



Town of Indialantic, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2017



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Town of Indialantic, Florida
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September 30, 2017

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Town of Indialantic, Florida
Town Officials
As of September 30, 2017

Dave Berkman
Mayor

Stuart Glass
Deputy Mayor

Richard Dunn
Mary Jo Kilcullen
Randall Greer
Council Members

Paul R. Gougelman, III
Town Attorney

Christopher W. Chinault
Town Manager

Joan Clark
Town Clerk

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Town Council
of the Town of Indialantic, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Indialantic, Florida, (the "Town") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 business-type activities, each major fund and the aggregate remaining fund information of the Town of Indialantic, Florida, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (pages 5 through 13) and the required supplementary information (pages 65 through 74) 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018 on our consideration of the Town of Indialantic, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Indialantic, Florida's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

March 7, 2018

Town of Indialantic, Florida Management's Discussion and Analysis

As management of the Town of Indialantic, Florida, we offer readers of the Town of Indialantic, Florida's financial statements this narrative overview and analysis of the financial activities of the Town of Indialantic, Florida for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets of the Town of Indialantic, Florida exceeded its liabilities at the close of the most recent fiscal year by \$2,301,208 (net position). Of this amount, \$(745,171) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$21,192 from the previously stated net position.
- As of the close of the current fiscal year, the Town of Indialantic, Florida's governmental funds reported combined ending fund balances of \$999,326 a decrease of \$161,659 over the prior year. Approximately 35% of this total amount, \$345,355 is available for spending at the government's discretion (unassigned fund balance), and represents 10.4% of total governmental fund expenditures, excluding capital outlay.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the Town of Indialantic, Florida's assets and liabilities, with the difference between the two 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 Town of Indialantic, Florida is improving or deteriorating.

The statement of activities presents information showing how the Town'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 only result in cash flows in future fiscal periods.

Town of Indialantic, Florida Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the Town of Indialantic, Florida that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Indialantic, Florida include general government, public safety, recreation and physical environment. The business-type activities of the Town of Indialantic, Florida include Wavecrest Park and Indialantic (Nance) Park.

The government-wide financial statements can be found on pages 16-19 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 Town of Indialantic, Florida, 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 Town of Indialantic, Florida can be divided into three categories: governmental funds, proprietary 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, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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.

The Town of Indialantic, Florida maintains two 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 to be a major fund. Data from the other governmental fund is presented as a non-major fund.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds. The Town of Indialantic, Florida maintains two different types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town of Indialantic, Florida uses enterprise funds to account for its Wavecrest Park and for its Indialantic (Nance) Park.

Town of Indialantic, Florida Management's Discussion and Analysis

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Wavecrest Park and Indialantic (Nance) Park, which are both considered to be major funds of the Town of Indialantic, Florida.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds. 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 the Town of Indialantic, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 28-29 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 31-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Indialantic, Florida's budgetary compliance and pension obligations. The Town of Indialantic, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Required supplementary information can be found on pages 65-74 of this report.

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 Town of Indialantic, Florida, assets exceeded liabilities by \$2,301,208 at the close of the most recent fiscal year.

Town of Indialantic, Florida Management's Discussion and Analysis

The following table reflects the condensed statement of net position:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$1,187,261	\$1,317,965	\$144,111	\$135,762	\$1,331,372	\$ 1,453,727
Capital assets	2,935,539	2,641,273	101,126	118,590	3,036,665	2,759,863
Total assets	<u>4,122,800</u>	<u>3,959,238</u>	<u>245,237</u>	<u>254,352</u>	<u>4,368,037</u>	<u>4,213,590</u>
Deferred outflows	627,976	643,905	14,914	7,862	642,890	651,767
Total deferred outflows	<u>627,976</u>	<u>643,905</u>	<u>14,914</u>	<u>7,862</u>	<u>642,890</u>	<u>651,767</u>
Noncurrent liabilities	1,770,653	1,827,744	74,829	62,440	1,845,482	1,836,029
Other liabilities	165,650	134,995	8,652	8,285	174,302	197,435
Total liabilities	<u>1,936,303</u>	<u>1,962,739</u>	<u>83,481</u>	<u>70,725</u>	<u>2,019,784</u>	<u>2,033,464</u>
Deferred inflow	675,626	540,967	14,309	10,910	689,935	551,877
Total deferred inflow	<u>675,626</u>	<u>540,967</u>	<u>14,309</u>	<u>10,910</u>	<u>689,935</u>	<u>551,877</u>
Net position:						
Net investment						
In capital assets	2,935,539	2,641,273	101,126	118,590	3,036,665	2,759,863
Restricted	9,714	9,712	-	-	9,714	9,712
Unrestricted	(806,406)	(551,548)	61,235	61,989	(745,171)	(489,559)
Total net position	<u>\$ 2,138,847</u>	<u>\$ 2,099,437</u>	<u>\$ 162,361</u>	<u>\$ 180,579</u>	<u>\$2,301,208</u>	<u>\$ 2,280,016</u>

By far the largest portion of the Town of Indialantic, Florida's net position (132%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town of Indialantic, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town of Indialantic, Florida's net position, \$9,714 and \$9,712 at September 30, 2017 and 2016, respectively, (both < 1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(745,171) and \$(489,559) at September 30, 2017 and 2016, respectively, may be used/has been used to meet the government's ongoing obligations to citizens and creditors.

Town of Indialantic, Florida Management's Discussion and Analysis

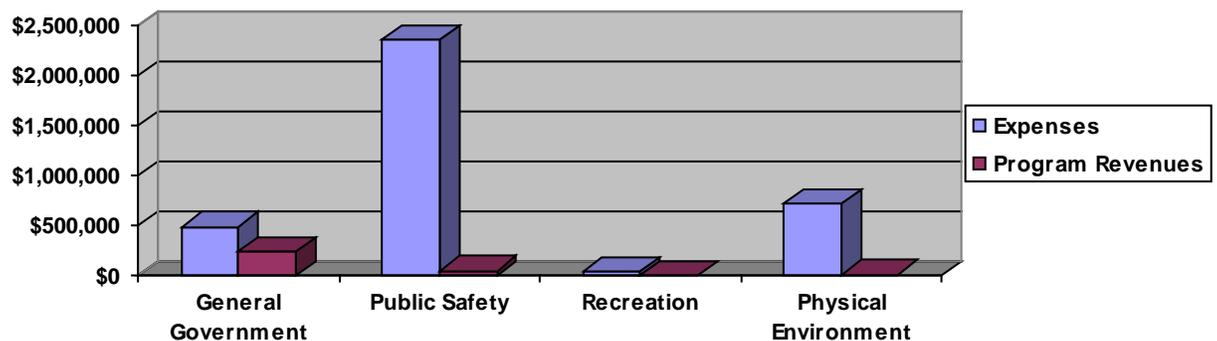
The following table shows condensed revenue and expense data:

Town of Indialantic, Florida's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 129,428	\$ 137,205	\$ 344,732	\$ 364,537	\$ 474,160	\$ 501,742
Operating grants and contributions	130,234	18,704	-	-	130,234	18,704
Capital grants and contributions	19,400	3,967	-	-	19,400	3,967
General revenues	3,367,707	3,301,152	12,143	2,240	3,379,850	3,303,392
Total revenues	3,646,769	3,461,028	356,875	366,777	4,003,644	3,827,805
Expenses:						
General government	487,702	446,323	-	-	487,702	446,323
Public safety	2,361,062	2,080,995	-	-	2,361,062	2,080,995
Recreation	36,971	56,015	-	-	36,971	56,015
Physical environment	721,624	399,632	-	-	721,624	399,632
Wavecrest	-	-	278,797	261,762	278,797	261,762
Nance	-	-	96,296	85,483	96,296	85,483
Total expenses	3,607,359	2,982,965	375,093	347,245	3,982,452	3,330,210
Increase (decrease) in net position	39,410	478,063	(18,218)	19,532	21,192	497,595
Net position - beginning of year	2,099,437	1,621,374	180,579	161,047	2,280,016	1,782,421
Net position - ending	\$ 2,138,847	\$ 2,099,437	\$ 162,361	\$ 180,579	\$ 2,301,208	\$ 2,280,016

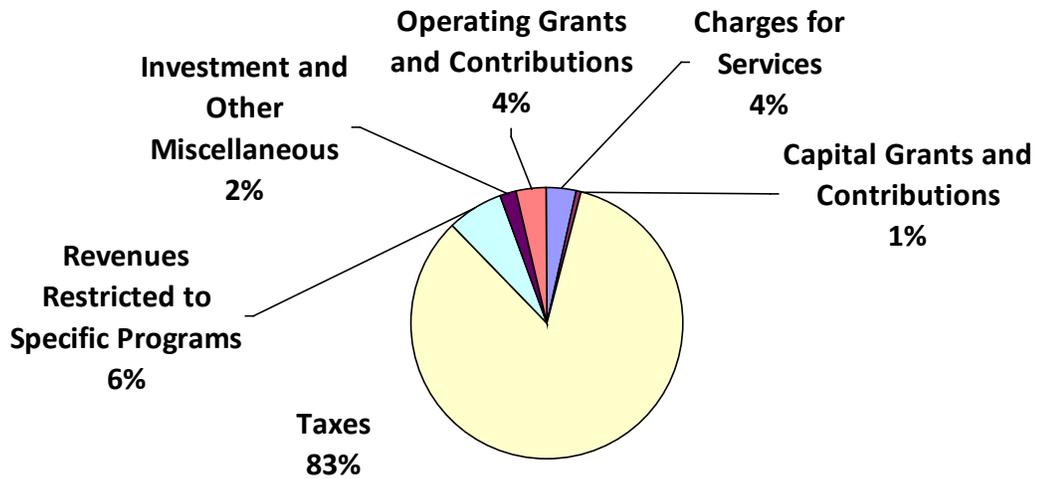
Governmental activities. Governmental activities increased the Town's net position by \$39,410, accounting for a .02% increase in the overall increase of the government's net position compared to an increase of \$478,063 in the prior year. Revenues from governmental activities increased \$185,741 mainly from an increase in property tax revenues. Total expenses from governmental activities increased \$624,394 from the prior year.

