

**TOWN OF HAVERHILL  
HAVERHILL, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**TOWN OF HAVERHILL  
HAVERHILL, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Council  
Town of Haverhill  
Haverhill, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Haverhill, Florida (the "Town") as of and for the fiscal year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town as of and for the fiscal year ended September 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2010, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
June 15, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Haverhill, Florida (the "Town") provides a narrative overview of the Town's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year ended September 30, 2009 resulting in a net asset balance of \$1,976,474. Of this amount, \$712,121 is unrestricted net assets which may be used to meet ongoing obligations.
- The change in the Town's total net assets was a decrease of \$(8,443) in comparison with the prior year. The key components of net assets and change in net assets are reflected in the table in the following section.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balance of \$712,121 a decrease of (\$66,629) in comparison with the prior year.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by ad valorem taxes, intergovernmental revenues, and rental revenue and franchise fees. The Town does not have any business-type activities. The functions/programs are: general government, public safety, physical environment, transportation and parks and recreation.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has one fund category: governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

Governmental funds are used to account 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 Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Notes to the Financial Statements

The notes 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

### **Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Town, assets exceeded liabilities by \$1,976,474 (net assets) for the fiscal year ended September 30, 2009.

Key components of the Town's net assets are reflected in the following table:

	NET ASSETS	
	SEPTEMBER 30,	
	2009	2008
Assets, excluding capital assets	\$ 788,168	\$ 849,977
Capital assets, not being depreciated	1,264,353	1,206,167
Total assets	<u>2,052,521</u>	<u>2,056,144</u>
Liabilities, excluding long-term liabilities	76,047	71,227
Total liabilities	<u>76,047</u>	<u>71,227</u>
Net Assets		
Invested in capital assets	1,264,353	1,206,167
Unrestricted	712,121	778,750
Total net assets	<u>\$ 1,976,474</u>	<u>\$ 1,984,917</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Statement of Net Assets (Continued)**

Net assets of the Town are reflected in two components. The largest component reflects the Town's investment in capital assets (e.g. land, land improvements, infrastructure and furniture and equipment). The amount is required to be reported less any related debt used to acquire those assets that is still outstanding. The Town has no debt outstanding related to the acquisition of its capital assets. Capital assets are used to provide services to residents; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets may be used to meet the Town's other obligations.

**Statement of Activities**

The statement of activities reflects the allocation of governmental activities by category. The categories are as follows: general government, public safety, physical environment, transportation and parks and recreation.

Net assets decreased by (\$8,443) in comparison with the prior year. The majority of the decrease was a result of the excess of operating costs and depreciation expense over program revenues.

Key elements of the change in net assets are reflected in the following table:

	CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2009	2008
Revenues:		
Program revenues		
Charges for services	\$ 184,597	\$ 178,539
Capital grants and contributions	107,240	22,200
General revenues		
Taxes	629,096	713,304
Miscellaneous	8,280	39,504
Total revenues	<u>929,213</u>	<u>953,547</u>
Expenses:		
General government	350,059	435,835
Public safety	135,330	130,123
Physical environment	267,419	300,542
Transportation	152,993	225,130
Parks and recreation	31,855	72,745
Total expenses	<u>937,656</u>	<u>1,164,375</u>
Change in net assets	<u>(8,443)</u>	<u>(210,828)</u>
Net assets, beginning	<u>1,984,917</u>	<u>2,195,745</u>
Net assets, ending	<u>\$ 1,976,474</u>	<u>\$ 1,984,917</u>

Program revenues for the fiscal year ended September 30, 2009 which included licenses, permits of \$57,209, rental revenue of \$112,282, fines and forfeitures of \$15,106 and capital contribution from private sources of \$107,240. The remainder of the Town's revenues was general revenues comprised primarily of ad valorem taxes.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements.

The Town's general fund includes all activities related to providing management, operational and maintenance services. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides.

As of the close of the current fiscal year, the Town's governmental fund reported ending fund balance of \$712,121 a decrease of \$(66,629) in comparison with the prior year. The decrease was primarily the result of revenues decreasing due to the current economic situation and the absence of the grant revenue which was received in the prior year.

