

**CITY OF
INDIAN HARBOUR
BEACH, FLORIDA**

**Basic Financial
Statements and
Supplemental Information**

**Year ended
September 30, 2014**

City of Indian Harbour Beach, Florida

OFFICIAL DIRECTORY

September 30, 2014

ELECTED OFFICERS

MAYOR: Gene Newberry

DEPUTY MAYOR: David Panicola

COUNCIL MEMBERS: James H. Nolan, Sr.
Frank Guertin
Scott Nickle

ADMINISTRATIVE

CITY MANAGER: Mark Ryan

CITY ATTORNEY: Karl Bohne

CITY CLERK: Deborah Maliska

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida, 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 the management's discussion and analysis and budgetary comparison information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, on our consideration of the City of Indian Harbour Beach'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 City of Indian Harbour Beach's internal control over financial reporting and compliance.

February 27, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

City of Indian Harbour Beach, Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2014

Management's Discussion and Analysis is intended to provide an objective analysis of the City of Indian Harbour Beach's (the "City") financial activities for the fiscal year ended September 30, 2014. This analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

Financial Highlights

- The City's assets exceeded its liabilities on September 30, 2014, by \$22,069,454 (net position). Of this amount, \$12,780,596 is the net investment in capital asset inventory and \$9,255,302 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$947,987 over the previous year resulting from governmental activities. Approximately 95 percent of this increase is attributable to net investment in capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,091,323, an increase of \$15,158 over the previous fiscal year. Of this amount, \$10,050,567 is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, the City's Fiduciary Fund had a net position of \$119,127 held in trust for supplemental police officer pension benefits. This net position is an increase of \$18,929 over the previous year.
- As of September 30, 2014, the City had no general long-term debt.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Indian Harbour Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Indian Harbour Beach can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The City of Indian Harbour Beach adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Indian Harbour Beach is the fiduciary for its police officer supplemental pension benefit plan. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Indian Harbour Beach's own programs.

The basic fiduciary fund financial statements can be found on pages 20-21 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 23-46 of this report.

Government-wide Financial Analysis

Comparative data for fiscal years ending September 30, 2014 and 2013 are shown below.

CITY OF INDIAN HARBOUR BEACH'S NET POSITION September 30,

	Governmental Activities	
	2014	2013
Current and other assets	\$ 10,338,204	\$ 10,395,700
Capital assets	12,780,596	11,879,814
Total assets	<u>23,118,800</u>	<u>22,275,514</u>
Other liabilities	207,111	262,028
Long-term liabilities outstanding		
Compensated absences	533,235	621,019
Other post employment benefit obligations	309,000	271,000
Total liabilities	<u>1,049,346</u>	<u>892,019</u>
Net position:		
Net investment in capital assets	12,780,596	11,879,814
Restricted		
Law enforcement	33,556	39,637
Other purposes	-	60,149
Unrestricted	<u>9,255,302</u>	<u>9,141,867</u>
Total net position	<u>\$ 22,069,454</u>	<u>\$ 21,121,467</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Indian Harbour Beach, assets exceeded liabilities by \$22,069,454 at the close of the most recent fiscal year.

Approximately 57.9 percent of the City of Indian Harbour Beach's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment). The City of Indian Harbour Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Less than one percent of the City of Indian Harbour Beach's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$9,255,302, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Indian Harbour Beach is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

During the current fiscal year, the City of Indian Harbour Beach's net position increased by \$947,987. Approximately 95 percent of this increase is attributable to improvements to the City's infrastructure and the purchase of additional or replacement equipment.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended September 30, 2014 and 2013,

CITY OF INDIAN HARBOUR BEACH'S CHANGE IN NET POSITION

All Governmental Activities

	<u>2014</u>	<u>2013</u>
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 349,889	\$ 316,281
Operating grants and contributions	1,988	9,640
Capital grants and contributions	216,639	216,621
General revenues:		
Property taxes	3,700,725	3,591,850
Other taxes	1,230,005	1,303,361
State shared revenues	668,607	630,265
Franchise fees	578,686	550,292
Local shared revenues	6,285	24,219
Interest income	14,215	14,268
Other revenues	80,166	27,569
Total revenues	<u>6,847,205</u>	<u>6,684,366</u>
<u>Expenses:</u>		
General government	941,597	966,067
Public safety	3,113,370	3,082,532
Transportation	1,111,237	1,057,909
Recreation	733,014	740,563
Total expenses	<u>5,899,218</u>	<u>5,847,071</u>
Increase in net position	947,987	837,295
Net position beginning of fiscal year	<u>21,121,467</u>	<u>20,284,172</u>
Net position end of fiscal year	<u>\$ 22,069,454</u>	<u>\$ 21,121,467</u>

Financial Analysis of Indian Harbour Beach's Funds

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

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

- Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance - Amounts that can be used only for the specific purposes determined by action of the City Council, the City's highest level of decision making authority.
- Assigned Fund Balance - Amounts that are constrained by the city's intent to be used for specific purposes that are neither considered restricted or committed. The authority to assign fund balance lies with the City Manager.
- Unassigned Fund Balance - This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

As of the end of the current fiscal year, the City of Indian Harbour Beach's governmental funds reported combined fund balances of \$10,091,323, an increase of \$15,158 in comparison with the prior year. The entire combined fund balance amount constitutes restricted funds of \$33,556, committed funds of \$7,200, and unassigned funds of \$10,050,567 which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance in the General Fund was \$10,057,767, of which \$7,200 is committed fund balance, and \$10,050,567 is unassigned fund balance. The General Fund expenditures for the current fiscal year were \$6,590,593.

General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund. A budget column for both the original budget adopted for fiscal year 2013/2014 as well as the final budget is presented. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund can be found on page 48 of this report.

General Fund Budgetary Highlights (continued)

During the year there was a \$339,269 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- Capital Outlay had an increase in appropriations due to:
 - Gleason Park
 - Continuation of the beautification project with the widening of the pedway system at the east end of the park and installation of additional sidewalks (\$71,963);
 - Creation of a Memorial Playground to honor former City Manager Jacqueline Burns (\$33,968);
 - Major storm damage
 - Replacement of Siren/Public Address System (\$24,915);
 - Replacement of fencing and backstops at Ball Park (\$10,428);
 - Additional costs incurred to make new Fire Department vehicle (UTY56) road ready (\$31,939);
 - Anticipated replacement of servers (\$13,000);
- General Government
 - Payout of long-time City Manager's leave balances (\$116,862);
 - Additional consulting and attorney fees during transition period between City Managers (\$29,250);
 - Creation of an IT Department and hiring of an IT Manager (\$13,783).

The above-mentioned anticipated increases in expenditures were offset by the anticipated revenue increases of Utility Service Taxes (\$32,562), Franchise Fees (\$105,243), and Council approved use of reserves. This allowed the City to increase budgeting for the above mentioned unforeseen, necessary expenditures.