Expenses and Program Revenues – Governmental Activities



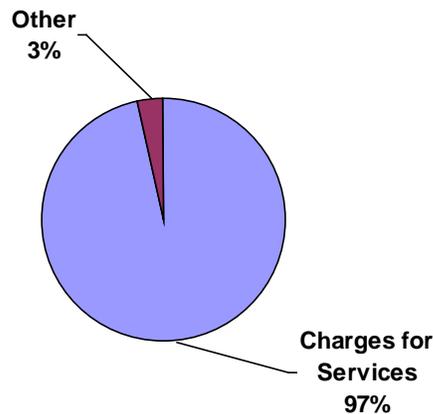
Town of Indialantic, Florida Management's Discussion and Analysis

2017 Revenues by Source – Governmental Activities



Business-type activities. Business-type activities decreased the Town of Indialantic, Florida’s net position by \$18,218, compared to an increase of \$19,532 in the prior year. Total business-type revenue decreased \$9,902. Total business-type expenses increased \$27,848 as a result of hurricane expenses.

2017 Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Town of Indialantic, Florida Management's Discussion and Analysis

As of the end of the current fiscal year, the Town of Indialantic, Florida's governmental funds reported combined ending fund balances of \$999,326, a decrease of \$161,659 in comparison with the prior year. Approximately 35% of this total amount (\$345,355) constitutes unassigned/ assigned fund balance, which is available for spending at the government's discretion. \$13,648 is in non-spendable form such as prepaids. The remainder of fund balance (\$640,323) is restricted or committed to indicate that it is not available for new spending because it has already been restricted to law enforcement related activities (\$9,714) and committed for maintenance of the sign at the entrance to Nance Park (\$1,000), radio equipment (\$260,000), road resurfacing (\$116,500), employee benefits (\$51,802), park projects (\$7,346), Lily Park stormwater (\$73,000), sidewalks (\$39,500), hurricane debris removal & insurance deductible (\$21,461) and fire truck (\$60,000).

The General fund is the chief operating fund of the Town of Indialantic, Florida. At the end of the current fiscal year, unassigned fund balance of the General fund was \$345,355. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, excluding capital outlay. Unassigned fund balance represents 10.4% of total General fund expenditures, excluding capital outlay.

The fund balance of the Town of Indialantic, Florida's General fund decreased by \$161,661 during the current fiscal year, compared to a \$270,771 increase in the prior year. Total operating expenditures increased by \$569,547 from the prior year while total revenues increased by \$137,115 from the prior year resulting in a decrease in fund balance in the current year.

Proprietary funds. The Town of Indialantic, Florida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Wavecrest Park fund at the end of the year amounted to \$443,575. The total net position of this fund decreased \$3,410 in the current year compared to an increase of \$31,459 in the prior year. Total operating revenues decreased approximately \$16,900 while expenses increased approximately \$18,800 from the prior year which resulted in a decrease in fund balance in the current year as compared to the prior year.

Unrestricted net position of the Indialantic (Nance) Park fund at the end of the year amounted to a deficit of \$359,475. The total net position of this fund decreased \$14,808 in the current year. This year's decrease is comparable to the prior year's decrease of \$11,927.

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget were primarily to budget the revenues and expenditures associated with increases in permits and fees, and increases in intergovernmental revenues.

The Town's actual revenues were \$726,976 less than budgeted revenues.

The Town's actual expenditures were \$564,023 less than budgeted expenditures mainly because of actual capital outlay expenditures being less than budgeted by \$245,275 and general fund expenditures being less than budgeted by \$215,440 due to savings on insurance and budgeted additions to fund balance. The general fund budget to actual can be found on page 73 of this report.

Capital Asset and Debt Administration

Town of Indialantic, Florida Management's Discussion and Analysis

Capital assets. The Town of Indialantic, Florida's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounted to \$3,036,665 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, fixtures, and other infrastructure items. The total increase in the Town of Indialantic, Florida's investment in capital assets for the current fiscal year was approximately less than 1%.

Major capital asset additions of \$485,622 for governmental activities during the current fiscal year included the following:

- The purchase of 2 police vehicles.
- The purchase of stormwater pipe replacements.
- The resurfacing of streets.
- The purchase of a drainage retention area.
- The purchase of a cardiac monitor/defibrillator.

These increases were offset by depreciation expense (\$294,266 for governmental activities and \$17,464 for business-type activities). In addition, the Town disposed of certain assets in governmental and business-type activities with a net book value of \$0.

Town of Indialantic, Florida's Capital Assets

	Governmental Activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 929,482	\$ 929,482	\$ -	\$ -	\$ 929,482	\$ 929,482
Buildings	306,303	329,006	-	-	306,303	329,006
Improvements other than buildings	220,956	259,140	101,126	118,024	322,082	377,164
Equipment	774,561	741,570	-	-	774,561	741,570
Furniture and fixtures	169	238	-	566	169	804
Infrastructure	704,068	381,837	-	-	704,068	381,837
Total	<u>\$2,935,539</u>	<u>\$2,641,273</u>	<u>\$ 101,126</u>	<u>\$ 118,590</u>	<u>\$3,036,665</u>	<u>\$2,759,863</u>

Additional information on the Town of Indialantic, Florida's capital assets can be found in Note 3.C. on pages 45-46 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Indialantic, Florida had no bonded debt outstanding (i.e., revenue bonds).

The governing body of every municipality may borrow money, contract loans, and issue bonds, as defined in Florida State Statute 166.101, from time to time to finance the undertaking of any capital or any other project for the purpose permitted by the State Constitution and may pledge of the funds, credit, property and taxing power of the municipality for the payment of such debts and bonds. Florida has no legal debt limit.

The Town entered into no new financing agreements in either 2017 or 2016.

Town of Indialantic, Florida Management's Discussion and Analysis

Additional information on the Town of Indialantic, Florida's long-term debt can be found in Note 3.D. on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town of Indialantic has grown over the years in the number of residences, residential structures and commercial establishments. Most of the construction activity today involves the redevelopment of residential properties. The rate of growth has fluctuated based on County economic conditions. The 2017 taxable value is reflected as \$378,888,946.
- The Town currently has 1,482 housing units.
- The April, 2017 population, as estimated by the Bureau of Economic and Business Research for the University of Florida was placed at 2,820.
- Numerous improvements were made to businesses and residences during the fiscal year ended September 30, 2017. Building permits were issued for 5 new single family residences and certificates of occupancy were issued for 2 new single-family residences and a 5 unit townhouse project. Additionally, site plan approval was granted for the conversion of a small strip center and restaurant into an upscale market.
- The fiscal year 2017 millage rate was 6.2653 and the fiscal year 2018 millage rate is 6.2653. The Town has retired all lease/purchase agreements and bonds and is focusing on providing General Fund reserve revenue committed to certain future expenses as well as budgeting monies to provide necessary funds for when expenses are projected. The Town is impacted by waiting for FEMA to reimburse the Town for hurricane sustained damage.

Requests for Information

This financial report is designed to provide a general overview of the Town of Indialantic, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 216 Fifth Avenue, Indialantic, Florida, 32903.



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TOWN OF INDIALANTIC, FLORIDA
Basic Financial Statements

Town of Indialantic, Florida
Statement of Net Position

<i>September 30, 2017</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 951,181	\$ 92,256	\$ 1,043,437
Receivables, net	115,906	52,836	168,742
Due from other governments	105,545	-	105,545
Internal accounts	981	(981)	-
Prepaid items	13,648	-	13,648
Capital assets (net of accumulated depreciation):			
Land	929,482	-	929,482
Buildings	306,303	-	306,303
Improvements other than buildings	220,956	101,126	322,082
Equipment	774,561	-	774,561
Furniture and fixtures	169	-	169
Infrastructure	704,068	-	704,068
Total assets	4,122,800	245,237	4,368,037
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - General employees	200,778	14,914	215,692
Deferred outflows - Police & fire pension	427,198	-	427,198
Total deferred outflow of resources	627,976	14,914	642,890

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

	Primary Government		
<i>September 30, 2017</i>	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	76,042	4,843	80,885
Accrued payroll and related liabilities	18,034	901	18,935
Due to pension trust funds	1,716	-	1,716
Due to other funds	-	-	-
Unearned revenue	49,479	2,908	52,387
Other liabilities	20,379	-	20,379
Long-term liabilities			
Compensated absences due within one year	52,640	3,310	55,950
Compensated absences due in more than one year	53,047	-	53,047
Aggregate net pension liability	1,202,413	42,072	1,244,485
Net OPEB obligation	462,553	29,447	492,000
Total liabilities	1,936,303	83,481	2,019,784
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - Business tax receipts	22,285	-	22,285
Deferred inflows - Police & fire pension	460,716	-	460,716
Deferred inflows - General employees pension	192,625	14,309	206,934
Total deferred inflows of resources	675,626	14,309	689,935
NET POSITION			
Investment in capital assets	2,935,539	101,126	3,036,665
Restricted for:			
Law enforcement	9,714	-	9,714
Unrestricted	(806,406)	61,235	(745,171)
Total net position	\$ 2,138,847	\$ 162,361	\$ 2,301,208