In the table below, we have presented revenues by category and expenditures by function/program and the respective percentage of total.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,				
	2009		2008	
<b>Revenues:</b>				
Ad valorem taxes	\$ 344,506	37%	\$ 411,660	43%
Franchise fees	82,133	9%	85,056	9%
Communication service tax	-	0%	24,076	3%
Licenses and permits	57,209	6%	57,281	6%
Intergovernmental revenue	202,457	22%	192,512	20%
Grant revenue	-	0%	22,200	2%
Fines and forfeitures	15,106	2%	17,161	2%
Investments income	432	0%	19,012	2%
Rental revenue	112,282	12%	104,097	11%
Capital contribution	107,240	11%	-	0%
Miscellaneous	7,848	1%	20,492	2%
	<u>\$ 929,213</u>	<u>100%</u>	<u>\$ 953,547</u>	<u>100%</u>
<b>Expenditures:</b>				
General government	\$ 340,723	34%	\$ 421,380	37%
Public safety	135,330	14%	130,123	11%
Physical environment	267,419	27%	300,542	26%
Transportation	83,101	8%	216,324	19%
Parks and recreation	24,602	2%	12,722	1%
Capital outlay	144,667	15%	71,980	6%
Total	<u>\$ 995,842</u>	<u>100%</u>	<u>\$ 1,153,071</u>	<u>100%</u>

As noted above, general government and physical environment comprise the majority of expenditures for total governmental activities for both the current and prior fiscal year.

## CAPITAL ASSETS

At September 30, 2009, the Town had \$2,759,912 invested in capital assets. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, machinery and equipment and infrastructure. In the government-wide financial statements, depreciation of \$1,495,559 has been taken resulting in a net book value of \$1,264,353. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

## GENERAL FUND BUDGETARY HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board. The general fund budget for the fiscal year ended September 30, 2009 was amended to increase revenues by \$107,240 and increase appropriations by \$107,240. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's local economy is primarily based upon residential activity, while commercial retail and service activity combine for a small segment. The Town estimates a 100% occupancy rate among the business establishments. Although the Town has approved several site plans for development, the recent economic downturn has put these projects on hold. The Town does not anticipate this to be a factor in funding next year's budget.

## TOWN WIDE GOALS AND OBJECTIVES

- The Town is moving forward with the Club Road sidewalk project. Phase II will implement sidewalk widening and modifications for the sidewalks along Belvedere Road, including installation of a sidewalk from Belvedere Road to the south along the west side of the Haverhill Road so that a pedestrian loop is created. The Town will continue its streetscape beautification projects through pedestrian friendly walkways, interconnecting neighborhoods throughout the Town.
- The Town of Haverhill completed the installation of the Town Hall Lift Station which now ties into Palm Beach County's Sewer System.
- The Town of Haverhill is actively seeking grants that will benefit the Town and its residents by promoting energy efficiency and conservation improvement projects.
- The Town continues to monitor and object to any plans proposing the widening of Belvedere and/or Haverhill Roads. It is the ultimate desire of the Town that Belvedere Road and Haverhill Road remain as is so that the residential character of the Town is preserved.
- The Town of Haverhill will continue to sponsor an Annual Picnic, Dinner & Movie and other events for the residents in an effort to promote Haverhill's Hometown atmosphere. The Town of Haverhill will continue to keep its residents informed through newsletters and its user friendly website.
- The Town of Haverhill will continue to fund capital improvement projects through the Town's fund balance so that capital improvement projects can move forward without an increase to the ad valorem millage rate.
- The Town will continue to fund police coverage through the Palm Beach County Sheriff's office so that our streets and neighborhoods remain safe from crime. The Palm Beach County Sheriff's presence throughout the Town is a known deterrent for criminals.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Haverhill's finances for all of those with an interest in the Town's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town Administrator at the Town of Haverhill, 4585 Charlotte Street, Haverhill, FL 33417.

**TOWN OF HAVERHILL, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 605,908
Investments	148,549
Accounts receivable	33,711
Capital assets:	
Non-depreciable	15,224
Depreciable, net	1,249,129
Total assets	<u>2,052,521</u>
<b>LIABILITIES</b>	
Accounts payable	48,317
Due to other governmental units	9,730
Deferred revenue	18,000
Total liabilities	<u>76,047</u>
<b>NET ASSETS</b>	
Invested in capital assets	1,264,353
Unrestricted	712,121
Total net assets	<u><u>\$ 1,976,474</u></u>

See notes to the financial statements

**TOWN OF HAVERHILL, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 350,059	\$ 112,282	\$ -	\$ (237,777)
Public safety	135,330	15,106	-	(120,224)
Physical environment	267,419	57,209	-	(210,210)
Transportation	152,993	-	107,240	(45,753)
Parks and recreation	31,855	-	-	(31,855)
Total governmental activities	937,656	184,597	107,240	(645,819)
General revenues:				
Ad valorem taxes				344,506
Franchise taxes				82,133
Unrestricted intergovernmental shared tax revenue				202,457
Unrestricted investment earnings				432
Miscellaneous				7,848
Total general revenues				637,376
Change in net assets				(8,443)
Net assets - beginning				1,984,917
Net assets - ending				\$ 1,976,474

See notes to the financial statements

**TOWN OF HAVERHILL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUND  
SEPTEMBER 30, 2009**

	Major Fund General Fund	Total Governmental Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 605,908	\$ 605,908
Investments	148,549	148,549
Accounts receivable	33,711	33,711
Total assets	\$ 788,168	\$ 788,168
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 48,317	\$ 48,317
Due to other governmental units	9,730	9,730
Deferred revenue	18,000	18,000
Total liabilities	76,047	76,047
Fund balance:		
Unreserved:		
Designated for subsequent year	150,000	150,000
Undesignated	562,121	562,121
Total fund balance	712,121	712,121
Total liabilities and fund balance	\$ 788,168	\$ 788,168
Fund balance - governmental fund		\$ 712,121

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets in the net assets for the government as a whole.

Cost of capital assets	2,759,912
Accumulated depreciation	(1,495,559)
Net assets of governmental activities	\$ 1,976,474

See notes to the financial statements

**TOWN OF HAVERHILL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Major Fund
	General Fund
<b>REVENUES</b>	
Ad valorem taxes	\$ 344,506
Franchise fees	82,133
Licenses and permits	57,209
Intergovernmental revenue	202,457
Fines and forfeitures	15,106
Investments income	432
Rental revenue	112,282
Contributions from private sources	107,240
Miscellaneous	7,848
Total revenues	929,213
<b>EXPENDITURES</b>	
Current:	
General government	340,723
Public safety	135,330
Physical environment	267,419
Transportation	83,101
Parks and recreation	24,602
Capital outlay	144,667
Total expenditures	995,842
Excess (deficiency) of revenues over (under) expenditures	(66,629)
Fund balance - beginning	778,750
Fund balance - ending	\$ 712,121
Net change in fund balance - total governmental funds	\$ (66,629)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, the cost of those assets is eliminated in the statement of activities and capitalized in the statement of net assets.	
	144,667
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	
	(86,481)
Change in net assets of governmental activities	\$ (8,443)

See notes to the financial statements

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

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

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 sixty days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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

The Town reports the following major governmental fund:

#### **General Fund**

The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include taxes.

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 Assets or Equity**

#### **Deposits and Investments**

The Town considers cash on hand, demand deposits, and all other short-term investments that are highly liquid as cash equivalents. Highly liquid short-term investments are those readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer three months. In addition, nonnegotiable certificates of deposits held by the Town are considered cash deposits.

The Town follows the investment rules defined by the Florida Statute Chapter 218.415 (17). The State Statute allows the Town to invest in relatively low risk securities, such as the State Board of Administration Local Governmental Surplus Trust Fund.

The Town records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

#### **Receivables**

The Town's policy is to report accounts and property tax receivable net of an allowance for uncollectibles. All of the Town's receivables are considered collectible at September 30, 2009; therefore, no allowance has been estimated.

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

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

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as Town assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Improvements other than buildings	20-40
Machinery and equipment	5-10
Infrastructure	25-50

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of accumulated depreciation, and net of related debt. Restricted net assets represent the assets restricted by third party or (statutory) limitations on their use.

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

### **Other Disclosures**

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Prior to October 1, the budget is legally adopted by the Town Council.
- d) All budget changes must be approved by the Town Council.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## **NOTE 3 – 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 tax levy of the Town is established by the Council prior to October 1 of each year during the budget process and levied on November 1. 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 fiscal year ended September 30, 2009, was 4.2952 (\$4.2952 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property. 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 Palm Beach County.