A comparison of the final operating revenue budget to actual revenues produces a negative variance of \$187,641. The majority of this decrease was caused by Council approved reserve usage being lower than anticipated due to overall lower expenditures and higher than expected deposits for Building Permit Fees (\$21,963); Half-Cent Sales Tax Shared Revenue (\$18,558); Recreation Department Classes (\$15,753); Franchise Fees (\$14,942); and Public Safety Charges for Services (\$10,733).

As mentioned above, actual expenditures were lower than final budgeted expenditures by \$261,528. This variance was due to significant decreases in actual expenditures due to the following:

- Ninety percent of the differential (\$98,982) in General Government actual expenditures was a contingency account that was available for any unforeseen emergencies or natural disasters that was not needed during the fiscal year.

- In the past, the State has disbursed monies for the Casualty Insurance Premium Tax for the police officer's retirement fund directly to the municipality for payment to the retirement trust fund. At the end of the fiscal year, the State made the disbursement directly to the trust fund creating a decrease in anticipated Public Safety expenditures. The remaining 21% of the Public Safety (\$69,620) decrease was due to police officer overtime, including related payroll taxes and retirement costs, being lower than anticipated.
- The decrease in Transportation (\$20,095) expenditures was due to maintenance costs for buildings, equipment, traffic lights, and vehicles coming in lower than anticipated.
- Decreases in actual expenditures for the Recreation Department (\$31,236) were due to lower than expected costs for the maintenance of buildings, air conditioners, pool, fountains, and other equipment. Utility charges for the recreation center and parks came in lower than expected. Also, lower than expected pool personnel salaries and the related payroll taxes and retirement costs.
- The majority of the Capital Outlay decrease was due to the plans for the purchase and installation of Laserfische Records Management Software not being completed during the fiscal year as anticipated.

Capital Assets and Debt Administration

Capital assets. As of September 30, 2014, the City of Indian Harbour Beach's capital assets total for its governmental activities was \$12,780,596 (net of depreciation). Investment in capital assets includes land, buildings and improvements, improvements other than buildings, equipment, motor vehicles, software, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was approximately 7.58%. A comparative summary of net capital assets by category follows:

Capital Assets at Year End (net of accumulated depreciation)

	2014	2013	Difference
Land	\$ 1,682,693	\$ 1,682,693	\$ -
Buildings and improvements	1,550,013	1,545,965	4,048
Improvements, other than building	1,489,630	1,137,827	351,803
Equipment	761,987	683,202	78,785
Motor vehicles	760,266	704,164	56,102
Software	33,677	38,586	(4,909)
Infrastructure	6,502,330	6,087,377	414,953
Total capital assets	<u>\$ 12,780,596</u>	<u>\$ 11,879,814</u>	<u>\$ 900,782</u>

During the fiscal year, the City continued working diligently to protect those quality services that afford our residents the quality of life they have come to expect from the City of Indian Harbour Beach. Major capital asset events during the 2013/2014 fiscal year included:

- Drainage (\$386,553) and Roads/Sidewalks (\$220,486) - Protecting the quality of the City's infrastructure while meeting the mandates of new State and Federal laws and regulations.

- Gleason Park Improvements (\$184,231) - Projects included widening of the pedway and creation of a memorial playground, which transitioned the park's existing toddler play area to the older children's play area.
- Algonquin Sports Complex (\$276,230) - A new lighting system was purchased for Crespino Ballfield, the main baseball field at the complex.
- Vehicles - Replacement vehicles that were purchased included: two cars for the Police Department (\$60,737); a utility truck for the Fire Department (\$67,239); and a flat-bed maintenance truck (\$26,072).
- Replacement of aging equipment included:
 - A server, laptops, and desk computers to be utilized throughout the City (\$44,380);
 - Tasers (\$7,516) and public safety radios (\$12,008) for the Police Department;
 - Public Address and Siren System (\$24,932) and public safety radios for the Fire Department (\$16,944);
 - Two ATVs with racks (\$16,852) for use within the parks by the Public Works maintenance crews and a Bunker & Field Rake (\$12,026) for maintenance at the Algonquin Sports Complex.

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

Major Initiatives

Fiscal year 2013-2014 can certainly be characterized as commitment from the Mayor, City Council, and Staff to re-invest in the community. The City is clearly on the road to recovery from the Great Recession and showed strong leadership by implementing projects to enhance or protect the assets of the community.

- **Infrastructure**

As indicated in this analysis, the City has millions of dollars of infrastructure assets. In FY 2013-2014, the community's infrastructure investments included construction of stormwater swale projects to meet NPDES (National Pollutant Discharge Elimination System) nutrient removal requirements, while adding additional storm drains and/or refurbishment of the existing stormwater system to protect properties during storm events. Additionally, the City completed a robust resurfacing program that resulted in more than 2 miles of roadways; this was perhaps the largest number of road miles resurfaced at one time in the history of the community.

- **Property**

The City of Indian Harbour Beach is renowned for its phenomenal park system; Gleason Park is thought of by many as the shining star of these parks. We continue to strive for the safest and best maintained park facilities for our citizens and visitors to enjoy. In Fiscal Year 2013-2014, the City enhanced Gleason Park with pedway improvements (ADA), picnic tables, gazebos, fountains, lighting, and the Jackie Burns Memorial Playground. Our phenomenal Parks & Recreation Department's and our Public Works Department's personnel continue to provide exemplary maintenance of these facilities, as well as at the Algonquin Sports Complex, Bicentennial Beach Park, Millennium Beach Park, and the Firefighter Memorial Park at Fire Station No. 56.

The Algonquin Sports Complex enhancements included nearly \$300,000 of new ballfield lights and fencing. These improvements will make this sport's facility the premiere athletic field in the area.

Fire Station No. 56 improvements included replacement of the siren warning system which was damaged during the year by lightning.

- **Vehicles**

FY 2013-2014 saw the City continuing with its vehicle replacement program.

The Police Department's replacement plan for vehicles with odometer readings of approximately 100,000 miles or more is fiscally prudent. In law enforcement vehicles, due to numerous electronics within the vehicle, the vehicle experiences significant engine miles versus road miles. In fact, according to Ford Fleet, they have determined one hour of idling is equal to the engine wear of driving 33 miles. Assume that 50% of the time is spent idling. In 200 hours, the odometer may show 2,000 miles, but we must consider the idling-equivalent hours, which in this case is 3,300 miles (100 hours times 33 miles). The actual wear on the engine after 2,000 driving miles is equivalent to the normal wear after 5,300 miles (2,000 odometer miles plus the 3,300 miles idling).

Within the Fire Department, the City purchased a new Utility Vehicle to replace a 1998 Ford Van and to modernize the department's response capabilities. Additionally, the Public Works Department replaced a 2004 Ford F350 to enhance their maintenance capabilities on city streets and within the parks.

