

**CITY OF
INDIAN HARBOUR
BEACH, FLORIDA**

**Basic Financial
Statements and
Supplementary Information**

September 30, 2020

City of Indian Harbour Beach, Florida

OFFICIAL DIRECTORY

September 30, 2020

ELECTED OFFICERS

MAYOR:

Scott Nickle

DEPUTY MAYOR:

David Panicola

COUNCIL MEMBERS:

Bob Sharek
Jim H. Nolan, Sr.
Frank Guertin

ADMINISTRATIVE

CITY MANAGER:

Mark Ryan

CITY ATTORNEY:

Karl Bohne

CITY CLERK:

Sue Frank

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Indian Harbour Beach
Indian Harbour Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (general fund), and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021 on our consideration of the City'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 City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

April 27, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

City of Indian Harbour Beach, Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2020

Management's Discussion and Analysis is intended to provide an objective analysis of the City of Indian Harbour Beach's (the "City") financial activities based on currently known facts, decisions, and conditions for the fiscal year ended September 30, 2020. This analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, identify changes in financial position, and identify material deviations from the approved budget.

This MD&A should be read in conjunction with the City's financial statements, footnotes, and the Required Supplementary Information that is included in the Annual Financial Report.

Financial Highlights

- Government-wide total net position on September 30, 2020, was \$25,834,277, which is an increase of 2.31% or \$582,822. Of this amount, \$15,712,749 is invested in capital assets, \$732,992 is restricted for special revenue funds and grants, and \$9,388,536 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- Government-wide total revenues were \$8,872,732, while government-wide total expenses were \$8,289,910. Total revenues decreased by 1.77% or \$159,536, while total expenses increased by 5.88% or \$460,439.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,693,900, which is an increase of 10.2% or \$1,269,427 over the previous fiscal year. Of this amount \$732,992 is restricted for special revenue funds and grants, \$157,330 is committed by the Board, and \$12,801,805 is available for spending at the City's discretion (unassigned).
- The general fund, which is the City's only major governmental fund generated \$8,666,905 in revenue, \$8,800 in proceeds from capital asset sales, and had \$7,519,558 in expenditures creating a positive net change in fund balance of \$1,156,147.
- At the end of the current fiscal year, the City's POSPP fiduciary fund had a net position of \$356,480 held in trust for supplemental police officer pension benefits. This net position is an increase of 13.75% or \$43,092 over the previous year.
- As of September 30, 2020, the City had no general long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The 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 supplemental information in addition to the basic financial statements themselves.

Overview of the Financial Statements (continued)

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between the sum of the assets and deferred outflows and the sum of the liabilities and deferred inflows is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other factors such as the condition of the City's capital assets (infrastructure, buildings, etc.) should also be considered to assess Indian Harbour Beach's financial health.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the City include general government, public safety, transportation, and recreation activities.

The government-wide financial statements can be found on pages 24-25 of this report.

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

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 and 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 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered the only major fund. Data from the other three governmental funds is combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund on page 76 of this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-29 of this report.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Indian Harbour Beach's own programs.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

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.

The notes to the financial statements can be found on pages 33-74 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison for the general fund, schedule of changes in total OPEB liability and related ratios, and the pension schedules. Also included in this report are supplementary combining fund financial statements for the non-major governmental funds.

The required supplementary information and notes to the required supplementary information can be found on pages 76-86 and the supplementary combining fund financial statements begin on page 91.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position totaled \$25,834,277 at the close of the most recent fiscal year. The largest portion of net position (60.82%) reflects its net investment in capital assets (e.g. land, infrastructure, buildings, and equipment). The City uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

Approximately, 2.84% (\$732,992) of the City's net position represents resources that are subject to external restrictions on how they may be used. Externally imposed restrictions may include things such as: law enforcement special revenue funds, stormwater assessment, and grants. The remaining unrestricted net position of \$9,388,536 may be used to meet the City's ongoing operations.

Government-wide Financial Analysis (continued)

The following table provides Government-wide comparative data for fiscal years ending September 30, 2020 and 2019:

	Governmental Activities		
	2020	2019	Variance
Current and other assets	\$ 14,028,768	\$ 12,777,038	\$ 1,251,730
Capital assets	15,712,749	15,971,488	(258,739)
Total assets	29,741,517	28,748,526	992,991
Deferred outflows of resources	2,387,967	2,437,018	(49,051)
Current liabilities	695,678	678,440	17,238
Long-term liabilities outstanding			
Compensated absences	360,809	325,875	34,934
Other post employment benefit obligations	346,243	439,506	(93,263)
Net pension liabilities	4,009,683	3,684,801	324,882
Total liabilities	5,412,413	5,128,622	283,791
Deferred inflows of resources	882,794	805,467	77,327
Net position			
Net investment in capital assets	15,712,749	15,971,488	(258,739)
Restricted			
Special revenue funds	499,102	385,822	113,280
Other purposes	233,890	236,911	(3,021)
Unrestricted	9,388,536	8,657,234	731,302
Total net position	\$ 25,834,277	\$ 25,251,455	\$ 582,822

During the current fiscal year, the City's net position increased over the previous fiscal year's net position by \$582,822 due to governmental activities including an increase in current and other assets of \$1,251,730 due to timing of cash flows and a decrease in capital assets of \$258,739 due to depreciation offset by current year additions. The City also saw an increase in noncurrent employee benefit liabilities of \$266,553 which included an 8.82% or \$324,882 increase in net pension liabilities which was due to changes in actuarial assumptions and a 10.72% or \$34,934 increase in compensated absences.

Government-wide Financial Analysis (continued)

The following table provides change in net position governmental activity comparative data for fiscal years ended September 30, 2020 and 2019:

CITY OF INDIAN HARBOUR BEACH'S CHANGE IN NET POSITION

All Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
<u>Revenues:</u>			
Program revenues:			
Charges for services	\$ 346,975	\$ 532,407	\$ (185,432)
Operating grants and contributions	164,737	164,602	135
Capital grants and contributions	365,618	353,829	11,789
General revenues:			
Property taxes	5,256,092	4,942,452	313,640
Other taxes	1,289,677	1,310,421	(20,744)
State shared revenues	753,565	798,272	(44,707)
Franchise fees	576,319	582,630	(6,311)
Local shared revenues	6,148	7,818	(1,670)
Interest income	115,180	296,074	(180,894)
Other revenues	(1,579)	43,763	(45,342)
Total revenues	<u>8,872,732</u>	<u>9,032,268</u>	<u>(159,536)</u>
<u>Expenses:</u>			
General government	1,794,732	1,501,165	293,567
Public safety	3,869,665	3,658,535	211,130
Transportation	1,697,039	1,587,199	109,840
Recreation	928,476	1,082,570	(154,094)
Total expenses	<u>8,289,912</u>	<u>7,829,469</u>	<u>460,443</u>
Change in net position	582,820	1,202,799	(619,979)
Net position, beginning	25,251,457	24,048,658	1,202,799
Net position, ending	<u>\$ 25,834,277</u>	<u>\$ 25,251,457</u>	<u>\$ 582,820</u>

Charges for services decreased by \$185,432 due to the effects of COVID-19. Property taxes increased by \$313,650 mainly due to the increase in the property tax value. Interest income decreased by \$180,894 due to the market fluctuations. Expenses increased mainly due to general government for the city hall renovation projects and GASB 68 FRS expenses and public safety expenses due to police retirement costs and several new department positions. Transportation increase was due to COVID-19 related expenses and increased NPDES engineering costs. Recreation decrease was due to a decrease in activities and personnel related to COVID. As noted earlier, governmental activities increased the City's net position by \$582,822 or 2.31%.

Net Pension Liability

With the implementation of GASB 68, the unfunded pension obligations (Net Pension Liability) are a liability on the statement of net position within the City’s basic financial statements. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions.

The City’s net pension liability is a cumulative total of the City’s four pension plans. These four plans include two non-police officer plans: Florida Retirement System (FRS) and Health Insurance Subsidy (HIS), and two police officer plans: Municipal Police Officers’ Retirement Fund and Police Officers’ Supplemental Pension Plan. GASB 68 recognizes three different types of defined benefit employer plans and the City has at least one of each type:

Single-Employer Plan - A plan that provides pension benefits to the employees of one employer. The City’s Municipal Police Officers’ Retirement Fund qualifies as this type of plan and is overseen by the City’s Police Pension Board of Trustees.

Agent Multiple-Employer Plan - A plan in which the assets of the participating government employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. As a result, each participating employer’s share of the pooled assets is legally available to pay the defined benefit pensions of only its retirees. The City’s Police Officers’ Supplemental Pension Plan falls under this type of defined benefit employer plan.

Cost-Sharing Multiple-Employer Plan - A plan in which the participating government employers pool their assets and their obligations to provide defined benefit pensions. The plan assets are used to pay the pensions of the retirees of any participating employer. Both the Florida Retirement System and the Health Insurance Subsidy are considered cost-sharing, multiple-employer plans.

According to GASB 68 guidelines, September 30 of the previous fiscal year, was chosen for the City’s measurement date. The City’s net pension liability comparative balances for fiscal years ended September 30, 2020 and 2019 are shown below.

**CITY OF INDIAN HARBOUR BEACH'S NET PENSION LIABILITIES
September 30,**

	2020	2019
Municipal Police Officers' Retirement Fund (MPORF)	\$ 1,624,834	\$ 1,539,262
Police Officers' Supplemental Pension Plan (POSPP)	68,328	12,155
Florida Retirement System (FRS)	1,658,772	1,498,862
Health Insurance Subsidy (HIS)	657,749	634,522
	<hr/>	<hr/>
Total net pension liability	\$ 4,009,683	\$ 3,684,801
	<hr/>	<hr/>

Government Funds Financial Analysis

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Fund balance is composed of:

- Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance - Amounts that can be used only for the specific purposes determined by action of the City Council, the City's highest level of decision making authority.
- Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes that are neither considered restricted nor committed. The authority to assign fund balance lies with the City Manager.
- Unassigned Fund Balance - This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Government Funds Financial Analysis (continued)

The following table provides information regarding the City's combined fund balances. Specific information for the general fund and the special revenue funds is found on page 26.

CITY OF INDIAN HARBOUR BEACH'S BALANCE SHEET

September 30,

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 12,969,578	\$ 11,893,864	\$ 1,075,714
Cash and cash equivalents - restricted	732,978	622,348	110,630
Receivables	324,439	256,481	67,958
Prepays	1,773	4,345	(2,572)
Total assets	<u>\$ 14,028,768</u>	<u>\$ 12,777,038</u>	<u>\$ 1,251,730</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 65,969	\$ 86,028	\$ (20,059)
Accrued wages payable	235,795	208,534	27,261
Unearned revenue	19,532	43,724	(24,192)
Other liabilities	13,572	14,279	(707)
Total liabilities	<u>334,868</u>	<u>352,565</u>	<u>(17,697)</u>
Fund balance			
Nonspendable for prepaids	1,773	4,345	(2,572)
Restricted			
Special revenue funds	499,102	385,822	113,280
Grants	233,890	236,911	(3,021)
Committed	157,330	591,857	(434,527)
Assigned	-	12,320	(12,320)
Unassigned	12,801,805	11,193,218	1,608,587
Total fund balances	<u>13,693,900</u>	<u>12,424,473</u>	<u>1,269,427</u>
Total liabilities and fund balances	<u>\$ 14,028,768</u>	<u>\$ 12,777,038</u>	<u>\$ 1,251,730</u>

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$13,693,900, an increase of \$1,269,427 in comparison with the prior year. The entire combined fund balance amount comprises nonspendable funds of \$1,773, restricted funds of \$732,992, committed funds of \$157,330, and unassigned funds of \$12,801,805 which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$12,801,805, while the total fund balance of the general fund was \$13,194,798.

