

Unearned Revenue

Unearned revenue represents an increase in assets prior to eligibility criteria being met.

Unavailable Revenue

The government reports unavailable revenue on its governmental funds balance sheet for resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered available.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources for pension related items and other postemployment benefits related items.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports deferred inflows of resources for pension related items, other postemployment benefits related items, and lease related items.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance

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

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Town Commission by the adoption of an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts the Town intends to be used for specific purposes, but are neither restricted nor committed. Under the Town’s adopted policy, assignments can be made by action of the Town Commission or authority may be delegated to the Town Manager.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The Town Commission has assigned fund balance for budget stabilization 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 16.70% 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. This amount shall be equal to but not less than 16.70% of General Fund operating expenditures, net of funds set aside for reserves.

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.

In addition, the Town Commission has assigned \$6,500,000 to assist with the cost of establishment and operation of the Highland Beach Fire Rescue Department. The funds may be utilized to reconstruct the existing fire station, procure fire response apparatus, recruit and train fire rescue personnel, and purchase specialized fire rescue equipment. For the current fiscal year, the assigned amount is \$2,381,467.

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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

Fund Balance (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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Implementation of Accounting Standards

The Town implemented the following Governmental Accounting Standards Board Statements during the current fiscal year.

GASB Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements were implemented during the current year. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 were implemented in the current fiscal year. Implementation of this Statement did not impact the Town's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency on application in practice. In turn, more understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. Implementation of this Statement did not impact the Town's financial statements.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

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

GASB Statement No. 101, *Compensated Absences*. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The requirements of this Statement are effective for fiscal years ending September 30, 2025, and reporting periods thereafter.

GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years ending September 30, 2025, and all reporting periods thereafter.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement is effective for the fiscal year ending September 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. This Statement is effective for the fiscal year ending September 30, 2025.