- **Equipment**

Fiscal Year 2013-2014 was a budget year that resulted in re-investing in technology for the community. In addition to upgrading the city's website, the City replaced forty outdated computers and a server to provide our employees and the community with the tools to provide efficient municipal services.

The Indian Harbour Beach Police Department and Volunteer Fire Department replaced outdated public safety radios; additionally, the Police Department further enhanced the safety of our Police Officers with replacement Tasers.

As indicated earlier in this analysis, our Public Works Department, in conjunction with our Parks and Recreation Department, provides exemplary maintenance of our parks. Fiscal Year 2013-2014 saw the acquisition of two four wheel auxiliary carts (Gators) and field & bunker rakes for the athletic fields.

The City of Indian Harbour Beach City Hall was also part of the re-investment in the community initiative. The community acquired modern City Seals for the exterior of City Hall and within the City Council Chambers.

A Look Ahead

In Fiscal Year 2014-2015, the City will continue our initiative of re-investing in our community through a variety of projects, which include the following:

- Implement construction of permanent public restrooms at Bicentennial Beach Park and Millennium Beach Park;
- Leverage technology to our strategic advantage through a coordinated public safety software program with the Brevard County Sheriff's Office, the acquisition of an enhanced records management software program, implementation of an improved municipal website, and social media functions for the community;
- Partner with Brevard County for an improved public safety program through the construction of a 911 Communications Tower in the Algonquin Sports Complex;
- Protection of City Hall with a roof replacement;
- Implementation of a City Resident Survey to benchmark citizen satisfaction with facilities and services;
- Continue infrastructure projects such as stormwater and nutrient removal projects and road resurfacing;
- Invest in the youth of the community through summer programs and partnership with athletic organizations that provide these types of programs;
- Commemorate the 60th Anniversary of the City of Indian Harbour Beach;
- Partner with the Florida Department of Transportation for a corridor study of SR 518 (Eau Gallie Causeway) from SR A1A west to the Eau Gallie Causeway relief bridge including a portion of SR 513 (South Patrick Drive) north to approximately Bougainvillea Terrace.

From a financial perspective, the City expects a continuation of the recovery from the Great Recession and the collapse of the housing market in FY 2014-2015. Property valuation increased from \$657,123,393 in 2013 to \$697,808,553 in 2014. This was an increase of approximately 6.19%. We expect to continue seeing increases in the property taxable values as this recovery continues. During this same time frame, the City saw a decrease in the population from 8,406 in 2013 to 8,393 in 2014.

In November of 2014, the voters of Brevard County approved a referendum increasing the Local Option Sales Tax by \$0.005. The proceeds from this one-half of one cent increase in the sales tax is earmarked for the Brevard County School Board. None of the proceeds from this sales tax increase will benefit the Brevard County Board of County Commissioners or the municipalities within the County. As a result of this increase, the City of Indian Harbour Beach has made modifications to our operating procedures to accommodate this increase on goods and services provided by our community.

All of the above factors were considered in preparing the City of Indian Harbour Beach's budget for the 2015 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

STATEMENT OF NET POSITION

September 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,040,410
Investments	9,790
Receivables	288,004
Total current assets	10,338,204
Capital assets, not being depreciated	
Land	1,682,693
Capital assets, net of accumulated depreciation	
Buildings and improvements	1,550,013
Improvements other than buildings	1,489,630
Equipment	761,987
Motor vehicles	760,266
Software	33,677
Infrastructure	6,502,330
Total capital assets	12,780,596
Total assets	23,118,800
LIABILITIES	
Accounts payable	34,382
Accrued wages payable	118,731
Unearned revenue	39,681
Other liabilities	14,317
Noncurrent liabilities	
Due within one year	
Compensated absences payable	310,510
Due in more than one year	
Compensated absences payable	222,725
Other post employment benefits payable	309,000
Total liabilities	1,049,346
NET POSITION	
Net investment in capital assets	12,780,596
Restricted	
Special revenue funds	33,556
Unrestricted	9,255,302
Total net position	\$ 22,069,454

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

City of Indian Harbour Beach, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2014

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 941,597	\$ 17,276	\$ -	\$ -	\$ (924,321)
Public safety	3,113,370	148,960	1,613	-	(2,962,797)
Transportation	1,111,237	18,566	164	216,639	(875,868)
Recreation	733,014	165,087	211	-	(567,716)
Total	<u>\$ 5,899,218</u>	<u>\$ 349,889</u>	<u>\$ 1,988</u>	<u>\$ 216,639</u>	<u>(5,330,702)</u>
General revenues:					
Taxes:					
					3,700,725
					314,860
					518,788
					396,357
					668,607
					578,686
					6,285
					14,215
					95,758
					4,232
					<u>(19,824)</u>
					6,278,689
					947,987
					<u>21,121,467</u>
					<u>\$ 22,069,454</u>

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

City of Indian Harbour Beach, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 10,006,932	\$ 33,478	\$ 10,040,410
Investments	9,790	-	9,790
Receivables	<u>287,926</u>	<u>78</u>	<u>288,004</u>
Total assets	<u>\$ 10,304,648</u>	<u>\$ 33,556</u>	<u>\$ 10,338,204</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 34,382	\$ -	\$ 34,382
Accrued wages payable	118,731	-	118,731
Unearned revenue	79,451	-	79,451
Other liabilities	<u>14,317</u>	<u>-</u>	<u>14,317</u>
Total liabilities	<u>246,881</u>	<u>-</u>	<u>246,881</u>
Fund balance			
Restricted			
Special revenue funds	-	33,556	33,556
Committed	7,200	-	7,200
Assigned	251,770	-	251,770
Unassigned	<u>9,798,797</u>	<u>-</u>	<u>9,798,797</u>
Total fund balances	<u>10,057,767</u>	<u>33,556</u>	<u>10,091,323</u>
Total liabilities and fund balances	<u>\$ 10,304,648</u>	<u>\$ 33,556</u>	<u>\$ 10,338,204</u>

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

City of Indian Harbour Beach, Florida

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

September 30, 2014

Fund balances - total governmental funds		\$ 10,091,323
The net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 1,682,693	
Buildings and improvements, net	1,550,013	
Improvements other than buildings, net	1,489,630	
Equipment, net	761,987	
Motor vehicles, net	760,266	
Software, net	33,677	
Infrastructure, net	<u>6,502,330</u>	
		12,780,596
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences		(533,235)
Other post employment benefits payable		(309,000)
Unearned revenue in the governmental funds not susceptible to full accrual on the government-wide financial statements		<u>39,770</u>
Total net position of governmental activities		<u><u>\$ 22,069,454</u></u>