Town of Indialantic, Florida
Statement of Activities

Year ended September 30, 2017

Program Revenues

Functions/Programs	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 487,702	\$ 111,591	\$ 119,931	\$ -
Public safety	2,361,062	17,837	10,303	16,000
Recreational	36,971	-	-	-
Physical environment	721,624	-	-	3,400
Total governmental activities	3,607,359	129,428	130,234	19,400
Business-type activities:				
Wavecrest Park	278,797	274,183	-	-
Indialantic (Nance) Park	96,296	70,549	-	-
Total business-type activities	375,093	344,732	-	-
Total primary government	\$ 3,982,452	\$ 474,160	\$ 130,234	\$ 19,400

General revenues:

Property taxes

Public utility taxes

Franchise taxes

Shared revenues restricted for specific programs

Unrestricted investment earnings (loss)

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (256,180)	\$ -	\$ (256,180)
(2,316,922)	-	(2,316,922)
(36,971)	-	(36,971)
(718,224)	-	(718,224)
<u>(3,328,297)</u>	<u>-</u>	<u>(3,328,297)</u>
-	(4,614)	(4,614)
-	(25,747)	(25,747)
-	<u>(30,361)</u>	<u>(30,361)</u>
<u>(3,328,297)</u>	<u>(30,361)</u>	<u>(3,358,658)</u>
2,129,211	-	2,129,211
683,868	-	683,868
247,369	-	247,369
242,731	-	242,731
(1,224)	232	(992)
65,752	11,911	77,663
<u>3,367,707</u>	<u>12,143</u>	<u>3,379,850</u>
39,410	(18,218)	21,192
2,099,437	180,579	2,280,016
<u>\$ 2,138,847</u>	<u>\$ 162,361</u>	<u>\$ 2,301,208</u>

Town of Indialantic, Florida
Balance Sheet
Governmental Funds

<i>September 30, 2017</i>	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 941,467	\$ 9,714	\$ 951,181
Accounts receivable, net	115,906	-	115,906
Due from other funds	981	-	981
Due from other governments	105,545	-	105,545
Prepaid expenses	13,648	-	13,648
Total assets	\$ 1,177,547	\$ 9,714	\$ 1,187,261
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 76,042	-	\$ 76,042
Accrued payroll and related liabilities	18,034	-	18,034
Due to pension trust funds	1,716	-	1,716
Other liabilities	20,379	-	20,379
Unearned revenue	49,479	-	49,479
Total liabilities	165,650	-	165,650
Deferred inflows of resources			
Deferred inflow - business tax receipts	22,285	-	22,285
Total deferred inflows of resources	22,285	-	22,285
Fund balances:			
Nonspendable	13,648	-	13,648
Restricted for:			
Law enforcement	-	9,714	9,714
Committed for:			
Indialantic (Nance) park sign maintenance	1,000	-	1,000
Equipment purchase	439,846	-	439,846
Physical environment	21,461	-	21,461
Road resurfacing	116,500	-	116,500
Employee benefits	51,802	-	51,802
Unassigned	345,355	-	345,355
Total fund balances	989,612	9,714	999,326
Total liabilities, fund balances	\$ 1,177,547	\$ 9,714	

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

**Town of Indialantic, Florida
Balance Sheet
Governmental Funds**

Total fund balance of governmental funds	\$	999,326
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,935,539
Deferred outflow of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		627,976
Deferred inflow of resources related to the pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(653,341)
Long-term liabilities, including net OPEB obligation, net pension liability and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.		(1,770,653)
Net position of governmental activities	\$	2,138,847

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

Town of Indialantic, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

<i>Year ended September 30, 2017</i>	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,876,823	\$ -	\$ 2,876,823
Permits and fees	102,853	-	102,853
Intergovernmental	570,478	-	570,478
Charges for services	3,495	-	3,495
Fines and forfeitures	28,592	-	28,592
Interest and other	64,526	2	64,528
Total revenues	3,646,767	2	3,646,769
Expenditures			
Current:			
General government	396,689	-	396,689
Public safety	2,198,205	-	2,198,205
Physical environment	690,941	-	690,941
Recreation	36,971	-	36,971
Capital outlay	485,622	-	485,622
Total expenditures	3,808,428	-	3,808,428
Excess (deficiency) of revenues over (under) expenditures	(161,661)	2	(161,659)
Fund balances, beginning of year	1,151,273	9,712	1,160,985
Fund balances, end of year	\$ 989,612	\$ 9,714	\$ 999,326

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

Town of Indialantic, Florida

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

Year ended September 30, 2017

Net change in fund balances - total governmental funds **\$ (161,659)**

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

Governmental funds report capital outlays as expenditures. However in
the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is the amount
by which capital outlay exceeded depreciation in the current period. **294,266**

Pension contributions are reported as expenditures in the fund financial
statements and the change in net pension liability and related outflows
(inflows) is reported on the statement of activities. **(58,005)**

The other post-employment benefit obligation expense reported in the
statement of activities does not require the use of current financial
resources; therefore, is not reported as an expenditure in the
governmental funds. **(34,613)**

Compensated absences are reported in the statement of activities when earned
or incurred. They do not require the use of current financial resources and,
therefore, are not reported as expenditures in governmental funds until they
have matured. This is the amount reported in the statement of activities
in the prior year that have matured in the current year. **(579)**

Change in net position of governmental activities **\$ 39,410**

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

Town of Indialantic, Florida
Statement of Net Position – Proprietary Funds

<i>September 30, 2017</i>	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 92,256	\$ -	\$ 92,256
Accounts receivable, net	42,268	10,568	52,836
Total current assets	134,524	10,568	145,092
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	596,409	306,702	903,111
Less accumulated depreciation	(518,148)	(283,837)	(801,985)
Total capital assets, net of accumulated depreciation	78,261	22,865	101,126
Advance to other funds	376,153	-	376,153
Total noncurrent assets	454,414	22,865	477,279
Total assets	588,938	33,433	622,371
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - general employees pension	11,933	2,981	14,914
Total deferred outflow of resources	11,933	2,981	14,914
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	3,809	1,034	4,843
Accrued payroll and related liabilities	799	102	901
Accrued compensated absences	2,648	662	3,310
Unearned revenue	2,326	582	2,908
Due to other funds	785	196	981
Total current liabilities	10,367	2,576	12,943
Noncurrent liabilities:			
Net OPEB obligation	23,557	5,890	29,447
Net pension liability	33,662	8,410	42,072
Advance from other funds	-	376,153	376,153
Total noncurrent liabilities	57,219	390,453	447,672
Total liabilities	67,586	393,029	460,615
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow - general employees pension	11,449	2,860	14,309
Total deferred inflows of resources	11,449	2,860	14,309
NET POSITION			
Net investment in capital assets	78,261	22,865	101,126
Unrestricted	443,575	(382,340)	61,235
Total net position	\$ 521,836	\$ (359,475)	\$ 162,361

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

Town of Indialantic, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Funds

<i>Year ended September 30, 2017</i>	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
Operating revenues:			
Charges for services	\$ 221,814	\$ 54,516	\$ 276,330
Parking fines	52,369	16,033	68,402
Total operating revenues	274,183	70,549	344,732
Operating expenses:			
Salaries, wages and employee benefits	84,880	21,444	106,324
Contractual services	134,703	33,376	168,079
Insurance	6,840	1,700	8,540
Supplies	8,857	2,152	11,009
Depreciation	13,191	4,273	17,464
Repairs and maintenance	16,769	23,017	39,786
Utilities	5,829	10,334	16,163
Beach improvements	7,728	-	7,728
Total operating expenses	278,797	96,296	375,093
Operating loss	(4,614)	(25,747)	(30,361)
Nonoperating revenues:			
Miscellaneous revenue	972	10,939	11,911
Interest income	232	-	232
Total nonoperating revenues	1,204	10,939	12,143
Change in net position	(3,410)	(14,808)	(18,218)
Net position, beginning of year	525,246	(344,667)	180,579
Net position, end of year	\$ 521,836	\$ (359,475)	\$ 162,361

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

Town of Indialantic, Florida
Statement of Cash Flows - Proprietary Funds

<i>Year ended September 30, 2017</i>	<u>Business-type Activities - Enterprise Funds</u>		
	Wavecrest Park	Indialantic (Nance) Park	Total
Cash flows from operating activities:			
Cash received from customers	\$ 208,403	\$ 54,516	\$ 262,919
Cash received from parking fines	39,381	12,786	52,167
Cash paid to suppliers	(77,012)	(33,704)	(110,716)
Cash paid for quasi-external operating transactions	(99,363)	(24,841)	(124,204)
Cash paid to employees for services	(77,884)	(19,696)	(97,580)
Net cash used in operating activities	(6,475)	(10,939)	(17,414)
Cash flows from non-capital and related financing activities:			
Miscellaneous proceeds	972	10,939	11,911
Net cash provided by non-capital and related financing activities	972	10,939	11,911
Cash flows from investing activities:			
Interest income received	232	-	232
Net cash provided by investing activities	232	-	232
Net decrease in cash and cash equivalents	(5,271)	-	(5,271)
Cash and cash equivalents, beginning of year	97,527	-	97,527
Cash and cash equivalents, end of year	\$ 92,256	\$ -	\$ 92,256

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

Town of Indialantic, Florida
Statement of Cash Flows - Proprietary Funds (Continued)