Government Funds Financial Analysis (continued)

The following table provides comparative information regarding the general fund's revenues, expenditures, and changes in fund balances. Additional information can be found on page 26.

CITY OF INDIAN HARBOUR BEACH'S GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Year ended September 30,

	2020	2019	Variance
REVENUES			
Taxes	\$ 6,545,769	\$ 6,252,873	\$ 292,896
Permits, fees and special assessments	746,353	795,361	(49,008)
Intergovernmental	1,061,823	1,092,724	(30,901)
Charges for services	171,646	315,751	(144,105)
Judgments, fines and forfeits	15,291	14,455	836
Interest and other earnings	114,862	295,633	(180,771)
Miscellaneous	11,161	90,393	(79,232)
Total revenues	<u>8,666,905</u>	<u>8,857,190</u>	<u>(190,285)</u>
EXPENDITURES			
Current			
General government	1,430,498	1,288,982	141,516
Public safety	3,535,287	3,364,499	170,788
Transportation	1,200,466	1,096,511	103,955
Recreation	680,744	859,905	(179,161)
Capital outlay	672,563	807,575	(135,012)
Total expenditures	<u>7,519,558</u>	<u>7,417,472</u>	<u>102,086</u>
Excess (deficiency) of revenues over (under) expenditures	1,147,347	1,439,718	(292,371)
Other financing sources			
Proceeds from the sale of capital assets	8,800	19,361	(10,561)
Net change in fund balances	<u>1,156,147</u>	<u>1,459,079</u>	<u>(302,932)</u>
Fund balances, beginning	12,038,651	10,579,572	1,459,079
Fund balances, ending	<u>\$ 13,194,798</u>	<u>\$ 12,038,651</u>	<u>\$ 1,156,147</u>

Total revenues in the general fund were \$8,666,905 which represents a decrease of \$190,285 from the prior year or 2.15%. This decrease was mainly due to lower interest earnings and charges for services. The general fund expenditures for the current fiscal year were \$7,519,558 which was an increase of 1.38%. This change was mainly due to an increase in general government and public safety expenses offset by decreases in recreation and capital assets. The increases were due to the City Hall renovation project and additional public safety personnel and decreases were mainly tied to the effects of COVID-19. The positive net change in the general fund balance was \$1,156,147.

General Fund Budgetary Highlights

A budget to actual statement is provided for the general fund. A budget column for both the original budget adopted for fiscal year 2019/2020 as well as the final amended budget is presented. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund can be found on page 74.

During the year there was a \$4,540,627 decrease in appropriations between the original and final amended budget. Due to various revenue events, trends, and other anticipated increases, the City reallocated revenues and the available prior year reserves during the year. The following outline some of these changes:

- Prior year income - Reserve funds were not needed for the construction of the new police headquarters due to architectural design, planning, and permitting delays during the fiscal year (\$4,219,767) as well as other projects that were deferred to the future because of COVID-19.
- Taxes and shared revenues - As the global COVID-19 pandemic continued through the latter part of the fiscal year, there was a lot of uncertainty about anticipated tax revenues and state & local shared revenues related to consumer spending. Therefore, adjustments were made to amend the budget to recognize the anticipated decrease in revenues (\$99,374).
- Charges for services - Due to the COVID-19 pandemic, there was a significant decrease in recreation department revenues related to cancelled summer activities (\$100,618), limited pool usage (\$24,409), and reduced class sizes (\$3,191). In addition, City Council waived fire safety inspection fees (\$14,000) to assist businesses affected by the pandemic.

Due to the anticipated loss in revenues and unexpected additional expenditures related to the COVID-19 pandemic, the City delayed some capital projects, reduced the Recreation Department summer staff, cancelled out-of-area travel, and managed to reduce the bottom line expenses where possible. The following anticipated changes in expenditures and the changes in revenues (above) created a contingency fund for the City during the fiscal year:

- Capital Outlay - Decreases in appropriations included: delay of police headquarters construction (\$4,219,767), continued delays related to Wimico Drive TIFT sidewalk project due to concerns by citizens (\$229,200), reduction in annual paving project delay (\$116,490), postponement of Gleason Park lighting project (\$100,000), and postponement of park equipment replacement project (\$50,000).
- General Government - Anticipated changes in appropriations included: deferment of new Special Projects Coordinator position to next fiscal year (\$89,160), decrease of consulting expenditures due to cancellation or postponement of projects (\$45,545), and decrease in training and travel costs (\$18,475) related to cancelled conferences and restricted travel
- Public safety - A decrease in appropriations to travel and training expenditures due to cancellations related to the pandemic (\$15,470). Personnel expenses were anticipated to be lower due to three long-term employees leaving and additional participation in earned compensation program which decreased salaries and payroll related costs; in addition, there was lower than expected participation in police department incentive and education reimbursement programs (\$196,480). The police and fire departments also anticipated a decrease in equipment, vehicle, and building maintenance needs (\$25,923).
- Transportation - The majority of the anticipated decreases were related to lower than anticipated equipment, vehicle, and building maintenance needs (\$10,783).

General Fund Budgetary Highlights (continued)

- Recreation - The Recreation Department was hardest hit by the COVID-19 pandemic and had to cancel many of its events, summer activities, and classes. A large part of the anticipated expenditure decreases was seasonal personnel wages and related payroll costs (\$98,420). Due to the uncertainty of revenues, park projects were deferred (\$71,500). In addition, there were anticipated decreases related to utilities because of facilities not being used and expenditures to run programs that had been cancelled (\$19,500).

At the end of the fiscal year, the City had an actual excess of revenues over expenditures of \$1,147,347. A comparison of the actual revenues to the final budgeted operating revenues produces a positive variance of \$154,453. The majority of this increase was due to CARES Act funding (\$41,711), higher than anticipated franchise fees (\$45,121), Half-Cent Sales Tax (\$45,957), Local Option Gas Tax (\$17,502), and building permits (\$6,852) related to an increase in home projects being completed due to the pandemic.

Actual expenditures were lower than final budgeted expenditures by \$992,894 or 11.66%. The majority of this decrease (79.8%) was due to contingency funds that were appropriated due to the unforeseen increases in budgeted revenues and decreases in budgeted expenses. The majority of the additional decrease in expenditure variance was due to the following:

- Capital Outlay - The COVID-19 pandemic caused delivery delays for the two police vehicles (\$46,905), implementation delays of timekeeping and attendance software (\$12,197), and project deferment of fire department driveway apron (\$6,300) and pool equipment pumps/motors (\$5,823).
- Public Safety - Police Department payroll expenses related to a communications position which was not filled for a period while trying to find the right candidate, fewer new officers eligible for state incentive and PST programs, and less COVID-19 coverage overtime needed than anticipated (\$37,443); the Fire Department anticipated replacement of non-fixed asset equipment and bunker gear that was not replaced during fiscal year (\$18,302); Police Department vehicle, building, and equipment maintenance costs lower than anticipated (\$4,862); and public safety fuel charges were less than anticipated (\$3,150).
- Transportation - A position in the department was not filled as early as expected due to COVID related budget and safety concerns (\$16,768).
- Recreation - Anticipated building, equipment, and park maintenance projects did not get completed (\$9,090) prior to the end of the fiscal year. In addition, park port-o-lets were returned earlier than anticipated with re-opening of parks during the pandemic and cleaning of re-opened park restrooms was supplemented by City crews (\$6,290).

Capital Assets and Debt Administration

Capital Assets. As of September 30, 2020, the City's capital assets total for its governmental activities was \$15,712,749 (net of depreciation). Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, improvements other than buildings, equipment, motor vehicles, and software. The total decrease in the City's investment in capital assets for the current fiscal year was approximately 1.62%. A comparative summary of net capital assets by category follows:

	Capital Assets at Year End (net of accumulated depreciation)		
	<u>2020</u>	<u>2019</u>	<u>Difference</u>
Land	\$ 3,050,325	\$ 3,050,325	\$ -
Construction in progress	308,008	27,775	280,233
Buildings and improvements	2,332,364	2,438,801	(106,437)
Improvements, other than building	1,873,612	1,880,360	(6,748)
Equipment	965,159	1,065,334	(100,175)
Motor vehicles	591,231	689,809	(98,578)
Software	74,137	67,767	6,370
Infrastructure	6,517,913	6,751,317	(233,404)
Total capital assets	<u>\$ 15,712,749</u>	<u>\$ 15,971,488</u>	<u>\$ (258,739)</u>

During the fiscal year, the City continued working diligently to protect those quality services that afford our residents the quality of life they have come to expect from the City. Major capital asset events during the 2019/2020 fiscal year included:

- Equipment, including replacement of aging equipment:
 - General Government
 - Timekeeping and Attendance System with Time Clocks (\$29,753);
 - SQL Server, computers, and updated software throughout the City departments to upgrade old systems (\$27,468);
 - Lighted Christmas trees (\$9,844)
 - Recreation Department
 - Bleachers at Algonquin Sports Complex (\$16,801)
 - Public Works
 - Gas pump (\$13,162);
 - Tiller (\$3,084)
 - Police Department - Camera system and radar for police vehicle (\$6,098)
 - Fire Department -
 - Body armor (\$3,248);
 - Rescue saw with depth limit kit (\$1,446)
 - Thermal imaging camera (\$1,275)

Capital Assets and Debt Administration (continued)

- Vehicles:
 - Public Works - F-350 truck (\$36,994);
- Improvements Other than Buildings
 - Oars & Paddles Park - expansion of parking lot (\$114,950);
 - Gleason Park irrigation well (\$5,850);
- Buildings & Fixed Equipment
 - Replacement air conditioner unit for City Hall (\$14,454);
 - Replacement of air conditioner (\$7,768) and water heater at the Recreation Center (\$1,245);
 - Construction in Progress project: Police Station (\$280,233);
- Roads/Sidewalks (\$83,505) and Drainage (\$104,588) - projects designed to protect the quality of the City's infrastructure while meeting the mandates of new State and Federal laws and regulations.

Major Initiatives

In Fiscal Year 2019/2020, the global pandemic, Novel Coronavirus (COVID-19), impacted communities throughout the world, including Indian Harbour Beach. This event resulted in a pandemic induced economy, an economic downturn that had substantial uncertainty, not just here in our community, but throughout the world. Local governments saw budget shortfalls due to unanticipated revenue declines, which are a result of lost revenue sources from services, such as permitting fees, utility fees, activity fees, and sales taxes. As a result, our City took immediate steps to curtail expenses, more than \$4.5M in this fiscal year.

In March 2020, Congress adopted the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Only 36 of more than 19,000 American cities, towns and villages were eligible for funding from the CARES Act due to population size. Indian Harbour Beach was fortunate to be in Brevard County with a population exceeding 500,000, which allowed the County to be a recipient of these funds and to assist our community in responding to this health crisis in the amount of \$41,711. It is important to note that these federal funds could not be utilized to replenish lost revenue during this event.

The City responded in an exemplary manner to modify our operations to meet the safety protocols necessary to protect our most valuable assets, our dedicated and professional team members, as well as the residents and businesses. Whether it was remote work or modified procedures, the talented team continued to provide valuable services to the community.

In spite of the challenges of this Novel Coronavirus (COVID-19) public health crisis, we did continue a philosophy of investing in the community.

- **Infrastructure**
 - Preservation and protection of one of our most valuable assets, the Indian River Lagoon, is a top priority. Our City continues to take great pride in protecting this natural resource and is constructing stormwater improvements to remove the harmful nutrients and debris prior to these waters entering the lagoon. These improvements allow the City to continue our compliance with the NPDES (National Pollutant Discharge Elimination System) nutrient removal requirements.