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

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 4,930,730	\$ -	\$ 4,930,730
Permits, fees and special assessments	712,956	216,639	929,595
Intergovernmental	652,404	-	652,404
Charges for services	230,102	-	230,102
Judgments, fines and forfeits	22,535	4,820	27,355
Interest and other earnings	14,188	27	14,215
Miscellaneous	96,133	-	96,133
Gain on investments	4,232	-	4,232
Total revenues	<u>6,663,280</u>	<u>221,486</u>	<u>6,884,766</u>
EXPENDITURES			
Current			
General government	1,025,010	-	1,025,010
Public safety	2,871,168	10,988	2,882,156
Transportation	845,817	-	845,817
Recreation	596,729	-	596,729
Capital outlay	1,251,869	276,728	1,528,597
Total expenditures	<u>6,590,593</u>	<u>287,716</u>	<u>6,878,309</u>
Excess (deficiency) of revenues over (under) expenditures	72,687	(66,230)	6,457
Other financing sources			
Sale of capital assets	8,701	-	8,701
Total other financing sources	<u>8,701</u>	<u>-</u>	<u>8,701</u>
Net change in fund balances	81,388	(66,230)	15,158
Fund balances at October 1, 2013	<u>9,976,379</u>	<u>99,786</u>	<u>10,076,165</u>
Fund balances at September 30, 2014	<u>\$ 10,057,767</u>	<u>\$ 33,556</u>	<u>\$ 10,091,323</u>

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

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2014

Net change in fund balances - total governmental funds	\$	15,158
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$	1,528,597
Less depreciation expense		<u>(599,290)</u>
		929,307
In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the loss from the sale decreases financial resources. Thus, the change in net position differs from the change in fund balance.		
		(28,525)
Revenues in the statement of activities that do not provide current financial resources are fully unearned in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of various types of revenue differ between the two statements. This amount represents the net change in unearned revenue:		
Revenue earned that does not provide current financial resources		(17,737)
Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		87,784
Change in other post employment benefits payable		<u>(38,000)</u>
Change in net position of governmental activities	\$	<u><u>947,987</u></u>

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

City of Indian Harbour Beach, Florida

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2014

	<u>Police Supplemental Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 112,225
Receivables	<u>6,902</u>
Total assets	<u><u>\$ 119,127</u></u>
NET POSITION	
Net position held in trust for supplemental pension benefits (see page 49 for plan's schedule of funding progress)	<u><u>\$ 119,127</u></u>

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

City of Indian Harbour Beach, Florida

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

September 30, 2014

	<u>Police Supplemental Pension Fund</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:	
CONTRIBUTIONS:	
Employee contributions	\$ 26,298
INVESTMENT INCOME:	
Net appreciation in fair value of investments	<u>7,356</u>
Total additions	<u>33,654</u>
 DEDUCTIONS TO NET POSITION ATTRIBUTED TO:	
Plan distributions	8,460
Administrative expenses	<u>6,265</u>
Total deductions	<u>14,725</u>
Change in net position	18,929
Net position, beginning of year	<u>100,198</u>
Net position, end of year	<u><u>\$ 119,127</u></u>

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

NOTES TO FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

The City of Indian Harbour Beach was incorporated in 1955 and recognized by a special act of the Florida legislature in 1963 as a municipality with a five member Council. The Council is elected by the registered voters of the City. The Mayor is selected by the Council from the council members. The City provides a wide range of services as directed by the City Charter, including general government, public safety, police, fire, public improvements, recreation, planning and zoning and other related general and administrative services for approximately 8,400 residents.

In evaluating how to define the City for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB No. 61, *The Financial Reporting Entity*, as amended. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the purpose and activities of the potential component unit benefit the government and/or its citizens, or whether they are conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the City's reporting entity.

Excluded from the reporting entity:

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

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements

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

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

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

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

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

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The City reports the following major governmental fund:

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

4. Budgets

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, as appropriations lapse at fiscal year-end. Unexpended items which are encumbered at year end are reappropriated in the subsequent year. There were no encumbrances outstanding at September 30, 2014.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Cash, cash equivalents, and investments

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

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

6. Receivables

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

7. Capital assets

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

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

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

Buildings and improvements	5 - 50 years
Improvements other than buildings	5 - 50 years
Equipment	3 - 50 years
Motor vehicles	5 - 20 years
Software	5 - 80 years
Infrastructure	10 - 40 years

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Unearned revenue

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

9. Compensated absences

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are granted to City employees. In the event of termination, an employee is reimbursed for accumulated vacation days up to the equivalent of three years' accumulated vacation. Employees are reimbursed for 50 percent of accumulated sick leave only upon retirement per state requirements. However, if an employee leaves in good standing and has had at least two years of service, they are eligible to receive 30 percent of accumulated sick leave. The maximum number of sick hours that can be accumulated is 800 hours (100 working days). If an employee accumulates sick hours in excess of this maximum, 75 percent of the excess will be credited to additional vacation time. Compensated absences are accrued when incurred in the government-wide financial statements. A liability is reported in the governmental funds only if they have matured.

10. Interfund transactions

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

11. Income taxes

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Use of estimates

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

13. Fund balance classification

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

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

Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (inventories, prepaid expenditures) and items such as long-term amount of loans, property acquired for resale, as well as unrealized gains.

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

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the City Council, the City's highest level of decision making authority. Commitments may only be removed or changed by the City Council taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes that are neither considered restricted or committed. The authority to assign fund balance lies with the City Manager.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Fund balance classification (continued)

Unassigned Fund Balance - The residual classification for the General Fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Excess Funds - The surplus of revenues over expenditures/expenses in accordance with generally accepted accounting principles for governments, transfers required for compliance with bond covenants and grant agreements, transfers for capital improvement projects, and other transfers as approved by the City Council.

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

Additionally, the City has designated a minimum level of unassigned fund balance:

Unassigned Fund Balance is the residual classification for the General Fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the General Fund. All Excess Funds shall be transferred to Unassigned Fund Balance until that account equals a minimum of 75% of the General Fund Operating Budget. In the event of a City emergency, the minimum unassigned fund balance may be overridden by the City Council. The City Manager shall be required to notify the City Council of any use of Unassigned Fund Balance for a recurring purpose as a precaution to avoid imprudent financial activity. As of September 30, 2014, the City met the minimum level of unassigned fund balance per their policy.

Thereafter, any remaining excess funds may be identified by the City Manager as available to fund capital purchases, capital construction, non-recurring expenditures, or to establish an assignment of fund balance. The City Manager has not assigned any of the excess funds in the current year.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Fund balance classification (continued)

For the year ending September 30, 2014, the breakout of the fund balances is shown below:

	General Fund	Other Governmental Funds	Total
Restricted			
Police training	\$ -	\$ 441	\$ 441
Drug investigation	-	33,049	33,049
Stormwater	-	66	66
Committed			
Budgeted use of reserves	7,200	-	7,200
Assigned	251,770	-	251,770
Unassigned	9,798,797	-	9,798,797
Total fund balance	<u>\$ 10,057,767</u>	<u>\$ 33,556</u>	<u>\$ 10,091,323</u>

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City's deposits and investments are insured by the Federal Depository Insurance Corporation ("FDIC") for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

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

The Florida PRIME is operated as a "2a-7 like" money market fund. As of September 30, 2014, the City had \$2,340,986 in the Florida PRIME.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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

Currently, Fund B participants are prohibited from withdrawing funds from Fund B. As maturities occur in Fund B, the monies are released and transferred to the LGIP Fund. Since October 1, 2013, \$41,911 of the City's monies in Fund B have been released, leaving a balance of \$0. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of a SEC 2a-7 like fund; therefore, Fund B uses the fluctuating net asset value ("NAV") for valuation. The current value of Fund B at September 30, 2014 is \$9,790, which is currently recorded as investments in the financial statements. This amount represents the unrealized gain that the City is entitled to under the terms of Fund B, which will be received once the Trustees of the SBA decide to distribute the proceeds.

