



The Town of Highland Beach, FL

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended September 30, 2025



*The Town of
Highland Beach, Florida*

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended September 30, 2025

**Prepared by:
Finance Department**

**David DiLena
Finance Director**

TOWN OF HIGHLAND BEACH, FLORIDA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025
TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
Letter of Transmittal	I-V
Certificate of Achievement for Excellence in Financial Reporting	VI
Organizational Chart	VII
List of Principal Officials	VIII
FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-12
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22-23
Notes to Financial Statements	24-74
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	75-77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Building Fund	78
Notes to the Budgetary Required Supplemental Information	79
Schedule of Changes in Total OPEB Liability and Related Ratios	80
Schedule of Employer Contributions – Florida Retirement System Pension Plan	81
Schedule of Employer Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	82

TOWN OF HIGHLAND BEACH, FLORIDA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025
TABLE OF CONTENTS

	<u>Pages</u>
FINANCIAL SECTION (Continued)	
Schedule of Employer Contributions – Florida Retirement System Health Insurance Subsidy Program	83
Schedule of Employer Proportionate Share of Net Pension Liability – Florida Retirement System Health Insurance Subsidy Program	84
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Infrastructure Surtax Fund	87
STATISTICAL SECTION (UNAUDITED)	
Government-Wide Information:	
Table of Contents	88
Schedule 1 – Net Position by Component	89-90
Schedule 2 – Changes in Net Position	91-92
Fund Information:	
Schedule 3 – Fund Balances, Governmental Funds	93-94
Schedule 4 – Changes in Fund Balances, Governmental Funds	95-96
Schedule 5 – Assessed Value and Actual Value of Taxable Property	97
Schedule 6 – Direct and Overlapping Property Tax Rates	98
Schedule 7 – Principal Property Tax Payers	99
Schedule 8 – Property Tax Levies and Collections	100
Schedule 9 – Ratios of Outstanding Debt by Type	101
Schedule 10 – Ratios of General Bonded Debt Outstanding	102
Schedule 11 – Direct and Overlapping Governmental Activities Debt	103
Schedule 12 – Legal Debt Margin Information	104
Schedule 13 – Pledged Revenue Coverage	105
Schedule 14 – Demographic and Economic Information	106
Schedule 15 – Principal Employers	107
Schedule 16 – Full-Time Equivalent Town Employees by Function/Program	108
Schedule 17 – Operating Indicators by Function/Program	109
Schedule 18 – Capital Asset Statistics by Function/Program	110

TOWN OF HIGHLAND BEACH, FLORIDA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025
TABLE OF CONTENTS

	<u>Pages</u>
OTHER REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111-112
Management Letter in Accordance With the Rules of the Auditor General of the State of Florida	113-115
Independent Accountant's Report on Compliance With Section 218.415, Florida Statutes	116

INTRODUCTORY SECTION



Town of Highland Beach

3614 South Ocean Boulevard • Highland Beach, Florida 33487

May 26, 2026

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, 2025.

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, 2025, 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, 2025. 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 70.6 years. Males make up approximately 48.2% and females 51.8% 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 \$10.9 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 assessed value in the Town.

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

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Just Value
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
2025	4,033,130,184	38,524,662	23,709,250	4,095,364,096	3.59	5,432,117,970

Source: Palm Beach County Property Appraiser's Office

Long-term financial planning

As of September 30, 2025, the governmental fund balance increased by \$2.5 million or 19.8%, from \$12.8 million to \$15.4 million primarily as a result of increases in revenues and effective management of expenditures. The Town Commission continues to take a determined 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.

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, the previous provider of fire rescue/EMS service, was terminated on April 30, 2024. The Town has completed the design, planning and construction phase during FY2024 as part of the transition to independently operating their own full-service Fire rescue department. FY2025 was the first full year of successful fire rescue/EMS service to the community.

The Town completed the State Road A1A Project in partnership with the Florida Department of Transportation. The Resurfacing, Restoration and Rehabilitation (RRR) Project not only improved the drivability and flow of traffic but also improved pedestrian safety and reduced roadway flooding for the community.

The Town completed the new entry signs into the Town to enhance aesthetics and a complete 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.

To better respond to economic cycles in the construction industry, the Towns' transition to a hybrid model of providing Building Department services continues to be successful. A portion of the Building Department services are provided by full-time Town employees with the remainder provided through contractual services. The hybrid service model will allow for scaling back of certain services if there is a downturn in the construction industry and less demand for these services. In addition, the interlocal agreement (ILA) with the Town of Gulf Stream to provide building plan review and inspection services continues to be successful.

For the Future

The Town is under contract and construction improvements for the Sewer Pipe Relining Project which is scheduled to be completed by the end of Fiscal Year 2026/2027. This project is designed to extend the life of the sewer infrastructure and reduce leaks, groundwater infiltration and future maintenance costs. Improvements, expansion and enhancements for the Police Department Marine Access point and Police Department Facility Expansion are currently in engineering and design phases as well as improvements and enhancements to the original Fire Station to serve the needs of the public.

FINANCIAL INFORMATION

Budgetary Control

The Town maintains budgetary controls to ensure compliance with the legal provisions established in the annual appropriated budget approved by the Town Commission for the General Fund, Building Fund, Infrastructure Surtax Fund, Water Fund, and Sewer Fund. Budgetary control is maintained at the fund level, which is the level at which expenditures may not legally exceed the appropriated amount. The Town also utilizes encumbrance accounting to support budgetary control by recording commitments for goods and services before the related expenditures are incurred. Encumbrances lapse at year-end and are reappropriated, as needed, in the subsequent year's budget.

Financial Standards

The Town implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. The objective of GASB 54 is to provide a clearer distinction between available and unavailable financial resources by establishing 5 categories (non-spendable, restricted, committed, assigned, and unassigned) of fund balance. 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 \$500,000 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

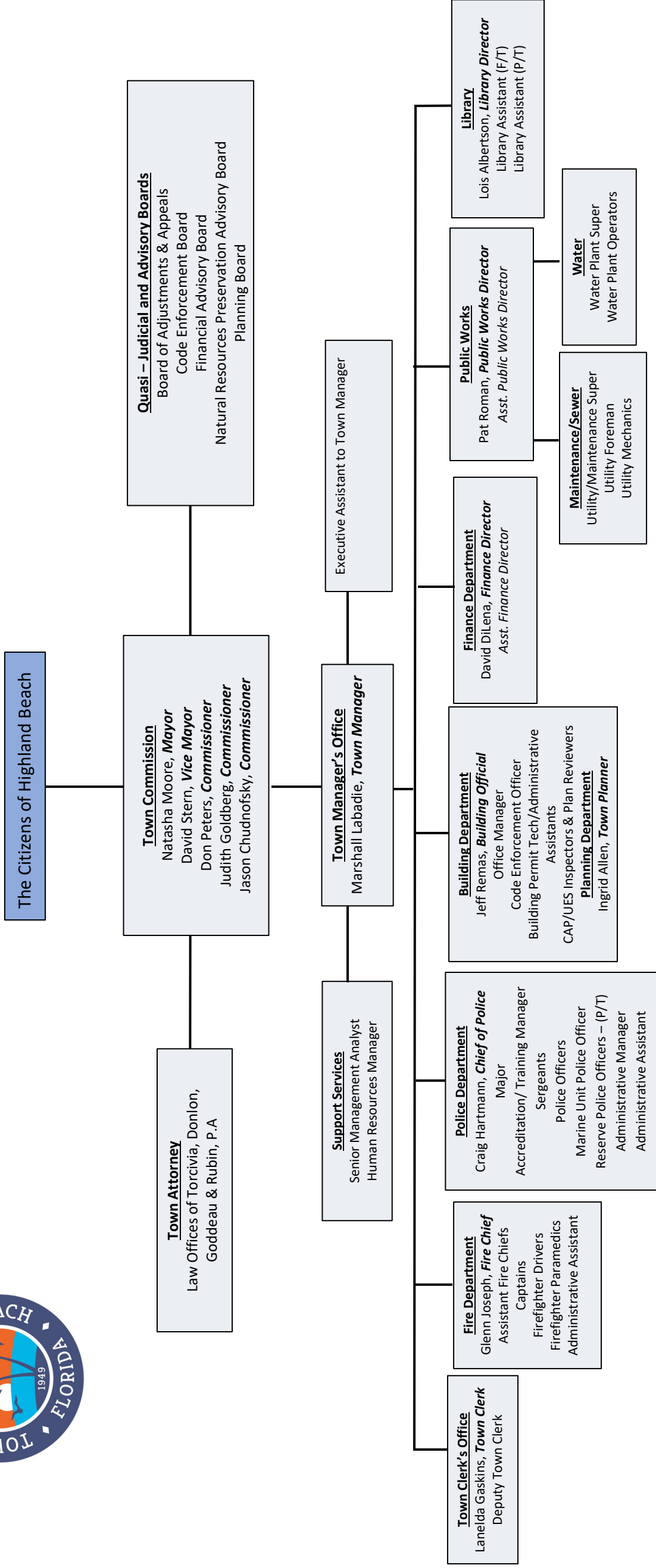
September 30, 2024

Christopher P. Morill

Executive Director/CEO



TOWN OF HIGHLAND BEACH
Organizational Chart



2024-2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT TOWN OF HIGHLAND BEACH, FLORIDA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2025

TOWN COMMISSION

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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EVERETT B. NOWLEN (1930-1984), CPA
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, CVA, 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

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

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BELLE GLADE, FLORIDA 33430-0338
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FAX (561) 996-6248

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, 2025, 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, 2025, 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 75 through 79, the other postemployment benefits schedule on page 80, and the pension schedules on pages 81 through 84 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 May 26, 2026, 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, Holt & Miner, P.A.

West Palm Beach, Florida
May 26, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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, 2025. 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, 2025.

· **Net Position Growth:**

As of September 30, 2025, the Town's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by **\$33.9 million**, representing an increase of approximately **\$4.5 million** from the prior year's net position of **\$29.4 million**. Of the total net position, **\$8.0 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 **\$21.9 million**, an increase of **\$532 thousand** or **2.5%** from the previous fiscal year. This growth is primarily attributed to:

- Increased **Ad Valorem (property) tax revenues** driven by rising property values offset by the reduction in Capital Grant Funds (ARPA) recognized as revenue.
- Increased **Charges for Services** related to **Solid Waste** services.

Total expenses for governmental activities were **\$18.5 million**, down **\$158 thousand** or **0.8%** over the prior year. The decrease is largely due to:

- Lower **public safety expenditures**, including personnel and equipment, are offset by Inflationary pressures on operating costs.

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

Business-type activities reported an increase in revenues of **\$617,000** or **10.8%**, primarily due to:

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

Related expenses decreased by **\$85,000** or **1.6%**, driven by:

- Slight reduction in major capital projects, offset by the General inflation-related increases in operating costs.

· **General Fund Position:**

As of the fiscal year end, the **unassigned fund balance** in the General Fund increased to **\$3.63 million**. The Town has also established the following assigned reserves to address future operational and emergency needs:

- **\$2.85 million** for budget stabilization.
- **\$2.85 million** for disaster recovery.
- **\$500,000** for fire rescue services.

Long-Term Liabilities:

The Town's long-term liabilities (excluding net pension liability) decreased by **\$803 thousand** or **6.9%**, primarily due to the paying down of debt related to the **Fire/Rescue Department facility**, which was completed in **April 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 consists of 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.

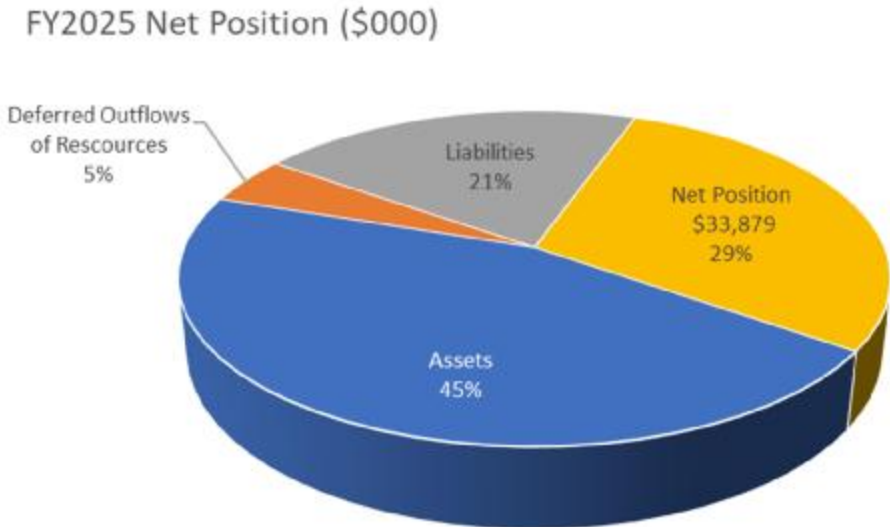
Governmental Funds are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, 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 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 \$33.8 million as of September 30, 2025**. This represents an **increase of \$4.5 million, or 15.2%**, from the prior year, signaling a continued improvement in the Town’s financial position.



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Town of Highland Beach
Net Position
(In Thousands)

	Governmental 2025	Business 2025	Total 2025	Governmental 2024	Business 2024	Total 2024
Assets:						
Current and other assets	\$ 16,514	\$ 5,910	\$ 22,424	\$ 13,491	\$ 6,724	\$ 20,215
Capital assets - Net	15,661	14,499	30,160	15,187	13,952	29,139
Total assets	32,175	20,409	52,584	28,678	20,677	49,354
Deferred Outflows of Resources:						
Pension related items	7,390	456	7,845	4,057	318	4,375
OPEB related items	48	8	56	42	9	51
Total deferred outflow of resources	7,438	463	7,901	4,099	327	4,426
Liabilities:						
Current and other liabilities	1,967	1,089	3,056	1,482	1,552	3,034
Long-term liabilities	15,708	5,300	21,008	13,993	6,025	20,018
Total liabilities	17,674	6,389	24,064	15,475	7,577	23,052
Deferred Inflows of Resources						
Pension related items	2,084	129	2,213	822	64	886
OPEB related items	133	21	155	171	35	206
Lease related items	175	-	175	230	-	230
Total deferred inflow of resources	2,392	150	2,542	1,222	99	1,322
Net position:						
Net investment in capital assets	11,364	9,276	20,640	4,249	7,929	12,178
Restricted for:						
Debt service		54	54	-	53	53
Transportation		-	-	72	-	72
Special projects	5,154	-	5,154	4,558	-	4,558
Unrestricted	3,028	5,003	8,031	7,201	5,345	12,546
Total net position	\$ 19,546	\$ 14,333	\$ 33,879	\$ 16,079	\$ 13,327	\$ 29,406

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, 2025, the Town's net position grew by **\$4.5 million**, increasing from **\$29.4 million to \$33.9 million**, which represents a **notable 15.2% 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.

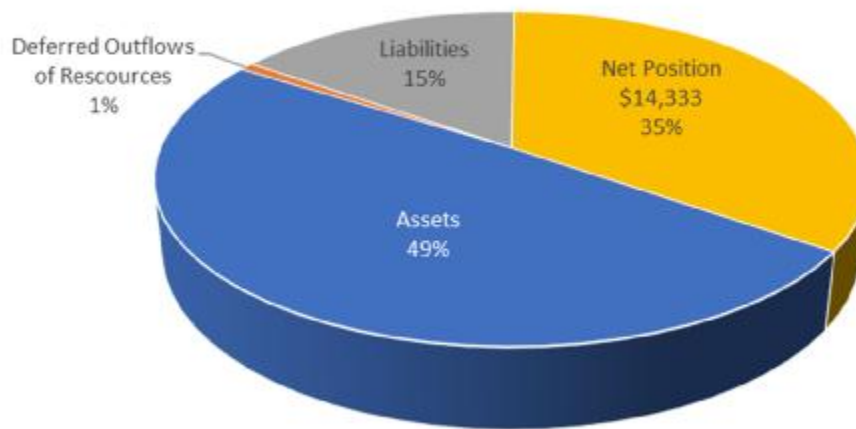
Approximately **15% of the Town's net position is restricted**, meaning these resources are subject to external constraints and can only be used for specified purposes. A significant portion of the Town's net position is also invested in **capital assets**, such as land, buildings, and equipment, net of related debt. These assets are essential to delivering municipal services and, as such, are not available for discretionary spending.