Major Initiatives (continued)

In FY 2019/2020, we continued our efforts to remove nutrient laden muck, harmful to the health of the Indian River Lagoon, from twelve canals in our community via a proposed Muck Removal Project. Brevard County assumed the design and permitting of the Muck Removal Project in fall 2018 utilizing remaining funds from a Florida Legislative Appropriation. The design and permitting is the phase of the project that will lead toward an application to state/federal agencies for approval to construct. The estimated cost of this project exceeds \$10M. In previous fiscal years, the City received a \$9.1M commitment from Brevard County from the Save Our Indian River Lagoon One Half-Cent Sales Tax revenue to construct this project. This is the largest non-municipal funding in the history of the City and the approval was memorialized into a written agreement with Brevard County, ultimately executed in early FY 2019/2020.

In spite of the economic downturn associated with the global pandemic, we are proud to have successfully received a State Legislative Appropriation, \$1M to be shared with Satellite Beach, to enhance the One-Half Cent Sales Tax commitment to help make this project become a reality.

- Another significant part of the City's commitment to protecting the lagoon is the construction of the Big Muddy Baffle Box. During this fiscal year the City completed the design and permitting of this state of the art 2nd Generation Baffle Box. In August 2020, the City made a grant application to the St. Johns River Water Management District for partial funding of the Big Muddy Baffle Box project. The State of Florida General Appropriations Act Fiscal Year 2020-21 provided funding to the St. Johns River Water Management District (SJRWMD) for water quality projects that improve water quality for the Indian River Lagoon (IRL).

The City of Indian Harbour Beach's request for SJRWMD funding for the Big Muddy Baffle Box project for funding fifty percent (50%) of the construction costs (\$380,000). This grant award will supplement the previously approved Save Our Indian River Lagoon One Half-Cent Sales Tax appropriation (\$67,532).

- Additionally, during FY 2019/2020, the City replaced more than 200 feet of seawall along the Big Muddy canal at a cost of more than \$63,000. This will protect the adjoining properties and help reduce erosion and sediment from entering the canal and the lagoon.
- The City is a built out community that is located on a barrier island. Therefore, providing new drainage improvements within the existing developed areas to provide not only the preservation of the Indian River Lagoon, but protection of properties is extremely challenging. However, Low-impact Development (LID) is an approach we utilized and is designed to retrofit of a drainage system that manages stormwater runoff as part of green infrastructure. LID emphasizes conservation and use of on-site natural features to protect water quality.

Major Initiatives (continued)

The City's Public Works Director has been collaborating with our consulting engineer for the design of a LID dry retention area in the medians of Palm Springs Boulevard. Based upon that design we were able to construct this innovative stormwater treatment system at a cost of less than \$40,000.

- With more than 125 miles of local roadways that are maintained in an exemplary manner, it was important to provide a scaled back version of our annual road resurfacing program. In FY 2019/2020, the City expended more than \$80,000 in milling, resurfacing, and striping more than one lane miles of roadways in the City.

• Buildings and Fixed Equipment

- In FY 2019/2020, the City continued to plan for and design a modern, safe Police Headquarters (approximately 17,000 sq. ft.), at an estimated total cost of \$5.85M that will enhance one of the City Council's areas of emphasis: providing a safe and secure community. In August, the City awarded a Construction Management at Risk with a Guaranteed Maximum Price contract to W&J Construction Corporation. This is a work in progress with the design and engineering for this important facility beginning in this fiscal year and construction occurring in the following budget year.
- In FY 2019/2020, the City continued to maintain our vital facilities with the replacement of air conditioners that are subject to an extreme corrosive environment in a beachside community. The city spent \$22,222 for both City Hall and the Recreation Center units in this fiscal year.

• Property Improvement

The City's park system continues to be the pride of the community. Through a team effort by our Recreation Department and Public Works Department personnel, the City's parks are maintained in an exemplary manner, with Gleason Park being the shining star for the community.

- The City assumed the ownership and maintenance of Oars and Paddles Park in 2016, which was previously owned by Brevard County. This park is heavily utilized by runners, rowers, paddle boarders, bicyclists, and citizens who want to utilize the playground and picnic pavilion adjoining the Whiting Waterway and to have paddle access to the Indian River Lagoon. Additionally, this park hosts hundreds of Olympic and Collegiate athletes from all over the world that train here each winter for the sport of rowing. Regrettably, the global pandemic prevented these Olympic athletes from utilizing this facility in 2020.

Major Initiatives (continued)

Our team of professionals have taken a previously neglected park, enhanced the maintenance, and provided much needed improvements. In 2018, the City obtained funding from the Brevard County Tourist Development Council to construct an additional floating dock to expedite the rowers getting into the water to enjoy the lagoon, as well as designing and constructing additional parking for this well utilized park. The construction of the floating dock was completed in the prior fiscal year, along with the design of the parking lot expansion. Construction of the parking lot expansion was completed in FY 2019/2020.

- **Vehicles**

- Within the approved FY 2019/2020 Annual Operating Budget, the City Council appropriated \$37,500 for the replacement of a police pursuit vehicle within the Indian Harbour Beach Police Department, plus an additional \$20,000 for equipping the vehicle. The vehicle to be replaced was a 2014 Chevrolet Caprice with more than 110,000 road miles. However, due to COVID-19, the vehicle was not delivered until FY 2020/2021.

It is important to note that law enforcement vehicles, due to numerous electronics within the vehicle, experience significant engine miles versus road miles. In fact, according to Ford Fleet, they have determined one hour of idling is equal to the engine wear of driving 33 miles.

If it is assumed that 50% of the time is spent idling in 200 hours, the odometer may show 2,000 miles, but we have to add the idling-equivalent hours, which in this case is 3,300 miles, i.e., 100 hours x 33 miles. The actual wear on the engine after 2,000 miles is really the wear after 5,300 miles, i.e., 2,000 odometer miles plus 3,300 miles idling. Based upon this information you could extrapolate that this 2014 Chevrolet Caprice has nearly 165,000 miles on the engine of this vehicle.

In FY 2019/2020, the City purchased a 2020 Ford F-350 One-Ton Regular Cab Dual Wheels XL Pickup Truck at a cost of \$36,994. The vehicle replaced a 2009 Ford F-250 Single Wheel Pickup Truck which was auctioned off.

- **Equipment and Software**

- The City continues to invest in assets that help our talented team of professionals perform at a high level, while providing for efficiencies in our operations. During this fiscal year, the City acquired replacement computers and updated software, all of which assisted the community in adapting to working remotely during the global pandemic, and kept municipal operations running smoothly and effectively. Additionally, the City invested in technology for a strategic advantage with a new Timekeeping and Attendance Software system, along with a new SQL server for this software to operate on.
- While the Novel Coronavirus (COVID-19) public health crisis prevented many traditional holiday activities, the City was able to acquire replacement Christmas trees for Gleason Park and the Indian Harbour Beach Volunteer Fire Department. By replacing the outdated and deteriorating outdoor Christmas Trees the City was able to provide the community with a festive atmosphere during challenging times.

Major Initiatives (continued)

- The Indian Harbour Beach Police Department obtained a new radar unit and a video recording system.
- Unfortunately, we live in a world where far too often we see cases of active shooters impact communities. Indian Harbour Beach is not immune to this potential; therefore, to protect our dedicated Volunteer Fire Fighters the City acquired body armor for our fire fighters.
- Providing a safe and secure community is one of the City Council's overarching goals for the community, and in fiscal year 2019/2020 continue that philosophy with the acquisition of a rescue saw and thermal imaging camera in the Indian Harbour Beach Fire Department.
- As indicated earlier, our municipal parks are the pride of the community and our team of professionals continually make improvements for the betterment of the facilities. In fiscal year 2019/2020 the City replaced deteriorating bleachers in the Algonquin Sports Complex.
- In fiscal year 2019/2020, our Public Works Department enhanced their operations with a new gasoline dispensing facility for the municipal fleet.

Long-term debt. At the end of the current fiscal year, the City, continuing its long-time practice, did not have any general long-term outstanding debt.

A Look Ahead to FY 2021

Other than our phenomenal residents, businesses, and employees here in Indian Harbour Beach, perhaps our greatest asset is the Indian River Lagoon. Thus the preservation and restoration of the Indian River Lagoon is a major priority for the community. The City will continue with the design and permitting of the water quality projects: Muck Removal and Big Muddy Baffle Box discussed earlier. It is recognized that the Muck Removal project is extremely challenging and not only takes a long time to obtain outside agency permits (US Army Corps of Engineers), but the dredge management areas and disposal of the muck are areas that must be addressed.

We are continuing to pursue funding through the St. Johns River Water Management District, the Florida Inland Navigation District, and the Florida Legislature to supplement the \$9.1M Save Our Indian River Lagoon (SOIRL) ½ Cent Sales Tax Revenues allocated to remove 188,000 cubic yards of muck and more than 31,000 lbs. per year of harmful nitrogen from canals within the community.

The City will also commence construction of a 2nd Generation Baffle Box on the east end of the Big Muddy Canal. This project has an estimated construction cost of \$341,000 that will treat a 63.8 acre drainage basin and reduce the nitrogen by 591 lbs. per year. As stated earlier, this Baffle Box project is partially funded through a SOIRL sales tax appropriation of \$68,332, which reduces the impact on the City generated revenues. Additionally, the City has been awarded a grant from the St. John's River Water Management District that will fund one-half the construction cost of the Baffle Box project, not to exceed \$189,761.

A Look Ahead to FY 2021 (continued)

The City's tax rolls have recovered from the economic slowdown and show modest increases in total taxable values (6.18%). The beachside communities are certainly desirable places to live which have improved taxable values.

In FY 2020/2021, we will continue to provide a safe and secure community. The planned construction of a new, modern, and safe Police Headquarters (approximately 17,000 sq. ft.), at an estimated total cost of \$5.85M, is programmed in this budget year and may expand into FY 2020/2021.

Additionally, we will continue to provide a full-time School Resource Officer at Ocean Breeze Elementary School fully funded by Brevard Public Schools, along with the following Community Oriented Policing initiatives:

- Operation Skimmer Buster
- Bicycle/Beach/Boat Patrol
- Park Patrols
- Prescription Drug Drop Box
- Police K-9 Unit
- E-commerce Safe Spot
- Business Checks.

The City of Indian Harbour Beach will continue our certification by NOAA as Tsunami Ready. The City's Police, IHVFD, and Public Works departments, along with NOAA representatives, will hold drills to ensure our readiness for such an event.

In the area of Fire Protection, the City will continue to contract with the Indian Harbour Beach Volunteer Fire Department (IHBVFD) to provide exemplary professional fire suppression capabilities for the citizens and businesses.

We continue to provide a quality Building Department with a Building Code Effectiveness Grading classification of "3" for 1 and 2 family residential properties, as well as commercial and industrial properties and we enhance code enforcement with an added part-time Code position. Funding was appropriated for an upgrade to the Building Permit software in FY 2019/2020; however, due to COVID-19 this item was deferred and will be reconsidered during FY 2020/2021.

The City will continue its investment in infrastructure philosophy with a robust road resurfacing program, sidewalk enhancements, replacement of boardwalks at the beach parks, redundancy equipment to provide a quality aquatics facility, LED lighting, recreation equipment within the parks, improved lighting in Gleason Park, and replacement doors and air conditioning impacted by the beachside environment.

A Look Ahead to FY 2021 (continued)

Our community is very proud of our parks. Our parks, beaches, and municipal pool are a shining example of the quality of life our citizens enjoy year round. The Recreation Department provides exemplary programs and services. Our phenomenal Public Works and Recreation Departments' personnel maintain these facilities in an exemplary manner. During this upcoming budget year, we will conclude the Parking lot expansion at Oars & Paddles Park, and continue our Summer Camp, Aquatics programs, and youth activities.