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

The following deposit accounts were included in the various funds at September 30, 2014:

<u>Deposits and insured investments</u>	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
Government - wide			
Cash	\$ 3,223,775	N/A	Not rated
Money market account	854,011	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	2,340,986	40 days	AAAm (S&P)
Fund B	9,790	2.86 years	Not rated
Florida municipal investment trust (FMIT)	1,814,856	0.70 years	AAAV1 (Fitch)
Florida SAFE	<u>1,806,782</u>	< 60 days	AAAm (S&P)
Total cash, cash equivalents, and investments	<u>\$ 10,050,200</u>		
Defined benefit plans			
Cash	\$ 715	N/A	Not rated
Bond Fund	19,060	4.77 years	AAV4 (Fitch)
Fixed income fund	27,876	2.91 years	Not rated
Equity funds	<u>71,476</u>	N/A	Not rated
	<u>\$ 119,127</u>		

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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

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

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

As of September 30, 2014, all of the local government investment accounts were rated and shown in the table on the previous page with the exception of Fund B. Fund B is not rated by a nationally recognized rating agency.

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

NOTE C - RECEIVABLES

1. Receivables

Receivables at September 30, 2014, consist of the following:

	General Fund	Other Governmental Funds
Taxes	\$ 57,639	\$ -
Franchise fees	90,574	-
Utilities	83,411	-
Special assessments	39,769	-
Other	16,533	78
	<u>\$ 287,926</u>	<u>\$ 78</u>

2. Special assessments

The City has levied special assessments against the benefiting property owners of various canal dredging improvement projects that the City has undertaken since 2005. These assessments are levied to reimburse the City for a predetermined portion of the total expenses for the improvement projects. The aforementioned residents entered into individual promissory notes with the City, in which they will make a one-time payment for the total amount due or will be subject to an interest rate of 5% per annum, payable in quarterly installments for ten years. The City believes that all amounts will be collectible; therefore, there is not an allowance for doubtful account. The amounts payable to the City as of September 30, 2014, were \$39,769.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE C - RECEIVABLES (continued)

2. Special assessments (continued)

The following is a summary of changes in special assessment receivables reported in the financial statements for the year ended September 30, 2014:

	Balance at October 1, 2013	Increases	Decreases	Balance at September 30, 2014
Special assessment receivable	\$ 57,507	\$ -	\$ 17,738	\$ 39,769

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,682,693	\$ -	\$ -	\$ 1,682,693
Capital assets, being depreciated:				
Building and improvements	3,388,078	82,458	5,736	3,464,800
Improvements other than buildings	1,695,549	444,444	1,317	2,138,676
Equipment	1,799,870	239,850	189,201	1,850,519
Motor vehicles	1,621,390	154,048	59,825	1,715,613
Software	110,853	759	994	110,618
Infrastructure	7,148,143	607,038	-	7,755,181
Total capital assets being depreciated	15,763,883	1,528,597	257,073	17,035,407
Less accumulated depreciation for:				
Building and improvements	1,842,113	76,746	4,072	1,914,787
Improvements other than buildings	557,722	91,950	626	649,046
Equipment	1,116,668	134,895	163,031	1,088,532
Motor vehicles	917,226	97,946	59,825	955,347
Software	72,267	5,668	994	76,941
Infrastructure	1,060,766	192,085	-	1,252,851
Total accumulated depreciation	5,566,762	599,290	228,548	5,937,504
Total capital assets, being depreciated, net	10,197,121	929,307	28,525	11,097,903
Governmental activities capital assets, net	\$ 11,879,814	\$ 929,307	\$ 28,525	\$ 12,780,596

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE D - CAPITAL ASSETS (continued)

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

General government	\$	43,501
Public safety		176,065
Transportation		247,007
Recreation		132,717
		<u>599,290</u>
	\$	<u>599,290</u>

NOTE E - COMPENSATED ABSENCES

The following is a summary of changes in compensated absences reported in the government-wide financial statements for the year ended September 30, 2014:

Balance at October 1, 2013	Increases	Decreases	Balance at September 30, 2014	Due within one year
<u>\$ 621,019</u>	<u>\$ 353,090</u>	<u>\$ 440,874</u>	<u>\$ 533,235</u>	<u>\$ 266,618</u>

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

NOTE F - UNEARNED REVENUE

Unearned revenue, in the governmental funds at September 30, 2014 consists of the following:

Unearned business tax	\$	32,152
Other unearned revenue		<u>7,530</u>
Unearned revenue - net assets		39,682
Unearned special assessment revenues		<u>39,769</u>
Unearned revenue	\$	<u>79,451</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS

Municipal Police Officers' Retirement Trust Fund (MPORTF)

1. Plan description

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

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

All of the City's full-time police officers participate in the MPORTF, which includes a deferred compensation MPORTF. The payroll for employees covered by the MPORTF for the year ended September 30, 2014, was \$935,000. Current membership in the MPORTF is comprised of the following:

<u>Group</u>	<u>Participants</u>
Actives	16
Service retirees	7
DROP Retirees	3
Beneficiaries	1
Deferred vested	2
Disability retirees	1
Total	<u>30</u>

As of November 10, 1998, Ordinance No. 98-3, amended through Ordinance No. 2001-1, was adopted which stated employees attaining the age of 52 and who have completed ten years or more of service are entitled to annual benefits equal to three percent of their Average Final Compensation times years of credited service. Average Final Compensation is the average compensation for the five final calendar years of employment.

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

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Municipal Police Officers' Retirement Trust Fund (MPORTF) (continued)

1. Plan description (continued)

If a member dies and the death was service related, his or her surviving beneficiary receives annual benefits equal to 50 percent of the member's base pay to date of death, payable until death or remarriage with the first 120 payments guaranteed in any event. If there is no spouse, or upon death or remarriage, then benefits are equal to 15 percent of the base pay, payable to each unmarried child until the age of 18 (or to age 22, if in school), with a maximum of 50 percent. If the death is non-service related then benefits are equal to 50 percent of base pay payable monthly for a period of one year. If death occurs and the member is eligible for retirement, the beneficiary receives the accrued benefit for ten years.