As of September 30, 2025, the **net position attributable to governmental activities totaled \$19.5 million**. The primary source of revenue for these activities continues to be **property taxes**, which account for approximately **61% of total governmental revenues**. On the expenditure side, **Public Safety functions—encompassing Police, Fire Rescue, and Building Inspection—represented 73% of total governmental expenses**, and experienced a **1.9% decrease over the prior year**, reflecting both operational enhancements and inflationary impacts, offset by the reduction of also maintaining the original Delray Fire Rescue Agreement which ended April 2024.

As of September 30, 2025, the **net position of the Town’s business-type activities (Water and Sewer Fund) totaled \$14.3 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.

FY2025 Net Position Business Type Activity (\$000)



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

	Governmental 2025	Business 2025	Total 2025	Governmental 2024	Business 2024	Total 2024
Revenues:						
Program revenues:						
Charges for services	\$ 5,043	\$ 5,802	\$ 10,845	\$ 4,605	\$ 5,463	\$ 10,068
Operating grants and contributions	103		103	23		23
Capital grants and contributions	461	250	711	1,500	-	1,500
General revenues:						
Property taxes	13,356		13,356	12,246		12,246
Utility taxes	488		488	505		505
Franchise Fees	558		558	562		562
Sales and use taxes	895		895	892		892
State revenue sharing	164		164	163		163
Investment earnings	704	290	994	928	259	1,188
Miscellaneous	216	4	221	12	4	16
Gain on disposal of fixed assets		(0)	(0)	21	2	23
Total revenues	21,989	6,346	28,334	21,457	5,729	27,186
Expenses:						
Program expenses:						
General government	3,266		3,266	3,195		3,195
Public safety	13,527		13,527	13,793		13,793
Public works	1,015		1,015	974		974
Culture and recreation	559		559	550		550
Interest on long-term debt	155		155	169		169
Water and sewer		5,339	5,339		5,425	5,425
Total expenses	18,523	5,339	23,862	18,681	5,425	24,105
Excess (deficiency) before transfers	3,466	1,006	4,473	2,776	304	3,081
Transfers	-	-	-	(452)	452	-
Increase (decrease) in net position	3,466	1,006	4,473	2,324	756	3,081
Net position – October 1	16,080	13,327	29,406	13,755	12,571	26,326
Net position – September 30,	\$ 19,546	\$ 14,333	\$ 33,879	\$ 16,080	\$ 13,327	\$ 29,406

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CAPITAL ASSET AND DEBT ADMINISTRATION

As of September 30, 2025, the Town’s **investment in capital assets** for both governmental and business-type activities totaled **\$30.2 million, net of accumulated depreciation**. This represents an increase of **\$1.2 million, or 4.2%**, over the prior fiscal year. The **primary driver** of this increase is continued improvements within the Town’s Water and Sewer infrastructure and other governmental assets.

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 2025	Business Activities 2025	Total 2025	Total 2024
Land	\$ 324		\$ 324	\$ 324
Construction in progress	267	23	289	78
Amortized leases	44		44	44
Buildings and improvements	13,992	9,498	23,490	23,515
Improvements other than buildings	2,819	14,768	17,587	17,390
Equipment, furniture, and books	5,665	8,611	14,276	13,486
Total assets	\$ 23,110	\$ 32,900	\$ 56,010	\$ 54,837
Less accumulated depreciation & amortization	(\$7,449)	(\$18,401)	(\$25,850)	(\$25,882)
Total	\$ 15,661	\$ 14,499	\$ 30,160	\$ 28,955

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

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Long-Term Liabilities

The Town’s long-term liabilities increased by **\$1.1 million** driven by the increase in Pension Liability and offset by the continued paying down of existing Promissory Notes and Revolving Loans as follows:

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

	Governmental Activities 2025	Business Activities 2025	Total 2025	Total 2024
Promissory notes	\$ 3,941	\$ 956	\$ 4,897	\$ 5,924
Revolving fund loans		4,215	4,215	4,655
Contract transfer ownership	190		190	28
Leases payable	16		16	-
Pension liability (Net)	11,230	693	11,923	9,970
Other postemployment benefits	168	27	195	129
Compensated absences	1,190	179	1,370	935
Total	\$ 16,736	\$ 6,071	\$ 22,807	\$ 21,641

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, 2025**, the **General Fund’s ending fund balance totaled \$10.3 million**, reflecting an **increase of approximately \$2 million** over the prior year. Of this total, **approximately 35% (\$3.63 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: \$2.847 million
 - Disaster recovery: \$2.847 million
 - Fire rescue: \$500,000
 - Subsequent year expenditure: \$352,000
- **Non-spendable:**
 - Inventory or prepaids: \$77,000

The **Building Fund’s ending fund balance was \$4.4 million** and is restricted for building-related activities in accordance with statutory requirements, representing an **increase of approximately \$764,000** from the prior year.

Fund Balance Changes and Contributing Factors

The **\$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.
- **Charges for Services** related to solid waste contract.

These revenue gains were partially offset by:

- **Rising operating costs** in public safety, particularly in Fire Rescue and related services.

The **Building Fund's \$764,000 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.

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 \$16.6 million were less than the final amended budget of \$18.0 million, a difference of approximately \$1.4 million.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2026 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 remained unchanged at 3.5875 mills. A favorable increase of 6.9% in the Town's total assessed property value produces approximately \$921 thousand 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 2026 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.

BASIC FINANCIAL STATEMENTS

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position
September 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,133,950	\$ 1,169,684	\$ 3,303,634
Investments	13,650,850	3,717,074	17,367,924
Accounts receivable (net)	335,533	934,790	1,270,323
Due from other governments	92,764	-	92,764
Interest receivable	32,564	13,165	45,729
Lease receivable	54,161	-	54,161
Inventories	2,201	7,677	9,878
Prepaid items	80,070	2,000	82,070
Restricted Assets			
Cash and cash equivalents	-	65,868	65,868
Total current assets	<u>16,382,093</u>	<u>5,910,258</u>	<u>22,292,351</u>
Noncurrent assets			
Lease receivable	131,432	-	131,432
Capital assets			
Non-depreciable	590,545	22,760	613,305
Depreciable, net	15,055,178	14,476,030	29,531,208
Amortized, net	15,377	-	15,377
Total noncurrent assets	<u>15,792,532</u>	<u>14,498,790</u>	<u>30,291,322</u>
Total assets	<u>32,174,625</u>	<u>20,409,048</u>	<u>52,583,673</u>
Deferred outflows of resources			
Pension related items	7,389,535	455,732	7,845,267
OPEB related items	48,213	7,732	55,945
Total deferred outflows of resources	<u>7,437,748</u>	<u>463,464</u>	<u>7,901,212</u>
Liabilities			
Current liabilities			
Accounts payable	444,645	193,860	638,505
Capital accounts payable/retainage payable	149,199	51,424	200,623
Accrued liabilities	334,415	31,187	365,602
Accrued interest payable	8,875	2,176	11,051
Unearned revenue	888	28,442	29,330
Compensated absences payable	416,669	53,835	470,504
Payable from restricted			
Accrued interest	-	11,710	11,710
Current portion of total OPEB liability	1,754	144	1,898
Current portion of lease liability	13,031	-	13,031
Current portion of long-term debt	597,106	716,242	1,313,348
Total current liabilities	<u>1,966,582</u>	<u>1,089,020</u>	<u>3,055,602</u>
Noncurrent liabilities			
Compensated absences payable	773,813	125,615	899,428
Net pension liability	11,230,152	692,592	11,922,744
Total OPEB liability	166,283	26,804	193,087
Lease liability	2,923	-	2,923
Long-term debt	3,534,376	4,455,359	7,989,735
Total noncurrent liabilities	<u>15,707,547</u>	<u>5,300,370</u>	<u>21,007,917</u>
Total liabilities	<u>17,674,129</u>	<u>6,389,390</u>	<u>24,063,519</u>
Deferred inflows of resources			
Pension related items	2,084,295	128,544	2,212,839
OPEB related items	133,287	21,375	154,662
Lease related items	174,846	-	174,846
Total deferred inflows of resources	<u>2,392,428</u>	<u>149,919</u>	<u>2,542,347</u>
Net Position			
Net investment in capital assets	11,364,465	9,275,765	20,640,230
Restricted for:			
Debt service	-	54,158	54,158
Recreational land acquisition	264,316	-	264,316
Library activities	10,298	-	10,298
Infrastructure	507,993	-	507,993
Law enforcement	7,846	-	7,846
Building activities	4,363,293	-	4,363,293
Unrestricted	3,027,605	5,003,280	8,030,885
Total net position	<u>\$ 19,545,816</u>	<u>\$ 14,333,203</u>	<u>\$ 33,879,019</u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2025

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 3,265,921	\$ 1,154,513	\$ 42,691
Public safety	13,527,145	2,811,217	59,354
Culture recreation	559,023	1,926	565
Public works	1,015,461	1,075,462	-
Interest on long-term debt	155,050	-	-
Total governmental activities	<u>18,522,600</u>	<u>5,043,118</u>	<u>102,610</u>
Business-type activities:			
Water utility	4,048,810	3,889,469	-
Sewer utility	1,290,524	1,912,488	-
Total business-type activities	<u>5,339,334</u>	<u>5,801,957</u>	<u>-</u>
Total government	<u>\$ 23,861,934</u>	<u>\$ 10,845,075</u>	<u>\$ 102,610</u>

General revenues:

Property taxes
Utility taxes
Franchise fees based on gross receipts
Sales and use taxes
Intergovernmental unrestricted
Investment earnings
Gain/(loss) on disposal of capital assets
Miscellaneous
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

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (2,068,717)	\$ -	\$ (2,068,717)
461,324	(10,195,250)	-	(10,195,250)
-	(556,532)	-	(556,532)
-	60,001	-	60,001
-	(155,050)	-	(155,050)
461,324	(12,915,548)	-	(12,915,548)
-	-	(159,341)	(159,341)
250,000	-	871,964	871,964
250,000	-	712,623	712,623
\$ 711,324	(12,915,548)	712,623	(12,202,925)
	13,356,075	-	13,356,075
	488,055	-	488,055
	558,497	-	558,497
	895,095	-	895,095
	164,015	-	164,015
	704,009	289,535	993,544
	-	(332)	(332)
	216,077	4,463	220,540
	16,381,823	293,666	16,675,489
	3,466,275	1,006,289	4,472,564
	16,079,541	13,326,914	29,406,455
\$ 19,545,816	\$ 14,333,203	\$ 33,879,019	

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2025

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Building Fund		
Assets				
Cash and cash equivalents	\$ 1,414,008	\$ 614,966	\$ 104,976	\$ 2,133,950
Investments	9,021,524	3,954,316	675,010	13,650,850
Receivables				
Accounts, net	335,533	-	-	335,533
Due from other governments	50,749	-	42,015	92,764
Interest	20,959	9,343	2,262	32,564
Lease	185,593	-	-	185,593
Inventory	2,201	-	-	2,201
Prepays	63,912	-	16,158	80,070
Total assets	<u>\$ 11,094,479</u>	<u>\$ 4,578,625</u>	<u>\$ 840,421</u>	<u>\$ 16,513,525</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 394,955	\$ 47,695	\$ 1,995	\$ 444,645
Capital accounts payable/retainage payable	26,960	74,266	47,973	149,199
Accrued liabilities	241,044	93,371	-	334,415
Unearned revenue	888	-	-	888
Total liabilities	<u>663,847</u>	<u>215,332</u>	<u>49,968</u>	<u>929,147</u>
Deferred inflows of resources				
Lease related items	174,846	-	-	174,846
Total deferred inflows of resources	<u>174,846</u>	<u>-</u>	<u>-</u>	<u>174,846</u>
Fund balances				
Nonspendable				
Inventory	2,201	-	-	2,201
Prepays	63,912	-	16,158	80,070
Leases	10,747	-	-	10,747
Restricted for:				
Recreational land acquisition	-	-	264,316	264,316
Library activities	-	-	10,298	10,298
Infrastructure	-	-	491,835	491,835
Law enforcement	-	-	7,846	7,846
Building activities	-	4,363,293	-	4,363,293
Assigned to:				
Budget stabilization	2,847,799	-	-	2,847,799
Disaster recovery	2,847,799	-	-	2,847,799
Fire rescue	500,000	-	-	500,000
Subsequent year expenditures	352,187	-	-	352,187
Unassigned	3,631,141	-	-	3,631,141
Total fund balances	<u>10,255,786</u>	<u>4,363,293</u>	<u>790,453</u>	<u>15,409,532</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,094,479</u>	<u>\$ 4,578,625</u>	<u>\$ 840,421</u>	<u>\$ 16,513,525</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, 2025

Fund balances total governmental funds		\$ 15,409,532
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	\$ 23,110,393	
Less accumulated depreciation and amortization	<u>(7,449,293)</u>	15,661,100
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(1,190,482)	
Net pension liability	(11,230,152)	
Total other postemployment benefits liability	(168,037)	
Revenue note	(3,941,026)	
Loan payable	(190,456)	
Accrued interest payable	(8,875)	
Lease liability	<u>(15,954)</u>	<u>(16,744,982)</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	7,389,535	
Deferred outflows related to other postemployment benefits	48,213	
Deferred inflows related to pensions	(2,084,295)	
Deferred inflows related to other postemployment benefits	<u>(133,287)</u>	<u>5,220,166</u>
Net position of governmental activities		<u><u>\$ 19,545,816</u></u>

See notes to the financial statements

TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2025

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Building Fund		
Revenues:				
Taxes	\$ 13,879,519	\$ -	\$ 440,733	\$ 14,320,252
Permits and fees	559,376	1,800,353	-	2,359,729
Intergovernmental	1,114,357	-	-	1,114,357
Fines and forfeitures	40,471	-	-	40,471
Rent	59,244	-	-	59,244
Interest	460,040	196,412	47,557	704,009
Charges for services	1,244,202	847,969	-	2,092,171
Miscellaneous	1,298,077	-	565	1,298,642
Total revenues	18,655,286	2,844,734	488,855	21,988,875
Expenditures:				
Current				
General government	2,966,978	-	63,295	3,030,273
Public safety	10,229,548	2,009,392	-	12,238,940
Culture and recreation	474,403	-	-	474,403
Sanitation	1,084,387	-	-	1,084,387
Capital outlay	1,140,984	123,422	594,212	1,858,618
Debt service:				
Principal	587,710	2,431	-	590,141
Interest and fiscal charges	156,893	180	-	157,073
Total expenditures	16,640,903	2,135,425	657,507	19,433,835
Excess (deficiency) of revenues over (under expenditures)	2,014,383	709,309	(168,652)	2,555,040
Other financing sources (uses):				
Transfers in	-	54,998	-	54,998
Transfers out	(54,998)	-	-	(54,998)
Total other financing sources (uses)	(54,998)	54,998	-	-
Net change in fund balances	1,959,385	764,307	(168,652)	2,555,040
Fund balances, beginning of year	8,296,401	3,598,986	959,105	12,854,492
Fund balances, end of year	<u>\$ 10,255,786</u>	<u>\$ 4,363,293</u>	<u>\$ 790,453</u>	<u>\$ 15,409,532</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, 2025

Net change in fund balances - Total governmental funds \$ 2,555,040

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	\$ 1,952,623	
Less: current year depreciation and amortization	<u>(1,292,963)</u>	659,660

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.