As we continue our pursuit to leverage new technology to our strategic advantage, the Indian Harbour Beach Police Department will continue the use of an extensive Criminal Justice Information Systems (CJIS) network and will perform internal audits for compliance with the Florida Department of Law Enforcement (FDLE) rules and regulations. This will include separation of the police network from the general government server and implementation of two-factor identification.

We will also continue the use of Laserfiche, a robust records management program, and complete the in-house phone system, provide enhanced surveillance and security equipment, enhance the municipal website while maintaining ADA compliance, provide replacement computers, and meet the security requirements for our public safety network.

While this is an exciting time for the City of Indian Harbour Beach as we strive toward excellence in local government, it is important to note that one major hurricane or other disaster could drastically alter even the best laid plans. The City is confident that given the continued support of the Mayor and City Council, we will continue in this pursuit and provide high levels of service and strong financial stability.

Requests for Information

This financial report is designed to provide a general overview of the City of Indian Harbour Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, City of Indian Harbour Beach, 2055 South Patrick Drive, Indian Harbour Beach, FL 32937.

BASIC FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

STATEMENT OF NET POSITION

September 30, 2020

	Governmental Activities
ASSETS	
Cash, cash equivalents and investments - unrestricted	\$ 12,969,578
Cash, cash equivalents and investments - restricted	732,978
Receivables	324,439
Prepays	1,773
Total current assets	<u>14,028,768</u>
Capital assets, not being depreciated	
Land	3,050,325
Construction in progress	308,008
Capital assets, net of accumulated depreciation	
Buildings and improvements	2,332,364
Improvements, other than buildings	1,873,612
Equipment	965,159
Motor vehicles	591,231
Software	74,137
Infrastructure	6,517,913
Total capital assets	<u>15,712,749</u>
Total assets	<u>29,741,517</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and OPEB	<u>2,387,967</u>
LIABILITIES	
Accounts payable	66,023
Accrued wages payable	235,741
Unearned revenue	19,532
Other liabilities	13,572
Total current liabilities	<u>334,868</u>
Noncurrent liabilities	
Due within one year	
Compensated absences payable	360,810
Due in more than one year	
Compensated absences payable	360,809
Other post employment benefits payable	346,243
Net pension liabilities	4,009,683
Total noncurrent liabilities	<u>5,077,545</u>
Total liabilities	<u>5,412,413</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and OPEB	<u>882,794</u>
NET POSITION	
Net investment in capital assets	15,712,749
Restricted	
Special revenue funds	499,102
Grants	233,890
Unrestricted	9,388,536
Total net position	<u>\$ 25,834,277</u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

<u>Function/Program</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 1,794,732	\$ 28,806	\$ 82,720	\$ -	\$ (1,683,206)
Public safety	3,869,665	183,792	82,017	-	(3,603,856)
Transportation	1,697,039	34,457	-	217,867	(1,444,715)
Recreation	928,476	99,920	-	147,751	(680,805)
Total	<u>\$ 8,289,912</u>	<u>\$ 346,975</u>	<u>\$ 164,737</u>	<u>\$ 365,618</u>	<u>(7,412,582)</u>

General revenues:

Taxes:	
Property taxes	5,256,092
Local option, use and fuel taxes	339,794
Utility service taxes	572,198
Other general taxes	377,685
State shared revenues	753,565
Franchise fees	576,319
Local shared revenues	6,148
Interest income	115,180
Other revenues	11,161
Loss on disposal of capital assets	(12,740)
Total general revenues	<u>7,995,402</u>
Change in net position	582,820
Net position - beginning	<u>25,251,457</u>
Net position - ending	<u>\$ 25,834,277</u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents - unrestricted	\$ 12,969,578	\$ -	\$ 12,969,578
Cash and cash equivalents - restricted	233,890	499,088	732,978
Receivables	324,425	14	324,439
Prepays	1,773	-	1,773
Total assets	<u>\$ 13,529,666</u>	<u>\$ 499,102</u>	<u>\$ 14,028,768</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 66,023	\$ -	\$ 66,023
Accrued wages payable	235,741	-	235,741
Unearned revenue	19,532	-	19,532
Other liabilities	13,572	-	13,572
Total liabilities	<u>334,868</u>	<u>-</u>	<u>334,868</u>
Fund balance			
Nonspendable for prepaids	1,773	-	1,773
Restricted			
Special revenue funds	-	499,102	499,102
Grants	233,890	-	233,890
Committed	157,330	-	157,330
Unassigned	12,801,805	-	12,801,805
Total fund balances	<u>13,194,798</u>	<u>499,102</u>	<u>13,693,900</u>
Total liabilities and fund balances	<u>\$ 13,529,666</u>	<u>\$ 499,102</u>	<u>\$ 14,028,768</u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2020

Fund balances - total governmental funds		\$ 13,693,900
The net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 3,050,325	
Construction in progress	308,008	
Buildings and improvements, net	2,332,364	
Improvements, other than buildings, net	1,873,612	
Equipment, net	965,159	
Motor vehicles, net	591,231	
Software, net	74,137	
Infrastructure, net	<u>6,517,913</u>	15,712,749
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences		(721,619)
Other post employment benefits payable		(346,243)
Deferred amounts are reported in the statement of net position as deferred outflows or deferred inflows of resources but are not reported in the funds. Those deferred amounts consist of:		
Deferred outflows related to pensions and OPEB	2,387,967	
Deferred inflows related to pensions and OPEB	<u>(882,794)</u>	
Total deferred outflows (inflows)		1,505,173
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net pension liabilities		<u>(4,009,683)</u>
Total net position of governmental activities		<u><u>\$ 25,834,277</u></u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 6,545,769	\$ -	\$ 6,545,769
Permits, fees and special assessments	746,353	217,867	964,220
Intergovernmental	1,061,823	-	1,061,823
Charges for services	171,646	-	171,646
Judgments, fines and forfeits	15,291	382	15,673
Interest and other earnings	114,862	318	115,180
Miscellaneous	11,161	-	11,161
Total revenues	<u>8,666,905</u>	<u>218,567</u>	<u>8,885,472</u>
EXPENDITURES			
Current			
General government	1,430,498	-	1,430,498
Public safety	3,535,287	699	3,535,986
Transportation	1,200,466	-	1,200,466
Recreation	680,744	-	680,744
Capital outlay	<u>672,563</u>	<u>104,588</u>	<u>777,151</u>
Total expenditures	<u>7,519,558</u>	<u>105,287</u>	<u>7,624,845</u>
Excess (deficiency) of revenues over (under) expenditures	1,147,347	113,280	1,260,627
Other financing sources			
Proceeds from the sale of capital assets	<u>8,800</u>	<u>-</u>	<u>8,800</u>
Net change in fund balances	1,156,147	113,280	1,269,427
Fund balances - beginning	<u>12,038,651</u>	<u>385,822</u>	<u>12,424,473</u>
Fund balances - ending	<u>\$ 13,194,798</u>	<u>\$ 499,102</u>	<u>\$ 13,693,900</u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2020

Net change in fund balances - total governmental funds		\$ 1,269,427
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 777,151	
Less depreciation expense	<u>(1,014,350)</u>	(237,199)
In the statement of activities, the loss on the sale of capital assets is reported. However, in the governmental funds, only the proceeds on the sale are reported.		
Proceeds from the sale of capital assets	(8,800)	
Loss on disposal of capital assets	<u>(12,740)</u>	(21,540)
Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in compensated absences		(69,869)
Change in other post employment benefits payable		(15,814)
Change in pension expense		<u>(342,185)</u>
Change in net position of governmental activities		<u><u>\$ 582,820</u></u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2020

	<u>Police Supplemental Pension Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 356,480</u>
NET POSITION	
Restricted net position held in trust for supplemental pension benefits	<u>\$ 356,480</u>

The accompanying notes are an integral part of this financial statement.

City of Indian Harbour Beach, Florida

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

September 30, 2020

	<u>Police Supplemental Pension Fund</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:	
CONTRIBUTIONS:	
Employer contributions	\$ 46,358
INVESTMENT INCOME:	
Net appreciation in fair value of investments	<u>21,998</u>
Total additions	<u>68,356</u>
DEDUCTIONS TO NET POSITION ATTRIBUTED TO:	
Plan distributions	19,450
Administrative expenses	<u>5,814</u>
Total deductions	<u>25,264</u>
Change in net position	43,092
Net position - beginning	<u>313,388</u>
Net position - ending	<u><u>\$ 356,480</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Indian Harbour Beach, Florida (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

1. Reporting entity

The City of Indian Harbour Beach was incorporated in 1955 and recognized by a special act of the Florida legislature in 1963 as a municipality with a five member Council. The Council is elected by the registered voters of the City. The Mayor is selected by the Council from the Council Members. The City provides a wide range of services as directed by the City Charter, including general government, public safety, police, fire, public improvements, recreation, planning and zoning and other related general and administrative services for approximately 8,751 residents.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Codification Section 2100, *Defining the Financial Reporting Entity*. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the purpose and activities of the potential component unit benefit the government and/or its citizens, or whether they are conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria the following was determined:

During the year ended September 30, 2020 the City, in accordance with GASB 84, determined that the City of Indian Harbour Beach Police Officer's Supplemental Pension Plan ("PSOPP") is considered a component unit fiduciary fund and is included in the reporting entity because the City is able to exert significant influence.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Excluded from the reporting entity:

The City of Indian Harbour Beach Volunteer Fire Department, Inc.

The City of Indian Harbour Beach Volunteer Fire Department, Inc. is a nonprofit organization separate from the City. This potential component unit is excluded from the reporting entity because the City does not exert significant influence or control over the organization, nor does it have a right to the organization's surplus.

The City of Indian Harbour Beach Municipal Police Officer's Retirement Fund

The City of Indian Harbour Beach Municipal Police Officer's Retirement Fund is an organization separate from the City. This potential component unit fiduciary fund is excluded from the reporting entity because the City does not exert significant influence.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements.

Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets. Unrestricted net position does not meet the definition of the other two components.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements report detailed information about the City's governmental funds. The focus of governmental fund financial statements is on major funds. Therefore, major funds are reported as separate columns in the fund financial statements and non-major funds are aggregated and presented as a single column on each statement. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Basis of accounting, measurement focus and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 City 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.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of accounting, measurement focus and financial statement presentation (continued)

Property taxes, franchise taxes, licenses and permits, charges for services, fines and forfeitures and other revenues (except for investment earnings) associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Investment earnings are recorded when earned.

The City reports the following major governmental fund:

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

4. Budgets

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, as appropriations lapse at fiscal year-end. Unexpended items which are encumbered at year end are reappropriated in the subsequent year. The City had \$47,455 in encumbrances outstanding that was reported in its fund balances at September 30, 2020.

5. Cash, cash equivalents, and investments

Cash includes amounts in demand deposits and investment pools as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments are stated at market value and income from investments is recorded in the respective fund when earned.

Dividend income is recognized based on the dividend date and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date.

6. Receivables

After reviewing the individual account balances, the City's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statement of net position. In the governmental funds statement of revenues, expenditures and changes in fund balances, prepaid items are included in expenditures for the current period when consumed.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. Capital assets

All capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings, equipment, motor vehicles, software, and infrastructure are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The City defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life of one year or greater.

Infrastructure assets consist of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems. Infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings and improvements	5 - 50 years
Improvements, other than buildings	5 - 50 years
Equipment	3 - 50 years
Motor vehicles	5 - 20 years
Software	5 - 60 years
Infrastructure	10 - 40 years

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Unearned revenue

Unearned revenues are reported in the governmental fund financial statements when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise in both government-wide and fund financial statements when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue will be recognized as revenue. As of September 30, 2020, the City reported \$19,532 of unearned revenue.