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

- > with less than ten years of continuous service, a refund of member contribution without interest.
- > with ten years or more of continuous service, the pension accrued to the date of termination, payable commencing at his or her normal retirement date, or a refund of contribution without interest.

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

2. Funding policy

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

Police officers are required to contribute 5.5 percent (changed to 6.5 percent as of April 2014) of their annual salary to the MPORTF. The City receives contributions of approximately 5.9 percent of the total annual payroll, from the State of Florida, which are credited towards part of the City's annual required contribution. The City is required to contribute the remaining amounts necessary to fund the MPORTF, using the entry normal age actuarial method and the amortization of the accrued past service liability over 30 years. Administrative costs are financed through investment earnings.

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rate for normal cost is determined using the projected benefits actuarial funding method with proration based on service. At October 1, 2013, there was a projected \$1,700,019 of unfunded actuarial accrued liabilities.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Municipal Police Officers' Retirement Trust Fund (MPORTF) (continued)

2. Funding policy (continued)

The estimated contribution requirements for the year ended September 30, 2014, determined through an actuarial valuation as of October 1, 2013, consisted of the following: employees - estimated 5.5% of current year covered payroll and City and State - 54.2% of the projected current year covered payroll, both of which are normal costs. Actual City and State contributions totaled \$484,274 (approximately 54% of covered payroll). The City's contribution included both City and State contributions. Actual employee contributions totaled \$54,965 (6.0% of current covered payroll).

3. Annual pension cost and net pension obligation

Annual pension cost was equal to the City's annual required contribution. The following is a schedule of the City's contributions to the MPORTF and its net pension obligation for the year ended September 30, 2014 and the preceding two years:

Fiscal year ended September 30,	Annual Required Contributions	Percentage Contributed	Net Pension Obligation
2012	\$ 346,000	100%	\$ -
2013	\$ 362,094	100%	\$ -
2014	\$ 429,024	100%	\$ -

4. Funding status and progress

The MPORTF had an actuarial valuation as of October 1, 2013. Significant actuarial methods and assumptions used in determining the pension obligation included:

- a. actuarial cost method - entry age normal actuarial cost method;
- b. a rate of return on the investment of present and future assets of 8% per year compounded annually, net of investment related expenses;
- c. projected salary increases of 7% per year until the assumed retirement age and 15% in year of retirement to account for non-regular compensation, includes inflation at three percent;
- d. mortality scale used was the RP-2000 Mortality Table (combined healthy with no projection);
- e. post retirement COLA was three percent for those retiring after October 1, 2001;
- f. the amortization method used was level of percentage pay, in a closed period;
- g. remaining amortization period of 27 years;
- h. asset valuation method is based on investment returns for the most recent four years.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Municipal Police Officers' Retirement Trust Fund (MPORTEF) (continued)

5. Deferred retirement option plan

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

Once a police officer achieves normal retirement age under the City of Indian Harbour Beach's Police Officers' Retirement System, as described above, an officer may elect to enter the DROP program for a period of no less than twelve months and no more than thirty six months. During this time the benefit that would have been received had the officer terminated employment will be deposited into a DROP account to accumulate interest and earnings. As of September 30, 2014, one police officer had elected to participate in the DROP program.

Florida Retirement System

The Florida Retirement System ("FRS") is a cost sharing, multiple employer, public employee defined benefit plan created to provide a retirement and survivors' benefit program for participating public employees. All employees, other than police officers, participate in the FRS, which is administered by the State of Florida, Department of Administration, Division of Retirement. Benefits are computed on the basis of age, average final compensation and service credit. FRS also provides for death and disability benefits, which are established by state statutes.

Members enrolled before July 1, 2011

Average final compensation for members is the average of the five highest fiscal years of earnings. FRS provides vesting of benefits for members initially enrolled before July 1, 2011 after six years. Employees are eligible for normal retirement at age 62.

Members enrolled on or after July 1, 2011

Average final compensation for members is the average of the eight highest fiscal years of earnings. FRS provides vesting of benefits for members after eight years of creditable service. Employees are eligible for normal retirement at age 65.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

5. Deferred retirement option plan (continued)

Florida Retirement System (continued)

Early retirement may be taken after an employee is vested and is within 20 years of their normal retirement age; however, there is a 5 percent benefit reduction for each year prior to normal retirement.

The FRS is funded by employer contributions at percentage of gross pay for regular class employees, employees participating in the DROP program, and for senior management service employees, as established by state law. The contributions are included in expenditures and expenses. The payroll for employees covered by FRS for the year ended September 30, 2014 totaled approximately \$1,435,360. Current year contributions made by the City for its employees for the year ended September 30, 2014 were \$120,668.

Florida Statutes Chapter 121, which may be amended by Florida Legislature, determines contribution rates for the various membership classes of the FRS. The rates at which the contributions were calculated for the current year and preceding two years are below:

Class	<i>Contribution rates through June 30,</i>					
	2012		2013		2014	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
Regular	3.00%	4.91%	3.00%	5.18%	3.00%	6.95%
DROP	N/A	4.42%	N/A	5.44%	N/A	12.84%
Senior management	3.00%	6.27%	3.00%	6.30%	3.00%	18.31%

Contribution rates from July 1, 2014 through September 30, 2014

Class	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
Regular	3.00%	7.37%	10.37%
DROP	N/A	12.28%	12.28%
Senior management	3.00%	21.14%	24.14%

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Florida Retirement System (continued)

5. Deferred retirement option plan (continued)

The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the FRS's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The estimated pension benefit obligation at July 1, 2014, for FRS as a whole, determined through an actuarial valuation performed as of that date, was approximately \$160.1 billion. The FRS's net position, available for benefits on that date, valued at market, were approximately \$138.6 billion. For the years ended September 30, 2014, 2013, and 2012 the City's contributions were \$120,668, \$79,804, and \$142,885, which represented .00004%, .00014%, and .00011% of total FRS contributions from other participating employers, respectively.

Based on the comparison of the actuarial review, the net position for benefits was 86.6% of the total pension benefit for July 1, 2014. The Florida Legislature has enacted legislation designed to eliminate the unfunded past service liability over thirty years based on growth of payroll. The legislation requires partial payment of the interest and deferment of the balance, until such time as the growth of payroll provides sufficient funds to pay remaining interest and balance. FRS does not make separate measurements of assets and pension benefit obligation for individual employers; therefore, the portion of the unfunded past service liability applicable to the City cannot be determined.

The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. The complete financial report of the FRS may be obtained by writing to Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida, 32399-1560; or by contacting Research & Education by email at rep@dms.myflorida.com, or by phone toll free 877-377-1737 or locally at 850-488-5706.

Post Employment Benefits Other Than Pensions ("OPEB")

1. Plan description

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Post Employment Benefits Other Than Pensions ("OPEB") (continued)

2. Funding policy

Contribution rates for the Plan are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered to be an Other Post Employment Benefit (OPEB) obligation of the City.

The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. For the year ended September 30, 2014, the City estimates it subsidized \$9,000 of medical costs for its retirees and their covered dependents.