<i>Year ended September 30, 2017</i>	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (4,614)	\$ (25,747)	\$ (30,361)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	13,191	4,273	17,464
(Increase) decrease in assets:			
Accounts receivable	(12,988)	(3,247)	(16,235)
Advance from other funds	(13,411)	-	(13,411)
Prepaid items	1,634	-	1,634
Increase (decrease) in liabilities:			
Accounts payable	3,011	(1,303)	1,708
Accrued payroll and related liabilities	6	2	8
Advance to general fund	(294)	-	(294)
Advance to enterprise fund	-	13,337	13,337
Accrued compensated absences	4	1	5
Net OPEB obligation	1,910	477	2,387
Net pension liability	5,076	1,268	6,344
Unearned revenue	-	-	-
Total adjustments	(1,861)	14,808	12,947
Net cash used in operating activities	\$ (6,475)	\$ (10,939)	\$ (17,414)

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

Town of Indialantic, Florida
Statement of Fiduciary Net Position - Pension Trust Funds

<i>September 30, 2017</i>	Employee Pension Trust Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 175,657
Due from other funds	1,716
Interest receivable	16,612
Investments, at fair value	9,082,387
<hr/>	
Total assets	9,276,372
LIABILITIES	
<hr/>	
NET POSITION	
Held in trust for pension benefits	\$ 9,276,372
<hr/> <hr/>	

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

Town of Indialantic, Florida

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

<i>Year ended September 30, 2017</i>	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 75,254
Employer	216,965
Employees	74,448
Total contributions	366,667
Investment income:	
Net increase in the fair value of investments	772,526
Less: investment related expenses	(16,266)
Interest and dividends	245,515
Total investment income	1,001,775
Total additions	1,368,442
DEDUCTIONS	
Benefits paid	619,938
Administrative expenses	60,947
Total deductions	680,885
Change in net position	687,557
Net position held in trust for pension benefits, beginning of year	8,588,815
Net position held in trust for pension benefits, end of year	\$ 9,276,372

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



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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Indialantic, Florida (the “Town”) was created pursuant to Chapter 73-129, Laws of Florida, in 1952. The Town operates under a chartered Council-Manager form of government. The Town provides a wide range of services as directed by the Town Charter, including general government, public safety, police, fire, public improvements, recreation, planning and zoning and other related general and administrative services for approximately 2,800 residents.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. No potential component units were found for which the above criteria required consideration in defining the government’s reporting entity.

Excluded from the reporting entity

The Indialantic Volunteer Fire Department, Inc. is a nonprofit corporation separate from the Town. This potential component unit is excluded from the reporting entity because the Town does not exert significant influence or control over the volunteer fire department, nor does it have the right to the surplus of the volunteer fire department.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

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

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Town's nonmajor governmental funds consists of the *special investigative trust fund* which accounts for revenues received per state forfeiture statutes that are used for police investigative expenses.

The Town reports the following major proprietary funds:

The *Wavecrest Park fund* accounts for operational and maintenance costs of Wavecrest Park.

The *Indialantic (Nance) Park fund* accounts for operational and maintenance costs of Indialantic (Nance) Park.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Additionally, the Town reports the following fund types:

The *pension trust funds* account for assets, liabilities, revenues and expenses of the pension plans of the Town's general employees, police officers and firefighters. The activities of these funds are subject to state mandatory regulations, local ordinances and the policies of the governing boards.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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

D. BUDGETARY INFORMATION

The Town has elected, as permitted by GASB 34, to disclose all budgetary information as required supplementary information (RSI). Please refer to the accompanying notes to the RSI for the Town's budgetary information.

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY

1. Cash and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

1. Cash and investments (continued)

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Substantially all deposits at September 30, 2017, were invested using the pooled investment concept. Interest earned was allocated to the various funds based on their average cash and investment balances.

Investments are reported at fair value, with the exception of external investment pools which comply with criteria set forth in Section 150: Investments of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the external investment pools having met these criteria is equal to the value of pooled shares.

The investment of municipal funds is authorized by Florida Statutes which allows the Town to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, direct and indirect obligations of the United States Government, obligations of Federal Government agencies, time deposits or savings accounts of financial institutions under Federal and State regulation, and mutual funds that invest solely in obligations of the United States Government or its agencies.

Florida State Statutes Chapters 175 and 185 regulates the types of investments that may be held by the Police and Firefighters' Pension Trust Funds. The investment guidelines have been augmented by a Town ordinance that has adopted specific investment policies. Compliance with the policies and guidelines have been evaluated by the pension board.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Town is permitted by State law to levy taxes up to 10 mills on assessed valuation. However, Chapter 74-430, Laws of Florida, a special act applicable only to governmental units in Brevard County, limits the annual increase to 10% of the prior year's millage. During a Special Session in June 2007, the Florida Legislature adopted HB1B, which limits municipal property tax rates effective with the 2007-2008 fiscal year. This legislation establishes reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

2. Receivables and payables (continued)

The Indialantic Town Council levy for the fiscal year ended September 30, 2017 was 6.2653 mills, which is 3.373% over the rolled back rate, as approved by a unanimous vote. Current tax collections for the Town were approximately 97% of the total tax levy.

As provided by law, the Brevard County Property Appraiser assesses all properties for ad valorem taxing purposes and the Brevard County Tax Collector collects and distributes all taxes. Ad valorem taxes are levied based on the property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins on October 1. Taxes are due beginning November 1, delinquent on April 1, and lien on May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax sale certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year-end.

All account and tax receivables are shown net of an allowance for uncollectibles. Accounts receivable in the Wavecrest Park fund and the Indialantic (Nance) Park fund are shown net of allowances for uncollectibles of \$27,674 and \$6,918, respectively.

3. Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value.

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

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

Buildings	40 years
Improvements other than buildings	5 to 20 years
Infrastructure	25 to 40 years
Machinery and equipment	5 to 20 years
Vehicles	5 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

4. Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation is accrued when incurred in the government-wide and proprietary fund type financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Unearned revenue

Unearned revenue includes amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of funds received that have not yet been expended for the required purpose.

6. Long-term liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund statement of net position.

7. Defined Benefit Pension Plans

The City administers two single-employer, defined benefit pension plans the Police Officers' and Firefighters' Retirement System and the General Employees' Pension Plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the two defined benefit pension plans and additions to/deductions from the two defined benefit pension plan's fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due, and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the respective terms of the City's two defined benefit pension plans.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

8. Deferred outflows / inflows of resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$642,937 and deferred inflows of resources related to pensions were \$461,931 for the year ended September 30, 2017. Note 3-F includes a complete discussion of retirement commitments.

Resources received before time requirements have been met, are now classified as deferred inflows of resources.

9. Fund equity

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 Town 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:

Restricted Fund Balance – This portion of the fund balance will consist of those monies that have restrictions from external resource providers or imposed by law through constitutional provisions or enabling legislation placed on their use.

Committed Fund Balance – This portion of the fund balance will consist of those monies earmarked by Council through resolution that are intended to be used for a particular purpose.

Assigned Fund Balance – This portion of the fund balance for the General Fund consists of those monies budgeted to be spent during the following fiscal year as cash carry forward to cover the budget deficit, and encumbrances as approved by Town Council.

Unassigned Fund Balance – This portion of the fund balance for the General Fund will consist of those monies not specifically earmarked by Council for a particular project. Additionally, any revenue received in a fiscal year in excess of expenditures will automatically fall to unassigned fund balance. Council may also budget monies in the Town's annual fiscal year budget for this category.

The Town would typically use restricted fund balances first, followed by committed and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. The Town did not have any assigned funds as of September 30, 2017.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

10. Net position deficit

The Town reported a net position deficit of \$(359,475) in the Indialantic (Nance) Park fund. The Town intends to cover the deficit in 2017 and in future years with anticipated charges for services revenues of the Indialantic (Nance) Park fund as well as the net position of the Wavecrest Park fund.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from management’s estimates.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including net OPEB obligation, compensated absences and the aggregate net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(1,770,653) difference are as follows:

Compensated absences	\$ (105,687)
Net OPEB obligation	(462,553)
Aggregate net pension liability	(1,202,413)
Net adjustment to reduce fund balance - total governmental funds to	
arrive at net position - governmental activities	\$ (1,770,653)

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$(294,266) difference are as follows:

Capital outlay	\$ (485,622)
Depreciation expense	191,356
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (294,266)
<hr/>	

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2017, the Town’s carrying amount of cash deposits was \$1,043,009 and the bank balance was \$1,111,700. In addition, the Town holds \$428 of petty cash.

As of September 30, 2017, \$250,000 of the Town’s bank balances and all non-interest bearing accounts are covered by the Federal Depository Insurance Corporation (FDIC). 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 Depositories 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 Town pursuant to Section 280.08, Florida Statutes.

For the Fiduciary funds, the carrying amount was \$1,669 and the bank balance was \$1,669. Cash balances in the Fiduciary funds are not held with a qualified public depository, or FDIC insured.

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund (“Florida PRIME”) is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2017, the Town had \$16,585 invested. The fair value of the Town’s position in the pool is equal to the value of the pooled shares.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Under GASB Codification 150: Investments, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in the external investment pool.

Interest Rate Risk – The Town's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. This policy is pursuant to Florida State Statute 218.415(6).

Credit Risk – The Town's investment policy pursuant to Florida State Statute 218.415 permits for investments in the Local Government Surplus Trust Fund, Securities and Exchange Commission registered money market funds with 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 allowable instruments in the General Employees' Pension Plan are outlined in the Town's written investment policy and include equities, common stocks, equity mutual funds, preferred stocks, convertible securities including debentures, international equities, real estate investment trusts, fixed income investments in individual bonds, fixed income mutual funds, government bonds, corporate bonds, mortgage-backed securities, asset-backed securities, certificates of deposits, commercial paper, and government secure zero coupon bonds. Common and preferred stock are to be listed on either the New York or American Stock Exchange. Fixed income investments containing marketable bonds must be rated "A" or better by Standard and Poor's at the time of purchase. No limitations are placed on investments in the United States Government Guaranteed Obligations. Commercial paper must have a rating of not less than A-1 by Standard and Poor's or P-1 by Moody's. Certificates of deposit may only be purchased from issuers with a quality rating of AA+ or better at the time of purchase.