11. Compensated absences

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are granted to City employees. In the event of termination, an employee is reimbursed for accumulated vacation days up to the equivalent of three years' accumulated vacation. Employees are reimbursed for 50 percent of accumulated sick leave only upon retirement per state requirements. However, if an employee leaves in good standing and has had at least two years of service, they are eligible to receive 30 percent of accumulated sick leave.

The maximum number of sick hours that can be accumulated is 800 hours (100 working days). If an employee accumulates sick hours in excess of this maximum, 75 percent of the excess will be credited to additional vacation time. Compensated absences are expensed as earned by the employees in the government-wide financial statements. A liability is reported in the governmental funds only if they have matured.

12. Interfund transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as an other financing use in the reimbursing fund and as an other financing source in the fund that is reimbursed. All interfund transactions are reported as transfers.

13. Income taxes

The City qualifies as a tax-exempt entity and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, deferred outflows, liabilities, deferred inflows, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

15. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Balance - The difference between assets and all current operational commitments and liabilities reported in a governmental fund.

Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact (i.e. buildings, roads, equipment and other capital assets).

Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may only be removed or changed by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes that are neither considered restricted nor committed. The authority to assign fund balance lies with the City Manager.

Unassigned Fund Balance - The residual classification for the general fund resources. 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. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

Restricted amounts shall be spent first unless there are legal documents/contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of classifications could be used.

If it is determined that there is a surplus (surplus is defined as the amount of cash that exceeds the minimum acceptable level of Cash Reserve), the surplus funds may be designated or appropriated as presented by the City Manager and approved by the City Council, for the following purposes:

- One-time capital needs. Since a surplus may not represent a recurring source of revenue, it should not be used to fund a recurring expense; however, if a one-time capital expenditure requirement has been identified by the appropriate City Executive Leader and the City Manager has agreed, but not already funded through an appropriation, the surplus may be appropriated for this use as approved by the City Council.
- Applied to a renewal and replacement program. Surplus funds may be used to supplement or enhance a capital replacement program such as vehicle, heavy equipment replacement, or any other capital replacement program initiated by the City Manager and approved by the City Council.
- Reduction or avoidance of debt. If there is short-term debt within the fund, the surplus may be applied to reduce or eliminate the debt if financial analysis by the City Manager proves this to be advantageous for the City. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if the financial analysis by the City Manager proves this to be advantageous for the City.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

In addition to the policy stated above regarding any fund surplus, the City Council approved a policy for a cash reserve fund of the unassigned fund balance of the General Fund as follows:

- In the general fund, there shall be created a Cash Reserve equal to a minimum of 33.33% of the current fiscal year operating expense portion of the budget for the general fund. For the purposes of this calculation, the current fiscal year operating budget shall be the budget as originally adopted by ordinance. This reserve shall be in addition to all other reserves as may be required to account for special revenue activity or other activity that may require a restriction of cash. In any fiscal year when the City is unable to create the Cash Reserve as required by this section, the City shall (a) not budget any amount of fund balance for the purpose of balancing the budget and (b) have its City Manager identify in a written plan to the City Council how to reach this minimum fund balance level within 24 months.
- Emergency/Hurricane Recovery Fund - The City recognizes being a coastal community that it is subject to disasters that require significant recovery expenses that may or may not be reimbursed in part or in full from the State of Florida and/or the federal government. Such reimbursements, should they occur may take in excess of one year for payment to the City. Therefore, the Emergency/Hurricane Recovery Fund shall be created as a Cash Reserve equal to a minimum of 33.33% of the current fiscal year's operating and capital outlay budgets for the general fund. For the purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance. This reserve shall be in addition to all other reserves as may be required to account for special revenue activity or other activity that may require a restriction of cash. In any fiscal year when the City is unable to create the Cash Reserve as required by this section, the City shall (a) not budget any amount of fund balance for the purpose of balancing the budget and (b) have its City Manager identify in a written plan to the Council how to reach this minimum fund balance level within 24 months.
- Building Renewal, Replacement and Betterment Fund - The Building Renewal, Replacement and Betterment Fund (BRR&B) is created to appropriate a beginning balance that is rolled over and enhanced each year to construct new structures or enhance existing structures. It shall be the goal of the City to enhance the BRR&B Fund Balance with unexpended budget appropriations from the prior year's Capital Projects Fund. The balance as of September 30, 2020 is \$801,227.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

For the year ending September 30, 2020, the breakout of the fund balances is shown below:

	General Fund	Other Governmental Funds	Total
Nonspendable for prepaids	\$ 1,773	\$ -	\$ 1,773
Restricted			
Law enforcement	-	15,289	15,289
Grants	233,890	-	233,890
Stormwater	-	483,813	483,813
Committed			
Budgeted use of reserves	157,330	-	157,330
Unassigned	12,801,805	-	12,801,805
Total fund balance	\$ 13,194,798	\$ 499,102	\$ 13,693,900

The general fund balance has been restricted for the purpose of the Transportation Impact Fee Trust Fund grant. The \$157,330 committed balance is composed of \$54,609 for the architectural design and development of the police headquarters, \$48,922 for a new police SUV and associated costs and the remaining balance is related to various projects.

16. Accounting and financial reporting for pensions

The City's active pension employees are members of the Florida Retirement System, Health Insurance Subsidy, Municipal Police Officers' Retirement Trust Fund, and Police Officers' Supplemental Pension Plan and the primary activity associated with the pension arrangements are to be reflective for the year ended September 30, 2020 (Notes G through J).

17. Pensions and other postemployment benefits (OPEB)

For purposes of measuring the net pension and OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to and deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City's deposits and investments are insured by the Federal Depository Insurance Corporation ("FDIC") for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

The deposits with the State Board of Administration (the "SBA"), Florida Municipal Investment Trust ("FMIVT"), and with Florida Surplus Asset Fund Trust (the "Florida SAFE") are composed of local government surplus funds deposited therein by units of local government and are insured by the multiple financial institution collateral pool established by Florida Statutes. Section 218.407, Florida Statutes, governs the investing of public funds with the SBA.

The Florida PRIME is operated as a "2a-7 like" money market fund. As of September 30, 2020, the City had \$274,147 in the Florida PRIME. As of September 30, 2020, there were no redemption fees, maximum transaction amounts, or any other requirements that would limit the City's daily access to 100% of the City's account value.

The FMIVT and the Florida SAFE are authorized investments under section 218.415, Florida Statutes as intergovernmental investment pools authorized pursuant to the "Florida Interlocal Cooperation Act" as provided in section 163.01, Florida Statutes. The investments consist largely of federal agency obligations, primary dealer repurchase agreements, and highly rated commercial paper.

The following deposit accounts were included in the various funds at September 30, 2020:

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

<u>Deposits and insured investments</u>	<u>Balance</u>	<u>Duration</u>	<u>Rating</u>
Cash	\$ 4,969,897	N/A	Not rated
Public funds now	43,872	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	274,147	48 days	AAAm (S&P)
Florida municipal investment trust	234,016	0.65 years	AAAf/S1 (Fitch)
Florida SAFE	8,180,624	< 60 days	AAAm (S&P)
Total cash, cash equivalents, and investments	<u>\$ 13,702,556</u>		
Defined benefit plan (fiduciary fund)			
Cash	\$ 2,852	N/A	Not rated
Bond fund	49,551	5.52 years	AAf/S4 (Fitch)
Fixed income fund	49,907	3.35 years	Not rated
Equity funds	254,170	N/A	Not rated
	<u>\$ 356,480</u>		

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

Total cash, cash equivalents, and investments were \$12,969,578 unrestricted and \$732,978 restricted.

Investment Policy, Interest Rate Risk, Credit Risk & Concentration Risk - The City's adopted investment guidelines require that the investments of the City be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment account, securities and exchange commission money market funds which are required to have the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the United States Treasury.

The City's investment policy does not further limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest nor does it further limit its investment choices to mitigate its exposure to credit risk.

The investments in the City's defined benefit plan are with an investment pool and not the individual securities that make up the pool.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the City reports its investments in Florida PRIME and Florida SAFE at amortized cost because Florida PRIME and Florida SAFE are external investment pools that report their investments at amortized cost. The City's Florida municipal investment trust (FMIvT) and defined benefit plan (fiduciary fund) are recorded at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The statement establishes a hierarchy of inputs to valuation techniques to measure fair value with three levels.

- > Level 1 inputs are the quoted price (unadjusted) in active markets for identical assets and liabilities;
- > Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- > Level 3 inputs are unobservable inputs, such as management's assumptions of the default rate among underlying mortgages of a mortgage-backed security.

The following table presents a summary of the City's Florida municipal investment trust (FMIvT) according to the fair value hierarchy as of September 30, 2020:

Description	Fair Value	Level 1	Level 2	Level 3
FMIvT 0-2 Year High Quality Bond	\$ 234,016	\$ -	\$ 234,016	\$ -

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The following table presents a summary of the City's defined benefit plan (fiduciary fund) according to the fair value hierarchy as of September 30, 2020:

Description	Fair Value	Level 1	Level 2	Level 3
FMIvT Broad Market High Quality Bond	\$ 49,551	\$ -	\$ 49,551	\$ -
FMIvT Core Plus Fixed Income	49,907	-	-	49,907
FMIvT Large Cap Diversified Value	128,689	-	128,689	-
FMIvT Diversified Small to Mid Cap Equity	36,361	-	36,361	-
FMIvT International Equity	56,680	-	56,680	-
FMIvT Core Real Estate	32,440	-	-	32,440
Total	353,628	\$ -	\$ 271,281	\$ 82,347
Cash	2,852			
Total cash and cash equivalents	<u>\$ 356,480</u>			

NOTE C - RECEIVABLES

Receivables at September 30, 2020, consist of the following:

	General Fund	Other Governmental Funds
Taxes	\$ 78,601	\$ -
Franchise fees	96,277	-
Utilities	57,384	-
Other	92,163	14
	<u>\$ 324,425</u>	<u>\$ 14</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,050,325	\$ -	\$ -	\$ 3,050,325
Construction in progress	27,775	280,233	-	308,008
Total capital assets not being depreciated	<u>3,078,100</u>	<u>280,233</u>	<u>-</u>	<u>3,358,333</u>
Capital assets, being depreciated:				
Building and improvements	4,905,978	24,467	18,784	4,911,661
buildings	3,035,290	137,602	15,805	3,157,087
Equipment	2,565,599	92,654	50,903	2,607,350
Motor vehicles	2,001,414	36,994	54,104	1,984,304
Software	191,405	17,598	1,236	207,767
Infrastructure	9,544,144	187,603	-	9,731,747
Total capital assets being depreciated	<u>22,243,830</u>	<u>496,918</u>	<u>140,832</u>	<u>22,599,916</u>
Less accumulated depreciation for:				
Building and improvements	2,467,177	130,904	18,784	2,579,297
buildings	1,154,930	144,350	15,805	1,283,475
Equipment	1,500,265	190,022	48,096	1,642,191
Motor vehicles	1,311,605	116,839	35,371	1,393,073
Software	123,638	11,228	1,236	133,630
Infrastructure	2,792,827	421,007	-	3,213,834
Total accumulated depreciation	<u>9,350,442</u>	<u>1,014,350</u>	<u>119,292</u>	<u>10,245,500</u>
Total capital assets, being depreciated, net	<u>12,893,388</u>	<u>(517,432)</u>	<u>21,540</u>	<u>12,354,416</u>
Governmental activities capital assets, net	<u>\$15,971,488</u>	<u>\$ (237,199)</u>	<u>\$ 21,540</u>	<u>\$15,712,749</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE D - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$	60,626
Public safety		228,784
Transportation		482,939
Recreation		242,001
		<u>242,001</u>
	\$	<u>1,014,350</u>

NOTE E - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2020:

<u>Long-term liabilities</u>	Balance at October 1, 2019	Increases	Decreases	Balance at September 30, 2020	Due within one year
Compensated absences	\$ 651,750	\$ 390,105	\$ 320,236	\$ 721,619	\$ 360,810
OPEB	439,506	40,010	133,273	346,243	-
Net pension liabilities	3,684,801	1,996,401	1,671,519	4,009,683	-
	<u>\$ 4,776,057</u>	<u>\$ 2,426,516</u>	<u>\$ 2,125,028</u>	<u>\$ 5,077,545</u>	<u>\$ 360,810</u>

Compensated absences in the governmental activities are classified as non-current liabilities and in the past have been paid out of the general fund.