3. Annual OPEB cost and net OPEB obligation

The City's annual OPEB cost (expense) is calculated based on an annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize an unfunded liability of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and change in the City's net OPEB obligation to the City's Plan, including the implicit rate subsidy for insurance:

Annual Required Contribution (ARC)	\$	59,000
Interest on net OPEB obligation		11,000
Adjustment to annual required contribution		<u>(23,000)</u>
Annual OPEB cost (expense)		47,000
Increase (decrease) in the OPEB Obligation		<u>(9,000)</u>
Increase in net OPEB obligation		38,000
Net OPEB Obligation - beginning of year		<u>271,000</u>
Net OPEB Obligation - end of year	\$	<u><u>309,000</u></u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Post Employment Benefits Other Than Pensions ("OPEB") (continued)

3. Annual OPEB cost and net OPEB obligation (continued)

As of September 30, 2014, no trust has been established for the Plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2014, are presented below. Data is only presented for fiscal years in which GASB 45 was first applied.

The following is the schedule of employer contributions:

<u>Fiscal year ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 39,000	10%	\$ 237,000
2013	\$ 39,000	13%	\$ 271,000
2014	\$ 47,000	19%	\$ 309,000

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members at 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 long-term perspective of the calculations. As of the October 1, 2013 actuarial valuation the following methods and assumptions were used:

- a. actuarial cost method - projected unit credit cost method;
- b. the annual required contribution ("ARC") reflects a 15-year open period, level-dollar amortization of the unfunded actuarial accrued liability ("AAL");
- c. an investment rate of return of 4% which includes inflation at 2.75%.
- d. annual medical costs are assumed to increase 7% in the current year of valuation, with expected future annual fluctuations ranging from 5.5% to 7%, thereafter.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

Police Officers' Supplemental Pension Plan (POSPP)

1. Plan description

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

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

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

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

2. Funding policy

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

All of the City's full-time police officers participate in the POSPP, which includes a deferred compensation POSPP. The payroll for employees covered by the POSPP for the year ended September 30, 2014, was \$1,022,730. Actual contributions, made by the city, total \$26,338 (2.6% of covered payroll).

The estimated contribution requirements for the year ended September 30, 2014, determined through an actuarial valuation as of October 1, 2013, consisted of the normal cost with addition interest adjustments.

3. Annual pension cost and net pension obligation

The following is a schedule of the City's contributions to the POSPP and its net pension obligation for the first year of the actuarial valuation:

Fiscal year ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	\$ 24,064	116%	\$ (3,878)
2013	\$ 28,747	100%	\$ (30)
2014	\$ 18,280	144%	\$ (8,058)

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - EMPLOYEE RETIREMENT SYSTEMS (continued)

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

3. Annual pension cost and net pension obligation (continued)

The following table shows the components of the City's annual cost for the year, the amount actually contributed to the plan, and change in the City's net pension obligation to the City's Plan:

Annual Required Contribution (ARC)	\$	18,025
Interest on Net Pension Obligation (Asset)		(1,721)
Adjustment to the ARC		1,201
Interest adjustment		<u>775</u>
Annual Pension Cost (APC)		18,280
Contributions made		<u>(26,338)</u>
Increase in net pension asset		(8,058)
Net Pension Obligation - beginning of year		<u>-</u>
Net Pension Obligation (Asset) - end of year	\$	<u><u>(8,058)</u></u>

4. Funding status and progress

The POSPP had an actuarial valuation as of October 1, 2013. Significant actuarial methods and assumptions used in determining the pension obligation included:

- a. actuarial cost method - aggregate cost method;
- b. a rate of return on the investment of present and future assets of seven and a half per year compounded annually, net of investment related expenses;
- c. projected salary increases of four percent per year, unless actual plan compensation is known for a prior plan year;
- d. post-retirement mortality - six-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2013 by Scale AA, as published by the IRS for purposes of IRC section 430;
- e. retirement age is assumed to occur at age 52;
- f. the amortization method used was level of percentage pay, in an open period;
- g. remaining amortization period is 30 years;
- h. asset valuation method is equal to the market value.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the actuarial valuation, and as such, there were no changes.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H - DEFERRED COMPENSATION PLAN

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

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

NOTE I - PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2014 the City's millage rate was 5.8 mills.

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

Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. The assessed value on January 1, 2013, upon which the 2013-2014 levy was based, was \$661,304,138.

All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 15 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes are paid in March without discount. Current tax collections, net of discounts taken, for the year ended September 30, 2014, were approximately 96.5% of the total tax levy.

On or prior to June 1st of each fiscal year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates are held by the County.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE J - COMMITMENTS AND CONTINGENCIES

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

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

NOTE K - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the City is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Additionally, the City has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the City may be exposed to. Premiums paid by the City during the year totaled \$163,898. There have been no significant reductions in insurance coverages during fiscal year 2014. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

NOTE L - SUBSEQUENT EVENT

The City has evaluated subsequent events through February 27, 2015, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,968,542	\$ 4,968,230	\$ 4,930,730	\$ (37,500)
Permits, fees and special assessments	569,750	673,243	712,956	39,713
Intergovernmental	612,022	624,983	652,404	27,421
Charges for services	196,165	203,200	230,102	26,902
Judgments, fines and forfeits	15,800	20,121	22,535	2,414
Interest and other earnings	11,800	13,175	14,188	1,013
Miscellaneous	128,773	344,902	96,133	(248,769)
Gain on investments	10,000	3,067	4,232	1,165
Total revenues	<u>6,512,852</u>	<u>6,850,921</u>	<u>6,663,280</u>	<u>(187,641)</u>
EXPENDITURES				
Current				
General government	962,725	1,123,992	1,025,010	98,982
Public safety	2,950,796	2,940,788	2,871,168	69,620
Transportation	843,579	865,912	845,817	20,095
Recreation	670,752	627,965	596,729	31,236
Capital outlay	<u>1,085,000</u>	<u>1,293,464</u>	<u>1,251,869</u>	<u>41,595</u>
Total expenditures	<u>6,512,852</u>	<u>6,852,121</u>	<u>6,590,593</u>	<u>261,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,200)</u>	<u>72,687</u>	<u>73,887</u>
Other financing sources				
Sale of capital assets	<u>-</u>	<u>1,200</u>	<u>8,701</u>	<u>7,501</u>
Total other financing sources	<u>-</u>	<u>1,200</u>	<u>8,701</u>	<u>7,501</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>81,388</u>	<u>81,388</u>
Fund balances at October 1, 2013	<u>9,976,379</u>	<u>9,976,379</u>	<u>9,976,379</u>	<u>-</u>
Fund balances at September 30, 2014	<u>\$ 9,976,379</u>	<u>\$ 9,976,379</u>	<u>\$ 10,057,767</u>	<u>\$ 81,388</u>

See notes to required supplemental information.

City of Indian Harbour Beach, Florida

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

September 30, 2014

NOTE A - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Budgets may be amended by ordinance only. The budgets presented for fiscal year ended September 30, 2014 have been amended according to City procedures. All annual appropriations lapse at fiscal year-end.

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

Upon receipt of the budget from the City Manager, the Council shall have it published on the City bulletin board and in at least one local daily newspaper serving the City. The notice will show the times and place where copies of the budget will be available for inspection by the public and establish the time and place, not less than two weeks after publication, for a public hearing on the budget. Pursuant to Florida Statute 200.065, the tentative budget shall be posted on the official website of the City at least 2 days before the budget hearing to consider such budget. The final adopted budget shall be posted on the website within 30 days after adoption and any amendments to the adopted budget shall be posted on the website within 5 days after adoption.

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

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

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

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

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

City of Indian Harbour Beach, Florida

SCHEDULE OF FUNDING PROGRESS

September 30, 2014

Retirement

	<u>10/1/2012</u>	<u>10/1/2013</u>
Actuarial valuation dates		
Actuarial value of assets (a)	\$ 6,180,299	\$ 6,799,895
Actuarial accrued liability (AAL) (b)	8,029,243	8,499,914
Unfunded AAL (UAAL) (b-a)	1,848,944	1,700,019
Funded ratio (a/b)	77%	80%
Annual covered payroll (c)	826,166	935,000
UAAL as a percentage of covered payroll [(b-a)/c]	224%	182%

OPEB

	<u>10/1/2011</u>	<u>10/1/2013</u>
Actuarial valuation dates		
Actuarial value of assets (a)	\$ -	\$ -
Actuarial accrued liability (AAL) (b)	346,000	489,000
Unfunded AAL (UAAL) (b-a)	346,000	489,000
Funded ratio (a/b)	0.00%	0.00%
Annual covered payroll (c)	2,478,000	2,415,000
UAAL as a percentage of covered payroll [(b-a)/c]	14.0%	20.2%

Subsidy

	<u>10/1/2011</u>	<u>10/1/2013</u>
Actuarial valuation dates		
Actuarial value of assets (a)	\$ 42,127	\$ 96,065
Actuarial accrued liability (AAL) (b)	180,938	220,601
Unfunded AAL (UAAL) (b-a)	138,811	124,536
Funded ratio (a/b)	23.28%	43.55%
Annual covered payroll (c)	860,302	733,956
UAAL as a percentage of covered payroll [(b-a)/c]	16.1%	17.0%

See notes to required supplemental information.

**SUPPLEMENTARY COMBINING FUND
FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

City of Indian Harbour Beach, Florida

**NONMAJOR GOVERNMENTAL FUNDS -
COMBINING BALANCE SHEET**

September 30, 2014

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
<i>ASSETS</i>				
Cash	\$ 33,049	\$ 369	\$ 60	\$ 33,478
Receivables	-	72	6	78
Total assets	<u>\$ 33,049</u>	<u>\$ 441</u>	<u>\$ 66</u>	<u>\$ 33,556</u>
 <i>LIABILITY AND FUND BALANCES</i>				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted	<u>33,049</u>	<u>441</u>	<u>66</u>	<u>33,556</u>
Total fund balances	<u>33,049</u>	<u>441</u>	<u>66</u>	<u>33,556</u>
Total liabilities and fund balances	<u>\$ 33,049</u>	<u>\$ 441</u>	<u>\$ 66</u>	<u>\$ 33,556</u>

See Independent Auditors' Report.

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2014

	Impound Fund	Police Training Fund	Stormwater Utility Fund	Total Other Governmental Funds
REVENUES				
Permits, fees and special assessments	\$ -	\$ -	\$ 216,639	\$ 216,639
Judgments, fines and forfeits	3,341	1,479	-	4,820
Interest and other earnings	21	-	6	27
Total revenues	<u>3,362</u>	<u>1,479</u>	<u>216,645</u>	<u>221,486</u>
EXPENDITURES				
Current				
Public safety	9,893	1,095	-	10,988
Capital outlay	-	-	276,728	276,728
Total expenditures	<u>9,893</u>	<u>1,095</u>	<u>276,728</u>	<u>287,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,531)</u>	<u>384</u>	<u>(60,083)</u>	<u>(66,230)</u>
Net change in fund balances	(6,531)	384	(60,083)	(66,230)
Fund balances at October 1, 2013	<u>39,580</u>	<u>57</u>	<u>60,149</u>	<u>99,786</u>
Fund balances at September 30, 2014	<u>\$ 33,049</u>	<u>\$ 441</u>	<u>\$ 66</u>	<u>\$ 33,556</u>

See Independent Auditors' Report.

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2014

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Permits, fees and special assessments	\$ 216,705	\$ 216,639	\$ (66)
Judgments, fines and forfeits	2,517	4,820	2,303
Interest and other earnings	22	27	5
Miscellaneous	70,324	-	(70,324)
Total revenues	<u>289,568</u>	<u>221,486</u>	<u>(68,082)</u>
EXPENDITURES			
Current			
Public safety	12,713	10,988	1,725
Capital outlay	276,855	276,728	127
Total expenditures	<u>289,568</u>	<u>287,716</u>	<u>1,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(66,230)</u>	<u>(66,230)</u>
Net change in fund balances	<u>-</u>	<u>(66,230)</u>	<u>(66,230)</u>
Fund balances at October 1, 2013	<u>99,786</u>	<u>99,786</u>	<u>-</u>
Fund balances at September 30, 2014	<u>\$ 99,786</u>	<u>\$ 33,556</u>	<u>\$ (66,230)</u>

See Independent Auditors' Report.

CITY OF INDIAN HARBOUR BEACH, FLORIDA

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

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MANAGEMENT LETTER

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**AGREED UPON PROCEDURES: REPORT ON COMPLIANCE
WITH FLORIDA STATUTE 218.415.**

September 30, 2014

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Indian Harbour Beach, Florida's basic financial statements, and have issued our report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indian Harbour Beach, 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 City of Indian Harbour Beach, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Indian Harbour Beach, Florida's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

February 27, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Indian Harbour Beach, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 27, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. We have also issued our Report on compliance with Florida Statute 218.415.

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. No findings were made during the prior year audit.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Indian Harbour Beach has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Indian Harbour Beach did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Indian Harbour Beach for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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.

February 27, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Indian Harbour Beach's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Indian Harbour Beach complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Melbourne, Florida
February 27, 2015

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

City of Indian Harbour Beach, Florida

SCHEDULE OF MANAGEMENT RECOMMENDATIONS AND RESPONSE

September 30, 2014

Prior Year Recommendations

There were no findings or recommendations for the year ended September 30, 2013.

City of Indian Harbour Beach, Florida

SCHEDULE OF MANAGEMENT RECOMMENDATIONS AND RESPONSE

September 30, 2014

Current Year Recommendations

There are no findings or recommendations for the year ending September 30, 2014.