**NOTE 4 – CASH AND INVESTMENTS**

**Cash**

The Town’s cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

At September 30, 2009 the bank balance for the Town’s cash on deposit was \$605,908.

**Investments**

The Town’s investments were held as follows at September 30, 2009:

	Fair Value	Credit Risk	Maturities
Investment in Local Government Surplus Trust Funds Investment Pool - Fund A	\$ 131,833	S&P AAAm *	Weighted average of the fund portfolio: 33 days
Investment in Local Government Surplus Trust Funds Investment Pool - Fund B	16,716	Not rated *	Weighted average life of the fund: 6.69 years
	\$ 148,549		

\*The State Board of Administration’s Local Government Surplus Funds Trust Fund Investment Pool (“Pool”) was restructured on December 4, 2007 into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B and certain restrictions were implemented. On December 21, 2007, Standard and Poor’s Ratings Services assigned its "AAAm" principal stability fund rating to Pool Fund A. Fund B is not rated by any nationally recognized statistical rating agency.

There are two options for accounting and reporting for money market investment pools either “2a-7 like” or fluctuating net asset value (“NAV”). “2a-7 like” pool is an external investment pool that is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Local Government Surplus Funds Trust Fund Investment Pool is considered a 2a7-like fund and the Town has reported its investment in Fund A at the same value as the pooled shares allocated to the Town. The estimated weighted average maturity of the fund portfolio is 33 days. Fund B is accounted for as a fluctuating NAV pool and the fair value factor for September 30, 2009 was .54915069. The Town has multiplied its account balance by the factor to determine the investment balance to be reported. The NAV balance in Fund B was \$16,716 for a net unrealized loss of approximately (\$13,723). The weighted average life of the fund is 6.69 years. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Town has no formal policy for custodial risk. The investment in local government surplus funds trust fund is not evidenced by securities that exist in physical or book entry form.

**NOTE 4 – CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

*Concentration risk* – The Town places no limit on the amount the Town may invest in any one issuer.

*Interest rate risk* – The Town does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**NOTE 5 – ACCOUNTS RECEIVABLE**

Receivables at September 30, 2009 for the Town are as follows:

	General
Intergovernmental	\$ 16,560
Franchise fee	15,968
Fines and forfeitures	1,183
	<u>\$ 33,711</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 15,224	\$ -	\$ -	\$ 15,224
Total capital assets, not being depreciated	<u>15,224</u>	<u>-</u>	<u>-</u>	<u>15,224</u>
Capital assets, being depreciated				
Buildings and improvements	162,137	-	-	162,137
Improvements other than buildings	561,862	-	-	561,862
Machinery and equipment	206,441	-	-	206,441
Infrastructure	1,669,581	144,667	-	1,814,248
Total capital assets, being depreciated	<u>2,600,021</u>	<u>144,667</u>	<u>-</u>	<u>2,744,688</u>
Less accumulated depreciation for:				
Buildings and improvements	79,183	5,203	-	84,386
Improvements other than buildings	205,609	18,827	-	224,436
Machinery and equipment	137,779	17,249	-	155,028
Infrastructure	986,507	45,202	-	1,031,709
Total accumulated depreciation	<u>1,409,078</u>	<u>86,481</u>	<u>-</u>	<u>1,495,559</u>
Total capital assets, being depreciated, net	<u>1,190,943</u>	<u>58,186</u>	<u>-</u>	<u>1,249,129</u>
Governmental activities capital assets, net	<u>\$ 1,206,167</u>	<u>\$ 58,186</u>	<u>\$ -</u>	<u>\$ 1,264,353</u>

The Town entered into several agreements with different developers for assisting with Constrained Roadway at a Lower Level of Services (CRALLS) designations in the previous fiscal year. In turn, these developers contributed \$107,240 to the Town for capital improvements in the current year. These contributions were used to build a lift station.

## NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows for the fiscal year ended September 30, 2009:

Depreciation allocation:	
General government	\$ 9,336
Transportation	69,892
Parks and recreation	7,253
	<u>\$ 86,481</u>

## NOTE 7 – INTERGOVERNMENTAL REVENUE

Intergovernmental revenues for the fiscal year ended September 30, 2009 are comprised of the following:

Communications services tax	\$ 34,932
First local option fuel tax	23,565
Second local option fuel tax	11,185
State revenue sharing	37,586
Half cent sales tax	95,189
	<u>\$ 202,457</u>

## NOTE 8 – FLORIDA RETIREMENT SYSTEM

### Plan Description

Effective October 1, 2004, the Town is contributing to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan. FRS was created by the Florida Legislature and is administered by the State of Florida, Department of Administration, Division of Retirement. FRS provides retirement, disability or death benefits for retirees or their designated beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State of Constitution and Park VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

FRS issues a publicly available financial report that includes a statement of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants, and benefit payments, as well as a description of the retirement plan. Copies of the FRS annual report may be obtained by contacting the Division of Retirement, 1317 Winewood Blvd., Bldg 8, Tallahassee, Florida 32399-1560, or by calling (850) 488-2784.

### Funding Policy

Participating employers are required to make contributions based upon statewide contribution rates. The contribution rates by job class for the Town's employees at September 30, 2009; was 9.85%. The Town's contributions to FRS for the fiscal years ended September 30, 2009, 2008 and 2007 were \$19,521, \$18,301, and \$19,076, respectively, equal to the required contributions for the fiscal year.

## NOTE 9 – 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. The Town has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. 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 \$100,000/\$200,000 for all claims relating to the same accident. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

## **NOTE 10 – POST EMPLOYMENT BENEFITS**

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions will be effective for the Town beginning with its fiscal year ended September 30, 2010. This Statement improves the relevance and usefulness of financial reporting by: (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

**TOWN OF HAVERHILL, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 358,866	\$ 358,866	\$ 344,506	\$ (14,360)
Franchise fees	60,000	60,000	82,133	22,133
Licenses and permits	58,100	58,100	57,209	(891)
Intergovernmental revenue	216,875	216,875	202,457	(14,418)
Fines and forfeitures	15,000	15,000	15,106	106
Investments income	20,000	20,000	432	(19,568)
Rental revenue	131,820	131,820	112,282	(19,538)
Contributions from private sources	-	107,240	107,240	-
Miscellaneous	9,000	9,000	7,848	(1,152)
Total revenues	<u>869,661</u>	<u>976,901</u>	<u>929,213</u>	<u>(47,688)</u>
<b>EXPENDITURES</b>				
Current:				
General government	384,007	384,007	340,723	43,284
Public safety	137,760	137,760	135,330	2,430
Physical environment	271,669	271,669	267,419	4,250
Transportation	153,125	153,125	83,101	70,024
Parks and recreation	12,250	12,250	24,602	(12,352)
Capital outlay	60,000	167,240	144,667	22,573
Total expenditures	<u>1,018,811</u>	<u>1,126,051</u>	<u>995,842</u>	<u>130,209</u>
Excess (deficiency) of revenues over (under) expenditures	(149,150)	(149,150)	(66,629)	82,521
Use of funds	<u>149,150</u>	<u>149,150</u>	<u>-</u>	<u>(149,150)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(66,629)</u>	<u>\$ (66,629)</u>
Fund balance - beginning			<u>778,750</u>	
Fund balance - ending			<u>\$ 712,121</u>	

See notes to required supplementary information

**TOWN OF HAVERHILL, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Town is required to establish a budgetary system and an approved Annual Budget for the general fund. The Town's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed the budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board. The general fund budget for the fiscal year ended September 30, 2009 was amended to increase revenues by \$ 107,240 and increase appropriations by \$ 107,240. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

**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**

To the Council  
Town of Haverhill, Florida

We have audited the financial statements of the governmental activities and the major fund of Town of Haverhill, Florida (the "Town") as of and for the fiscal year ended September 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the management, Council of Town of Haverhill, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 15, 2010

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

To the Council  
Town of Haverhill, Florida

We have audited the accompanying basic financial statements of the Town of Haverhill, Florida (the "Town") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated June 15, 2010

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated June 15, 2010. Disclosures in that report should be considered in conjunction with this management letter.

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

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

This report is intended for the information of the management, Council of Town of Haverhill, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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



June 15, 2010

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2008.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The Town complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2009.

4. Violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2009.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Control deficiencies that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2009.

### **REPORT TO MANAGEMENT (Continued)**

6. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2009 financial audit report.
8. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.