NOTE F - UNEARNED REVENUE

Unearned revenue at September 30, 2020, consists of the following:

Unearned business tax	\$	6,483
Other unearned revenue		13,049
		<u>13,049</u>
Total unearned revenue	\$	<u>19,532</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER

Municipal Police Officers' Retirement Fund (MPORF)

1. Plan description

The MPORF is a single-employer, defined benefit pension plan, which covers all of the City's police officers. The MPORF was created by Section 13.36 of the City of Indian Harbour Beach, Florida, Municipal Code.

The MPORF is administered by a five member Board of Trustees. The Board of Trustee members are selected as follows: two members are City Council appointees who are City residents, two are elected by members of the police department, and one is appointed by the other four members and approved by the City Council.

All of the City's full-time police officers participate in the MPORF, which includes a deferred compensation MPORF. Current membership in the MPORF is comprised of the following:

<u>Group</u>	<u>Participants</u>
Actives	20
Service retirees	12
DROP retirees	1
Beneficiaries	0
Disability retirees	2
Terminated vested	3
Total	<u>38</u>

Employees who have attained the age of 52 and who have completed ten years or more of service are entitled to annual benefits equal to three percent of their Average Final Compensation times years of credited service. Average Final Compensation is the average compensation for the five final calendar years of employment.

Employees who have attained the age of 50 and who have completed at least ten years of service are eligible for early retirement. This entitles the employee to receive benefits computed similarly to normal retirement as described above, reduced three percent for each year that the early retirement precedes normal retirement.

Active employees who are determined to have a disability in service are entitled to receive benefits. The benefit amount is the greater of 50% of the regular base salary or the accrued benefit or 42% of Average Final Compensation for life and the life of the surviving beneficiary in the event of death with the first 120 payments guaranteed.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

1. Plan description (continued)

If a member dies and the death was service related, his or her surviving beneficiary receives annual benefits equal to 50 percent of the member's base pay on date of death, payable to the spouse until death or remarriage. If there is no spouse, or upon death or remarriage, then benefits are equal to 15 percent of the base pay, payable to each unmarried child until the age of 18 (or to age 22, if in school), with a maximum of 50 percent. If the death is non-service related then benefits are equal to 50 percent of base pay payable monthly for a period of one year. If death occurs and the member is eligible for retirement, the beneficiary receives the accrued benefit for ten years.

If an employee terminates his or her employment as a police officer and is not eligible for any other benefits under the MPORF, the employee is entitled to the following:

- > with less than ten years of continuous service, a refund of member contribution without interest.
- > with ten years or more of continuous service, accrued benefit payable at normal retirement date if member contributions left in fund, or a refund of contributions without interest.

The MPORF issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Indian Harbour Beach Municipal Police Officers' Retirement Fund, 40 Cheyenne Court, Indian Harbour Beach, FL 32937.

2. Funding policy

The contribution requirements of the MPORF members and the City are established in a collective bargaining labor agreement.

Police officers are required to contribute 6.5 percent of their annual salary to the MPORF. During fiscal year 2020, the City received contributions of approximately 5 percent of the total annual payroll, from the State of Florida, which are credited towards part of the City's annual required contribution. (The state provided contributions do not meet the criteria for special funding situations under GASB 68.) The City is required to contribute the remaining amounts necessary to fund the MPORF, using the entry age normal actuarial method and the amortization of the accrued past service liability over 30 years. Administrative costs are financed through investment earnings.

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rate for normal cost is determined using the projected benefits actuarial funding method with proration based on service.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

2. Funding policy (continued)

The estimated contribution requirements for the year ended September 30, 2020, determined through an actuarial valuation as of October 1, 2018, that was rolled forward to September 30, 2019 (measurement date), consisted of the following: employees - estimated 6.5% of current year covered payroll and City and State – 40.2% of the projected current year covered payroll, both of which are normal costs. The City recognized \$588,885 of City and State contributions and \$78,791 of employee contributions during the fiscal year ended September 30, 2020.

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended September 30, 2020, the City reported the changes in net pension liability from the following sources:

	Increase (Decrease)		
Changes in net pension liability	Total pension liability	Plan's fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Beginning balances of:	\$ 12,318,509	\$ 10,779,247	\$ 1,539,262
Service cost	376,571	-	376,571
Interest on the total pension liability	960,079	-	960,079
Differences between expected and actual experience	(241,952)	-	(241,952)
Contributions from the City	-	510,956	(510,956)
Contributions from the State (non-special funding)	-	77,929	(77,929)
Contributions from employees	-	78,791	(78,791)
Net investment income	-	381,642	(381,642)
Benefit payments	(613,929)	(613,929)	-
Plan administrative expense	-	(40,192)	40,192
Ending balances of:	\$ 12,799,278	\$ 11,174,444	\$ 1,624,834

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

3. 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, 2020, the City recognized pension expense of \$668,859. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 301,186	\$ 215,272
Change in assumptions	104,390	-
Net difference between projected and actual earnings on pension plan investments	365,424	206,902
City pension plan contributions subsequent to the measurement date	646,479	-
Total	\$ 1,417,479	\$ 422,174

The deferred outflows of resources related to the pension plan, totaling \$646,479 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2021	\$ 153,514
2022	68,832
2023	84,015
2024	42,465

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

4. Actuarial assumptions

The total pension liability in the October 1, 2018 actuarial valuation was determined using the following actuarial assumption:

Inflation	3.00%
Salary increases	6.00%
Discount rate	7.75%
Investment rate of return	7.75%

Mortality Rate Healthy Active Lives

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB
 Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB

Mortality Rate Healthy Inactive Lives

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB
 Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Mortality Rate Disabled Lives

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale
 Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

Mortality rates were based on the above. The most recent actuarial experience study used to review the other significant assumptions was dated August 29, 2014. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the September 30, 2019 measurement date are below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	15%	6.50%
Fixed income	40%	2.50%
Total	<u>100%</u>	

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 3,306,148	\$ 1,624,834	\$ 248,531

7. Pension plan fiduciary net position

Detailed information regarding the pension plan's fiduciary net position is available in the separately issued financial statements for the pension plan from the City.

8. Payables to the pension plan

At September 30, 2020, the City reported a payable in the amount of \$24,648 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2020.

9. Deferred retirement option plan

On August 23, 2011, the City Council approved ordinance 2011-1 "Deferred Retirement Option Plan" to establish a Deferred Retirement Option Plan ("DROP") for police officers. The DROP program was effective as of the date of approval by the City Council.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

9. Deferred retirement option plan (continued)

Once a police officer achieves normal retirement age under the City of Indian Harbour Beach's Police Officers' Retirement System, as described above, an officer may elect to enter the DROP program for a period of no less than twelve months and no more than thirty six months. During this time, the benefit that would have been received had the officer terminated employment will be deposited into a DROP account to accumulate interest and earnings. As of September 30, 2020, there was no City employees in the MPORF DROP program.

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER

Police Officers' Supplemental Pension Plan (POSPP)

1. Plan description

The POSPP is an agent multiple-employer, defined benefit pension plan, which covers all of the City's police officers. The POSPP was created by Ordinance 2010-19 of the City of Indian Harbour Beach, Florida.

If an employee terminates his or her employment as a police officer and is not eligible for any other benefits under the POSPP, the employee is entitled to the following:

- with less than ten years of continuous service, the member shall not be entitled to any benefits under the plan.
- with ten years or more of continuous service, the accrued retirement benefit to the date of termination, payable commencing at his or her normal retirement date of age 52, and provided survival to the normal retirement date.

Under Ordinance 2012-3 of the City, officers that qualify for early retirement will receive all of their benefits.

The number of covered individuals is 38 (17 inactive employees and beneficiaries currently receiving benefits; one inactive employee entitled to but not yet receiving benefits; and 20 active employees).

The Board of Trustees of the City of Indian Harbour Beach Police Officers' Supplemental Pension Plan is composed of three members of the City of Indian Harbour Beach's administration: City Manager, City Comptroller and City Clerk.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

2. Funding policy

The City will contribute the necessary amount to fund the POSPP, using the entry age normal actuarial cost method. No explicit administrative costs are assumed. The assumed interest rate is net of investment expenses and commissions.

All of the City's full-time police officers participate in the POSPP, which includes a deferred compensation POSPP. The City recognized \$48,839 of City contributions during the fiscal year ended September 30, 2020.

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended September 30, 2020, the City reported the changes in net pension liability from the following sources:

Changes in net pension liability	Increase (Decrease)		
	Total pension liability (a)	Plan's fiduciary net position (b)	Net pension liability (a) - (b)
Beginning balances of:	\$ 284,958	\$ 272,803	\$ 12,155
Service cost	10,023	-	10,023
Expected interest growth	19,968	20,002	(34)
Unexpected investment income	-	(5,757)	5,757
Changes of benefit terms	63,801	-	63,801
Demographic experience	19,725	-	19,725
Contributions from the City	-	48,839	(48,839)
Benefit payments and refunds	(16,760)	(16,760)	-
Plan administrative expense	-	(5,740)	5,740
Ending balances of:	\$ 381,715	\$ 313,387	\$ 68,328

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

3. 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, 2020, the City recognized pension expense of \$88,289. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,132	\$ 5,659
Change in assumptions	28,815	-
Net difference between projected and actual earnings on pension plan investments	4,606	6,259
City pension plan contributions subsequent to the measurement date	46,358	-
Total	<u>\$ 100,911</u>	<u>\$ 11,918</u>

The deferred outflows of resources related to the pension plan, totaling \$46,358 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2021	\$ 6,353
2022	6,634
2023	9,188
2024	8,978
2025	6,557
Thereafter	4,925

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

4. Actuarial assumptions

The total pension liability in the October 1, 2018, actuarial valuation was determined using the following actuarial assumptions, and rolled forward and applied to all periods included in the measurement:

Inflation	2.77%
Salary increases	4.00%
Discount rate	7.00%

The mortality basis utilized was the sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a weighted arithmetic average. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the September 30, 2019 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Long term Real Rate of Return</u>
Core bonds	15%	1.60%
Core plus	15%	2.10%
U.S. large cap equity	34%	6.08%
U.S. small cap equity	11%	5.50%
Non-U.S. equity	15%	6.70%
Core real estate	10%	5.00%
Total	<u>100%</u>	4.23%

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

5. Discount rate

The discount rate used to measure the total pension liability was 7.00%. The fiduciary net position is projected to be sufficient to cover all future benefit payments when due. The plan requires only a 7.00% average investment return per year to avoid a crossover date. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's net pension liability calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability	<u>\$ 111,055</u>	<u>\$ 68,328</u>	<u>\$ 32,558</u>

7. Pension plan fiduciary net position

Detailed information regarding the pension plan's fiduciary net position is available in the fiduciary financial statements for the pension plan included in the City's financial statements.

8. Payables to the pension plan

At September 30, 2020, the City reported a payable in the amount of \$2,215 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2020.

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING

Florida Retirement System

General Information - All of the City's employees other than police officers participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA").