Principal payments on debt		590,141
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Net effect of accrued interest on long-term debt

Change in accrued interest payable		2,023
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in compensated absences payable	(406,981)	
Change in net pension liability and related deferred amounts	84,608	
Change in total other postemployment benefits liability and related deferred amounts	<u>(18,216)</u>	<u>(340,589)</u>

Change in net position		<u><u>\$ 3,466,275</u></u>
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TOWN OF HIGHLAND BEACH, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2025

	Water Utility	Sewer Utility	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 772,219	\$ 397,465	\$ 1,169,684
Investments	1,161,319	2,555,755	3,717,074
Accounts receivable (net)	621,163	313,627	934,790
Interest receivable	5,556	7,609	13,165
Prepaid items	2,000	-	2,000
Supplies inventory	7,677	-	7,677
Restricted Assets			
Cash and cash equivalents	65,868	-	65,868
Total current assets	<u>2,635,802</u>	<u>3,274,456</u>	<u>5,910,258</u>
Noncurrent assets			
Capital assets			
Non depreciable			
Construction in progress	-	22,760	22,760
Depreciable			
Building and improvements	7,772,514	1,725,534	9,498,048
Improvements other than buildings	12,486,562	2,280,986	14,767,548
Equipment	8,262,886	348,523	8,611,409
Less accumulated depreciation	<u>(15,335,492)</u>	<u>(3,065,483)</u>	<u>(18,400,975)</u>
Total noncurrent assets	<u>13,186,470</u>	<u>1,312,320</u>	<u>14,498,790</u>
Total assets	<u>15,822,272</u>	<u>4,586,776</u>	<u>20,409,048</u>
Deferred outflows of resources			
Pension related items	455,732	-	455,732
OPEB related items	7,732	-	7,732
Total deferred outflows of resources	<u>463,464</u>	<u>-</u>	<u>463,464</u>
Liabilities			
Current liabilities			
Accounts payable	66,125	127,735	193,860
Capital accounts payable/retainage payable	51,424	-	51,424
Accrued liabilities	31,187	-	31,187
Accrued interest payable	2,176	-	2,176
Unearned revenue	27,009	1,433	28,442
Compensated absences payable	53,835	-	53,835
Total OPEB liability	144	-	144
Payable from restricted			
Accrued interest	11,710	-	11,710
Current portion of long-term debt	716,242	-	716,242
Total current liabilities	<u>959,852</u>	<u>129,168</u>	<u>1,089,020</u>
Non-current liabilities			
Compensated absences payable	125,615	-	125,615
Net pension liability	692,592	-	692,592
Total OPEB liability	26,804	-	26,804
Long-term debt	4,455,359	-	4,455,359
Total non-current liabilities	<u>5,300,370</u>	<u>-</u>	<u>5,300,370</u>
Total liabilities	<u>6,260,222</u>	<u>129,168</u>	<u>6,389,390</u>
Deferred inflows of resources			
Pension related items	128,544	-	128,544
OPEB related items	21,375	-	21,375
Total deferred inflows of resources	<u>149,919</u>	<u>-</u>	<u>149,919</u>
Net Position			
Net investment in capital assets	7,963,445	1,312,320	9,275,765
Restricted for debt service	54,158	-	54,158
Unrestricted	1,857,992	3,145,288	5,003,280
Total net position	<u>\$ 9,875,595</u>	<u>\$ 4,457,608</u>	<u>\$ 14,333,203</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, 2025

	Water Utility	Sewer Utility	Total
Operating revenue			
Charges for services	\$ 3,669,469	\$ 1,912,488	\$ 5,581,957
Administrative fee	220,000	-	220,000
Total operating revenues	<u>3,889,469</u>	<u>1,912,488</u>	<u>5,801,957</u>
Operating expenses			
Personnel services	1,262,492	-	1,262,492
Sewage disposal costs	-	841,750	841,750
Contractual services	23,179	3,011	26,190
Maintenance and repair	233,841	68,909	302,750
Meters and supplies	394,249	933	395,182
Utilities	298,799	39,727	338,526
Depreciation	934,168	94,191	1,028,359
Administrative charges	550,000	220,000	770,000
Professional services	25,319	13,495	38,814
Other	216,099	8,508	224,607
Total operating expenses	<u>3,938,146</u>	<u>1,290,524</u>	<u>5,228,670</u>
Operating income (loss)	<u>(48,677)</u>	<u>621,964</u>	<u>573,287</u>
Nonoperating revenues (expenses)			
Interest revenue	129,582	159,953	289,535
Gain/(loss) on disposal of capital assets	-	(332)	(332)
Other revenue	4,463	-	4,463
Interest expense	(110,664)	-	(110,664)
Total nonoperating revenues (expenses)	<u>23,381</u>	<u>159,621</u>	<u>183,002</u>
Income (loss) before contributions and transfers	<u>(25,296)</u>	<u>781,585</u>	<u>756,289</u>
Capital contributions	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Change in net position	(25,296)	1,031,585	1,006,289
Net position, beginning of year	<u>9,900,891</u>	<u>3,426,023</u>	<u>13,326,914</u>
Net position, end of year	<u>\$ 9,875,595</u>	<u>\$ 4,457,608</u>	<u>\$ 14,333,203</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, 2025

	Water Utility	Sewer Utility	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 3,600,373	\$ 1,884,526	\$ 5,484,899
Receipts from interfund services provided	220,000	-	220,000
Other receipts	4,463	-	4,463
Payments to suppliers	(1,259,611)	(924,641)	(2,184,252)
Payments for interfund services used	(550,000)	(220,000)	(770,000)
Payments to employees	(1,341,774)	-	(1,341,774)
Net cash provided (used) by operating activities	<u>673,451</u>	<u>739,885</u>	<u>1,413,336</u>
Cash flows from non-capital financing activities:			
Transfers to other funds	-	(461,344)	(461,344)
Net cash provided by non-capital financing activities	<u>-</u>	<u>(461,344)</u>	<u>(461,344)</u>
Cash flows from capital and related financing activities:			
Grant receipts	-	250,000	250,000
Principal paid on long-term debt	(698,567)	-	(698,567)
Interest paid on long-term debt	(112,232)	-	(112,232)
Payments to acquire and construct capital assets	(841,813)	(759,500)	(1,601,313)
Net cash (used) by capital and related financing activities	<u>(1,652,612)</u>	<u>(509,500)</u>	<u>(2,162,112)</u>
Cash flows from investing activities:			
Interest and dividends on investments	124,027	152,344	276,371
Sale of investments	366,524	-	366,524
Purchase of investments	-	(459,598)	(459,598)
Net cash provided by investing activities	<u>490,551</u>	<u>(307,254)</u>	<u>183,297</u>
Net increase (decrease) in cash and cash equivalents	(488,610)	(538,213)	(1,026,823)
Cash and cash equivalents, beginning of year	<u>1,326,697</u>	<u>935,678</u>	<u>2,262,375</u>
Cash and cash equivalents, end of year	<u>\$ 838,087</u>	<u>\$ 397,465</u>	<u>\$ 1,235,552</u>
Reconciliation to the statement of net position:			
Cash and cash equivalents	\$ 772,219	\$ 397,465	\$ 1,169,684
Cash and cash equivalents - restricted	65,868	-	65,868
	<u>\$ 838,087</u>	<u>\$ 397,465</u>	<u>\$ 1,235,552</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, 2025
(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)	\$ (48,677)	\$ 621,964	\$ 573,287
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	934,168	94,191	1,028,359
Other revenue	4,463	-	4,463
Changes in net pension liability and deferred items	(105,949)	-	(105,949)
Changes in OPEB liability and deferred items	(7,635)	-	(7,635)
(Increase) decrease in:			
Accounts receivable	(80,889)	(28,207)	(109,096)
Prepays	1,356	1,113	2,469
Increase (decrease) in:			
Accounts payable	(69,481)	50,579	(18,902)
Accrued liabilities	6,342	-	6,342
Unearned revenue	11,793	245	12,038
Compensated absences	27,960	-	27,960
Total adjustments	<u>722,128</u>	<u>117,921</u>	<u>840,049</u>
Net cash provided (used) by operating activities	<u>\$ 673,451</u>	<u>\$ 739,885</u>	<u>\$ 1,413,336</u>
Supplemental disclosure of noncash capital and related financing activities			
Capital-related payable	<u>\$ 51,424</u>	<u>\$ (77,549)</u>	<u>\$ (26,125)</u>

See notes to the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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. 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, 2025

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, 2025

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 absences for vacation leave, sick leave, and compensatory time in varying amounts based on length of service and employee classification. Liabilities for compensated absences are recognized for leave that is attributable to services already

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences (Continued)

rendered and that is more likely than not to be used or paid upon separation from service. Vacation leave and compensatory time are generally accrued as earned, while sick leave is accrued based on estimated future use and payment patterns in accordance with the Town's policies and collective bargaining agreements. In the governmental funds, liabilities for compensated absences are recognized only to the extent the liabilities have matured, such as through employee resignations or retirements.

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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Fund Balance

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

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

The Town Commission has assigned fund balance for 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.

In addition, the Town Commission has assigned \$500,000 for fire rescue services.

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

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

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

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

Use of Estimates

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

Encumbrances

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Accounting Standards

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

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. Implementation of this Statement did not impact the Town's financial statements.

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. Implementation of this Statement did not impact the Town's financial statements.

Recently Issued Accounting Pronouncements

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

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.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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, 2026.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The requirements of this Statement will improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement users. This Statement is effective for the fiscal year ending September 30, 2027.

NOTE 2 – PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2023, upon which the levy for the current fiscal year was based, was approximately \$3.53 billion. State Statutes permit municipalities to levy ad valorem property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the Town for the year ended September 30, 2025, was 3.4040 (\$3.4040 for each \$1,000 of assessed valuation).

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 – PROPERTY TAXES (Continued)

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Chapter 280, Florida Statutes.
4. Direct obligations of the U.S. Treasury.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

5. Securities of, or other interests in, any open-end or closed-end management-type investment company, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof, and to repurchase agreements fully collateralized by such United States Government obligations.
6. Repurchase agreements whose underlying purchased securities consist of the permitted investments listed above.
7. Other investments authorized by ordinance of the Town of Highland Beach.

GASB 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79). The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements.

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

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

As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2025, the Town held the following investments.

Investments by Fair Value Level	Balance	Level 1	Level 2	Level 3
U.S. Treasury Bills	\$ 846,429	\$ -	\$ 846,429	\$ -
U.S. Treasury Notes	4,170,211	-	4,170,211	-
	<u>5,016,640</u>	<u>\$ -</u>	<u>\$ 5,016,640</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Florida PRIME Investment Pool	11,678,508			
Federated Hermes Government Obligations Fund	14,033			
Federated Government Obligations Fund	658,743			
Total Investments	<u>\$ 17,367,924</u>			

Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing values securities based on the securities relationship to benchmark quoted prices.

As of September 30, 2025, the weighted average maturity and credit ratings Town’s investments are as follows:

Investment	Balance	Weighted Average Maturity	Credit Rating
Florida PRIME Investment Pool	\$ 11,678,508	47 days	AAAm Standard & Poor's
Federated Hermes Government Obligations Fund	14,033	42 days	AAAmf Fitch
Federated Government Obligations Fund	658,743	40 days	AAAmf Fitch
U.S. Treasury Bills	846,429	28 days	F1+ Fitch
U.S. Treasury Notes	4,170,211	490 days	AA+ Fitch
	<u>\$ 17,367,924</u>		

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All securities held by a third-party custodian are required to be designated as an asset of the Town. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a “delivery versus payment” basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Investments in open-end mutual funds and external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town’s investment policies limit its investments to high quality securities to minimize credit risk. As of September 30, 2025, all the Town’s investments were highly rated by nationally recognized rating agencies.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates could reduce an investment’s fair value. To manage this risk, the Town structures its investment portfolio so securities mature in time to meet operating cash needs, limiting the need to sell investments before maturity. Operating funds are invested primarily in short-term securities, money market mutual funds, and similar investment pools.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2025 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 323,889	\$ -	\$ -	\$ 323,889
Construction in Progress	-	415,536	(148,880)	266,656
Total capital assets not being depreciated/amortized	323,889	415,536	(148,880)	590,545
Capital assets being depreciated/amortized				
Buildings	\$ 14,037,246	\$ 149,880	\$ (195,050)	\$ 13,992,076
Improvements other than buildings	3,246,057	-	(426,934)	2,819,123
Equipment, furniture, and books	4,760,868	1,536,087	(632,302)	5,664,653
Intangible assets - leased equipment	43,996	-	-	43,996
Total capital assets being depreciated/amortized	22,088,167	1,685,967	(1,254,286)	22,519,848
Less accumulated depreciation/amortization for:				
Buildings	(3,354,192)	(354,905)	195,050	(3,514,047)
Improvements other than buildings	(2,074,180)	(70,333)	426,934	(1,717,579)
Equipment, furniture, and books	(1,967,006)	(854,344)	632,302	(2,189,048)
Intangible assets - leased equipment	(15,238)	(13,381)	-	(28,619)
Total accumulated depreciation/amortization	(7,410,616)	(1,292,963)	1,254,286	(7,449,293)
Total capital assets being depreciated/amortized, net	14,677,551	393,004	-	15,070,555
Governmental activities capital assets, net	\$ 15,001,440	\$ 808,540	\$ (148,880)	\$ 15,661,100

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 4 – CAPITAL ASSETS (Continued)

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not Being Depreciated				
Construction in Progress	\$ 77,549	\$ 404,234	\$ (459,023)	\$ 22,760
Total capital assets not being depreciated	<u>77,549</u>	<u>404,234</u>	<u>(459,023)</u>	<u>22,760</u>
Capital assets being depreciated				
Buildings	\$ 9,477,569	\$ 24,123	\$ (3,644)	\$ 9,498,048
Improvements other than buildings	14,143,575	1,042,834	(418,861)	14,767,548
Equipment and furniture	8,724,764	563,020	(676,375)	8,611,409
Total capital assets being depreciated	<u>32,345,908</u>	<u>1,629,977</u>	<u>(1,098,880)</u>	<u>32,877,005</u>
Less accumulated depreciation for:				
Buildings	(5,609,868)	(201,526)	3,644	(5,807,750)
Improvements other than buildings	(5,349,379)	(430,687)	418,529	(5,361,537)
Equipment and furniture	(7,511,917)	(396,146)	676,375	(7,231,688)
Total accumulated depreciation	<u>(18,471,164)</u>	<u>(1,028,359)</u>	<u>1,098,548</u>	<u>(18,400,975)</u>
Total capital assets being depreciated, net	<u>13,874,744</u>	<u>601,618</u>	<u>(332)</u>	<u>14,476,030</u>
Business-type activities capital assets, net	<u>\$ 13,952,293</u>	<u>\$ 1,005,852</u>	<u>\$ (459,355)</u>	<u>\$ 14,498,790</u>

For the year ended September 30, 2025, depreciation and amortization expense were charged to functions as follows:

Governmental Activities	Depreciation	Amortization	Total
General government	\$ 135,765	\$ 4,769	\$ 140,534
Public safety	1,020,856	7,371	1,028,227
Culture and recreation	75,744	1,241	76,985
Public works	47,217	-	47,217
Governmental activities total	<u>\$ 1,279,582</u>	<u>\$ 13,381</u>	<u>\$ 1,292,963</u>
	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Business-type Activities			
Water Utility System	\$ 934,168	\$ -	\$ 934,168
Sewer Utility System	94,191	-	94,191
Business-type activities total	<u>\$ 1,028,359</u>	<u>\$ -</u>	<u>\$ 1,028,359</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 5 – RECEIVABLES

Receivables for the Town’s individual major funds and non-major governmental fund, including applicable allowances, as of September 30, 2025 are as follows:

	General Fund	Water Utility Fund	Sewer Utility Fund	Total
Receivables:				
Accounts - billed	\$ 372,830	\$ 43,275	\$ 8,652	\$ 424,757
Accounts - unbilled	-	606,244	313,154	919,398
Total Receivables	372,830	649,519	321,806	1,344,155
Less Allowance for Uncollectible Amounts	(37,297)	(28,356)	(8,179)	(73,832)
Net Total Receivables	<u>\$ 335,533</u>	<u>\$ 621,163</u>	<u>\$ 313,627</u>	<u>\$ 1,270,323</u>

NOTE 6 – INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2025:

Fund	Transfers In	Transfers Out
Major Fund		
General Fund	\$ -	\$ 54,998
Building Fund	54,998	-
Total Interfund Transfers	<u>\$ 54,998</u>	<u>\$ 54,998</u>

Transactions for services rendered or facilities provided are recorded as revenue in the receiving fund and expenditures in the disbursing fund. Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as transfers in and out. The transfer from the General Fund to the Building Fund was to pay the costs of labor for planning functions.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM LIABILITIES

During the year ended September 30, 2025, the following changes occurred in long-term liabilities:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Direct Borrowings and Placements:</u>					
Revenue note, series 2022	\$ 4,477,101	\$ -	\$ (536,075)	\$ 3,941,026	\$ 553,718
Contract that transfers ownership	231,180	-	(40,724)	190,456	43,388
Total Direct Borrowings and Placements	4,708,281	-	(576,799)	4,131,482	597,106
Net pension liability	9,244,657	1,985,495	-	11,230,152	-
Leases payable	29,296	-	(13,342)	15,954	13,031
Other postemployment benefits	106,634	64,223	(2,820)	168,037	1,754
Compensated absences	783,501	862,509	(455,528)	1,190,482	416,669
Total Governmental Activities	\$14,872,369	\$ 2,912,227	\$(1,048,489)	\$ 16,736,107	\$ 1,028,560

In prior years, the General Fund was used to liquidate the liabilities for pensions and other postemployment benefits of the governmental activities.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Direct Borrowings and Placements:</u>					
Promissory note, Series 2007	\$ 1,215,595	\$ -	\$ (259,388)	\$ 956,207	\$ 268,421
Revolving fund loan DW 500200	1,087,627	-	(168,822)	918,805	173,616
Revolving fund loan DW 500201	287,822	-	(44,915)	242,907	46,095
Revolving fund loan DW 500210	3,279,124	-	(225,442)	3,053,682	228,110
Total Direct Borrowings and Placements	5,870,168	-	(698,567)	5,171,601	716,242
Net pension liability	725,100	-	(32,508)	692,592	-
Other postemployment benefits	21,893	5,290	(235)	26,948	144
Compensated absences	151,491	90,603	(62,644)	179,450	53,835
Total Business-type Activities	\$ 6,768,652	\$ 95,893	\$ (793,954)	\$ 6,070,591	\$ 770,221

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2025, were \$265,714 and \$269,231, respectively.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Long-term debt as of September 30, 2025, consists of the following individual issues:

Promissory Note, 2007

The \$4,400,000 promissory note was obtained for the purpose of financing the expansion of the Town’s water treatment plant. As of September 30, 2025, proceeds in the amount of \$4,299,000 have been received from the note. Interest only is due for the first twenty-four months. Thereafter, interest and principal are due in monthly installments through February, 2029. For the interest only period, the annual interest rate shall be 0.67% plus 63.7% of the LIBOR. After the interest only period, the interest rate will be a fixed rate at 84% of the ask yield on the non-callable U.S. Treasury obligation with a maturity closest to but not less than 10 years after the Fixed Rate Conversion Date, as quoted in the Wall Street Journal on the date two business days before the Fixed Rate Conversion Date. As of September 30, 2025, the interest rate was 3.41%. Based on the rate as of September 30, 2025, annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Payment
2026	\$ 268,421	\$ 28,459	\$ 296,880
2027	277,729	19,151	296,880
2028	287,333	9,547	296,880
2029	122,724	973	123,697
Total	<u>\$ 956,207</u>	<u>\$ 58,130</u>	<u>\$ 1,014,337</u>

\$5,050,000 Revenue Note, Series 2022

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 will be received on a draw-down basis to pay construction costs for the new fire station. The Note bears interest at a variable rate not to exceed 5.00%. On October 3, 2023, the Town converted a draw on the Note in the amount of \$4,997,900 into the Revenue Note with an interest rate of 3.25%.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

\$5,050,000 Revenue Note, Series 2022 (Continued)

Annual debt service requirements to maturity as of September 30, 2025 are as follows:

Year Ending September 30	Principal	Interest	Payment
2026	\$ 553,718	\$ 124,001	\$ 677,719
2027	571,916	105,803	677,719
2028	590,713	87,006	677,719
2029	610,127	67,592	677,719
2030	630,179	47,540	677,719
2031-2032	984,373	32,205	1,016,578
Total	<u>\$ 3,941,026</u>	<u>\$ 464,147</u>	<u>\$ 4,405,173</u>

The loan agreement includes a provision that upon an event of default the lender may recover from the Town all expenses incurred including without limitation reasonable attorneys' fees, at all levels of the proceedings, whether incurred in connection with collection, bankruptcy proceedings, trial, appeal or otherwise, provided, that acceleration shall not be an available remedy.

State Revolving Fund Loan – DW 500200

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$198,311 and pledged ad valorem taxes were \$13,356,017. At September 30, 2025, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$991,555. As of September 30, 2025, outstanding principal, including capitalized interest, was \$918,805. The loan bears interest at 2.82%. The Town must fix, establish, maintain, and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan – DW 500200 (Continued)

Annual debt service requirements to maturity as of September 30, 2025 are as follows:

Year Ending September 30	Principal	Interest	Payment
2026	\$ 173,616	\$ 24,695	\$ 198,311
2027	178,547	19,764	198,311
2028	183,617	14,694	198,311
2029	188,832	9,479	198,311
2030	194,193	4,118	198,311
Total	<u>\$ 918,805</u>	<u>\$ 72,750</u>	<u>\$ 991,555</u>

State Revolving Fund Loan - DW500201

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the State Road A1A Water Transmission Main Replacement. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$52,136 and pledged ad valorem taxes were \$13,356,017. At September 30, 2025, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$260,680. As of September 30, 2025, outstanding principal, including capitalized interest, was \$242,907. The loan bears interest at 2.61%. The Town must fix, establish, maintain, and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Annual debt service requirements to maturity as of September 30, 2025 are as follows:

Year Ending September 30	Principal	Interest	Payment
2026	\$ 46,095	\$ 6,041	\$ 52,136
2027	47,306	4,830	52,136
2028	48,549	3,587	52,136
2029	49,824	2,312	52,136
2030	51,133	1,003	52,136
Total	<u>\$ 242,907</u>	<u>\$ 17,773</u>	<u>\$ 260,680</u>

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loan - DW500210

The State of Florida Department of Environmental Protection, State Revolving Fund Loan was obtained for the project referred to as the Water Infrastructure Improvement Projects. The loan is payable from and secured by ad valorem taxes. Principal and interest paid for the current fiscal year was \$263,473, and pledged ad valorem taxes were \$13,356,017. The loan agreement award is for a total of \$4,702,856. At September 30, 2025, principal and interest to maturity in 2038 to be paid from pledged future revenues totaled \$3,293,409. As of September 30, 2025, outstanding principal, including capitalized interest, was \$3,053,682. The loan bears interest at 1.18%. The Town must fix, establish, maintain, and collect ad valorem taxes which will at least equal 115% of the debt service requirements each fiscal year plus 100% of all additional debt service requirements.

Annual debt service requirements to maturity as of September 30, 2025 are as follows:

Year Ending September 30	Principal	Interest	Payment
2026	\$ 228,110	\$ 35,363	\$ 263,473
2027	230,810	32,663	263,473
2028	233,541	29,932	263,473
2029	236,305	27,168	263,473
2030	239,102	24,371	263,473
2031-2035	1,238,631	78,732	1,317,363
2036-2038	647,183	11,498	658,681
Total	\$ 3,053,682	\$ 239,727	\$ 3,293,409

State Revolving Fund Loans - Remedies Upon Any Event of Default

The State Revolving Fund Loan Agreements contain provisions that upon an event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights by any of the following remedies:

1. By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the Water System, and to require the Town to fulfill the Loan Agreement.
2. By action or suit in equity, require the Town to account for all moneys received from the Department or from the ownership of the Project and to account for the receipt, use, application, or disposition of the Pledged Revenues.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

State Revolving Fund Loans - Remedies Upon Any Event of Default (Continued)

3. By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Department.
4. By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the Project, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under the Loan Agreement.
5. By notifying financial market credit rating agencies and potential creditors.
6. By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.
7. By certifying to the Auditor General and the Chief Financial Officer delinquency on loan repayments, the Department may intercept the delinquent amount plus six percent, expressed as an annual interest rate, penalty of the amount due to the Department from any unobligated funds due to the Town under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.
8. By accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the Loans to as much as 1.667 times the Loan interest rates for default.

Contract That Transfers Ownership

In December 2023, the Town entered into a contract with Motorola Solutions Credit Company, LLC (Lender) in the principal amount of \$231,180 for the purpose of financing the purchase of communications equipment for the Police Department. Principal and interest payments are due annually beginning on January 1, 2025 and ending on January 1, 2029. The agreement bears interest at 6.23%. As of September 30, 2025, the principal amount outstanding was \$190,456 and the net book value of the equipment was \$138,708. As of September 30, 2025, the annual debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Payment
2026	\$ 43,388	\$ 11,866	\$ 55,254
2027	46,092	9,162	55,254
2028	48,963	6,291	55,254
2029	52,013	3,241	55,254
Total	<u>\$ 190,456</u>	<u>\$ 30,560</u>	<u>\$ 221,016</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Contract That Transfers Ownership (Continued)

During the term of the agreement, title to the equipment will vest in the Town and Lender will have no security interest therein. Notwithstanding the obligations of Town to pay the payments, this agreement shall not result in the creation of any lien, charge, security interest or other encumbrance upon the equipment and Lender shall have no right to involuntarily dispossess the Town of the use and enjoyment of or title to the equipment.

The agreement includes a provision that upon the occurrence of any event of default, Lender may, at its option, exercise any one or more of the following remedies: (i) by written notice to the Town, declare all amounts then due and all remaining payments due during the fiscal year in effect when the default occurs to be immediately due and payable, whereupon the same shall become immediately due and payable; (ii) request by written notice that the Town promptly deliver the equipment to Lender or its assignee; and (iii) exercise any other right, remedy or privilege which may be available to it under applicable laws of the state of the equipment location or any other applicable law or proceed by appropriate court action to enforce the terms of the agreement or to recover damages for the breach of the agreement or to rescind the agreement as to any or all of the equipment.

As of September 30, 2025, governmental activities capital assets include equipment acquired pursuant to the agreement with a cost of \$231,180 and accumulated depreciation of \$92,472.

NOTE 8 – DEFINED CONTRIBUTION PLAN

Town Manager Retirement Plan

On August 29, 2019, the Town approved Resolution 19R establishing a Money Purchase Plan (the “Plan”) with ICMA effective October 1, 2019, for the town manager. The Town is required to contribute 16% of earnings to the plan for the town manager. There are no mandatory participant contributions required. The town manager may make voluntary pretax contributions to the Plan based upon a percentage of base payroll. For the year ended September 30, 2025, the Town made the required contribution of \$53,849. Under the plan provisions, normal retirement age is 60 and contributions vest immediately.

The Plan is administered by a third party that provides various pooled investment alternatives. Participants direct the allocation of contributions to investment alternatives offered under the Plan. Because the Town does not hold or administer funds for the Plan, the Plan does not meet the criteria for inclusion in the Town’s financial statements as a fiduciary fund.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – FLORIDA RETIREMENT SYSTEM

General Information

On August 2, 2005, the Town approved Resolutions 841 which established the policy that all general employees of the Town, except those excluded by law, shall participate in the Florida Retirement System (FRS) effective October 1, 2005. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan

Plan Description

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

- Regular Class
- Special Risk Class
- Elected Officials Class
- Senior Management Service Class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All vested members, enrolled in the plan on or after July 1, 2011, are eligible for normal retirement benefits at age 65 or any age after 33 years of service.

Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months (96 months effective July 1, 2023) after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Benefits Provided (Continued)

belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

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

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Elected Officials Class	3.00%
Senior Management Service Class	2.00%

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

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the fiscal year ended September 30, 2025 were as follows:

Class	10/01/24 through 06/30/25	07/01/25 through 09/30/25
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
Elected Officials Class	58.68%	54.57%
DROP	21.13%	22.02%

The employer contribution rates include a 2.00% HIS Plan subsidy for the period October 1, 2024 through September 30, 2025. Except for the DROP, the rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2025, the Town made contributions of \$1,902,401 to the Pension Plan and the Town’s employees made contributions of \$196,763 for total contributions of \$2,099,164.

As of September 30, 2025, the Town reported a liability of \$9,709,508 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Town’s proportionate share of the net pension liability was based on the Town’s 2024-2025 fiscal year contributions relative to the 2024-2025 fiscal year contributions of all participating members. As of June 30, 2025, the Town’s proportionate share was 0.031285538%, which was an increase of 0.010405653% from its proportionate share measured as of June 30, 2024.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended September 30, 2025, the Town recognized pension expense of \$2,101,950 related to the Plan. The Town also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,037,078	\$ -
Change of assumptions	1,127,526	-
Net difference between projected and actual earnings	-	1,621,100
Change in proportion and differences between Town contributions and proportionate share of contributions	4,014,156	47,038
Town contributions subsequent to the measurement date	585,275	-
Total	<u>\$ 6,764,035</u>	<u>\$ 1,668,138</u>

The deferred outflows of resources related to the Pension Plan, totaling \$585,275 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Net Amortization
2026	\$ 2,669,873
2027	863,033
2028	695,525
2029	282,191
2030	-
Thereafter	-
	<u>\$ 4,510,622</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions

The total pension liability as of the June 30, 2025 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2025
Measurement date	June 30, 2025
Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Mortality	Generational PUB-2010 with Projection Scale MP-2021
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2025, were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return assumption of 6.70% used in GASB discount rate calculations consists of two building block components: 1) a long-term average annual inflation assumption of 2.40% as most recently adopted in October 2025 by the FRS Actuarial Assumption Conference; 2) an inferred real (in excess of inflation) return of 4.2%. Geometrically combining those building blocks generates an expected nominal return of 6.70%. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.70% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions (Continued)

For reference, the table below contains a summary of Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.2%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global Equity	45.0%	8.5%	6.9%	18.3%
Real Estate	12.0%	8.4%	7.1%	16.8%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.5%

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

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2025 was 6.70%, which remained unchanged from the rate of 6.70% used as of June 30, 2024. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 - FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan (Continued)

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	5.70%	6.70%	7.70%
Net pension liability	\$ 19,054,759	\$ 9,709,508	\$ 1,874,584

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the Pension Plan

As of September 30, 2025, the Town did not report a payable to the Pension Plan.

Retiree Health Insurance Subsidy Program (HIS Plan)

Plan Description

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

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 - FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (HIS Plan) (Continued)

Benefits Provided

For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution was 2.00%. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$165,417 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of September 30, 2025, the Town reported a liability of \$2,213,236 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Town's proportionate share of the net pension liability was based on the Town's 2024-2025 fiscal year contributions relative to the 2024-2025 fiscal year contributions for all participating members. As of June 30, 2025, the Town's proportionate share was 0.017267375%, which was an increase of 0.004651961% from its proportionate share measured as of June 30, 2024.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (HIS Plan) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended September 30, 2025, the Town recognized pension expense of \$272,048. The Town also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,212	\$ 3,511
Change of assumptions	19,590	535,325
Net difference between projected and actual earnings	-	1,844
Change in proportion and differences between Town contributions and proportionate share of contributions	1,003,352	4,021
Town contributions subsequent to the measurement date	45,078	-
Total	<u>\$ 1,081,232</u>	<u>\$ 544,701</u>

The deferred outflows of resources related to the HIS Plan, totaling \$45,078 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Net Amortization
2026	\$ 107,428
2027	85,114
2028	105,116
2029	122,749
2030	71,046
Thereafter	-
	<u>\$ 491,453</u>

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (HIS Plan) (Continued)

Actuarial Assumptions

The total pension liability as of the June 30, 2025 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2024
Measurement date	June 30, 2025
Inflation	2.40%
Salary increases	3.50%, average, including inflation
Municipal bond rate	5.20%
Investment rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP-2021
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2025 were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 5.20%, which increased from the discount rate of 3.93% as of June 30, 2024. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (HIS Plan) (Continued)

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	4.20%	5.20%	6.20%
Net pension liability	\$ 2,495,780	\$ 2,213,236	\$ 1,976,272

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the Pension Plan

As of September 30, 2025, the Town did not report a payable to the HIS Plan.

Investment Plan

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida. The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment Plan (Continued)

Plan Description (Continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town's employees for the fiscal year ended September 30, 2025, are as follows:

Class	10/01/24 through 06/30/25	07/01/25 through 09/30/25
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
Elected Officials Class	58.68%	54.57%
DROP	21.13%	22.02%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment Plan (Continued)

Funding Policy (Continued)

vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income. The Town’s Investment Plan pension expense totaled \$192,651 for the fiscal year ended September 30, 2025.

NOTE 10 – SUMMARY INFORMATION FOR DEFINED BENEFIT PENSION PLANS

The following table provides a summary of significant information related to the Town’s defined benefit pension plans for the year ended September 30, 2025. The information for the Florida Retirement System Pension Plan and the Florida Retirement System Health Insurance Subsidy Program are the Town’s proportionate share of the items.

Description	FRS Pension Plan	FRS HIS Program	Total
Total pension liability	\$ 76,217,971	\$ 2,363,507	\$ 78,581,478
Plan fiduciary net position	66,508,463	150,271	66,658,734
Net pension liability	9,709,508	2,213,236	11,922,744
Deferred outflows of resources	6,764,035	1,081,232	7,845,267
Deferred inflows of resources	1,668,138	544,701	2,212,839
Pension expense	2,101,950	272,048	2,373,998

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

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

Plan Membership

The following table provides a summary of the participants in the plan as of October 1, 2023, the latest valuation date:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	-
Active plan members	50
	51
	51

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate

The Town does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of October 1, 2024, the municipal bond rate was 3.81% based on the daily rate of Fidelity’s 20-Year Municipal General Obligation AA Index closest to but not later than the measurement date. The discount rate as of the beginning of the measurement year was 4.63%.

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Valuation date	October 1, 2023
Measurement date	October 1, 2024
Reporting date	September 30, 2025
Actuarial cost method	Individual Entry Age
Inflation	2.40%
Discount rate	3.81% per annum
Salary increases	3.40% - 8.20% depending on member’s age and service
Mortality Tables	PUB-2010 Tables with generational improvements using Scale MP-2018
Healthcare cost trend rates	Starting at 6.1% gradually decreasing to an ultimate rate of 4.0% in 2050
Expenses	Administrative expenses equal to prior year paid expenses

Changes in Assumptions

The discount rate was changed from 4.63% as of October 1, 2023 to 3.81% as of October 1, 2024.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

Description	Total OPEB Liability
Balance September 30, 2024	\$ 128,527
Changes due to:	
Service cost	43,133
Interest on the total OPEB liability	7,879
Benefit changes	-
Difference between expected and actual experience	-
Change of assumptions and other inputs	18,501
Benefit payments	<u>(3,055)</u>
Total changes	<u>66,458</u>
Balance September 30, 2025	<u>\$ 194,985</u>

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

The following table presents the total OPEB liability of the Town calculated using the single discount rate of 3.81% as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	2.81%	3.81%	4.81%
Total OPEB liability	\$ 221,797	\$ 194,985	\$ 172,785

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

The following table presents the total OPEB liability calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the assumed trend rates.

Healthcare Trend Rate	1% Decrease	Current Healthcare Trend Rate 6.1% to 4.0%	1% Increase
Total OPEB liability	\$ 159,353	\$ 194,985	\$ 240,398

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

For the year ended September 30, 2025, the Town recognized OPEB expense of \$15,841. As of September 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 38,577	\$ 109,364
Change of assumptions	17,368	45,298
	<u>\$ 55,945</u>	<u>\$ 154,662</u>

The deferred outflows of resources related to benefits paid after the measurement date will be recognized as a reduction in the Total OPEB liability in the fiscal year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense
(Continued)

Fiscal Year Ending September 30	Net Amortization
2026	\$ (43,410)
2027	(39,066)
2028	(12,680)
2029	(12,973)
2030	1,396
Thereafter	8,016
	<u>\$ (98,717)</u>

NOTE 12 – ADMINISTRATIVE CHARGE BY THE GENERAL FUND TO THE WATER UTILITY FUND

During the year ended September 30, 2025, the cost of administrative services rendered by the General Fund to the Water Utility Enterprise Fund was shown as revenue in the General Fund and as an operating expense in the enterprise. The amount charged by the General Fund was \$550,000.

NOTE 13 – ADMINISTRATIVE CHARGE BY THE GENERAL FUND TO THE BUILDING FUND

During the year ended September 30, 2025, the cost of administrative services rendered by the General Fund to the Building Special Revenue Fund was shown as revenue in the General Fund and as current expenditures in the Building Fund. The amount charged by the General Fund was \$500,000.

NOTE 14 – ADMINISTRATIVE CHARGE BY THE WATER UTILITY FUND TO THE SEWER UTILITY FUND

During the year ended September 30, 2025, the cost of administrative services rendered by the Water Utility Enterprise Fund to the Sewer Utility Enterprise Fund was shown as revenue in the Water Fund and as an operating expense in the Sewer Fund. The amount charged by the Water Fund was \$220,000.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 15 – RISK MANAGEMENT

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

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

NOTE 16 – CONTINGENCIES

Litigation

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

Grants

Grant monies received and disbursed by the Town are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. The Town does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material adverse effect on the financial position of the Town.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 17 – LEASES

Lessor Lease—Cell Tower

In December 2018, the Town entered into a lease agreement with Sprint Spectrum LP which allows the use of the Town’s land for a transmission tower site. The original term of the agreement was for a period of five years. The agreement was amended on May 8, 2006, March 5, 2013, September 9, 2016, July 1, 2017, and January 2, 2024. The agreement expires December 13, 2028. The lease activity is recorded in the General Fund and the Governmental Activities.

Under the terms of the lease the annual rent is as follows:

<u>Year Ending September 30</u>	<u>Annual Rent</u>
2026	\$ 60,603
2027	\$ 62,422
2028	\$ 64,295
2029	\$ 10,768

As of September 30, 2025, the Town reported a lease receivable of \$185,593 and deferred inflow of resources of \$174,845. For the year ended September 30, 2025, the Town recognized lease revenue of \$55,215 and interest income of \$8,525. The discount rate was 4.0%.

Annual amortization of the lease receivable and deferred inflows of resources are as follows:

Year Ending September 30	Payment	Interest Revenue	Receivable Reduction	Lease Receivable	Lease Revenue	Deferred Inflows of Resources	Total Revenue
2026	\$ 60,603	\$ 6,442	\$ 54,161	\$ 131,432	\$ 55,215	\$ 119,630	\$ 61,657
2027	62,422	4,203	58,219	73,213	55,215	64,415	59,418
2028	64,295	1,796	62,499	10,714	55,215	9,200	57,011
2029	10,768	54	10,714	-	9,200	-	9,254
	<u>\$ 198,088</u>	<u>\$ 12,495</u>	<u>\$ 185,593</u>		<u>\$ 174,845</u>		<u>\$ 187,340</u>

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Lessee Leases – Copiers and Postage Meter

The Town has entered into lease agreements for the right to use five photocopiers and a postage meter. Commencing January 2024, the terms of the leases for five copiers were 36 months. The monthly rents for the copiers range from \$110 to \$218. The Town has also entered into a lease agreement for the right to use a postage meter. As of October 1, 2021, the term of the lease was 56 months. The monthly rent is \$206.

As of September 30, 2025, the Town reported a combined lease liability of \$15,954 for the copiers and the postage meter. The discount rates for the five copies are 4.00% and the discount rate for the postage meter is 3.00%. The amortization of the lease liability is as follows:

Year Ended				
September 30	Principal	Interest	Payment	
2026	\$ 13,031	\$ 384	\$	13,415
2027	2,923	20	\$	2,943
	\$ 15,954	\$ 404	\$	16,358

NOTE 18 - COMMITMENTS

Solid Waste and Recycling Collection Services

In November 2014, the Town entered into an agreement with Waste Management Inc. of Florida to provide solid waste and recycling collection services. The term of the agreement is for the period beginning January 1, 2015 and expiring May 31, 2020. The agreement may be renewed for one three-year term, at the discretion of the Town. The agreement was renewed for a three-year term beginning June 1, 2020 and ending May 31, 2023. In May 2023, the Town entered into a new agreement with Waste Management Inc. of Florida to provide solid waste and recycling collection services. The term of the agreement is for the period beginning June 1, 2023 and expiring May 31, 2028. The agreement may be renewed for two one-year terms, upon mutual agreement of the parties. Under the terms of the agreements, the Town pays an established rate per month per unit for curbside pickup and containerized pickup. Waste Management bills the Town monthly for services provided. For the year ended September 30, 2025, the Town made payments totaling \$1,084,387 pursuant to the agreements.

**TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 18 – COMMITMENTS (Continued)

Encumbrances

Significant encumbrances as of September 30, 2025 are as follows:

Major Funds:	
General Fund	\$ 352,187
Water Fund	72,670
Sewer Fund	311,927
Nonmajor Funds:	
Infrastructure Surtax Fund	104,572

Construction Commitments

As of September 30, 2025, the Town entered into the following commitments for construction of various improvements:

Project	Contract Amount	Amount Completed	Amount to Complete
PD Facility Expansion	158,174	51,735	106,439
Fire Station Rehabilitation	132,970	45,109	87,861
Sewer Relining	1,342,142	-	1,342,142
	1,633,286	96,844	1,536,442

NOTE 19 – INTERLOCAL GOVERNMENTAL AGREEMENTS

Sewage Disposal Services

The Town has entered into an agreement with the City of Delray Beach (the City) under which the City provides sewage disposal services to the Town. Under the terms of the agreement the City charges the Town a rate per gallon based on the cost of providing the services. The agreement will expire in 2030. For the year ended September 30, 2025, the Town made payments totaling \$841,750 pursuant to the agreement.

TOWN OF HIGHLAND BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 19 – INTERLOCAL GOVERNMENTAL AGREEMENTS (Continued)

Building Department Services

In September 2022, the Town of Highland Beach entered into an agreement with the Town of Gulf Stream under which the Town of Highland Beach provides building department services for the Town of Gulf Stream. Under the terms of the agreement, the Town of Highland Beach shall perform inspection and permitting services, except for the review of the Town of Gulf Stream's zoning code, related to building permits. The Town of Highland Beach collects the building permit fees with 5% allocated to the Town of Gulf Stream for administrative services. This agreement shall be of a continuing nature unless cancelled by either party for any reason and without penalty. For the year ended September 30, 2025, the Town received payments totaling \$688,559 for services provided under the agreement.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 26, 2026 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS)**

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2025

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes				
Ad valorem taxes	\$ 13,243,591	\$ 13,243,591	\$ 13,356,075	\$ 112,484
Local option gas tax	37,500	37,500	35,389	(2,111)
Communications service tax	265,000	265,000	214,989	(50,011)
Utility service tax	250,000	250,000	273,066	23,066
Total taxes	<u>13,796,091</u>	<u>13,796,091</u>	<u>13,879,519</u>	<u>83,428</u>
Permits and fees				
Franchise fees	525,000	525,000	559,376	34,376
Total permits and fees	<u>525,000</u>	<u>525,000</u>	<u>559,376</u>	<u>34,376</u>
Intergovernmental				
Grants	22,000	483,324	531,369	48,045
State revenue sharing	160,000	160,000	151,053	(8,947)
Alcoholic beverage licenses	800	800	636	(164)
Half cent sales tax	475,000	475,000	418,973	(56,027)
Motor fuel tax rebate	1,600	1,600	559	(1,041)
Local shared revenues	12,000	12,000	11,767	(233)
Total intergovernmental	<u>671,400</u>	<u>1,132,724</u>	<u>1,114,357</u>	<u>(18,367)</u>
Fines and forfeitures				
Court fines	2,000	2,000	1,290	(710)
Library fines and fees	2,000	2,000	1,926	(74)
Violation of local ordinance	10,000	10,000	36,275	26,275
Miscellaneous	800	800	980	180
Total fines and forfeitures	<u>14,800</u>	<u>14,800</u>	<u>40,471</u>	<u>25,671</u>
Rent				
Sprint PCS	56,000	56,000	59,244	3,244
Total rent	<u>56,000</u>	<u>56,000</u>	<u>59,244</u>	<u>3,244</u>
Interest				
Interest on investment	500,000	500,000	440,580	(59,420)
Tax collector interest	5,000	5,000	10,935	5,935
Other interest	-	-	8,525	8,525
Total interest	<u>505,000</u>	<u>505,000</u>	<u>460,040</u>	<u>(44,960)</u>

(continued)

See notes to the budgetary required supplemental information

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2025
(Continued)

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (continued):				
Charges for services				
Zoning fees	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Sales of documents	30,000	30,000	45,269	15,269
Solid waste fees	1,050,000	1,050,000	1,075,462	25,462
Lot mowing	-	-	123,471	123,471
Total charges for services	<u>1,081,000</u>	<u>1,081,000</u>	<u>1,244,202</u>	<u>163,202</u>
Miscellaneous				
Administrative reimbursements	1,050,000	1,050,000	1,050,000	-
Donations	-	20,000	32,000	12,000
Other	40,000	40,000	216,077	176,077
Total miscellaneous	<u>1,090,000</u>	<u>1,110,000</u>	<u>1,298,077</u>	<u>188,077</u>
Total revenues	<u>17,739,291</u>	<u>18,220,615</u>	<u>18,655,286</u>	<u>434,671</u>
Expenditures:				
General government:				
Town commission	243,685	358,685	320,612	38,073
Town manager	751,690	743,385	648,574	94,811
Town clerk	465,750	502,513	404,335	98,178
Finance	636,000	636,000	584,568	51,432
Public works	1,505,510	1,506,660	611,621	895,039
Non-departmental	561,360	690,634	655,304	35,330
Total general government	<u>4,163,995</u>	<u>4,437,877</u>	<u>3,225,014</u>	<u>1,212,863</u>
Public safety:				
Police	4,571,610	5,388,579	5,049,782	338,797
Fire rescue	6,444,560	6,592,866	6,805,061	(212,195)
Total public safety	<u>11,016,170</u>	<u>11,981,445</u>	<u>11,854,843</u>	<u>126,602</u>

(continued)

See notes to the budgetary required supplemental information

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2025
(Continued)

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (continued)				
Library	\$ 493,651	\$ 493,651	\$ 476,659	\$ 16,992
Sanitation	1,075,350	1,085,350	1,084,387	963
Contingency	300,000	19,000	-	19,000
Total expenditures	17,049,166	18,017,323	16,640,903	1,376,420
Excess of revenues over (under) expenditures	690,125	203,292	2,014,383	1,811,091
Other financing sources (uses):				
Transfers out	(55,000)	(55,000)	(54,998)	2
Total other financing sources (uses)	(55,000)	(55,000)	(54,998)	\$ 2
Net change in fund balances	\$ 635,125	\$ 148,292	1,959,385	\$ 1,811,093
Fund balance, beginning of year			8,296,401	
Fund balance, end of year			\$ 10,255,786	

See notes to the budgetary required supplemental information

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Building Fund
For the Fiscal Year Ended September 30, 2025

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Permits and fees	\$ 1,887,000	\$ 1,887,000	\$ 2,457,099	\$ 570,099
Interest	110,000	110,000	196,412	86,412
Charges for services	129,350	129,350	191,223	61,873
Total revenues	2,126,350	2,126,350	2,844,734	718,384
Expenditures:				
Public safety:				
Protective inspections	2,361,250	2,383,028	2,135,425	247,603
Total expenditures	2,361,250	2,383,028	2,135,425	247,603
Excess of revenues over (under) expenditures	(234,900)	(256,678)	709,309	965,987
Other financing sources (uses):				
Transfers in	55,000	55,000	54,998	(2)
Total other financing sources (uses)	55,000	55,000	54,998	(2)
Net change in fund balances	\$ (179,900)	\$ (201,678)	764,307	\$ 965,985
Fund balance, beginning of year			3,598,986	
Fund balance, end of year			\$ 4,363,293	

See notes to the budgetary required supplemental information

TOWN OF HIGHLAND BEACH, FLORIDA
Notes to the Budgetary Required Supplemental Information
September 30, 2025

NOTE 1. Budgets and Budgetary Accounting

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

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

Changes or amendments to the total budgeted expenditures of the Town at the fund level must be approved by the Commission. Changes between departments which do not affect fund totals may be approved on the administrative level. Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations are legally controlled at the fund level and expenditures may not exceed budgeted appropriations at that level.

NOTE 2. Encumbrances

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

NOTE 3. Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, expenditures did not exceed appropriations for the General Fund or the Building Fund.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability and Related Ratios

	10/01/2017	10/01/2017	10/01/2019	10/01/2019	10/01/2021	10/01/2021	10/01/2023	10/01/2023
Actuarial Valuation Date	10/01/2017	10/01/2017	10/01/2019	10/01/2019	10/01/2021	10/01/2021	10/01/2023	10/01/2023
Measurement Date	10/01/2017	10/01/2018	10/01/2019	10/01/2020	10/01/2021	10/01/2022	10/01/2023	10/01/2024
Employer's Reporting Date	09/30/2018	09/30/2019	09/30/2020	09/30/2021	09/30/2022	09/30/2023	09/30/2024	09/30/2025
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability - beginning	\$ 215,454	\$ 306,113	\$ 342,836	\$ 165,955	\$ 192,632	\$ 101,827	\$ 88,010	\$ 128,527
Changes for the year:								
Service cost	26,340	44,095	43,851	20,156	21,075	16,756	11,448	43,133
Interest	9,148	12,177	14,678	5,085	5,168	2,588	4,342	7,879
Benefit changes	-	-	-	-	-	-	125	-
Difference between expected and actual experience	-	-	(223,805)	-	(111,079)	-	49,003	-
Changes of assumptions	58,821	(14,859)	(4,652)	2,343	(3,866)	(32,281)	(22,844)	18,501
Benefit payments and refunds	(3,650)	(4,690)	(6,953)	(907)	(2,103)	(880)	(1,557)	(3,055)
Net change in total OPEB liability	90,659	36,723	(176,881)	26,677	(90,805)	(13,817)	40,517	66,458
Total OPEB liability - ending	\$ 306,113	\$ 342,836	\$ 165,955	\$ 192,632	\$ 101,827	\$ 88,010	\$ 128,527	\$ 194,985
Covered-employee payroll	\$ 3,049,223	\$ 2,556,053	\$ 2,755,738	\$ 2,895,678	\$ 2,995,022	\$ 3,116,225	\$ 4,846,514	\$ 5,094,981
Total OPEB liability as a percentage of covered-employee payroll	10.04%	13.41%	6.02%	6.65%	3.40%	2.82%	2.65%	3.83%

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB Plan.

Changes in Assumptions

The discount rate changed as follows:

October 1, 2018 measurement date	3.83%
October 1, 2019 measurement date	2.74%
October 1, 2020 measurement date	2.43%
October 1, 2021 measurement date	2.19%
October 1, 2022 measurement date	4.40%
October 1, 2023 measurement date	4.63%
October 1, 2024 measurement date	3.81%

For the October 1, 2019 valuation date, the mortality assumption changed from RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA to PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2018. Health care costs, premiums, and cost trends were also updated. For the October 1, 2021 valuation date, the inflation rate decreased from 2.6% to 2.4% and the salary increases decreased from 3.6% - 8.4% to 3.4% - 8.2%. For the October 1, 2023 valuation date, the health care trend rates changed from 6.3% - 3.4% to 6.1% - 4.0%.

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Pension Plan
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Contractually Required Contribution	Town's Contributions In Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	Town's Covered Payroll	Town's Contributions As a Percent of Covered Payroll
2016	\$ 292,521	\$ 292,521	\$ -	\$ 1,989,913	14.70%
2017	\$ 312,670	\$ 312,670	\$ -	\$ 2,074,302	15.07%
2018	\$ 337,341	\$ 337,341	\$ -	\$ 2,126,277	15.87%
2019	\$ 427,611	\$ 427,611	\$ -	\$ 2,561,478	16.69%
2020	\$ 452,122	\$ 452,122	\$ -	\$ 2,618,237	17.27%
2021	\$ 445,083	\$ 445,083	\$ -	\$ 2,454,444	18.13%
2022	\$ 543,744	\$ 543,744	\$ -	\$ 2,724,826	19.96%
2023	\$ 744,161	\$ 744,161	\$ -	\$ 3,379,667	22.02%
2024	\$ 1,372,495	\$ 1,372,495	\$ -	\$ 5,195,084	26.42%
2025	\$ 1,902,401	\$ 1,902,401	\$ -	\$ 6,824,710	27.88%

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Employer Proportionate Share of Net Pension Liability
Florida Retirement System
Pension Plan
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability As a Percent of Covered Payroll	Plan Fiduciary Net Position As a Percent of the Total Pension Liability
2016	0.014810400%	\$ 3,739,630	\$ 1,894,770	197.37%	84.88%
2017	0.013937500%	\$ 4,122,614	\$ 2,046,749	201.42%	83.89%
2018	0.013527600%	\$ 4,074,584	\$ 2,111,773	192.95%	84.26%
2019	0.014753600%	\$ 5,080,935	\$ 2,502,063	203.07%	82.61%
2020	0.014789800%	\$ 6,410,119	\$ 2,518,832	254.49%	78.85%
2021	0.013597200%	\$ 1,027,112	\$ 2,432,803	42.22%	96.40%
2022	0.013580347%	\$ 5,052,980	\$ 2,589,086	195.16%	82.89%
2023	0.014356436%	\$ 5,720,585	\$ 3,161,974	180.92%	82.38%
2024	0.020879885%	\$ 8,077,322	\$ 4,489,297	179.92%	83.70%
2025	0.031285538%	\$ 9,709,508	\$ 6,620,282	146.66%	87.26%

Changes in Assumptions

The discount rate changed as follows:

2016	7.60%
2017	7.10%
2018	7.00%
2019	6.90%
2020	6.80%
2021	6.80%
2022	6.70%
2023	6.70%
2024	6.70%
2025	6.70%

For the October 1, 2019 valuation date, the mortality assumption changed from Generational RP-2000 with Projection Scale BB to PUB-2010 base table projected generationally with Scale MP-2018.

The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Annual Comprehensive Financial Report.

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Contractually Required Contribution	Town's Contributions In Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	Town's Covered Payroll	Town's Contributions As a Percent of Covered Payroll
2016	\$ 33,033	\$ 33,033	\$ -	\$ 1,989,913	1.66%
2017	\$ 34,433	\$ 34,433	\$ -	\$ 2,074,302	1.66%
2018	\$ 35,296	\$ 35,296	\$ -	\$ 2,126,277	1.66%
2019	\$ 42,521	\$ 42,521	\$ -	\$ 2,561,478	1.66%
2020	\$ 43,463	\$ 43,463	\$ -	\$ 2,618,237	1.66%
2021	\$ 40,744	\$ 40,744	\$ -	\$ 2,454,444	1.66%
2022	\$ 57,903	\$ 57,903	\$ -	\$ 3,696,187	1.57%
2023	\$ 74,179	\$ 74,179	\$ -	\$ 4,442,302	1.67%
2024	\$ 123,859	\$ 123,859	\$ -	\$ 6,441,957	1.92%
2025	\$ 165,417	\$ 165,417	\$ -	\$ 8,270,874	2.00%

TOWN OF HIGHLAND BEACH, FLORIDA
Required Supplementary Information
Schedule of Employer Proportionate Share of Net Pension Liability
Florida Retirement System
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability As a Percent of Covered Payroll	Plan Fiduciary Net Position As a Percent of the Total Pension Liability
2016	0.009017500%	\$ 1,050,955	\$ 1,894,770	55.47%	0.97%
2017	0.008631700%	\$ 922,946	\$ 2,046,749	45.09%	1.64%
2018	0.008472300%	\$ 896,719	\$ 2,111,773	42.46%	2.15%
2019	0.009303300%	\$ 1,040,941	\$ 2,502,063	41.60%	2.63%
2020	0.009195400%	\$ 1,122,738	\$ 2,518,832	44.57%	3.00%
2021	0.009108900%	\$ 1,117,345	\$ 2,432,803	45.93%	3.56%
2022	0.009307618%	\$ 985,825	\$ 3,592,834	27.44%	4.81%
2023	0.009576098%	\$ 1,520,812	\$ 4,171,428	36.46%	4.12%
2024	0.012615414%	\$ 1,892,435	\$ 5,679,530	33.32%	4.80%
2025	0.017267375%	\$ 2,213,236	\$ 8,008,143	27.64%	6.36%

Changes in Assumptions

The discount rate changed as follows:

2016	2.85%
2017	3.58%
2018	3.87%
2019	3.50%
2020	2.21%
2021	2.16%
2022	3.54%
2023	3.65%
2024	3.93%
2025	5.20%

The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Annual Comprehensive Financial Report.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2025

	Special Revenue Funds				Total Non-major Funds
	Open Space and Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement	
Assets:					
Cash and cash equivalents	\$ 35,489	\$ 1,383	\$ 67,051	\$ 1,053	\$ 104,976
Investments	228,197	8,892	431,147	6,774	675,010
Interest receivable	630	23	1,590	19	2,262
Due from other governments	-	-	42,015	-	42,015
Prepays	-	-	16,158	-	16,158
Total assets	<u>\$ 264,316</u>	<u>\$ 10,298</u>	<u>\$ 557,961</u>	<u>\$ 7,846</u>	<u>\$ 840,421</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,995	\$ -	\$ 1,995
Capital accounts payable/retainage payabl	-	-	47,973	-	47,973
Total liabilities	<u>-</u>	<u>-</u>	<u>49,968</u>	<u>-</u>	<u>49,968</u>
Fund balance:					
Nonspendable					
Prepays	-	-	16,158	-	16,158
Restricted for					
Recreational land acquisition	264,316	-	-	-	264,316
Library activities	-	10,298	-	-	10,298
Infrastructure	-	-	491,835	-	491,835
Law enforcement	-	-	-	7,846	7,846
Total fund balance	<u>264,316</u>	<u>10,298</u>	<u>507,993</u>	<u>7,846</u>	<u>790,453</u>
Total liabilities and fund balance	<u>\$ 264,316</u>	<u>\$ 10,298</u>	<u>\$ 557,961</u>	<u>\$ 7,846</u>	<u>\$ 840,421</u>

TOWN OF HIGHLAND BEACH, FLORIDA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2025

	Special Revenue Funds				Total Non-major Funds
	Open Space and Recreation Land	Library Donation	Infrastructure Surtax	Law Enforcement	
Revenues:					
Taxes	\$ -	\$ -	\$ 440,733	\$ -	\$ 440,733
Interest	13,247	487	33,429	394	47,557
Miscellaneous	-	565	-	-	565
Total revenues	<u>13,247</u>	<u>1,052</u>	<u>474,162</u>	<u>394</u>	<u>488,855</u>
Expenditures:					
General government	-	-	63,295	-	63,295
Capital outlay	-	-	594,212	-	594,212
Total expenditures	<u>-</u>	<u>-</u>	<u>657,507</u>	<u>-</u>	<u>657,507</u>
Net change in fund balances	13,247	1,052	(183,345)	394	(168,652)
Fund balances, beginning of year	<u>251,069</u>	<u>9,246</u>	<u>691,338</u>	<u>7,452</u>	<u>959,105</u>
Fund balances, end of year	<u>\$ 264,316</u>	<u>\$ 10,298</u>	<u>\$ 507,993</u>	<u>\$ 7,846</u>	<u>\$ 790,453</u>

TOWN OF HIGHLAND BEACH, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Infrastructure Surtax Fund
For the Fiscal Year Ended September 30, 2025

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 415,000	\$ 415,000	\$ 440,733	\$ 25,733
Interest	36,000	36,000	33,429	(2,571)
Total revenues	<u>451,000</u>	<u>451,000</u>	<u>474,162</u>	<u>23,162</u>
Expenditures:				
General government	-	63,295	63,295	-
Capital outlay	711,000	732,990	594,212	138,778
Total expenditures	<u>711,000</u>	<u>796,285</u>	<u>657,507</u>	<u>138,778</u>
Net change in fund balance	<u>\$ (260,000)</u>	<u>\$ (345,285)</u>	(183,345)	<u>\$ (115,616)</u>
Fund balance, beginning of year			<u>691,338</u>	
Fund balance, end of year			<u>\$ 507,993</u>	

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:</i>	
Net Position by Component.....	89-90
Changes in Net Position.....	91-92
Fund Balances, Governmental Funds.....	93-94
Changes in Fund Balances, Governmental Funds.....	95-96
Revenue Capacity	
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Assessed Value and Actual Value of Taxable Property.....	97
Direct and Overlapping Property Tax Rates.....	98
Principal Property Tax Payers.....	99
Property Tax Levies and Collections.....	100
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
Ratios of Outstanding Debt by Type.....	101
Ratios of General Bonded Debt Outstanding.....	102
Direct and Overlapping Governmental Activities Debt.....	103
Legal Debt Margin Information.....	104
Pledged-Revenue Coverage.....	105
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Demographic and Economic Information.....	106
Principal Employers.....	107
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	
Full-Time Equivalent Town Government Employees by Function/Program.....	108
Operating Indicators by Function/Program.....	109
Capital Asset Statistics by Function/Program.....	110

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

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

Fiscal Year Ended 9/30	2016	2017	2018	2019
Governmental activities				
Net investment in capital assets	\$ 5,155,445	\$ 4,867,370	\$ 4,668,927	\$ 4,626,465
Restricted	235,842	375,328	639,794	1,455,917
Unrestricted	5,366,163	5,587,777	5,629,803	4,671,892
Total governmental activities	\$ 10,757,450	\$ 10,830,475	\$ 10,938,524	\$ 10,754,274
Business type activities				
Net investment in capital assets	\$ 3,355,516	\$ 3,646,633	\$ 3,682,997	\$ 4,081,199
Restricted	228,383	229,897	214,340	214,420
Unrestricted	5,771,861	5,661,297	5,923,337	6,039,532
Total business type activities	\$ 9,355,760	\$ 9,537,827	\$ 9,820,674	\$ 10,335,151
Primary Government				
Net investment in capital assets	\$ 8,510,961	\$ 8,514,003	\$ 8,351,924	\$ 8,707,664
Restricted	464,225	605,225	854,134	1,670,337
Unrestricted	11,138,024	11,249,074	11,553,140	10,711,424
Total primary government	\$ 20,113,210	\$ 20,368,302	\$ 20,759,198	\$ 21,089,425

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

	2020	2021	2022	2023	2024	2025
\$	4,538,175	\$ 4,582,145	\$ 4,861,126	\$ 8,448,994	\$ 10,263,863	\$ 11,364,465
	2,035,043	2,192,932	2,626,108	3,857,121	4,630,157	5,153,746
	4,732,533	5,861,800	5,828,342	1,448,998	1,185,521	3,027,605
\$	11,305,751	\$ 12,636,877	\$ 13,315,576	\$ 13,755,113	\$ 16,079,541	\$ 19,545,816
\$	4,723,658	\$ 5,594,515	\$ 6,460,165	\$ 7,487,186	\$ 8,004,576	\$ 9,275,765
	231,735	388,643	49,432	51,276	53,125	54,158
	5,505,169	6,040,738	5,140,149	5,032,267	5,269,213	5,003,280
\$	10,460,562	\$ 12,023,896	\$ 11,649,746	\$ 12,570,729	\$ 13,326,914	\$ 14,333,203
\$	9,261,833	\$ 10,176,660	\$ 11,321,291	\$ 15,936,180	\$ 18,268,439	\$ 20,640,230
	2,266,778	2,581,575	2,675,540	3,908,397	4,683,282	5,207,904
	10,237,702	11,902,538	10,968,491	6,481,265	6,454,734	8,030,885
\$	21,766,313	\$ 24,660,773	\$ 24,965,322	\$ 26,325,842	\$ 29,406,455	\$ 33,879,019

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

Fiscal Year Ended 9/30	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	\$ 1,910,544	\$ 1,961,725	\$ 2,565,663	\$ 2,580,389
Public Safety	6,345,596	6,707,253	6,849,032	7,218,463
Culture/recreation	579,310	516,399	521,074	537,827
Public Works	490,981	492,947	513,735	1,253,961
Interest	-	-	-	-
Total governmental activities	\$ 9,326,431	\$ 9,678,324	\$ 10,449,504	\$ 11,590,640
Business type activities:				
Water utility	\$ 3,243,497	\$ 3,332,073	\$ 3,416,906	\$ 3,249,206
Sewer utility	1,109,658	994,083	1,065,506	1,104,554
Interest on long term debt	343,107	325,584	336,738	310,599
Total business type activities	4,696,262	4,651,740	4,819,150	4,664,359
Total primary government expenses	\$ 14,022,693	\$ 14,330,064	\$ 15,268,654	\$ 16,254,999
Program Revenues				
Charges for Services- Governmental Activities				
General Government	\$ 16,733	\$ 116,204	\$ 127,534	\$ 125,964
Public Safety	716,938	560,566	619,445	930,740
Culture recreation	8,955	4,657	4,069	3,900
Public Works	471,725	470,300	471,580	470,716
Total Charges for Services	1,214,351	1,151,727	1,222,628	1,531,320
Operating Grants and Contributions	14,536	17,598	18,126	18,669
Capital Grants and Contributions	-	-	-	-
Total governmental activities program revenues	\$ 1,228,887	\$ 1,169,325	\$ 1,240,754	\$ 1,549,989
Business type activities program revenue:				
Water utility	\$ 2,015,477	\$ 2,002,402	\$ 1,987,503	\$ 2,044,913
Sewer utility	1,027,246	1,054,354	1,085,969	1,128,148
Capital Grants and Contributions	-	-	-	-
Total business type activities program revenues	3,042,723	3,056,756	3,073,472	3,173,061
Total primary government program revenue	\$ 4,271,610	\$ 4,226,081	\$ 4,314,226	\$ 4,723,050
Net (expense) revenue				
Governmental activities	\$ (8,097,544)	\$ (8,508,999)	\$ (9,208,750)	\$ (10,040,651)
Business type activities	(1,653,539)	(1,594,984)	(1,745,678)	(1,491,298)
Total primary government net expense	\$ (9,751,083)	\$ (10,103,983)	\$ (10,954,428)	\$ (11,531,949)
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 8,319,187	\$ 8,211,536	\$ 8,608,075	\$ 8,925,672
Utility service taxes	698,651	708,943	760,603	968,395
Sales and use taxes	310,488	474,774	579,638	572,729
State revenue sharing	103,511	104,100	100,835	109,116
Investment earnings	30,938	42,713	144,231	223,638
Miscellaneous revenues	319,446	322,343	361,835	486,351
Gain (loss) on disposal of assets	7,013	3,615	1,598	-
Transfers	(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)
Total general revenues	\$ 8,503,234	\$ 8,582,024	\$ 9,139,273	\$ 9,856,401
Business type activities program revenue				
Investment earnings	\$ 20,311	\$ 21,906	\$ 81,210	\$ 122,387
Other miscellaneous revenues	160,541	143,561	142,027	143,289
Gain (loss) on disposal of assets	-	-	-	-
Transfers	1,286,000	1,286,000	1,417,542	1,429,500
Total business type activities program revenues	1,466,852	1,451,467	1,640,779	1,695,176
Total primary government	\$ 9,970,086	\$ 10,033,491	\$ 10,780,052	\$ 11,551,577
Changes in Net Position				
Government activities	\$ 405,690	\$ 73,025	\$ (69,477)	\$ (184,250)
Business type activities	(186,687)	(143,517)	(104,899)	203,878
Total primary government	\$ 219,003	\$ (70,492)	\$ (174,376)	\$ 19,628

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

	2020	2021	2022	2023	2024	2025
\$	2,624,269	\$ 2,493,189	\$ 2,763,923	\$ 3,332,160	\$ 3,195,006	\$ 3,265,921
	8,162,814	7,779,328	9,227,697	11,835,369	13,792,939	13,527,145
	516,450	430,705	615,291	591,113	550,346	559,023
	515,326	532,450	452,626	635,451	973,512	1,015,461
	-	-	1,349	521	168,915	155,050
\$	11,818,859	\$ 11,235,672	\$ 13,060,886	\$ 16,394,614	\$ 18,680,718	\$ 18,522,600
\$	3,468,469	\$ 3,013,791	\$ 3,293,639	\$ 3,678,301	\$ 3,958,327	\$ 3,938,146
	1,262,666	1,315,297	1,289,509	1,304,654	1,335,536	1,290,524
	277,530	234,772	205,987	169,497	130,759	110,664
	5,008,665	4,563,860	4,789,135	5,152,452	5,424,622	5,339,334
\$	16,827,524	\$ 15,799,532	\$ 17,850,021	\$ 21,547,066	\$ 24,105,340	\$ 23,861,934
\$	783,655	\$ 842,191	\$ 871,328	\$ 1,015,874	\$ 1,157,248	\$ 1,154,513
	1,239,136	1,213,717	1,677,171	2,447,935	2,450,748	2,811,217
	18,198	-	1,806	1,750	2,321	1,926
	527,453	533,491	564,392	776,238	994,357	1,075,462
	2,568,442	2,589,399	3,114,697	4,241,797	4,604,674	5,043,118
	-	29,304	19,758	21,326	23,053	102,610
	-	47,157	-	-	1,500,000	461,324
\$	2,568,442	\$ 2,665,860	\$ 3,134,455	\$ 4,263,123	\$ 6,127,727	\$ 5,607,052
\$	2,062,682	\$ 2,367,299	\$ 3,054,379	\$ 3,248,004	\$ 3,653,654	\$ 3,889,469
	1,155,248	1,188,036	1,370,646	1,635,285	1,809,808	1,912,488
	-	980,671	-	-	-	250,000
	3,217,930	4,536,006	4,425,025	4,883,289	5,463,462	6,051,957
\$	5,786,372	\$ 7,201,866	\$ 7,559,480	\$ 9,146,412	\$ 11,591,189	\$ 11,659,009
\$	(9,250,417)	\$ (8,569,812)	\$ (9,926,431)	\$ (12,131,491)	\$ (12,552,991)	\$ (12,915,548)
	(1,790,735)	(27,854)	(364,110)	(269,163)	38,840	712,623
\$	(11,041,152)	\$ (8,597,666)	\$ (10,290,541)	\$ (12,400,654)	\$ (12,514,151)	\$ (12,202,925)
\$	9,556,810	\$ 9,738,626	\$ 9,623,432	\$ 10,844,053	\$ 12,246,292	\$ 13,356,075
	271,081	251,365	500,817	531,930	504,550	488,055
	553,604	637,488	765,634	903,212	891,669	895,095
	90,843	103,763	150,226	165,836	162,852	164,015
	111,997	6,736	8,708	442,111	928,314	704,009
	647,563	584,953	589,103	619,755	574,197	774,574
	-	8,010	6,650	9,650	21,298	-
	(1,430,004)	(1,430,003)	(1,039,440)	(945,519)	(451,753)	-
\$	9,801,894	\$ 9,900,938	\$ 10,605,130	\$ 12,571,028	\$ 14,877,419	\$ 16,381,823
\$	46,000	\$ 3,007	\$ 3,824	\$ 239,441	\$ 259,349	\$ 289,535
	171,471	156,642	-	-	4,220	4,463
	(8,859)	23,601	-	5,186	2,023	(332)
	1,430,004	1,430,003	1,039,440	945,519	451,753	-
	1,638,616	1,613,253	1,043,264	1,190,146	717,345	293,666
\$	11,440,510	\$ 11,514,191	\$ 11,648,394	\$ 13,761,174	\$ 15,594,764	\$ 16,675,489
\$	551,477	\$ 1,331,126	\$ 678,699	\$ 439,537	\$ 2,324,428	\$ 3,466,275
	(152,119)	1,585,399	679,154	920,983	756,185	1,006,289
\$	399,358	\$ 2,916,525	\$ 1,357,853	\$ 1,360,520	\$ 3,080,613	\$ 4,472,564

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

Fiscal Year Ended 9/30	2016	2017	2018	2019
Nonspendable	\$ 26,371	\$ 19,969	\$ 86,093	\$ 77,829
Restricted	-	-	-	-
Assigned	2,597,318	4,922,400	3,640,887	2,954,157
Unassigned	5,965,456	4,163,722	5,543,284	6,095,616
Total general fund	\$ 8,589,145	\$ 9,106,091	\$ 9,270,264	\$ 9,127,602
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	235,842	375,328	639,794	1,455,917
Total all other governmental funds	\$ 235,842	\$ 375,328	\$ 639,794	\$ 1,455,917

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

2020	2021	2022	2023	2024	2025
\$ 80,620	\$ 4,390	\$ 11,761	\$ 30,249	\$ 66,732	\$ 76,860
-	-	-	36,606	72,066	-
7,947,499	7,752,714	8,326,978	6,000,459	5,371,438	6,547,785
1,979,196	2,830,474	2,258,249	986,865	2,786,165	3,631,141
<u>\$ 10,007,315</u>	<u>\$ 10,587,578</u>	<u>\$ 10,596,988</u>	<u>\$ 7,054,179</u>	<u>\$ 8,296,401</u>	<u>\$ 10,255,786</u>
-	-	-	-	18,486	16,158
2,035,043	2,192,932	2,626,108	3,820,515	4,539,605	5,137,588
<u>\$ 2,035,043</u>	<u>\$ 2,192,932</u>	<u>\$ 2,626,108</u>	<u>\$ 3,820,515</u>	<u>\$ 4,558,091</u>	<u>\$ 5,153,746</u>

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

Fiscal Year Ended 9/30	2016	2017	2018	2019
Revenues				
Taxes	\$ 8,319,187	\$ 8,211,536	\$ 8,608,075	\$ 8,925,672
Permits and fees	1,154,733	1,002,695	1,103,439	1,626,013
Intergovernmental	701,061	711,363	723,756	981,793
Charges for services	527,314	508,880	528,113	519,619
Fines and forfeitures	6,363	13,907	6,117	6,150
Interest	28,740	41,871	137,749	223,638
Miscellaneous revenues	423,698	387,989	425,854	553,005
Total revenues	11,161,096	10,878,241	11,533,103	12,835,890
Expenditures				
General government	1,721,674	1,785,835	2,240,026	2,282,194
Public Safety	6,092,829	6,417,442	6,615,002	7,348,443
Culture/Recreation	435,177	380,473	387,471	383,555
Public Works	395,998	404,002	422,440	435,645
Capital outlay	106,498	87,543	286,449	283,092
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	8,752,176	9,075,295	9,951,388	10,732,929
Excess of revenues over (under) expenditures	2,408,920	1,802,946	1,581,715	2,102,961
Other Financing Sources (Uses)				
Loan & Lease Proceeds				
Transfers in				
Transfers out	(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)
Total other financing sources (uses)	(1,286,000)	(1,286,000)	(1,417,542)	(1,429,500)
Net Change in fund balances	1,122,920	516,946	164,173	673,461
Fund balances - beginning	7,466,225	8,589,145	9,106,091	9,910,058
Fund balance - ending	\$ 8,589,145	\$ 9,106,091	\$ 9,270,264	\$ 10,583,519
Debt services (principal & interest) as a percentage of non-capital expenditures	0.00%	0.00%	0.00%	0.00%

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

	2020	2021	2022	2023	2024	2025
\$	9,556,810	\$ 9,738,626	\$ 10,512,554	\$ 11,835,325	\$ 13,214,345	\$ 14,320,252
	1,912,895	1,898,997	2,195,987	2,880,919	1,832,707	2,359,729
	916,339	1,012,423	546,785	630,718	2,113,717	1,114,357
	568,935	612,128	637,011	922,159	2,204,521	2,092,171
	3,251	8,253	6,618	50,841	12,726	40,471
	111,997	6,736	8,708	442,111	928,314	704,009
	730,113	605,592	945,408	1,017,597	1,178,282	1,357,886
	13,800,340	13,882,755	14,853,071	17,779,670	21,484,612	21,988,875
	2,326,197	2,420,925	2,602,077	2,885,451	2,966,017	3,030,273
	7,555,437	8,095,493	9,291,055	10,811,863	11,963,307	12,238,940
	359,770	367,594	398,250	440,183	445,137	474,403
	442,262	458,413	449,221	635,366	968,118	1,084,387
	227,831	372,175	652,053	4,395,868	7,280,383	1,858,618
	-	-	65,083	13,301	534,368	590,141
	-	-	1,349	521	158,017	157,073
	10,911,497	11,714,600	13,459,088	19,182,553	24,315,347	19,433,835
	2,888,843	2,168,155	1,393,983	(1,402,883)	(2,830,735)	2,555,040
			88,043	-	5,262,286	-
			54,996	54,997	55,000	54,998
	(1,430,004)	(1,430,003)	(1,094,436)	(1,000,516)	(506,753)	(54,998)
	(1,430,004)	(1,430,003)	(951,397)	(945,519)	4,810,533	-
	1,458,839	738,152	442,586	(2,348,402)	1,979,798	2,555,040
	10,583,519	12,042,358	12,780,510	13,223,096	10,874,694	12,854,492
\$	12,042,358	\$ 12,780,510	\$ 13,223,096	\$ 10,874,694	\$ 12,854,492	\$ 15,409,532
	0.00%	0.00%	0.52%	0.09%	4.06%	4.25%

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

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Just Value
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
2025	\$ 4,033,130,184	\$ 38,524,662	\$ 23,709,250	\$ 4,095,364,096	3.59 %	\$ 5,432,117,970

Source: Palm Beach County Property Appraiser's Office

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

Fiscal Year	Highland Beach			Overlapping Rates (1)							Total
	General Fund	Debt Service Fund	Total Town Rate	Palm Beach		Children's Services Council	Palm Beach	South Florida	FIND(2)		
				Palm Beach County	School Board		County Health Care District			Water Management District	
2016	3.50	0.65	4.15	4.93	7.51	0.67	1.04	0.30	0.08	18.68	
2017	3.25	0.61	3.86	4.91	7.07	0.68	0.90	0.28	0.08	17.79	
2018	3.08	0.62	3.70	4.90	6.77	0.66	0.78	0.27	0.08	17.15	
2019	3.12	0.60	3.72	4.90	6.57	0.64	0.73	0.25	0.07	16.88	
2020	3.23	0.57	3.80	4.86	7.16	0.65	0.73	0.28	0.03	17.51	
2021	3.23	0.56	3.79	4.81	6.88	0.62	0.73	0.26	0.03	17.12	
2022	3.23	0.39	3.62	4.75	6.52	0.55	0.73	0.22	0.03	16.42	
2023	3.42	0.17	3.59	4.50	6.46	0.49	0.68	0.09	0.03	15.84	
2024	3.22	0.37	3.59	4.50	6.31	0.49	0.66	0.09	0.03	15.67	
2025	3.42	0.17	3.59	4.50	6.32	0.49	0.66	0.09	0.03	15.68	

Source: Palm Beach County Property Appraiser's office.

- (1) Overlapping rates are those of local and county governments that apply to property owners within the Town of Highland Beach
- (2) Florida Inland Navigation District.

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

Taxpayers	Fiscal Year 2025		Taxpayers	Fiscal Year 2016	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
2455 S. Ocean Blvd LLC	\$ 41,185,584	1.01%	Leeds, Bruce	\$ 14,183,111	0.73%
Saunders Paul H &	\$ 34,233,500	0.84%	Montgomery Joel W	\$ 11,616,372	0.60%
3715 S Ocean LLC	\$ 28,928,133	0.71%	Bendin Financial	\$ 11,353,407	0.59%
Kessler Brian S &	\$ 27,098,226	0.66%	Persaud, Krishna	\$ 11,134,542	0.57%
Decoy Investments, LLC	\$ 22,293,211	0.54%	Mamister, Mark	\$ 10,803,229	0.56%
23 Ocean Family Trust	\$ 26,725,042	0.65%	Janay, Gad	\$ 9,847,471	0.51%
4005 South Ocean Blvd	\$ 25,948,572	0.63%	FPL	\$ 9,509,382	0.49%
Casa Palm Tranquila Cap	\$ 24,291,147	0.59%	Kappel, James	\$ 9,132,674	0.47%
Montgomery Joel W	\$ 20,609,603	0.50%	Wheeler, Daniel	\$ 9,014,650	0.47%
HBF Realty LLC	\$ 21,181,552	0.52%	Highland Beach Ocean	\$ 8,512,257	0.44%
Total	\$ 272,494,570	6.65%	Total	\$ 105,107,095	5.43%

Source: Palm Beach County Property Appraiser's Office.

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

Fiscal Year Ended 9/30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 8,603,075	\$ 8,319,187	96.70%	\$ -	\$ 8,319,187	96.70%
2017	\$ 8,546,145	\$ 8,203,649	95.99%	\$ 7,888	\$ 8,211,537	96.08%
2018	\$ 8,872,272	\$ 8,563,619	96.52%	\$ 45,078	\$ 8,608,697	97.03%
2019	\$ 9,235,405	\$ 8,913,954	96.52%	\$ 11,718	\$ 8,925,673	96.65%
2020	\$ 9,888,143	\$ 9,551,291	96.59%	\$ 5,519	\$ 9,556,810	96.65%
2021	\$ 10,086,257	\$ 9,738,626	96.55%	\$ -	\$ 9,738,626	96.55%
2022	\$ 9,961,348	\$ 9,619,497	96.57%	\$ 3,935	\$ 9,623,432	96.61%
2023	\$ 11,214,591	\$ 10,835,213	96.62%	\$ 8,840	\$ 10,844,053	96.70%
2024	\$ 12,673,870	\$ 12,246,292	96.63%	\$ -	\$ 12,246,292	96.63%
2025	\$ 13,808,888	\$ 13,356,017	96.72%	\$ 58	\$ 13,356,075	96.72%

Source: Tax Collector, Palm Beach County.

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

Fiscal Year Ended	Population ⁽¹⁾	Median Family Income	Governmental Activities		Business Type Activity		Total Primary Government	Percentage Personal Income	Per Capita
			Lease Payable	Promissory Notes	Promissory Notes	Revolving Loan Fund			
2016	3,600	N/A	\$ -	\$ -	\$ 3,001,316	\$ 7,839,363	\$ 10,840,679	N/A	\$ 3,011
2017	3,600	N/A	\$ -	\$ -	\$ 2,803,727	\$ 10,491,253	\$ 13,294,980	N/A	\$ 3,693
2018	3,654	N/A	\$ -	\$ -	\$ 2,599,375	\$ 10,850,952	\$ 13,450,327	N/A	\$ 3,681
2019	3,671	N/A	\$ -	\$ -	\$ 2,387,936	\$ 9,823,765	\$ 12,211,701	N/A	\$ 3,327
2020	3,657	N/A	\$ -	\$ -	\$ 2,169,169	\$ 8,770,839	\$ 10,940,008	N/A	\$ 2,992
2021	4,300	N/A	\$ -	\$ -	\$ 1,942,817	\$ 7,691,271	\$ 9,634,088	N/A	\$ 2,240
2022	4,300	N/A	\$ 22,960	\$ -	\$ 1,708,646	\$ 6,584,292	\$ 8,315,898	N/A	\$ 1,934
2023	4,303	N/A	\$ 9,659	\$ -	\$ 1,466,284	\$ 5,449,244	\$ 6,925,187	N/A	\$ 1,609
2024	4,303	N/A	\$ 29,296	\$ 4,708,281	\$ 1,215,595	\$ 4,654,573	\$ 10,607,745	N/A	\$ 2,465
2025	4,303	N/A	\$ 15,954	\$ 4,131,482	\$ 956,208	\$ 4,215,394	\$ 9,319,038	N/A	\$ 2,166

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

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

Fiscal Year Ended 9/30	Population(1)	Taxable Value(2)	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2016	3,600	\$ 2,063,280,813	\$ 10,840,679	0.53%	\$ 3,011
2017	3,600	\$ 2,216,323,448	\$ 13,294,980	0.60%	\$ 3,693
2018	3,654	\$ 2,400,571,081	\$ 13,450,327	0.56%	\$ 3,681
2019	3,671	\$ 2,483,303,248	\$ 12,211,701	0.49%	\$ 3,327
2020	3,657	\$ 2,602,342,266	\$ 10,940,008	0.42%	\$ 2,992
2021	4,300	\$ 2,871,553,523	\$ 9,634,088	0.34%	\$ 2,240
2022	4,300	\$ 3,247,311,788	\$ 8,315,898	0.26%	\$ 1,934
2023	4,303	\$ 3,682,575,179	\$ 6,925,187	0.19%	\$ 1,609
2024	4,303	\$ 3,978,406,721	\$ 10,607,745	0.27%	\$ 2,465
2025	4,303	\$ 4,095,364,096	\$ 9,319,038	0.23%	\$ 2,166

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

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

As of September 30, 2025

Governmental Unit	Net General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town direct debt:			
Town of Highland Beach	\$ 4,147,436	100.00%	<u>\$ 4,147,436</u>
Overlapping debt:			
Palm Beach County Gen Oblig	\$ 95,565,000		
Palm Beach County Non-Self Supp	\$ 567,569,779		
Palm Beach County Self Supporting	\$ 244,422,595		
	<u>\$ 907,557,374</u>	3.22%	<u>\$ 29,196,998</u>
Total direct and overlapping debt:			<u>\$ 33,344,434</u>
Estimated population:			<u>4,303</u>
Direct and overlapping net debt per capita:			<u>\$ 7,749</u>

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

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

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

The Town of Highland Beach has no legal debt margin.

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

Fiscal Year Ended 9/30	State Revolving Loan(s)				2005 Promissory Note			
	Pledged Revenue	Debt Service		Coverage	Pledged Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2016	\$ 8,319,187	\$ 750,423	\$ 237,722	8.42	NA	NA	NA	NA
2017	\$ 8,211,537	\$ 771,960	\$ 226,826	8.22	NA	NA	NA	NA
2018	\$ 8,608,697	\$ 809,792	\$ 314,703	7.66	NA	NA	NA	NA
2019	\$ 8,925,673	\$1,027,185	\$ 225,158	7.13	NA	NA	NA	NA
2020	\$ 9,556,810	\$1,052,927	\$ 199,417	7.63	NA	NA	NA	NA
2021	\$ 9,738,626	\$1,079,569	\$ 172,273	7.78	NA	NA	NA	NA
2022	\$ 9,623,432	\$1,106,979	\$ 143,824	7.69	NA	NA	NA	NA
2023	\$ 10,844,053	\$1,079,569	\$ 115,451	9.07	NA	NA	NA	NA
2024	\$ 12,246,292	\$ 794,671	\$ 130,759	13.23	\$ 12,246,292	\$ 520,799	\$ 168,915	17.76
2025	\$ 13,356,075	\$ 439,179	\$ 73,717	26.04	\$ 13,356,075	\$ 259,388	\$ 36,916	45.08

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

Fiscal Year Ended 9/30	Population	Personal Income (\$000s)	Per Capita Income	Civilian Labor Force	Unemployment Rate
2016	1,391,741	\$ 103,876,015	\$ 74,637	701,993	4.8%
2017	1,414,144	\$ 109,973,732	\$ 77,767	726,467	4.2%
2018	1,433,417	\$ 118,519,249	\$ 82,683	729,972	3.5%
2019	1,447,857	\$ 124,632,614	\$ 86,081	739,891	3.3%
2020	1,466,494	\$ 131,435,258	\$ 89,626	701,775	7.5%
2021	1,502,495	\$ 140,843,515	\$ 93,740	747,157	4.4%
2022	1,518,152	\$ 165,598,174	\$ 109,079	762,722	2.7%
2023	1,532,718	\$ 181,368,666	\$ 117,183	780,272	2.9%
2024	1,547,735	\$ 173,978,800	\$ 111,800	780,177	3.4%
2025	1,556,161	NA	NA	781,519	4.0%

Source: (1) Palm Beach County ACFR FY2025

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

2025				2016			
Employer	Rank	Employees	Percentage of Total County Employment	Employer	Rank	Employees	Percentage of Total County Employment
Palm Beach County School District	1	22,801	2.92%	Palm Beach County School District	1	21,656	3.08%
Palm Beach County Government	2	13,020	1.67%	Palm Beach County Government	2	11,587	1.65%
Florida Atlantic University	3	6,335	0.81%	Florida Atlantic University	7	2,529	0.36%
NextEra Energy, Inc (FPL)	4	6,139	0.79%	NextEra Energy, Inc (FPL)	4	4,005	0.57%
Tenet Coastal Division of PBC	5	5,734	0.73%	Tenet Coastal Division of PBC	3	4,595	0.65%
Baptist Health	6	6,773	0.87%	Baptist Health	8	2,500	0.36%
Veterans Health Administration	7	2,948	0.38%	Veterans Health Administration	6	2,700	0.38%
Jupiter Medical Center	8	2,850	0.37%	Jupiter Medical Center	5	3,476	0.50%
The Breakers	9	2,495	0.32%	The Breakers	9	2,195	0.31%
Bethesda Hospital	10	2,400	0.31%	Bethesda Hospital	10	2,150	0.31%
Total		71,495	9.17%	Total		57,393	8.17%

Source: Business Development Board of Palm Beach County

No information available for the Town of Highland Beach

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

Fiscal Year Ended 9/30	2016	2017	2018	2019	2020	2021	2022	[1] 2023	[1] 2024	[1] 2025
Function/Program										
General Government										
Town Manager	1	2	2	2	2	2	2	2	2	2
Town Clerk	3	3	3	3	3	3	2	2	2	2
Shared Support	0	0	0	0	0	0	2	1	1	2
Finance	2	2	2	2	3	3	3	3	3	1
Post Office	1	1	1	1	1	1	1	3	0	0
Public Works	1	1	1	1	1	1	2	1	1	2
Public Safety										
Building	2	1	2	4	5	5	6	6	6	6
Fire Rescue	*	*	*	*	*	*	*	4	32	31
Police	15	15	16	16	16	16	15	21	24	24
Cultural and Recreation										
Library	4	3	3	3	3	3	3	5	5	5
Physical Environment										
Utilities	9	9	9	9	9	9	9	9	10	12
Total	38	37	39	41	43	43	45	57	86	87

[1] Includes Full-time and Part-Time

* Outsourced to Delray Fire Rescue

Source: Town of Highland Beach Finance Department.

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

Fiscal Year Ended 9/30	(1) 2020	(1) 2021	(1) 2022	(1) 2023	(1) 2024	2025
<u>Function/Program</u>						
Public Safety						
Number of arrests by police officers	4	9	6	5	3	8
Number of traffic citations issued	16	74	132	131	119	127
Number of fire calls	198	198	*	*	*	326
Number of EMS calls	454	652	*	*	*	574
Number of building permits issued (Gulf Stream)	*	*	9	363	381	370
Number of building permits issued	749	886	2,151	1,988	1,521	1,526
Physical Environment						
Number of water and sewer active accounts	809	809	809	809	809	809
Number of water and sewer units served	8,819	8,819	8,819	8,819	8,819	8,819
Cultural & Recreation						
Number of library patrons	3,209	3,150	3,053	3,143	3,265	3,283
Number of items in collection	42,511	42,730	43,997	44,109	44,506	43,071
Number of community events presented	396	20	100	276	270	281

Sources: Town of Highland Beach, FL
(1) City of Delray Beach Fire/Rescue Contract
(*) Data unavailable at time report issued.

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

Fiscal Year Ended 9/30	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>Function/Program</u>										
General Government										
Town Manager Vehicle	0	0	0	0	0	0	1	1	1	1
Public Safety										
Fire Trucks	0	0	0	0	0	0	0	1	2	2
EMS Units	1	0	0	0	0	0	0	1	2	2
Police Vehicles	6	6	6	6	7	11	10	10	12	12
Vehicles- Protective Inspections	0	0	0	0	0	1	2	3	3	3
Transportation										
Street (miles)	3	3	3	3	3	3	3	3	3	3
Physical Environment										
Vehicles-Public Works	5	5	5	5	5	3	4	4	4	4

Note: Fire Department contracted through the City of Delray Beach.

Source: Town of Highland Beach, FL

OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Highland Beach, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Highland Beach, Florida's basic financial statements and have issued our report thereon dated May 26, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Finding 2025-1 - Failure to Capitalize Capital Asset Ancillary Charges

Criteria: Generally accepted accounting principles for governmental entities, specifically Governmental Accounting Standards Board (GASB) Codification Section 1400, Reporting Capital Assets, require that the historical cost of a capital asset include both its purchase price or construction cost and all ancillary charges necessary to place the asset into its intended state of operation. Ancillary charges include, but are not limited to, engineering fees, architectural design fees, project management costs, and site preparation permits.

Condition: During our audit procedures, we observed certain ancillary charges associated with capital improvement projects, were recorded as expenditures/expenses rather than being capitalized as construction in progress or capital assets, as appropriate.

Effect: As a result, capital assets and construction in progress were understated and expenditures/expenses were overstated prior to audit adjustment. Audit adjustments were required to properly record the capitalizable project costs.

Recommendation: We recommend the Town strengthen its controls and review procedures over capital project accounting to ensure all eligible project-related costs are properly identified and capitalized in accordance with generally accepted accounting principles.

Management Response: Management concurs with the finding and will implement additional review procedures over capital project expenditures and capital asset accounting.

Report on Compliance and Other Matters

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

Town of Highland Beach, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Highland Beach, Florida's response to the finding identified in our audit and presented above. The Town of Highland Beach, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

West Palm Beach, Florida
May 26, 2026

Nowlen, Holt & Mimer, P.A.



NOWLEN, HOLT & MINER, P.A.

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

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

Report on the Financial Statements

We have audited the financial statements of the Town of Highland Beach, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated May 26, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 26, 2026, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Prior Year Findings That No Longer Apply

Corrective actions have been taken to address the following findings noted in the preceding annual financial audit report, and they no longer apply:

- Finding 2024-1 - Failure to Capitalize Capital Assets at Entity-Wide Level and Reconcile Capital Outlay
- Finding 2024-2 - Improper Recording of Loan and Failure to Capitalize Capital Assets (Fund and Entity-Wide Levels)
- Finding 2024-3 - Improper Lessor Lease Accounting under GASB Statement No. 87
- Recommendation 2024-R1 – Investment Income Accrual

Prior Year Findings That Still Apply

There are no prior year findings that still apply.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information was disclosed in Note 1 to the financial statements. There are no component units included in the Town of Highland Beach, Florida's financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Highland Beach, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Highland Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Highland Beach, Florida. It is management's responsibility to monitor the Town of Highland Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

A PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the Town of Highland Beach, Florida's geographical boundaries during the fiscal year under audit.

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Single Audits

The Town of Highland Beach, Florida expended less than \$1,000,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2025, and was not required to have a federal single audit or a state single audit.

Purpose of this Letter

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
May 26, 2026



NOWLEN, HOLT & MINER, P.A.

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**INDEPENDENT ACCOUNTANT’S REPORT
ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES**

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

We have examined the Town of Highland Beach, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2025. Management of the Town of Highland Beach, Florida is responsible for the Town of Highland Beach, Florida’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Highland Beach, Florida’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Highland Beach, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Highland Beach, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the Town of Highland Beach, Florida’s compliance with the specified requirements.

In our opinion, the Town of Highland Beach, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2025.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, applicable management, and the Board of Supervisors, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
May 26, 2026