Investment in the Police Officers' and Firefighters' pension trust fund is limited by Florida State Statutes Chapters 175 and 185 and by investment policies adopted by the fund's Board of Trustees. The allowable instruments in the Police Officers' and Firefighters' Pension Plan include equities traded on a national exchange or electronic network, fixed income investments with a minimum rating of investment grade or higher as reported by a major credit rating service, money market funds with a minimum rating of A-1 by Standard and Poor's or P-1 by Moody's, and pooled funds which may include mutual funds, commingled funds and exchange-traded funds.

Foreign Currency Risk – The Town's pension trust funds contain investments in international stock mutual funds; however, all of the investments are denominated in U.S. dollars and are not exposed to foreign currency risk.

Town of Indialantic, Florida Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – The Town’s investment policy pursuant to Florida State Statutes 218.415(18), requires securities, with the exception of certificates of deposit, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Town should be properly designated as an asset of the Town. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit maintained by book-entry at the issuing bank shall clearly identify the Town as the owner. As of September 30, 2017, the Town’s investments were held with a third-party custodian as required by the Town’s investment policies.

As of September 30, 2017, the Town had the following investments and effective duration presented in terms of years:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Rating	Agency
Pension trust funds:							
Stock mutual funds	\$ 4,024,107	\$ 4,024,107	\$ -	\$ -	\$ -	Not rated	-
Bond mutual funds	329,461	329,461	-	-	-	Not rated	-
Corporate Bonds	318,668	20,956	124,637	173,075	-	BBB+	S&P
Corporate Bonds	171,054	-	51,446	119,608	-	BBB	S&P
Corporate Bonds	335,818	25,330	185,222	97,878	27,388	A-	S&P
Corporate Bonds	131,732	-	97,327	15,290	19,115	A	S&P
Corporate Bonds	79,236	-	18,085	22,683	38,468	A+	S&P
Corporate Bonds	56,812	-	42,964	-	13,848	AA-	S&P
Corporate Bonds	14,972	-	14,972	-	-	AA+	S&P
Corporate Bonds	15,412	-	-	15,412	-	AAA	S&P
Corporate Bonds	22,447	-	22,447	-	-	Not rated	-
Municipal Obligations	45,401	-	45,401	-	-	AA-	S&P
Municipal Obligations	50,890	-	30,076	20,814	-	Not rated	-
Municipal Obligations	25,295	-	25,295	-	-	A+	S&P
Municipal Obligations	29,905	-	29,905	-	-	AA+	S&P
US treasury notes	91,214	-	-	91,214	-	AA+/AAA	S&P
Fannie Mae Pool	158,436	-	33,931	-	124,505	Not rated	-
American Core Realty	722,308	722,308	-	-	-	Not rated	-
International stock mutual funds	780,720	780,720	-	-	-	Not rated	-
Federal National Mortgage Association	122,152	-	-	92,989	29,163	Not rated	-
Government National Mortgage Association	118,123	-	-	47,840	70,283	Not rated	-
Federal Home Loan Mortgage Corp	79,432	-	-	47,538	31,894	Not rated	-
Collateralized Mortgage Obligation	24,919	-	24,919	-	-	Not rated	-
Florida Municipal Pension Trust Fund	1,317,288	1,317,288	-	-	-	Not rated	-
Florida PRIME	16,585	16,585	-	-	-	Not rated	-
Short term investments	173,988	173,988	-	-	-	AAAM	S&P
	\$ 9,256,375	\$ 7,410,743	\$ 746,627	\$ 744,341	\$ 354,664		

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Fair Value

GASB Codification Section 3100: *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017.

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Fair Value (continued)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs other than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value				
Mutual funds	\$ 5,134,287	\$ 5,134,287	\$ -	\$ -
Corporate bonds	1,146,151	-	1,146,151	-
Investment pools	1,317,288	-	1,317,288	-
Mortgage and asset backed	1,225,371	-	1,225,371	-
Municipal obligations	151,491	-	151,491	-
US Government obligations	91,214	91,214	-	-
Total investments measured at fair value	\$ 9,065,802	\$ 5,225,501	\$ 3,840,301	\$ -

**Investments measured at the
Net Asset Value (NAV)**

Florida PRIME	\$ 16,585
Total investments at NAV	16,585
Total cash equivalents at cost	173,988
Total investments	\$ 9,256,375

Mutual funds and US Government obligations: Valued at quoted market prices.

Corporate bonds, municipal obligations, and mortgage or asset backed securities: Valued using a pricing service that uses matrix pricing when publicly traded pricing is not available.

Investment pools: Valued using the total pool value multiplied by the Town's percentage ownership of the pool. The pool value is determined by using the quoted value of the underlying assets or similar assets.

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

B. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2017, are summarized as follows:

	Due from other funds	Due to other funds
General fund	\$ 981	\$ 1,716
General Employees' Pension	1,716	-
Wavecrest Park	-	785
Indialantic (Nance) Park	-	196
	<u>\$ 2,697</u>	<u>\$ 2,697</u>

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Wavecrest Park	Indialantic (Nance) Park	<u>\$ 376,153</u>

All interfund receivables and payables within the primary government represent cash transfers for operating and capital purposes.

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 929,482	\$ -	\$ -	\$ 929,482
Total capital assets, not being depreciated	929,482	-	-	929,482
Capital assets, being depreciated:				
Buildings	890,364	-	-	890,364
Improvements other than buildings	614,002	-	-	614,002
Equipment	1,927,420	156,628	(24,859)	2,059,189
Furniture	9,097	-	-	9,097
Infrastructure	424,941	328,994	(4,365)	749,570
Total capital assets being depreciated	3,865,824	485,622	(29,224)	4,322,222
Less accumulated depreciation for:				
Buildings	(561,358)	(22,703)	-	(584,061)
Improvements other than buildings	(354,862)	(38,184)	-	(393,046)
Equipment	(1,185,850)	(123,637)	24,859	(1,284,628)
Furniture	(8,859)	(69)	-	(8,928)
Infrastructure	(43,104)	(6,763)	4,365	(45,502)
Total accumulated depreciation	(2,154,033)	(191,356)	29,224	(2,316,165)
Total capital assets being depreciated, net	1,711,791	294,266	-	2,006,057
Governmental activities capital assets, net	\$ 2,641,273	\$ 294,266	\$ -	\$ 2,935,539

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 758,227	\$ -	\$ -	\$ 758,227
Equipment	64,598	-	-	64,598
Fixtures	80,286	-	-	80,286
Total capital assets being depreciated	903,111	-	-	903,111
Less accumulated depreciation for:				
Improvements other than buildings	(640,203)	(16,898)	-	(657,101)
Equipment	(64,598)	-	-	(64,598)
Fixtures	(79,720)	(566)	-	(80,286)
Total accumulated depreciation	(784,521)	(17,464)	-	(801,985)
Total capital assets, being depreciated, net	118,590	(17,464)	-	101,126
Business-type activities capital assets, net	\$ 118,590	\$ (17,464)	\$ -	\$ 101,126

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

Governmental activities:	
General government	\$ 64,307
Public safety	111,466
Public works	15,583
Total depreciation expense – governmental activities	\$ 191,356
Business-type activities:	
Wavecrest Park	\$ 13,191
Nance Park	4,273
Total depreciation expense – business-type activities	\$ 17,464

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net OPEB obligation	\$ 427,940	\$ 34,613	\$ -	\$ 462,553	\$ -
Compensated absences	105,108	112,902	(112,323)	105,687	52,640
Pension obligation	1,294,696	(1,303,775)	1,211,492	1,202,413	-
Governmental activity Long-term liabilities	\$ 1,827,744	\$ (1,156,260)	\$ 1,099,169	1,770,653	\$ 52,640
Business-type activities:					
Net OPEB obligation	\$ 27,060	\$ 2,387	\$ -	\$ 29,447	\$ -
Compensated absences	3,310	-	-	3,310	3,310
Pension obligation	32,075	(35,130)	45,127	42,072	-
Business-type activity Long-term liabilities	\$ 62,445	\$ (32,743)	\$ 45,127	\$ 74,829	\$ 3,310

E. RISK MANAGEMENT

The Town is exposed to various risks of loss, including, but not limited to theft, damage or destruction of its buildings, equipment, records, and monetary assets, and liability for personal injury, property damage and consequences of employee and public official actions. The Town participates in a non-assessable public risk pool to cover significant loss exposure. The pool maintains a loss reserve and purchases specific excess insurance, aggregate excess insurance and multiple loss coverage from commercial carriers and underwriters. Settled claims have not exceeded the coverage in any of the past three fiscal years and there has not been a reduction in coverage levels for the fiscal year ended September 30, 2017.

F. RETIREMENT COMMITMENTS

All regular employees are covered by retirement plans. Police and fire employees are covered by the Police and Firefighters' Pension Plan, while the other employees are covered by the General Employees' Pension Plan. These are single employer, defined benefit pension plans. Stand-alone plan financial reports are not issued, and the plans are not included in the reports of any other public employee retirement system or entity. Each Plan is administered through its own Board of Trustees.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Summary of significant accounting policies – The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Investments are reported at fair value.

Short-term investments are reported fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

The Town recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State of Florida paid to the Police and Firefighter retirement plan in the amounts of \$75,254. These contributions are funded by an excise tax upon certain casualty insurance companies on their gross receipts of premiums from policy holders.

Funding policy – The Town uses the Frozen Entry Age Actuarial Cost Method for the General Employees' Retirement System, and the Entry Age Normal Actuarial Cost Method for the Police and Firefighters' Retirement System to determine required contributions under its retirement systems because it provides for the systematic funding of the normal cost and any unfunded actuarial accrued liabilities. These are acceptable methods to the State of Florida. These liabilities are being funded over a 30 year period for the General Employees' Retirement System and the Police and Firefighters' Retirement System.

The State of Florida has established guidelines for state and local pension plan funding and requires submission to and approval of the local government's actuarial reports by a State Bureau, at least every third year. The Town's pension plans, by policy, require the following:

1. Annual actuarial reports as of October 1 of each year to determine the next year's required contributions.
2. Employee contributions at 4.5% of compensation for the General Employees' Retirement System, and 5% of compensation for the Police Retirement System and the Firefighters' Retirement System.
3. Employer contributions in accordance with the actuarially determined requirement using the Entry Age Normal Actuarial Cost Method for the General Employees' Retirement System, and the Police and Firefighters' Retirement System.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Plan Description

<u>General Employees' Pension Plan</u> <i>Plan Administration</i>	<u>Police & Fire Pension Plan</u> <i>Plan Administration</i>	
The Plan is administered by a Board of Trustees comprised of:	The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:	
a) Two Council appointees,	a) Two legal residents appointed by the Town Council,	
b) Two Plan Members elected by the Membership, and	b) One Police Officer and one Firefighter elected by Members of their respective departments, and	
c) A fifth Member elected by the other four and appointed by the Town Council.	c) Fifth Member elected by the other four and appointed by the Town Council.	
	General Employees'	Police & Fire Pension
<u>Plan Membership as of October 1, 2016:</u>	<u>Pension Plan</u>	<u>Plan</u>
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	7	15
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	8	1
Active Plan Members	14	17
Total Plan Members	29	33

General Employees' Pension Plan:

Normal Retirement:

Date: Later of age 65 and completion of 5 years of Credited Service

Benefit: Monthly accrued benefit.

Early Retirement:

Date: Later of age 60 and completion of 5 Years of Credited Service.

Benefit: Formula benefit, reduced 1/15th for each year that Early Retirement precedes Normal Retirement.

Vesting:

100% after 5 years of Credited Service.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Early (reduced basis) or Normal (unreduced basis) Retirement Date.

Pre-Retirement Death Benefits:

Beneficiary selects either:

1) A monthly benefit which is the actuarial equivalent or the benefit earned at the date of death, payable for 120 months or 2) a refund of the Member's Accumulated Contributions.

Police and Fire Pension Plan:

Normal Retirement:

Date: Earlier of age 55 or Age 52 and completion of 25 years of Credited Service

Benefit: 3% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Age 50 and completion of 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination of Employment):

Less than 10 years: Refund of Member Contributions without interest.

10 years or more: Accrued benefit payable at age 50 or later, on a partial actuarially reduced basis if to commence prior to age 55 (benefit is also payable to beneficiary of deceased vested member) or refund of Member Contribution without interest.

Disability:

Service Incurred Eligibility: Permanent; unable to perform regular duties.

Service Incurred Benefit: 42% of Average Monthly Earnings or accrued benefit, whichever is greater.

Non-Service Incurred Eligibility: 10 years of credited service or more; Permanent; unable to perform regular duties.

Non-Service Incurred Benefit: 25% of Average Monthly Earnings or accrued benefit, whichever is greater.

Limitation on Benefits: In the event that the disability benefit plus Workers Compensation and earned Income exceed 100% of Average Monthly Earnings in effect on the date of disability, the disability benefit for the following year is reduced by the excess.

Pre-Retirement Death:

Non-vested: Refund of contributions without interest.

Vested Actuarial Equivalent to Member's Accrued Benefit.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2017:

Asset Class	Target Allocation	
	General Employees' Pension Plan	Police and Fire Pension Plan
Domestic Equity	-	50%
International Equity	-	10%
Broad Market Fixed Income	-	25%
Global Fixed Income	-	5%
Real Estate	-	10%
Core Bonds	16%	-
Multi-sector	24%	-
U.S. Large Cap Equity	39%	-
U.S. Small Cap Equity	11%	-
Non-U.S. Equity	10%	-
Total	100%	100%

Concentration:

The Plans' did not hold investments in any one organization that represented 5 percent or more of the Pension Plans' fiduciary net position.

Rate of Return:

For the year ended September 30, 2017 the annual money-weighted rate of return on the General Employees, and Police and Fire Pension Plan investments, net of pension plan investment expense was 13.50% and 11.64%, respectively.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Deferred Retirement Option Program

	General Employees' Pension Plan	Police and Fire Pension Plan
Eligibility	Not applicable	Same as requirements for Normal Retirement. Not to exceed 60 months (or attainment of 39 years of service, if earlier).
Participation	After normal retirement age.	Actuarial Asset rate of return applied each September 30.
Rate of Return	Not applicable	
DROP balance as of September 30, 2017	\$ -	\$ 63,260

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor at September 30, 2017 were as follows:

	General Employees' Pension Plan	Police and Fire Pension Plan
Total Pension Liability	\$ 1,951,650 *	\$ 8,593,406
Plan Fiduciary Net Position	(1,343,203)	(7,957,368)
Sponsor's Net Pension Liability	\$ 608,447	\$ 636,038

Plan Fiduciary Net Position as a percentage of Total Pension Liability	68.82%	92.60%
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* This amount has been rolled forward from October 1, 2016

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2016 using the following actuarial assumptions applied to all measurement periods.

	General Employees' Pension Plan	Police and Fire Pension Plan
Inflation	2.92%	2.50%
Salary Increases	4.00%	7.00%
Discount Rate	7.00%	7.80%
Investment Rate of Return	4.08%	7.80%

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

General Employees Pension Plan	Police and Fire Pension Plan
Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
The most recent actuarial experience study used to review the other significant assumptions was dated October 1, 2016.	The most recent actuarial experience study used to review the other significant assumptions was dated January 15, 2008.

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 September 30, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return	
	General Employees' Pension Plan	Police and Fire Pension Plan
Domestic Equity	-	7.50%
International Equity	-	8.50%
Broad Market Fixed Income	-	2.50%
Global Fixed Income	-	3.50%
Core Bonds	0.58%	-
Multi-Sector	1.08%	-
U.S. Large Cap Equity	6.08%	-
U.S. Small Cap Equity	6.83%	-
Non-U.S. Equity	6.83%	-

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Discount Rate:

The discount rate used to measure the total pension liability for the General Employees, Police and Fire Pension Plan investments was 7.00%, and 7.80%, respectively. 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 sponsor 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.

	General Employees' Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 1,696,490	\$ 1,190,743	\$ 505,747
Changes for a Year:			
Service cost	54,693	-	54,693
Expected interest growth	119,657	83,086	36,571
Unexpected investment income	-	77,099	(77,099)
Demographic experience	101,513	-	101,513
Contributions - employer	-	72,405	(72,405)
Contributions - employee	-	26,148	(26,148)
Benefit payments & refunds	(90,056)	(90,056)	-
Administrative expense	-	(16,222)	16,222
Changes in benefit terms	-	-	-
Assumption changes	69,353	-	69,353
Net Changes	255,160	152,460	102,700
Balances at September 30, 2017	\$ 1,951,650	\$ 1,343,203	\$ 608,447

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

	Police & Fire Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 8,212,461	\$ 7,391,437	\$ 821,024
Changes for a Year:			
Service cost	203,122	-	203,122
Interest	644,419	-	644,419
Change in excess state money	-	-	-
Share plan allocation	-	-	-
Differences between expected and actual experience	(52,899)	-	(52,899)
Changes of assumptions	100,438	-	100,438
Contributions - employer	-	144,560	(144,560)
Contributions - state	-	80,980	(80,980)
Contributions - employee	-	46,650	(46,650)
Net investment income	-	838,164	(838,164)
Benefit payments, including refunds of employees contributions	(514,135)	(514,135)	-
Administrative expense	-	(30,288)	30,288
Net Changes	380,945	565,931	(184,986)
Balances at September 30, 2017	\$ 8,593,406	\$ 7,957,368	\$ 636,038

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Sponsor's Net Pension Liability			
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%	
General Employees' Pension Plan	\$ 850,127	\$ 608,447	\$ 408,395	
	1% Decrease 6.80%	Current Discount Rate 7.80%	1% Increase 8.80%	
Police and Firefighters' Pension Plan	\$ 1,594,658	\$ 636,038	\$ (164,604)	

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

For the year ended September 30, 2017 the Town recognized a pension expense of \$124,444 for the General employee' plan and \$238,290 for the police and fire plan. On September 30, 2017 the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	General Employees		Police and Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance at September 30, 2016	\$ 123,966	\$ 172,036	\$ 527,801	\$ 357,856
Differences between expected and actual experience	-	-	(1,148)	52,899
Amortization payments	(79,140)	(42,201)	(114,870)	(215,033)
Investment gain/loss	-	77,099	-	264,994
Demographic changes	101,513	-	100,438	
Differences between projected and actual earnings on pension plan investments	-		-	
Assumption changes	69,353	-	(85,023)	-
Net changes	91,726	34,898	(100,603)	102,860
Balance at September 30, 2017	\$ 215,692	\$ 206,934	\$ 427,198	\$ 460,716

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

	General Employees	Police and Fire
Year ended September 30:		
2018	\$ (13,991)	\$ (13,991)
2019	104,703	104,703
2020	(71,231)	(71,231)
2021	(52,999)	(52,999)
2022	24,760	-
Thereafter	-	-

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Employee retirement plans – combining fund information

The pension trust funds fiduciary net position activity as of September 30, 2017 was as follows:

	General Employees'	Police and Firefighters'	Total
Assets			
Cash and cash equivalents	\$ -	\$ 175,657	\$ 175,657
Due from other funds	-	1,716	1,716
Interest receivable	-	16,612	16,612
Investments, at fair value	1,317,288	7,765,099	9,082,387
Total assets	1,317,288	7,959,084	9,276,372
Liabilities			
	-	-	-
Net position, restricted for pension benefits	\$ 1,317,288	\$ 7,959,084	\$ 9,276,372

Town of Indialantic, Florida
Notes to Financial Statements

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

The Pension trust funds increase in fiduciary net position activity as of September 30, 2017 was as follows:

	General Employees'	Police and Firefighters'	Total
Additions			
Contributions:			
State	\$ -	\$ 75,254	\$ 75,254
Employer	72,405	144,560	216,965
Employees	26,148	48,300	74,448
Total contributions	98,553	268,114	366,667
Investment income (loss):			
Net increase in fair value of investments	134,270	638,256	772,526
Less: investment related expense	-	(16,266)	(16,266)
Interest and dividends	-	245,515	245,515
Total investment income	134,270	867,505	1,001,775
Total additions	232,823	1,135,619	1,368,442
Deductions			
Benefits paid	90,056	529,882	619,938
Transfer to share plan	-	5,726	-
Administrative expenses	17,064	43,883	60,947
Total deductions	107,120	573,765	680,885
Change in net position	125,703	561,854	687,557
Net position held in trust for pension benefits, beginning of year	1,191,585	7,397,230	8,588,815
Net position held in trust for pension benefits, end of year	\$ 1,317,288	\$ 7,959,084	\$ 9,276,372

G. OTHER POSTEMPLOYMENT BENEFITS

The Town follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB), for certain postemployment health care benefits provided by the Town.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan description. The Town administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801, Florida Statutes, former employees who have retired prior to October 1, 1987, as well as those who retire on or after such date, and their eligible dependents, have the option to participate in the Town's group health insurance plan at the same cost that is applicable to active employees.

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. Healthcare coverage is assumed to end once the retiree and their spouse become eligible for Medicare (age 65). The Plan has 5 retirees and spouses receiving benefits and has a total of 32 active participants and dependents. Of that total, 27 are not yet eligible to receive benefits.

Benefit provisions for the Plan are established under the authority of the Town Council and may only be amended by Town Council. The Town has not established a trust or agency fund for the Plan. The Town does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the Town’s basic financial statements.

Funding policy. The Town funds the Plan on a pay-as-you-go basis. The Town requires retirees to pay 100% of the premiums for retirees and their dependents. There is an implied subsidy in the insurance premiums for the employees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average.

For the year ended September 30, 2017, the Town’s contribution made to the Plan is \$13,000, which represents an estimate of the implied subsidy described above. There were no contributions received from Plan members during the year ended September 30, 2017.

Annual OPEB cost and net OPEB obligation. The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The table on the following page shows the components of the Town’s annual OPEB cost for the year ended September 30, 2017, the amount actually contributed to the Plan, and changes in the Town’s net OPEB obligation to the Plan:

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual required contribution	\$ 71,000
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	(39,000)
Annual OPEB cost (expense)	50,000
Contributions made	(13,000)
Increase in net OPEB obligation	37,000
Net OPEB obligation, beginning of year	455,000
Net OPEB obligation, end of year	\$ 492,000

The net OPEB obligation is allocated to governmental activities and business-type activities based on the relative proportion of plan participants. At September 30, 2017, the net OPEB obligation of governmental activities and business-type activities is \$462,553 and \$29,447, respectively.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2017	\$ 50,000	26%	\$ 492,000
9/30/2016	49,000	27%	455,000
9/30/2015	58,000	19%	419,000

Funded status and funding progress. Because the Plan has fewer than 200 members, the Town is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of October 1, 2016. Accordingly, the Town will be required to obtain a subsequent actuarial valuation within three years of that date. As of October 1, 2016, the actuarial accrued liability for benefits was \$471,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,447,000, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 32.6%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the Town's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the Town elected to apply the statement prospectively, only three years is presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (including inflation of 2.75%) and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized using a level-dollar payment basis over an open period of 15 years.

NOTE 4 - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The Town is currently evaluating the effects that these statements will have on its 2018 financial statements.



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



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Town of Indialantic, Florida

**Required Supplementary Pension Information - Schedules of Contributions from
the Employer and Other Contributing Entities – Last Three Fiscal Years**

<i>As of September 30,</i>	General Employees		
Total Pension Liability	2017	2016	2015
Service Cost	\$ 54,693	\$ 72,396	\$ 43,196
Interest	119,657	126,017	119,143
Differences Between Expected and Actual Experience	101,513	(188,107)	(12,576)
Change of Assumptions	69,353	3,150	-
Benefit Payments, Including Refunds of Employee Contributions	(90,056)	(88,961)	(73,230)
Net Change in Total Pension Liability	255,160	(75,505)	76,533
Total Pension Liability Beginning	1,696,490	1,771,995	1,695,462
Total Pension Liability Ending (a)	\$ 1,951,650	\$ 1,696,490	\$ 1,771,995
Plan Fiduciary Net Position			
Contributions - Employer	\$ 72,405	\$ 56,400	\$ 57,449
Contributions - Employee	26,148	26,715	25,271
Net Investment Income	160,185	38,332	(58,756)
Benefit Payments, including Refunds of Employee Contributions	(90,056)	(88,961)	(73,230)
Administrative Expense	(16,222)	(10,342)	(14,152)
Net Change in Plan Fiduciary Net Position	152,460	22,144	(63,418)
Plan Fiduciary Net Position Beginning	1,190,743	1,168,599	1,232,017
Plan Fiduciary Net Position Ending (b)	\$ 1,343,203	\$ 1,190,743	\$ 1,168,599
Net Pension Liability Ending (a) - (b)	\$ 608,447	\$ 505,747	\$ 603,396
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.82%	70.19%	65.95%
Covered Employee Payroll	\$ 576,030	\$ 587,107	\$ 561,575
Net Pension Liability as a Percentage of covered Employee Payroll	105.63%	86.14%	107.45%

Town of Indialantic, Florida

**Required Supplementary Pension Information - Schedules of Changes in Net
Position Liability and Related Ratios – Last Three Fiscal Years**

<i>As of September 30,</i>	General Employees		
	2017	2016	2015
Actuarially Determined Contribution	\$ 72,405	\$ 56,400	\$ 57,449
Contributions in Relation to the Actuarially Determined Contributions	72,405	56,400	57,449
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	576,030	\$ 587,107	\$ 561,575
Contributions as a Percentage of Covered Employee Payroll	12.57%	9.61%	10.23%

Town of Indialantic, Florida

**Required Supplementary Pension Information - Schedules of Changes in Net
Position Liability and Related Ratios – Last Three Fiscal Years**

<i>As of September 30,</i>	Police and Fire		
Total Pension Liability	2017	2016	2015
Service Cost	\$ 203,122	\$ 190,524	\$ 198,675
Interest	644,419	599,460	584,298
Change in Excess State Money	-	(560)	-
Share Plan Allocation	-	280	-
Differences Between Expected and Actual Experience	(52,899)	4,594	(333,531)
Change of assumptions	100,438	239,661	-
Benefit Payments, Including Refunds of Employee Contributions	(514,135)	(252,201)	(251,317)
Net Change in Total Pension Liability	380,945	781,758	198,125
Total Pension Liability Beginning	8,212,461	7,430,703	7,232,578
Total Pension Liability Ending (a)	\$ 8,593,406	\$ 8,212,461	\$ 7,430,703
Plan Fiduciary Net Position			
Contributions - Employer	\$ 144,560	\$ 159,935	\$ 146,371
Contributions - State	80,980	84,296	79,493
Contributions - Employee	46,650	47,618	48,565
Net Investment Income	838,164	673,749	(37,782)
Benefit Payments, including Refunds of Employee Contributions	(514,135)	(252,201)	(251,317)
Administrative Expense	(30,288)	(18,713)	(38,051)
Net Change in Plan Fiduciary Net Position	565,931	694,684	(52,721)
Plan Fiduciary Net Position Beginning	7,391,437	6,696,753	6,749,474
Plan Fiduciary Net Position Ending (b)	\$ 7,957,368	\$ 7,391,437	\$ 6,696,753
Net Pension Liability Ending (a) - (b)	\$ 636,038	\$ 821,024	\$ 733,950
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.60%	90.00%	90.12%
Covered Employee Payroll	\$ 932,995	\$ 952,369	\$ 1,020,241
Net Pension Liability as a Percentage of covered Employee Payroll	68.17%	86.21%	71.94%

Town of Indialantic, Florida

**Required Supplementary Pension Information - Schedules of Changes in Net
Position Liability and Related Ratios – Last Three Fiscal Years**

Police and Fire			
	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 211,697	\$ 239,616	\$ 229,907
Contributions in Relation to the Actuarially Determined Contributions	225,540	244,231	229,907
Contribution (Excess)	\$ (13,843)	\$ (4,615)	\$ -
Covered Employee Payroll	\$ 932,995	\$ 952,369	\$ 1,020,241
Contributions as a Percentage of Covered Employee Payroll	24.17%	25.64%	22.53%

Town of Indialantic, Florida

Required Supplementary Pension Information – Notes to Schedule

Notes to Schedule

Valuation Date: 10/01/2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates.

	General Employees' Pension Plan	Police and Firefighters' Pension Plan
Funding Method:	Entry Age Actuarial Cost Method.	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Dollar, Normal, Closed.	Level Percentage of Pay, Closed.
Remaining Amortization Period:	28 Years (as of 10/01/2016 valuation)	27 Years (as of 10/01/2015 Valuation)
Asset Smoothing Methodology:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4 year average Market Value. It is possible that over time this technique will produce an insignificant bias above or below Market Value.	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.
Inflation:	2.92% per year.	2.50%
Salary Increases:	4.00% per annum plus, for employees hired before October 1, 2005, a 5.00% (if age 50 or younger as of October 1, 2012) or 10.00% (if older than age 50 as of October 1, 2012) load to account for irregular sources of compensation	7.0% per year until the assumed retirement age.
Final Year Salary Load:	Not applicable	Years until Normal Retirement as of 10/01/2012: Less than 5 years - 15%; At least 5, less than 10 years - 10%; 10 or more years - 5%. Not withstanding the above, the load assumption is 0% for Members with less than 5 years of Credited Service as of September 30, 2012.
Interest Rate:	7% per year compounded annually, net of investment related expenses.	8.0% per year compounded annually, net of investment related expenses.
Payroll Increase:	4% per year	2.2% per year.
Retirement Age:	Later of age 65 and the completion of 5 years of service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.	Earlier of: 1) age 55 or 2) age 52 and the completion of 25 years of Credited Service. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement Rate:	Members who are within 5 years of retirement are assumed to retire within an immediate subsidized benefit at the rate of 10% per year.	Commencing with the earliest Early Retirement Age (50), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.

Required Supplementary Pension Information – Notes to Schedule (Continued)

Termination Rates:	See table below	See table below
Disability Rates:	Not applicable	See table below. It is assumed that 75% of Disability occurrences are Line-of-Duty related.
Mortality	RP-2000 Combined full generational using scale BB	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Other Information:	Termination Rate Table.	Termination and Disability Rate Table.

General

<u>Age</u>	<u>% Terminating During the Year</u>
20	10.0%
30	13.0%
40	15.0%
50	12.0%

Police and Firefighters'

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	20.0%	0.03%
30	12.0%	0.04%
40	4.0%	0.07%
50	2.0%	0.18%

Town of Indialantic, Florida

Required Supplementary Pension Information – Schedule of Investment Returns
Last Three Fiscal Years

	General Employees		
	9/30/2017	9/30/2016	9/30/2015
Annual Money-Weighted Rate of Return			
Net of Investment Expense	13.50%	3.30%	-4.76%

	Police & Fire		
	9/30/2017	9/30/2016	9/30/2015
Annual Money-Weighted Rate of Return			
Net of Investment Expense	11.64%	10.26%	-0.54%

Town of Indianalantic, Florida

Required Other Postemployment Benefits Supplementary Information
Schedule of Funding Progress Three Most Recent Actuarial Valuations

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2016	\$ -	\$ 471,000	\$ 471,000	0.0%	\$ 1,447,000	32.6%
10/1/2014	-	495,000	495,000	0.0%	1,442,000	34.3%
10/1/2010	-	518,000	518,000	0.0%	1,442,000	35.9%

Town of Indialantic, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund**

<i>Year ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,020,652	\$ 3,024,071	\$ 2,876,823	\$ (147,248)
Permits and fees	65,070	102,136	102,853	717
Intergovernmental	445,954	687,771	570,478	(117,293)
Charges for services	1,075	1,075	3,495	2,420
Fines and forfeitures	29,500	21,337	28,592	7,255
Interest and other	549,938	537,353	64,526	(472,827)
Total revenues	4,112,189	4,373,743	3,646,767	(726,976)
Expenditures				
Current:				
General government	652,244	612,129	396,689	215,440
Public safety	2,186,673	2,285,147	2,198,205	86,942
Physical environment	459,618	706,269	690,941	15,328
Recreation	35,446	38,009	36,971	1,038
Capital outlay	778,208	730,897	485,622	245,275
Total expenditures	4,112,189	4,372,451	3,808,428	564,023
Excess of revenues over expenditures	-	1,292	(161,661)	(162,953)
Fund balances, beginning of year	1,151,273	1,151,273	1,151,273	-
Fund balances, end of year	\$ 1,151,273	\$ 1,152,565	\$ 989,612	\$ (162,953)

Town of Indialantic, Florida
Notes to Required Supplementary Information
September 30, 2017

A. BUDGETARY INFORMATION

The Town Council adopts an annual budget resolution for all governmental funds prior to September 30 for the next ensuing fiscal year. All budgets are prepared on a modified accrual basis, which is consistent with generally accepted accounting principles.

Budgetary control is legally maintained at the department level. Budget transfer authority is provided to the Town Manager within departments in a fund as long as the total budget of the department is not increased.

Procedures followed by the Town in establishing budgeting data reflected in the financial statements are as follows:

1. The Departments prepare their budget requests and submit them to the Town Manager prior to June 30th of each year.
2. The Town Manager prepares a proposed budget and submits it to the Budget and Finance Committee during the month of July. The operating budget includes proposed expenditures and the means of financing them.
3. The Budget and Finance Committee meets during the month of July to review the proposed budget and make recommendations to the Council.
4. The Town Manager submits the proposed budget to the Town Council on or before August 1st of each year.
5. A public hearing on the proposed budget is held at a regular Council meeting prior to the start of the fiscal year.
6. Prior to October 1, the budget is legally enacted by the adoption of a Resolution.
7. In April of each year, the Town Manager reviews the adopted budget and makes necessary adjustments, which are submitted to the Town Council for their approval.
8. Formal budgeting integration is employed as a management control device during the year for the general and special revenue funds.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general and special revenue funds. Encumbrances outstanding at year end are reported as unassigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The subsequent year's appropriations provide authority to complete these transactions. There were no encumbrances outstanding at year end.

**INDEPENDENT AUDITORS' 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 Members of Town Council
Town of Indialantic, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Indialantic, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Indialantic, Florida's basic financial statements, and have issued our report thereon dated March 7, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control documented as MW 2017-001 below to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control documents as SD 2017-002 below to be a significant deficiency.

MW 2017-001 PARKING TICKETS – *Material Weakness*

Criteria: All unpaid parking tickets should be file with the state.

Condition: The Town did not file parking tickets with the State during 2017.

Cause: During the audit, it was noted the Town has not been following the process for filing unpaid tickets with the state in accordance with policy.

Effect: As a result, there was a material increase of \$24,140 in accounts receivable and an increase of \$7,905 in the allowance for doubtful accounts resulting in a net increase of \$16,235 in revenue.

Recommendation: CRI recommends all unpaid tickets be filed with the state in a timely manner.

Management Response: The new reporting system implemented by the Town contained a fire wall which prevented access to the information (i.e. parking tickets) after the information was entered into the system. The problem has since been adjusted to allow access to the information.

SD 2017-002 REVENUE RECONCILIATION – *Significant Deficiency*

Criteria: When segregation of duties is inadequate, the risk that intentional fraud or unintentional errors could occur and not be detected increases.

Condition: During the audit, it was noted that late fees related to Business Tax Receipts are not consistently charged and businesses that are deemed out-of-business are removed from the spreadsheet maintained by the Administrative Assistant without independent review.

Cause: Building department calculations are not reviewed, re-inspection fees are not consistently documented, and review of permits waived under Council direction related to hurricane damage are not reviewed for appropriateness. These conditions increase the possibility of inconsistencies, incorrect rates being charged, and the potential for defalcation.

Effect: CRI noted there is no review in place of business tax receipt calculations and changes; nor bulding permit calculations and changes.

Recommendation: CRI recommends Management assign a person independent of the collection process to provide a review.

Management Response: Late fees for Business Tax Receipts (BTR) are consistently charged with no exceptions. BTR renewals that are sent in by mail are receipted by date opened but charged based on postmark. Envelopes will be retained in the file to verify receipt of payment. Code Enforcement will physically verify the closing of businesses. Building department fee calculations are maintained in the permit file and are based on work being done. Fees charged will be provided to the Town Clerk and Finance Director for random inspection. Re-inspection fees are documented through receipt books and kept in a file in the Clerks office. The Building Official checks on a case by case basis to verify permit is for storm damage. The Building Official will look into the cost of a new program/software with a calculating feature.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Indialantic, Florida's financial statements are free of 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*.

The Town of Indialantic, Florida's Response to the Finding

The Town of Indialantic, Florida's responses to the findings identified in our audit are described previously. The Town of Indialantic, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 7, 2018



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and Members of Town Council
Town of Indialantic, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Indialantic, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 7, 2018.

Auditors' Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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 that report, which is dated March 7, 2018, 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. Corrective action has been taken to address the findings and recommendations made in the preceding annual financial audit report as noted below:

2016-001 Segregation of Duties	Status: Corrected
2016-002 Independent Review of Investment Valuation	Status: Corrected

Official Title and Legal Authority

Section 10.554(l)(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 legal authorities of the Town of Indialantic, Florida is disclosed in the footnotes. The Town of Indialantic has no component units.

Financial Condition and Management

Section 10.554(l)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Indialantic, Florida 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 Town of Indialantic, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Indialantic. It is management's responsibility to monitor the Town of Indialantic, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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.

Annual Financial Report

Section 10.554(l)(i)5.b. 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 the annual financial report for the Town of Indialantic, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida
March 7, 2018



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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL
GOVERNMENT INVESTMENT POLICIES**

To the Honorable Mayor and Members of Town Council
Town of Indialantic, Florida

We have examined Town of Indialantic, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the City of Daytona Beach, Florida'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 Town's complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town's complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 7, 2018