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments ("COLA"), and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

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 from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications.

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan for eligible employees.

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. For pension plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

1. Pension description (continued)

Elected Officers class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increases normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual COLA is three 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 COLA. The annual COLA is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

In addition to the above benefits, the Deferred Retirement Option Program ("DROP") allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

2. Funding policy

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 periods from October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular—10% and 8.47%; Special Risk Administrative Support—35.84% and 38.59%; Special Risk—24.45% and 25.48%; Senior Management Service—27.29% and 25.41%; Elected Officers—39.73% and 48.82%; and DROP participants—16.98% and 14.60%.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

These employer contribution rates include 1.66% HIS Plan subsidy for the period of October 1, 2019 through September 30, 2020.

The City recognized \$140,453 of FRS contributions during the fiscal year ended September 30, 2020.

At September 30, 2020, the City reported a liability of \$1,658,772 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-2019 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was 0.0045 percent, which was a decrease of 0.0002 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$479,416. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,912	\$ 933
Change in assumptions	385,015	-
Net difference between projected and actual earnings on Pension Plan investments	-	81,990
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	44,088	69,951
City Pension Plan contributions subsequent to the measurement date	114,090	-
Total	<u>\$ 632,105</u>	<u>\$ 152,874</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$114,090 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending		Amount
September 30:		_____
2021	2021	\$ 150,127
2022	2022	42,534
2023	2023	97,947
2024	2024	66,036
2025	2025	8,612
	Thereafter	(115)

4. Actuarial assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

4. Actuarial assumptions (continued)

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed income	18%	4.1%	4.1%	3.5%
Global equity	54%	8.0%	6.8%	16.5%
Real estate (property)	10%	6.7%	6.1%	11.7%
Private equity	11%	11.2%	8.4%	25.8%
Strategic investments	6%	5.9%	5.7%	6.7%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.7%

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

5. Discount rate

The discount rate used to measure the total pension liability was 7.00%. 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 used in the calculation of the total pension liability is equal to the long-term expected rate of return.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,696,661	\$ 1,658,772	\$ 610,633

7. 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 Comprehensive Annual Financial Report.

8. Payables to the pension plan

At September 30, 2020, the City reported a payable related to the Florida Retirement System and Health Insurance Subsidy in the amount of \$33,429 for outstanding contributions required for the fiscal year ended September 30, 2020.

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT

Health Insurance Supplement (HIS)

1. 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.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

1. Plan description (continued)

For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. 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.

2. Funding policy

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution was 1.66%. The City 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 City recognized \$31,961 of HIS contributions during the fiscal year ended September 30, 2020.

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At September 30, 2020, the City reported a liability of \$657,749 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-2019 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was 0.0058 percent, which was a decrease of 0.0001 percent from its proportionate share measured as of June 30, 2018.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

3. 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, 2020, the City recognized pension expense of \$68,611. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,550	\$ 762
Change in assumptions	71,981	52,636
Net difference between projected and actual earnings on Pension Plan investments	395	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	38,813	27,358
City Pension Plan contributions subsequent to the measurement date	26,114	-
Total	<u>\$ 144,853</u>	<u>\$ 80,756</u>

The deferred outflows of resources related to the HIS plan, totaling \$26,114 resulting from City contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

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:	Amount
2021	\$ 17,314
2022	18,218
2023	9,612
2024	(5,263)
2025	(3,494)
Thereafter	1,596

4. Actuarial assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.50%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study of the FRS for the period July 1, 2013 through June 30, 2018.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 3.87%. 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.

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's proportionate share of the net pension liability using the discount rate of 3.87%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City's proportionate share of the net pension liability	\$ 735,170	\$ 657,749	\$ 568,083

7. 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 Comprehensive Annual Financial Report.

8. Payables to the pension plan

At September 30, 2020, the City reported a payable related to the Florida Retirement System and Health Insurance Subsidy in the amount of \$33,429 for outstanding contributions required for the fiscal year ended September 30, 2020.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE K - OTHER POST EMPLOYMENT BENEFITS

1. Plan description

The City administers a single employer defined benefit employee group medical insurance plan (the "Plan") that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

2. Funding policy

Contribution rates for the Plan are established on an annual basis. Eligible retirees receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered to be an Other Post Employment Benefit (OPEB) obligation of the City. An implied monthly subsidy of \$450 for the retiree and \$525 for the retiree's spouse has been assumed at age 62 for the current fiscal year. At other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The Plan does not issue a publicly available financial report.

Retirement is assumed to occur at age 52 (for police officers), age 62 (for general employees hired prior to July 1, 2011), or age 65 (for general employees hired after June 30, 2011). Husbands are assumed to be three years older than wives, and retirees are not assumed to have any dependent children. No implied subsidy is assumed with respect to life insurance for retirees.

As of September 30, 2020, the following employees were covered by the City's Plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>52</u>
Total	<u><u>53</u></u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)

3. Actuarial assumptions and other inputs

The City's total OPEB liability of \$346,245 was measured as of September 30, 2019 and was determined by an actuarial valuation as of October 1, 2018, using the following actuarial assumptions and other inputs:

Salary increases	3% per annum
Discount rate	3.58% (based on 20-year municipal bond index as provided by the Asset Consulting Group)
Healthcare cost trend rates	7% for the current fiscal year decreasing by 0.50% per year to 5% for fiscal year 2024 and later
Retirees' share of benefit-related costs	Retirees must contribute an amount determined periodically by the insurance carrier equal to 100% of applicable health insurance premium

The mortality table used was the RP-2000 Combined Mortality Table (for general employees) or the RP-2000 Blue Collar Mortality Table (for police officers) both with full generational improvements in mortality using Scale AA. No formal experience studies were conducted.

4. Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Balance as of October 1, 2019	\$ 439,506
Changes for the year:	
Service cost	23,626
Expected interest growth	16,384
Demographic experience	(33,677)
Benefit payments and refunds	(11,055)
Assumption changes	<u>(88,541)</u>
Balance as of September 30, 2020	<u>\$ 346,243</u>

5. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate.

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	<u>\$ 376,199</u>	<u>\$ 346,243</u>	<u>\$ 319,653</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)

6. Sensitivity of the total OPEB liability to changes in the healthcare trend rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50% decreasing to 4.00%) or one percentage point higher (8.50% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 4.00%)	Current rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
Total OPEB liability	\$ 308,056	\$ 346,243	\$ 391,433

7. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$15,814.

As of September 30, 2020, the City reported (\$11,309) of deferred outflows related to demographic experience and \$97,768 of deferred inflows related to assumption changes.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2021	(13,140)
2022	(13,140)
2023	(13,140)
2024	(13,140)
Thereafter	(56,517)

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE L - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 that is administered by an agent of the National Association of Counties. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, all assets and income of the plan are held in trust for the exclusive benefit of the participants in the plan; therefore, assets of the plan are not reported in the accompanying financial statements.

NOTE M - 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. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2020, the City's millage rate was 5.6401 mills.

The tax levy of the City is established by the City Council prior to October 1 of each year and the Brevard County Property Appraiser incorporates the City millage into the total tax levy, which includes the County and the County School Board tax requirements among other overlapping governments. All property is reassessed according to its fair market value on January 1 of each year.

Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. The assessed value on January 1, 2019, upon which the 2019-2020 levy was based, was \$966,785,289.

All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 15 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes are paid in March without discount. Current tax collections, net of discounts taken, for the year ended September 30, 2020, were approximately 96.4% of the total tax levy.

On or prior to June 1 of each fiscal year, tax certificates are sold 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 are held by the County.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2020

NOTE N - COMMITMENTS AND CONTINGENCIES

The City is party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the City's opinion that any ultimate liability is not expected to have a material adverse effect on the City's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

NOTE O - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the City is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Additionally, the City has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the City may be exposed to. Premiums paid by the City during the year totaled \$207,112. There have been no significant reductions in insurance coverages during fiscal year 2020. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

NOTE P - SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 27, 2021, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Indian Harbour Beach, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the year ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,571,096	\$ 6,538,802	\$ 6,545,769	\$ 6,967
Permits, fees and special assessments	693,615	693,823	746,353	52,530
Intergovernmental	1,039,563	977,834	1,061,823	83,989
Charges for services	301,644	167,291	171,646	4,355
Judgments, fines and forfeits	7,600	10,623	15,291	4,668
Interest and other earnings	79,500	112,884	114,862	1,978
Miscellaneous	4,360,061	11,195	11,161	(34)
Total revenues	<u>13,053,079</u>	<u>8,512,452</u>	<u>8,666,905</u>	<u>154,453</u>
EXPENDITURES				
Current				
General government	1,617,877	2,243,317	1,430,498	812,819
Public safety	3,858,173	3,606,954	3,535,287	71,667
Transportation	1,226,891	1,213,399	1,200,466	12,933
Recreation	895,032	698,864	680,744	18,120
Capital outlay	5,455,106	749,918	672,563	77,355
Total expenditures	<u>13,053,079</u>	<u>8,512,452</u>	<u>7,519,558</u>	<u>992,894</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,147,347	1,147,347
Other financing sources				
Proceeds from the sale of capital assets	-	-	8,800	8,800
Net change in fund balances	-	-	1,156,147	1,156,147
Fund balances - beginning	<u>12,038,651</u>	<u>12,038,651</u>	<u>12,038,651</u>	-
Fund balances - ending	<u>\$ 12,038,651</u>	<u>\$ 12,038,651</u>	<u>\$ 13,194,798</u>	<u>\$ 1,156,147</u>

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2020

Last 10 Fiscal Years*

Total OPEB Liability	2020	2019	2018
Service cost	\$ 23,626	\$ 27,900	\$ 32,320
Interest	16,384	16,288	11,812
Differences between expected and actual experience	(33,677)	115,237	-
Changes in assumptions or other inputs	(88,541)	(130,070)	-
Benefit payments	(11,055)	(18,676)	(9,640)
Net change in total OPEB liability	(93,263)	10,679	34,492
Total OPEB liability at beginning of year	439,506	428,827	394,335
Total OPEB liability at end of year	<u>\$ 346,243</u>	<u>\$ 439,506</u>	<u>\$ 428,827</u>
Covered payroll	\$ 2,794,421	\$ 2,913,812	\$ 2,835,791
Total OPEB liability as a percentage of covered payroll	12.39%	15.08%	15.12%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF NET PENSION LIABILITY -
FLORIDA MUNICIPAL POLICE OFFICERS' RETIREMENT FUND**

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's total pension liability	\$ 12,799,278	\$ 12,318,509	\$ 11,254,461	\$ 10,183,238	\$ 9,202,148	\$ 9,168,538	\$ 8,468,241
The plan's fiduciary net position	11,174,444	10,779,247	9,865,276	8,679,051	7,908,787	7,881,363	7,191,362
City's net pension liability	1,624,834	1,539,262	1,389,185	1,504,187	1,293,361	1,287,175	1,276,879
City's covered payroll	1,212,171	1,186,250	1,291,407	1,260,276	1,138,129	911,867	876,742
City's net pension liability as a percentage of its covered payroll	134.04%	129.76%	107.57%	119.35%	113.64%	141.16%	145.64%
Plan fiduciary net position as a percentage of the total pension liability	87.31%	87.50%	87.66%	85.23%	85.95%	85.96%	84.92%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida
SCHEDULE OF NET PENSION LIABILITY -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
City's total pension liability	\$ 381,715	\$ 284,958	\$ 272,779	\$ 256,798	\$ 251,963	\$ 198,315	\$ 186,958
The plan's fiduciary net position	313,387	272,803	243,683	202,859	173,381	120,128	100,198
City's net pension liability (asset)	68,328	12,155	29,096	53,939	78,582	78,187	86,760
City's covered payroll	983,938	889,552	875,892	830,401	929,086	1,005,543	1,124,957
City's net pension liability (asset) as a percentage of its covered payroll	6.94%	1.37%	3.32%	6.50%	8.46%	7.78%	7.71%
Plan fiduciary net position as a percentage of the total pension liability	82.10%	95.73%	89.33%	79.00%	68.81%	60.57%	53.59%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.004529700%	0.004748103%	0.005002402%	0.004836289%	0.004479430%	0.004107691%
City's proportionate share of the net pension liability (asset)	\$ 1,658,772	\$ 1,498,862	\$ 1,546,156	\$ 1,235,263	\$ 570,844	\$ 236,188
City's covered payroll	2,011,649	1,921,445	1,860,042	1,836,270	1,708,020	1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	82.46%	78.01%	83.12%	67.27%	33.42%	15.80%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY**

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.005755739%	0.005860840%	0.006036615%	0.005863185%	0.005463236%	0.004971806%
City's proportionate share of the net pension liability (asset)	\$ 657,749	\$ 634,522	\$ 661,100	\$ 694,196	\$ 566,352	\$ 465,504
City's covered payroll	2,011,649	1,921,445	1,860,042	1,836,270	1,708,020	1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.70%	33.02%	35.54%	37.80%	33.16%	31.13%
Plan fiduciary net position as a percentage of the total pension liability	2.63	2.15%	1.64%	0.97%	0.50%	0.99%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF CONTRIBUTIONS -
FLORIDA MUNICIPAL POLICE OFFICERS' RETIREMENT FUND**

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 590,327	\$ 551,607	\$ 521,728	\$ 563,344	\$ 545,405	\$ 438,982	\$ 361,218
Excess state money reserve	-	-	-	(40,320)	-	-	-
Contributions in relation to the contractually required contribution	(588,885)	(563,893)	(489,080)	(568,723)	(604,769)	(438,982)	(361,218)
Contribution deficiency (excess)	\$ 1,442	\$ (12,286)	\$ 32,648	\$ (45,699)	\$ (59,364)	\$ -	\$ -
Covered payroll	\$ 1,212,171	\$ 1,186,250	\$ 1,291,407	\$ 1,260,276	\$ 1,138,129	\$ 911,867	\$ 876,742
Contributions as a percentage of covered payroll	48.58%	47.54%	37.87%	45.13%	53.14%	48.14%	41.20%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF CONTRIBUTIONS -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN**

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Actuarially required contribution	\$ 43,841	\$ 21,754	\$ 25,625	\$ 27,186	\$ 25,258	\$ 26,298	\$ 28,747
Contributions in relation to the contractually required contribution	(48,839)	(35,955)	(30,984)	(35,117)	(68,454)	(26,298)	(28,747)
Contribution deficiency (excess)	<u>\$ (4,998)</u>	<u>\$ (14,201)</u>	<u>\$ (5,359)</u>	<u>\$ (7,931)</u>	<u>\$ (43,196)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 983,938	\$ 889,552	\$ 875,892	\$ 830,401	\$ 929,086	\$ 1,005,543	\$ 1,124,957
Contributions as a percentage of covered payroll	4.96%	4.04%	3.54%	4.23%	7.37%	2.62%	2.56%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 140,453	\$ 135,317	\$ 130,225	\$ 117,941	\$ 109,212	\$ 89,976	\$ 57,988
Contributions in relation to the contractually required contribution	<u>(140,453)</u>	<u>(135,317)</u>	<u>(130,225)</u>	<u>(117,941)</u>	<u>(109,212)</u>	<u>(89,976)</u>	<u>(57,988)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered payroll	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194	\$ 1,538,303
Contributions as a percentage of covered payroll	6.98%	7.04%	7.00%	6.42%	6.39%	6.02%	3.77%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF CONTRIBUTIONS -
HEALTH INSURANCE SUPPLEMENT**

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 31,961	\$ 31,783	\$ 31,948	\$ 30,053	\$ 20,884	\$ 17,032	\$ 17,439
Contributions in relation to the contractually required contribution	<u>(31,961)</u>	<u>(31,783)</u>	<u>(31,948)</u>	<u>(30,053)</u>	<u>(20,884)</u>	<u>(17,032)</u>	<u>(17,439)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194	\$ 1,538,303
Contributions as a percentage of covered payroll	1.59%	1.65%	1.72%	1.64%	1.22%	1.14%	1.13%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida
SCHEDULE OF INVESTMENT RETURNS -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return net of investment expense	6.96%	5.16%	7.58%	13.36%	7.91%	-1.37%	8.45%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2020

NOTE A - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Budgets may be amended by ordinance only. The budgets presented for fiscal year ended September 30, 2020, have been amended according to City procedures. All annual appropriations lapse at fiscal year-end.

On or before the first day of August of each year, the City Manager submits to the Council a budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Upon receipt of the budget from the City Manager, the Council shall have it published on the City bulletin board and in at least one local daily newspaper serving the City. The notice will show the times and place where copies of the budget will be available for inspection by the public and establish the time and place, not less than two weeks after publication, for a public hearing on the budget. Pursuant to Florida Statute 129.03, the tentative budget shall be posted on the official website of the City at least 2 days before the budget hearing to consider such budget. The final adopted budget shall be posted on the website within 30 days after adoption and any amendments to the adopted budget shall be posted on the website within 5 days after adoption.

After the public hearing, the Council may adopt the budget with or without amendments. In amending the budget, the Council may add, delete, increase or decrease any programs or amounts, other than expenditures required for debt service, provided that no amendment to the budget shall increase the authorized expenditure to an amount greater than the total of estimated income.

The budget shall be formally adopted no later than the twenty-seventh (27th) day of September of the ensuing year. Should the Council take no final action on or prior to that day, the budget, as submitted, shall be deemed to have been formerly adopted by the Council.

The Council may, by ordinance, transfer any unused and unencumbered appropriation or portion thereof between general classifications of expenditures within any office, department, or agency of the City, or may transfer any unused and unencumbered appropriation or portion thereof from any office, department, or agency to another.

The annual operating budget serves as legal authorization for expenditures and proposed means of financing them. The legal level of budgetary control is the department level. Budgetary information is integrated into the accounting system and appropriations are controlled at the object level within each department for management control purposes.

All appropriations shall lapse at the end of the budget year to the extent that such appropriations have not been expended or encumbered, and any appropriation made in one budget year shall not be valid or effective during any subsequent budget year.

City of Indian Harbour Beach, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2020

NOTE B - SCHEDULE OF NET PENSION LIABILITY

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the Municipal Police Officers' Retirement Fund (MPORF) and Police Officers' Supplemental Pension (POSPP) plans.

2. Fiduciary net position

The MPORF plan's fiduciary net position as a percentage of the total pension liability is published in the City of Indian Harbour Beach, Municipal Police Officers' Retirement Fund financial statements.

The POSPP plan's fiduciary net position as a percentage of the total pension liability is disclosed on page 76.

NOTE C - SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Supplement (HIS) plans.

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See Note I for reference to FRS Annual Financial Report information).

NOTE D - SCHEDULE OF CONTRIBUTIONS

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the Municipal Police Officers' Retirement Fund (MPORF), Police Officers' Supplemental Pension (POSPP), Florida Retirement System (FRS) and the Health Insurance Supplement (HIS) plans.

**SUPPLEMENTARY COMBINING FUND
FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are special revenue funds which are used to account for specific revenues that are legally restricted to expenditures for particular purposes and are funds that were not deemed a major fund by GASB 34 standards.

Impound Fund is used to account for revenues obtained by the City through seizure of money and property, related to illegal activities that are legally restricted for police expenditures.

Police Training Fund is used to account for revenues received by the City that are legally restricted for police training expenditures.

Stormwater Utility Fund is used to account for revenues received by the City that are legally restricted for drainage expenditures.

City of Indian Harbour Beach, Florida

NONMAJOR GOVERNMENTAL FUNDS -
COMBINING BALANCE SHEET

September 30, 2020

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Cash and cash equivalents - restricted	\$ 15,135	\$ 140	\$ 483,813	\$ 499,088
Receivables	-	14	-	14
Total assets	<u>\$ 15,135</u>	<u>\$ 154</u>	<u>\$ 483,813</u>	<u>\$ 499,102</u>
FUND BALANCE				
Restricted fund balance	<u>\$ 15,135</u>	<u>\$ 154</u>	<u>\$ 483,813</u>	<u>\$ 499,102</u>

See Independent Auditor's Report.

City of Indian Harbour Beach, Florida

**NONMAJOR GOVERNMENTAL FUNDS -
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

For the year ended September 30, 2020

	Impound Fund	Police Training Fund	Stormwater Utility Fund	Total Other Governmental Funds
REVENUES				
Permits, fees and special assessments	\$ -	\$ -	\$ 217,867	\$ 217,867
Judgments, fines and forfeits	-	382	-	382
Interest and other earnings	-	-	318	318
Total revenues	<u>-</u>	<u>382</u>	<u>218,185</u>	<u>218,567</u>
EXPENDITURES				
Current				
Public safety	150	549	-	699
Capital outlay	-	-	104,588	104,588
Total expenditures	<u>150</u>	<u>549</u>	<u>104,588</u>	<u>105,287</u>
Net change in fund balances	(150)	(167)	113,597	113,280
Fund balances - beginning	<u>15,285</u>	<u>321</u>	<u>370,216</u>	<u>385,822</u>
Fund balances - ending	<u>\$ 15,135</u>	<u>\$ 154</u>	<u>\$ 483,813</u>	<u>\$ 499,102</u>

See Independent Auditor's Report.

City of Indian Harbour Beach, Florida

**NONMAJOR GOVERNMENTAL FUNDS -
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the year ended September 30, 2020

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Permits, fees and special assessments	\$ 217,920	\$ 217,867	\$ (53)
Judgments, fines and forfeits	275	382	107
Interest and other earnings	316	318	2
Miscellaneous	328	-	(328)
Total revenues	<u>218,839</u>	<u>218,567</u>	<u>(272)</u>
EXPENDITURES			
Current			
Public safety	603	699	(96)
Capital outlay	218,236	104,588	113,648
Total expenditures	<u>218,839</u>	<u>105,287</u>	<u>113,552</u>
Net change in fund balances	-	113,280	113,280
Fund balances - beginning	<u>385,822</u>	<u>385,822</u>	-
Fund balances - ending	<u><u>\$ 385,822</u></u>	<u><u>\$ 499,102</u></u>	<u><u>\$ 113,280</u></u>

See Independent Auditor's Report.

CITY OF INDIAN HARBOUR BEACH, FLORIDA

**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***



MANAGEMENT LETTER



INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

September 30, 2020

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

Honorable Mayor and City Council
City of Indian Harbour Beach
Indian Harbour 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 major fund, and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 27, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 27, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Indian Harbour Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Indian Harbour Beach, Florida (the “City”), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated April 27, 2021.

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 April 27, 2021, 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 annual financial audit report. There were no findings and associated recommendations made in the preceding annual financial audit report.

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. The name or official title and legal authority are disclosed in Note A-1 to the financial statements. There were no component units of the City to be disclosed in this report.

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 City of Indian Harbour Beach has 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 City of Indian Harbour Beach 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 City of Indian Harbour Beach. It is management's responsibility to monitor the City of Indian Harbour Beach'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.

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.

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 abuse, that have occurred, or are likely to have occurred, that have 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.

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 Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

April 27, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

To the Honorable Mayor and City Council
City of Indian Harbour Beach
Indian Harbour Beach, Florida

We have examined the City of Indian Harbour Beach's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2020.

This report is intended solely for the information and use of the City of Indian Harbour Beach and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

April 27, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP