

**CITY OF
INDIAN HARBOUR
BEACH, FLORIDA**

**Basic Financial
Statements and
Supplemental Information**

**Year ended
September 30, 2015**

City of Indian Harbour Beach, Florida

OFFICIAL DIRECTORY

September 30, 2015

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, 2015, 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, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A-16 to the financial statements, in 2015, the City implemented GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* for reporting the City's pension associated with the active employee members of the Florida Retirement System, Health Insurance Subsidy, Municipal Police Officers' Retirement Trust Fund, and Police Officers' Supplemental Pension Plan, and the primary activity associated with the pension arrangements reflective for the year ending September 30, 2015 (Notes G through J).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of net pension liability, schedule of pension contribution 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 March 17, 2016, 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.

March 17, 2016
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, 2015

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, 2015. This analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

Financial Highlights

- Due to GASB Statement No. 68 implementation, the City's October 1, 2014, net position has been restated as \$20,072,806. This restatement recognizes the \$1,996,648 prior cumulative effect of the City's net pension liability for its four general employee and police officer pension funds.
- The City's assets exceeded its liabilities on September 30, 2015, by \$21,256,370 (net position). Of this amount, \$12,918,308 is invested in capital assets and \$7,853,016 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 \$1,183,564 over the previous year's October 1, 2014, restated net position resulting from governmental activities. Approximately 12 percent of this increase is attributable to an increase in capital asset net investments.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,968,252, an increase of \$876,929 over the previous fiscal year. Of this amount, \$10,332,065 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 \$180,185 held in trust for supplemental police officer pension benefits. This net position is an increase of \$61,058 over the previous year.
- As of September 30, 2015, the City had no general long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets 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 the City is improving or deteriorating.

Overview of the Financial Statements (continued)

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 17-18 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City 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's own programs.

Overview of the Financial Statements (continued)

The basic fiduciary fund financial statements can be found on pages 23-24 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 26-64 of this report.

Government-wide Financial Analysis

Comparative data for fiscal years ending September 30, 2015 and 2014 are shown below:

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

	Governmental Activities	
	2015	2014 Restated
Current and other assets	\$ 11,195,258	\$ 10,338,204
Capital assets	12,918,308	12,780,596
Total assets	<u>24,113,566</u>	<u>23,118,800</u>
Deferred outflows of resources	<u>901,050</u>	<u>572,288</u>
Other liabilities	206,444	207,111
Long-term liabilities outstanding		
Compensated absences	591,439	533,235
Other post employment benefit obligations	349,000	309,000
Net pension liability	<u>2,067,054</u>	<u>2,568,936</u>
Total liabilities	<u>3,213,937</u>	<u>3,618,282</u>
Deferred inflows of resources	<u>544,309</u>	<u>-</u>
Net position:		
Net investment in capital assets	12,918,308	12,780,596
Restricted		
Special revenue funds	221,475	33,556
Other purposes	263,571	-
Unrestricted	<u>7,853,016</u>	<u>7,258,654</u>
Total net position (2014 restated - GASB 68)	<u>\$ 21,256,370</u>	<u>\$ 20,072,806</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, assets exceeded liabilities by \$21,256,370 at the close of the most recent fiscal year.

Approximately 60.8 percent of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Overview of the Financial Statements (continued)

Government-wide Financial Analysis (continued)

Less than three percent of the City'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 \$7,853,016, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City 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's net position increased over the previous fiscal year's restated net position by \$1,183,564. Approximately 95 percent of this increase is attributable to improvements to the City's infrastructure and the purchase of additional or replacement equipment.

Net Pension Liability

This year, with the implementation of GASB 68, the unfunded pension obligations (Net Pension Liability) will become a new liability on the Statement of Net Position within the City's basic financial statements. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. Pension obligation disclosures have previously been limited to the *Footnote* and *Required Supplementary Information* (RSI) sections of the financial statements.

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

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

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

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

Net Pension Liability (continued)

According to GASB 68 guidelines, September 30 of the previous fiscal year, was chosen for the City's measurement date. The original measurement date must be anytime within one year of the current fiscal year end, September 30, 2015. The City's Net Pension Liability comparative balances for fiscal years ending September 30, 2015 and 2014 are shown below.

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

	2015	2014
Municipal Police Officers' Retirement Fund (MPORF)	\$ 1,287,175	\$ 1,276,879
Police Officers' Supplemental Pension Plan (POSPP)	78,187	86,760
Florida Retirement System (FRS)	236,188	741,790
Health Insurance Subsidy (HIS)	465,504	463,507
Total net pension liability	\$ 2,067,054	\$ 2,568,936

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended September 30, 2015 and 2014:

CITY OF INDIAN HARBOUR BEACH'S CHANGE IN NET POSITION

All Governmental Activities

	2015	2014 Restated
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 381,537	\$ 349,889
Operating grants and contributions	265,978	1,988
Capital grants and contributions	217,640	216,639
General revenues:		
Property taxes	3,811,699	3,700,725
Other taxes	1,311,189	1,230,005
State shared revenues	699,246	668,607
Franchise fees	597,151	578,686
Local shared revenues	8,466	6,285
Interest income	27,520	14,215
Other revenues	65,894	80,166
Total revenues	<u>7,386,320</u>	<u>6,847,205</u>
<u>Expenses:</u>		
General government	1,037,590	941,597
Public safety	3,164,996	3,113,370
Transportation	1,206,616	1,111,237
Recreation	793,554	733,014
Total expenses	<u>6,202,756</u>	<u>5,899,218</u>
Increase in net position	1,183,564	947,987
Net position beginning of fiscal year (2014 restated - GASB 68)	<u>20,072,806</u>	<u>19,124,819</u>
Net position end of fiscal year	<u>\$ 21,256,370</u>	<u>\$ 20,072,806</u>

Financial Analysis of Indian Harbour Beach's Funds

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

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

- Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance - Amounts that can be used only for the specific purposes determined by action of the City Council, the City's highest level of decision making authority.
- Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes that are neither considered restricted 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 government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,968,252, an increase of \$876,929 in comparison with the prior year. The entire combined fund balance amount constitutes restricted funds of \$485,046, committed funds of \$151,141, and unassigned funds of \$10,332,065 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 \$10,746,777, of which \$263,571 is restricted, \$151,141 is committed fund balance, and \$10,332,065 is unassigned fund balance. The General Fund expenditures for the current fiscal year were \$6,506,880.

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 2014/2015 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 66 of this report.

General Fund Budgetary Highlights (continued)

During the year there was a \$100,470 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 Council approved appropriations due to:
 - Police Department computer, network, and software upgrades. Software was replaced to update the Communication Automated Dispatch (CAD), which allows officers to complete case reports online and in the field through a mobile data client module, interface with 70% of the other law enforcement agencies throughout Brevard County (\$56,539).
 - Additional funds allocated to increase functionality of Laserfiche Records Management System Software (\$37,548)
 - Alogonquin Complex - Additional mower for the ball fields to cut sports turf (\$26,550)

The above-mentioned anticipated increases in capital outlay expenditures were offset by an anticipated decrease in overall departmental personnel and operating expenses (\$6,526) and by the anticipated revenue increases of intergovernmental revenues (\$283,551), building department permits and fees (\$34,275), and franchise fees (\$23,397). This allowed the City to increase budgeting for the above mentioned unforeseen, necessary capital expenditures.

At the end of the fiscal year, the City had an excess of \$688,230 of revenues over expenditures. A comparison of the final operating revenue budget to actual revenues produces a positive variance of \$159,949. The majority of this increase was due to higher than expected deposits for insurance premium tax (\$61,494); state shared revenues (\$23,726); building permit fees (\$17,163); utility service taxes (\$11,643); and franchise fees (\$10,254).

Actual expenditures were lower than final budgeted expenditures by \$528,281. This variance was due to significant decreases in actual expenditures due to the following:

- Approximately 77% of the differential (\$404,219) in General Government actual expenditures was a contingency amount that was available for any unforeseen emergencies or natural disasters that was not needed during the fiscal year.
- 88% of the total decrease in transportation expenditures (\$49,340) was due to maintenance costs for buildings, equipment, traffic lights, vehicles, roads and drainage coming in lower than anticipated.
- Decreases in actual expenditures for the recreation department (\$12,742) 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 impacted the decrease.
- Capital outlay decrease (\$43,257) can be attributed to scheduling conflicts with contractors for work on drainage projects and the beach restroom project.

Capital Assets and Debt Administration

Capital assets. As of September 30, 2015, the City's capital assets total for its governmental activities was \$12,918,308 (net of depreciation). Investment in capital assets includes land, buildings and improvements, infrastructure, improvements other than buildings, equipment, motor vehicles, and software. The total increase in the City's investment in capital assets for the current fiscal year was approximately 1.1%. A comparative summary of net capital assets by category follows:

Capital Assets at Year End (net of accumulated depreciation)

	2015	2014	Difference
Land	\$ 1,682,693	\$ 1,682,693	\$ -
Construction in progress	25,776	-	25,776
Buildings and improvements	1,539,224	1,550,013	(10,789)
Improvements, other than building	1,452,706	1,489,630	(36,924)
Equipment	814,714	761,987	52,727
Motor vehicles	727,370	760,266	(32,896)
Software	73,748	33,677	40,071
Infrastructure	6,602,077	6,502,330	99,747
Total capital assets	<u>\$ 12,918,308</u>	<u>\$ 12,780,596</u>	<u>\$ 137,712</u>

During the fiscal year, the City continued working diligently to protect those quality services that afford our residents the quality of life they have come to expect from the City. Major capital asset events during the 2014/2015 fiscal year included:

- Roads/sidewalks (\$259,355) and drainage (\$25,340) - projects designed to protect the quality of the City's infrastructure while meeting the mandates of new State and Federal laws and regulations;
- Algonquin Sports Complex (\$39,658) - replacement of fencing and bleachers;
- Vehicles - replacement vehicles that were purchased included: one car and one SUV for the Police Department (\$61,556);
- Building improvements - replacement of the city hall roof (\$65,000) and initial constructions costs for the beach park restrooms (\$25,776);
- Software - Laserfiche Records Management Software (\$22,363) and New World & Net Motion Software (\$22,872);
- Replacement of aging equipment:
 - Laptops, Surface Pro, and Server (\$29,786); and Tasers (\$17,508) for the Police Department;
 - Radios (\$26,291) and SCBA equipment (\$42,240) for the Fire Department;
 - Picnic tables at Gleason Park (\$15,955);
- New equipment purchase of a turf mower for the baseball and soccer fields at Algonquin Sports Complex (\$26,550).

Major Initiatives

Over the course of fiscal year 2014-2015 the City continued a philosophy of investing in the community. The Mayor, City Council, and Staff are committed to protecting assets of the community by investing more than \$750,000 in various capital assets.

- **Infrastructure**

As indicated in this analysis, the City has continued to aggressively preserve and protect our infrastructure, including a strong road resurfacing program, new sidewalks, a new roof for city hall to enhance the lifespan of this facility, and fencing at a Public Works facility in the Algonquin Sports Complex. Additionally, the City embarked on efforts to design and permit permanent restroom facilities for our beach parks.

In fiscal year 2014-2015, the City's infrastructure investments included construction of stormwater improvements 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.

- **Property**

The public park system in Indian Harbour Beach is the envy of other communities. Our park system is maintained by the talented and dedicated Parks & Recreation Department and Public Works personnel. Gleason Park is thought of by many as the shining star of these parks and FY 2014-2015 saw the City continue to invest in making the park the safest and best maintained for everyone's enjoyment. This fiscal year realized sidewalk and curbing enhancements, roadway and parking lot resurfacing and new picnic tables.

The Algonquin Sports Complex, home to the Beachside Little League and Space Coast United Soccer Club, was enhanced with fencing, bleachers and backstop. These improvements continue the City's efforts of excellence in recreational amenities for the community.

- **Vehicles**

During FY 2014-2015 the City continued its vehicle replacement program with one police pursuit vehicle and one police SUV.

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).

Major Initiatives (continued)

- **Equipment and Software**

In Fiscal Year 2014-2015, the City acquired a new Comprehensive Criminal Justice/Public Safety Integrated Software System, known as the New World AEGIS Law Enforcement Package, to replace the current system of Tiburon/IMC Public Safety Software. The City was able to piggy-back the acquisition of this software through the Brevard County Sheriff's Office, which brought this community robust software at significant savings from what other communities paid. As a result of this purchase, law enforcement agencies within Brevard County will now have a standardized public safety software that will enhance the data sharing capabilities, and utilize technology for crime prevention to implement statistical analysis for potential criminal activity.

The acquisition of this important software resulted in the need to obtain a new server and updated equipment, such as laptops and mobile printers, within the Police Department for access to this technology.

Another investment in technology during the fiscal year was a new Records Management Software (RMS) known as Laserfiche. Laserfiche is the standard RMS program for local governments providing a robust system for managing records across departmental boundaries and providing communities enhanced access to public records.

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. Equally important, the City began a three year program to upgrade and replace the SCBA (Self-Contained Breathing Apparatus) for our volunteer firefighters.

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

A Look Ahead

The City's tax rolls have recovered from the economic slowdown and show modest increases in total taxable values (5.49%). This economic recovery includes new development, such as the Zon Beachside Assisted Living Facility, a \$7 million facility with 100 bed capacity, and redevelopment of existing facilities.

The Fiscal Year 2015-2016 Budget provides for an investment in our greatest asset, our employees, with a Salary Study and implementation. Additionally, the City is working to improve financial stability with a long-term lease of City property for an urgent public safety communications tower for personnel safety and revenue to reduce the police pension unfunded pension liability.

The Indian River Lagoon is a waterbody that is beneficial to the environment and the economic health of the community. Fiscal Year 2015-2016 will see continued water quality projects to protect this valuable resource and help to rejuvenate this impaired waterway.

A Look Ahead (continued)

Through our partnership with Brevard County, the City will obtain Transportation Impact Fees to provide sidewalk extensions on Banana River Drive, a citywide mobility study, and supplement the Florida Department of Transportation's SR A1A resurfacing project with added sidewalks. As a part of the SR A1A project, the City will fund mast arm traffic signals at the Pine Tree Drive and Palm Springs Boulevard intersections.

As noted earlier, our park system is second to none. We will be adding physical improvements, obtaining ownership of Oars and Paddles Park (currently owned and operated by Brevard County), constructing modern permanent restrooms at our beach parks, enhancing programs by adding teenage oriented programs during the summer, and adding additional lifeguards for the safety of pool patrons.

In the public safety arena, we will be adding a mobile fire training apparatus, acquiring replacement police radios and tasers, replacing two police vehicles and continuing our SCBA (Self-Contained Breathing Apparatus) replacement program for our volunteer firefighters.

Our pursuit of new technology continues with new laptops and tablets, along with added Laserfiche (Records Management Software) modules and users.

This is an exciting time for the City of Indian Harbour Beach as we strive toward excellence in local government. The City is confident that given the continued support of the Mayor and City Council we will continue in this pursuit and provide high levels of service and strong financial stability.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,872,067
Receivables	323,112
Prepays	79
Total current assets	<u>11,195,258</u>
Capital assets, not being depreciated	
Land	1,682,693
Construction in progress	25,776
Capital assets, net of accumulated depreciation	
Buildings and improvements	1,539,224
Improvements, other than buildings	1,452,706
Equipment	814,714
Motor vehicles	727,370
Software	73,748
Infrastructure	<u>6,602,077</u>
Total capital assets	<u>12,918,308</u>
Total assets	<u>24,113,566</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred assumptions, contributions, and experience	<u>901,050</u>
LIABILITIES	
Accounts payable	35,665
Accrued wages payable	116,661
Unearned revenue	41,523
Other liabilities	12,595
Noncurrent liabilities	
Due within one year	
Compensated absences payable	295,720
Due in more than one year	
Compensated absences payable	295,719
Other post employment benefits payable	349,000
Net pension liabilities	<u>2,067,054</u>
Total liabilities	<u>3,213,937</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPL), contributions, experience, and investments	<u>544,309</u>
NET POSITION	
Net investment in capital assets	12,918,308
Restricted	
Special revenue funds	221,475
Other purposes	263,571
Unrestricted	<u>7,853,016</u>
Total net position	<u>\$ 21,256,370</u>

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

City of Indian Harbour Beach, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2015

<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	\$ 1,037,590	\$ 16,834	\$ 645	\$ -	\$ (1,020,111)
Public safety	3,164,996	173,424	773	-	(2,990,799)
Transportation	1,206,616	21,728	264,560	217,640	(702,688)
Recreation	793,554	169,551	-	-	(624,003)
Total	<u>\$ 6,202,756</u>	<u>\$ 381,537</u>	<u>\$ 265,978</u>	<u>\$ 217,640</u>	<u>(5,337,601)</u>
General revenues:					
Taxes:					
					3,811,699
					334,481
					527,543
					449,165
					699,246
					597,151
					8,466
					27,520
					75,548
					(485)
					(9,169)
					<u>6,521,165</u>
					1,183,564
					Net position at October 1, 2014
					(Restated)
					<u>20,072,806</u>
					<u>\$ 21,256,370</u>

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

City of Indian Harbour Beach, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 10,650,659	\$ 221,408	\$ 10,872,067
Investments	-	-	-
Receivables	323,045	67	323,112
Prepays	<u>79</u>	<u>-</u>	<u>79</u>
Total assets	<u>\$ 10,973,783</u>	<u>\$ 221,475</u>	<u>\$ 11,195,258</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 35,665	\$ -	\$ 35,665
Accrued wages payable	116,661	-	116,661
Unearned revenue	62,085	-	62,085
Other liabilities	<u>12,595</u>	<u>-</u>	<u>12,595</u>
Total liabilities	<u>227,006</u>	<u>-</u>	<u>227,006</u>
Fund balance			
Restricted			
Special revenue funds	-	221,475	221,475
Other	263,571	-	263,571
Committed	151,141	-	151,141
Unassigned	<u>10,332,065</u>	<u>-</u>	<u>10,332,065</u>
Total fund balances	<u>10,746,777</u>	<u>221,475</u>	<u>10,968,252</u>
Total liabilities and fund balances	<u>\$ 10,973,783</u>	<u>\$ 221,475</u>	<u>\$ 11,195,258</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, 2015

Fund balances - total governmental funds \$ 10,968,252

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	
Construction in progress	25,776	
Buildings and improvements, net	1,539,224	
Improvements, other than buildings, net	1,452,706	
Equipment, net	814,714	
Motor vehicles, net	727,370	
Software, net	73,748	
Infrastructure, net	<u>6,602,077</u>	
		12,918,308

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		(591,439)
Other post employment benefits payable		(349,000)

Unearned revenue in the governmental funds not susceptible to full accrual on the government-wide financial statements 20,562

Deferred amounts are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the funds. Those deferred amounts consist of:

Deferred assumptions, contributions, change in proportion (NPL), and experience	901,050	
Deferred change in proportion (NPL), contributions, experience, and investments	<u>(544,309)</u>	
Total deferred outflows (inflows)		356,741

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Net pension liabilities		<u>(2,067,054)</u>
-------------------------	--	--------------------

Total net position of governmental activities \$ 21,256,370

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 5,122,888	\$ -	\$ 5,122,888
Permits, fees and special assessments	761,695	217,640	979,335
Intergovernmental	954,532	-	954,532
Charges for services	227,998	-	227,998
Judgments, fines and forfeits	24,089	1,616	25,705
Interest and other earnings	27,189	331	27,520
Miscellaneous	77,204	-	77,204
Investment income (loss)	(485)	-	(485)
Total revenues	<u>7,195,110</u>	<u>219,587</u>	<u>7,414,697</u>
EXPENDITURES			
Current			
General government	1,051,017	-	1,051,017
Public safety	3,144,951	6,328	3,151,279
Transportation	932,774	-	932,774
Recreation	620,336	-	620,336
Capital outlay	757,802	25,340	783,142
Total expenditures	<u>6,506,880</u>	<u>31,668</u>	<u>6,538,548</u>
Excess (deficiency) of revenues over (under) expenditures	688,230	187,919	876,149
Other financing sources			
Sale of capital assets	780	-	780
Total other financing sources	<u>780</u>	<u>-</u>	<u>780</u>
Net change in fund balances	689,010	187,919	876,929
Fund balances at October 1, 2014	<u>10,057,767</u>	<u>33,556</u>	<u>10,091,323</u>
Fund balances at September 30, 2015	<u>\$ 10,746,777</u>	<u>\$ 221,475</u>	<u>\$ 10,968,252</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, 2015

Net change in fund balances - total governmental funds		\$ 876,929
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	\$ 783,142	
Less depreciation expense	<u>(635,481)</u>	
		147,661
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.		
		(9,949)
Revenues in the statement of activities that do not provide current financial resources are 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		(19,208)
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		(58,204)
Change in other post employment benefits payable		(40,000)
Change in pension expense		<u>286,335</u>
Change in net position of governmental activities		<u><u>\$ 1,183,564</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, 2015

	<u>Police Supplemental Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 173,381
Receivables	<u>6,804</u>
Total assets	<u><u>\$ 180,185</u></u>
NET POSITION	
Net position held in trust for supplemental pension benefits	<u><u>\$ 180,185</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, 2015

	<u>Police Supplemental Pension Fund</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:	
CONTRIBUTIONS:	
Employer contributions	<u>\$ 75,258</u>
INVESTMENT INCOME:	
Net depreciation in fair value of investments	<u>(1,731)</u>
Total additions	<u>73,527</u>
DEDUCTIONS TO NET POSITION ATTRIBUTED TO:	
Plan distributions	12,230
Administrative expenses	<u>1,240</u>
Total deductions	<u>13,470</u>
Change in net position	60,057
Net position, beginning of year (restated)	<u>120,128</u>
Net position, end of year	<u><u>\$ 180,185</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, 2015

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, 2015

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, 2015

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. The City had \$189,032 in encumbrances outstanding that was reported in the restricted fund balance for other governmental funds at September 30, 2015.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide Statement of Net Position. In the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances, prepaid items are included in expenditures for the current period when consumed.

8. Deferred outflows/inflows of resources

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

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

9. Capital assets

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Capital assets (continued)

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

10. Unearned revenue

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

11. Compensated absences

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Interfund transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Transactions that constitute reimbursements to a fund for expenditures/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.

13. Income taxes

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

14. Use of estimates

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

15. Fund balance classification

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

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

Non-spendable Fund Balance - Amounts that are (a) not in spendable form; or (b) legally or contractually required to be maintained intact. "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.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

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.

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.

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, 2015, the City met the minimum level of unassigned fund balance per their policy.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

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.

For the year ending September 30, 2015, the breakout of the fund balances is shown below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted			
Police training	\$ -	\$ 61	\$ 61
Drug investigation	-	28,734	28,734
Stormwater	-	192,680	192,680
Other	263,571	-	263,571
Committed			
Budgeted use of reserves	151,141	-	151,141
Unassigned	<u>10,332,065</u>	<u>-</u>	<u>10,332,065</u>
Total fund balance	<u>\$ 10,746,777</u>	<u>\$ 221,475</u>	<u>\$ 10,968,252</u>

16. Accounting and financial reporting for pensions

GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, was issued June 2012 and effective for periods beginning after June 15, 2014. The City's active pension employees are members of the Florida Retirement System, Health Insurance Subsidy, Municipal Police Officers' Retirement Trust Fund, and Police Officers' Supplemental Pension Plan and the primary activity associated with the pension arrangements are to be reflective for the year ending September 30, 2015 (Notes G through J).

17. Restatement of prior year balances

As of September 30, 2015, beginning net position of the governmental activities was restated due to the implementation of GASB Statement No. 68. This restatement was the result of the cumulative effect in prior years for recognizing pension obligations, expenses, and deferred outflows or inflows of resources of \$1,996,648.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015, the City had \$753,131 in the Florida PRIME.

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.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

The following deposit accounts were included in the various funds at September 30, 2015:

<u>Deposits and insured investments</u>	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
Government - wide			
Cash	\$ 9,680,270	N/A	Not rated
Money market account	154,110	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	753,131	29 days	AAAm (S&P)
Florida municipal investment trust (FMIT)	216,683	0.62 years	AAAV1 (Fitch)
Florida SAFE	67,873	< 60 days	AAAm (S&P)
Total cash, cash equivalents, and investments	<u>\$ 10,872,067</u>		
Defined benefit plans			
Cash	\$ 1,441	N/A	Not rated
Bond Fund	30,271	4.43 years	AA/V4 (Fitch)
Fixed income fund	41,443	2.58 years	Not rated
Equity funds	107,030	N/A	Not rated
	<u>\$ 180,185</u>		

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, 2015, all of the local government investment accounts were rated and shown in the table above.

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE C - RECEIVABLES

1. Receivables

Receivables at September 30, 2015, consist of the following:

	General Fund	Other Governmental Funds
Taxes	\$ 58,135	\$ -
Franchise fees	84,875	-
Utilities	77,972	-
Special assessments	20,562	-
Other	81,501	67
	\$ 323,045	\$ 67

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, 2015, were \$20,562.

The following is a summary of changes in special assessment receivables reported in the financial statements for the year ended September 30, 2015:

	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015	Due within one year
Special assessment receivable	\$ 39,769	\$ -	\$ 19,207	\$ 20,562	\$ 10,200

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,682,693	\$ -	\$ -	\$ -	\$ 1,682,693
Construction work in progress	-	25,776	-	-	25,776
Total capital assets not being depreciated	<u>1,682,693</u>	<u>25,776</u>	<u>-</u>	<u>-</u>	<u>1,708,469</u>
Capital assets, being depreciated:					
Building and improvements	3,464,800	77,674	25,425	-	3,517,049
Improvements, other than buildings	2,138,676	76,695	-	(14,190)	2,201,181
Equipment	1,850,519	208,393	20,563	-	2,038,349
Motor vehicles	1,715,613	61,828	-	-	1,777,441
Software	110,618	48,081	-	-	158,699
Infrastructure	7,755,181	284,695	-	14,190	8,054,066
Total capital assets being depreciated	<u>17,035,407</u>	<u>757,366</u>	<u>45,988</u>	<u>-</u>	<u>17,746,785</u>
Less accumulated depreciation for:					
Building and improvements	1,914,787	84,478	21,440	-	1,977,825
Improvements, other than buildings	649,046	99,784	-	(355)	748,475
Equipment	1,088,532	149,702	14,599	-	1,223,635
Motor vehicles	955,347	94,724	-	-	1,050,071
Software	76,941	8,010	-	-	84,951
Infrastructure	1,252,851	198,783	-	355	1,451,989
Total accumulated depreciation	<u>5,937,504</u>	<u>635,481</u>	<u>36,039</u>	<u>-</u>	<u>6,536,946</u>
Total capital assets, being depreciated, net	<u>11,097,903</u>	<u>121,885</u>	<u>9,949</u>	<u>-</u>	<u>11,209,839</u>
Governmental activities capital assets, net	<u>\$ 12,780,596</u>	<u>\$ 147,661</u>	<u>\$ 9,949</u>	<u>\$ -</u>	<u>\$ 12,918,308</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D - CAPITAL ASSETS (continued)

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

General government	\$	36,137
Public safety		190,047
Transportation		248,552
Recreation		160,745
		<u>635,481</u>
	\$	<u>635,481</u>

NOTE E - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2015:

Long-term liabilities	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015	Due within one year
Compensated absences	\$ 533,235	\$ 324,700	\$ 266,496	\$ 591,439	\$ 295,720
OPEB	309,000	40,000	-	349,000	-
Net pension liability	<u>2,568,936</u>	<u>12,293</u>	<u>514,175</u>	<u>2,067,054</u>	<u>-</u>
	<u>\$ 3,411,171</u>	<u>\$ 376,993</u>	<u>\$ 780,671</u>	<u>\$ 3,007,493</u>	<u>\$ 295,720</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.

Beginning net pension liability includes the amounts restated at October 1, 2014, of \$1,996,648 increased for the subsequent contributions of \$572,288 after September 30, 2013.

NOTE F - UNEARNED REVENUE

Unearned revenue, in the governmental funds at September 30, 2015, consists of the following:

Unearned business tax	\$	32,705
Other unearned revenue		<u>8,818</u>
Unearned revenue - net position		41,523
Unearned special assessment revenues		<u>20,562</u>
Unearned revenue - balance sheet	\$	<u>62,085</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER

Municipal Police Officers' Retirement Fund (MPORF)

1. Plan description

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

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

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

<u>Group</u>	<u>Participants</u>
Actives	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, 2015

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

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

1. Plan description (continued)

If a member dies and the death was service related, his or her surviving beneficiary receives annual benefits equal to 50 percent of the member's base pay 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 MPORF, the employee is entitled to the following:

- > with less than ten years of continuous service, a refund of member contribution without interest.
- > with ten years or more of continuous service, 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 MPORF issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Indian Harbour Beach Municipal Police Officers' Retirement Fund, 40 Cheyenne Court, Indian Harbour Beach, FL 32937.

2. Funding policy

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

Police officers are required to contribute 6.5 percent of their annual salary to the MPORF. 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 state provided contributions do not meet the criteria for special funding situations under GASB 68.) The City is required to contribute the remaining amounts necessary to fund the MPORF, using the entry age normal actuarial method and the amortization of the accrued past service liability over 30 years. Administrative costs are financed through investment earnings.

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

2. Funding policy (continued)

The estimated contribution requirements for the year ended September 30, 2015, determined through an actuarial valuation as of October 1, 2013, that was rolled forward to October 1, 2014, consisted of the following: employees - estimated 6.5% of current year covered payroll and City and State - 50.6% of the projected current year covered payroll, both of which are normal costs. Actual City and State contributions totaled \$543,825. Actual employee contributions totaled \$70,062 (6.5% of current covered payroll).

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

For the fiscal year ended September 30, 2015, the City reported the changes in net pension liability from the following sources:

Changes in net pension liability	Increase (Decrease)		
	Total pension liability (a)	Plan's fiduciary net position (b)	Net pension liability (a) - (b)
Beginning balances of:	\$8,468,241	\$7,191,362	\$1,276,879
Service cost	290,554	-	290,554
Interest on the total pension liability	677,862	-	677,862
Changes in excess State contribution	8,498	-	8,498
Changes of benefit terms	328	-	328
Changes of assumptions or other inputs	243,597	-	243,597
Contributions from the City	-	438,982	(438,982)
Contributions from the State (non-special funding)	-	63,748	(63,748)
Contributions from employees	-	54,965	(54,965)
Net investment income	-	669,613	(669,613)
Benefit payments, including refunds of employee contributions	(520,542)	(520,542)	-
Plan administrative expense	-	(16,790)	16,790
Other changes	-	25	(25)
Ending balances of:	\$9,168,538	\$7,881,363	\$1,287,175

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

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

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$392,606. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	4 years	\$ -	\$ -
Change in assumptions	4 years	182,698	-
Net difference between projected and actual earnings on pension plan investments	5 years	-	74,792
City pension plan contributions subsequent to the measurement date		492,591	-
Total		\$ 675,289	\$ 74,792

The deferred outflows of resources related to the pension plan, totaling \$492,591 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2016	\$ 77,190
2017	46,474
2018	15,758
2019	(14,958)

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

4. Actuarial assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

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

Mortality rates were based on the RP-2000 with no projection - based on a study of over 650 public safety funds; this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward five years).

The actuarial assumptions used in the October 1, 2014, valuation were based on the results of an actuarial experience study for the period 1993 - 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation (1)	Long term Real Rate of Return
Domestic equity	45%	8.70%
International equity	15%	6.70%
Fixed income	40%	4.20%
Total	100%	

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

5. Discount rate

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 2,418,448	\$ 1,287,175	\$ 350,997

7. Pension plan fiduciary net position

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

8. Payables to the pension plan

At September 30, 2015, the City reported a payable in the amount of \$13,040 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2015.

9. Deferred retirement option plan

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

9. Deferred retirement option plan (continued)

Once a police officer achieves normal retirement age under the City of Indian Harbour Beach's Police Officers' Retirement System, as described above, an officer may elect to enter the DROP program for a period of no less than twelve months and no more than thirty six months. During this time, the benefit that would have been received had the officer terminated employment will be deposited into a DROP account to accumulate interest and earnings. As of September 30, 2015, one police officer had elected to participate in the DROP program.

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER

Police Officers' Supplemental Pension Plan (POSPP)

1. Plan description

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

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

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

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

The number of covered individuals is 29 (eight inactive employees and beneficiaries currently receiving benefits; two inactive employees entitled to but, not yet receiving benefits; and 19 active employees).

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

2. Funding policy

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

All of the City's full-time police officers participate in the POSPP, which includes a deferred compensation POSPP. The payroll for employees covered by the POSPP for the year ended September 30, 2015, was \$986,630. Actual contributions, made by the City, total \$75,292, which included an additional \$50,000 to increase the funded status to 50% in conformance with Part VII of Chapter 112 Florida States. (2.5% of current covered payroll).

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

For the fiscal year ended September 30, 2015, the City reported the changes in net pension liability from the following sources:

Changes in net pension liability	Increase (Decrease)		
	Total pension liability (a)	Plan's fiduciary net position (b)	Net pension liability (a) - (b)
Beginning balances of:	\$ 186,958	\$ 100,198	\$ 86,760
Service cost	3,685	-	3,685
Interest on the total pension liability	16,700	9,612	7,088
Differences between expected and actual experience in the measurement of the total pension liability	2,566	-	2,566
Changes of assumptions or other inputs	2,147	-	2,147
Contributions from the City	-	25,297	(25,297)
Net investment income	-	(255)	255
Benefit payments, including refunds of employee contributions	(13,741)	(8,460)	(5,281)
Plan administrative expense	-	(6,264)	6,264
Ending balances of:	\$ 198,315	\$ 120,128	\$ 78,187

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

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

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$12,513. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	10 years	\$ 2,309	\$ -
Change in assumptions	10 years	1,932	-
Net difference between projected and actual earnings on pension plan investments	5 years	1,005	-
City pension plan contributions subsequent to the measurement date		75,258	-
Total		\$ 80,504	\$ -

The deferred outflows of resources related to the pension plan, totaling \$75,258 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 4,621
2017	3,996
2018	3,371
2019	2,746
2020	2,121
Thereafter	4,241

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

4. Actuarial assumptions

The total pension liability in the October 1, 2013, actuarial valuation was determined using the following actuarial assumption, and roll forward and applied to all periods included in the measurement:

Inflation	3.60%
Salary increases	4.00%
Investment rate of return	9.08%

Sex-distinct rates set forth in RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.

The long-term expected rate of return on pension plan investments was determined using a weighted arithmetic average. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation (1)	Long term Real Rate of Return
Core bonds	16%	2.48%
Multi-sector	24%	2.20%
U.S. large cap equity	39%	7.14%
U.S. small cap equity	11%	8.45%
Non-U.S. equity	10%	8.43%
Total	100%	

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

5. Discount rate

The discount rate used to measure the total pension liability was 9.08%. The fiduciary net position is projected to be sufficient to cover all future benefit payments when due. The plan requires only a 9.08% average investment return per year to avoid a crossover date. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

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

The following represents the City's net pension liability calculated using the discount rate of 9.08%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (8.08%) or one percentage point higher (10.08%) than the current rate:

	1% Decrease (8.08%)	Current Discount Rate (9.08%)	1% Increase (10.08%)
City's total pension liability	\$ 217,020	\$ 198,315	\$ 182,332
Less fiduciary net position	120,128	120,128	120,128
City's net pension liability	<u>\$ 96,892</u>	<u>\$ 78,187</u>	<u>\$ 62,204</u>

Plan fiduciary net position as a percentage of the total pension liability	60.57%
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7. Pension plan fiduciary net position

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

8. Payables to the pension plan

At September 30, 2015, the City reported a payable in the amount of \$812 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2015.

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING

Florida Retirement System

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Florida Retirement System (continued)

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

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

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

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Florida Retirement System (continued)

1. Pension description (continued)

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

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

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

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

2. Funding policy

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk Administrative Support—42.07% and 32.95%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers'—43.24% and 42.27%; and DROP participants—12.88% and 18.75%.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Florida Retirement System (continued)

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

These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the pension plan totaled \$193,477 for the fiscal year ended September 30, 2015.

At September 30, 2015, the City reported a liability of \$236,188 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability was based on the City's 2013-2014 fiscal year contributions relative to the 2012-2013 fiscal year contributions of all participating members. At June 30, 2014, the City's proportionate share was 0.004107691 percent, which was a decrease of 0.000201420 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$58,135. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	6.3 years	\$ -	\$ 14,895
Change in assumptions	6.3 years	41,685	-
Net difference between projected and actual earnings on Pension Plan investments	5 years	-	401,502
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	6.3 years	-	27,794
City Pension Plan contributions subsequent to the measurement date		<u>73,364</u>	<u>-</u>
Total		<u><u>\$ 115,049</u></u>	<u><u>\$ 444,191</u></u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Florida Retirement System (continued)

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

The deferred outflows of resources related to the Pension Plan, totaling \$73,364 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ (311,007)
2017	(231,816)
2018	(152,626)
2019	(73,435)
2020	5,756
Thereafter	1,328

4. Actuarial assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Florida Retirement System (continued)

4. Actuarial assumptions (continued)

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	<u>12.00%</u>	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

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

5. Discount rate

The discount rate used to measure the total pension liability was 7.65%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Florida Retirement System (continued)

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability	\$ 250,438	\$ 250,630	\$ (432,574)

7. Pension plan fiduciary net position

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

8. Payables to the pension plan

At September 30, 2015, the City reported a payable in the amount of \$4,405 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT

Health Insurance Supplement (HIS)

1. Plan description

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Health Insurance Supplement (HIS) (continued)

1. Plan description (continued)

For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

2. Funding policy

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$1,845 for the fiscal year ended September 30, 2015.

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

At September 30, 2015, the City reported a liability of \$465,504 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability was based on the City's 2013-2014 fiscal year contributions relative to the 2012-2013 fiscal year contributions of all participating members. At June 30, 2014, the City's proportionate share was 0.004971806 percent, which was a decrease of 0.000351999 percent from its proportionate share measured as of June 30, 2013.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Health Insurance Supplement (HIS) (continued)

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

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$15,992. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ -	\$ -
Change in assumptions	7.2 years	15,967	-
Net difference between projected and actual earnings on Pension Plan investments	5 years	213	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	7.2 years	-	25,326
City Pension Plan contributions subsequent to the measurement date		<u>14,028</u>	<u>-</u>
Total		<u>\$ 30,208</u>	<u>\$ 25,326</u>

The deferred outflows of resources related to the HIS plan, totaling \$14,028 resulting from City contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Health Insurance Supplement (HIS) (continued)

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

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

Fiscal Year Ending September 30:	Amount
2016	\$ 141,089
2017	118,178
2018	95,266
2019	72,355
2020	49,444
Thereafter	31,464

4. Actuarial assumptions

The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	4.29%

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Health Insurance Supplement (HIS) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City's proportionate share of the net pension liability	\$ 528,759	\$ 464,876	\$ 41,156

7. Pension plan fiduciary net position

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

8. Payables to the pension plan

At September 30, 2015, the City reported a payable in the amount of \$56 for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2015.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - OTHER POST EMPLOYMENT BENEFITS

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.

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, 2015, the City estimates it subsidized \$6,000 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.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)

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

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)	\$	61,000
Interest on net OPEB obligation		12,000
Adjustment to annual required contribution		<u>(27,000)</u>
Annual OPEB cost (expense)		46,000
Increase (decrease) in the OPEB Obligation		<u>(6,000)</u>
Increase in net OPEB obligation		40,000
Net OPEB Obligation - beginning of year		<u>309,000</u>
Net OPEB Obligation - end of year	\$	<u><u>349,000</u></u>

As of September 30, 2015, 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, 2015, 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:

Fiscal year ended <u>September 30,</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 39,000	13%	\$ 271,000
2014	\$ 47,000	19%	\$ 309,000
2015	\$ 46,000	13%	\$ 349,000

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.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)

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

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.

NOTE L - DEFERRED COMPENSATION PLAN

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

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

NOTE M - PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2015 the City's millage rate was 5.6061 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, 2014, upon which the 2014-2015 levy was based, was \$703,470,666.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE M - PROPERTY TAXES (continued)

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, 2015, were approximately 96.8% 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.

NOTE N - COMMITMENTS AND CONTINGENCIES

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

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

NOTE O - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the City is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Additionally, the City has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the City may be exposed to. Premiums paid by the City during the year totaled \$174,935. There have been no significant reductions in insurance coverages during fiscal year 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE P - SUBSEQUENT EVENT

The City has evaluated subsequent events through March 17, 2016, 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,088,924	\$ 5,038,239	\$ 5,122,888	\$ 84,649
Permits, fees and special assessments	671,800	733,572	761,695	28,123
Intergovernmental	641,559	925,110	954,532	29,422
Charges for services	224,897	222,112	227,998	5,886
Judgments, fines and forfeits	19,600	18,248	24,089	5,841
Interest and other earnings	17,971	24,378	27,189	2,811
Miscellaneous	269,940	73,502	77,204	3,702
Investment income (loss)	-	-	(485)	(485)
Total revenues	<u>6,934,691</u>	<u>7,035,161</u>	<u>7,195,110</u>	<u>159,949</u>
EXPENDITURES				
Current				
General government	1,101,019	1,484,658	1,051,017	433,641
Public safety	3,079,257	3,134,252	3,144,951	(10,699)
Transportation	1,012,365	982,114	932,774	49,340
Recreation	684,310	633,078	620,336	12,742
Capital outlay	<u>1,057,740</u>	<u>801,059</u>	<u>757,802</u>	<u>43,257</u>
Total expenditures	<u>6,934,691</u>	<u>7,035,161</u>	<u>6,506,880</u>	<u>528,281</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	688,230	688,230
Other financing sources				
Sale of capital assets	-	-	780	780
Total other financing sources	-	-	780	780
Net change in fund balances	-	-	689,010	689,010
Fund balances at October 1, 2014	<u>10,057,767</u>	<u>10,057,767</u>	<u>10,057,767</u>	-
Fund balances at September 30, 2015	<u>\$ 10,057,767</u>	<u>\$ 10,057,767</u>	<u>\$ 10,746,777</u>	<u>\$ 689,010</u>

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST EMPLOYMENT BENEFITS**

September 30, 2015

<u>Actuarial valuation dates</u>	<u>10/1/2011</u>	<u>10/1/2013</u>
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%

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

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

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City's total pension liability	\$ 9,168,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The plan's fiduciary net position	7,881,363	-	-	-	-	-	-	-	-	-
City's net pension liability (asset)	1,287,175	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	911,867	-	-	-	-	-	-	-	-	-
City's net pension liability (asset) as a percentage of its covered- employee payroll	141.16%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	85.96%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF NET PENSION LIABILITY -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN**

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City's total pension liability	\$ 198,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The plan's fiduciary net position	120,128	-	-	-	-	-	-	-	-	-
City's net pension liability (asset)	78,187	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	1,005,543	-	-	-	-	-	-	-	-	-
City's net pension liability (asset) as a percentage of its covered- employee payroll	7.78%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	60.57%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

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

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City's proportion of the net pension liability (asset)	0.004107691%	-	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability (asset)	\$ (236,188)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	1,495,194	-	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.80%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	96.09%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

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

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City's proportion of the net pension liability (asset)	0.004971806%	-	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability (asset)	\$ (465,504)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	1,495,194	-	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-31.13%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	0.99%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

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

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contractually required contribution	\$ 438,982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(438,982)</u>	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 911,867	-	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	48.14%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

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

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially required contribution	\$ 26,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(26,298)</u>	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 1,005,543	-	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	2.62%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contractually required contribution	\$ 89,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(89,976)</u>	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 1,495,194	-	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	6.02%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CONTRIBUTIONS -
HEALTH INSURANCE SUPPLEMENT

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contractually required contribution	\$ 17,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(17,032)</u>	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 1,495,194	-	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.14%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 9/30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

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, 2015, 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

NOTE B - SCHEDULE NET PENSION LIABILITY

1. Ten year trend

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

2. Fiduciary net position

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

The POSPP plan's fiduciary net position as a percentage of the total pension liability is disclosed in note H-6.

NOTE C - SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

1. Ten year trend

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

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See Note 4 for reference to FRS CAFR information).

NOTE D - SCHEDULE OF CONTRIBUTION

1. Ten year trend

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

**SUPPLEMENTAL 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, 2015

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Cash	\$ 28,734	\$ 32	\$ 192,642	\$ 221,408
Receivables	-	29	38	67
Total assets	<u>\$ 28,734</u>	<u>\$ 61</u>	<u>\$ 192,680</u>	<u>\$ 221,475</u>
 LIABILITY AND FUND BALANCES				
Fund balances				
Restricted	<u>\$ 28,734</u>	<u>\$ 61</u>	<u>\$ 192,680</u>	<u>\$ 221,475</u>
Total fund balances	<u>28,734</u>	<u>61</u>	<u>192,680</u>	<u>221,475</u>
Total liabilities and fund balances	<u>\$ 28,734</u>	<u>\$ 61</u>	<u>\$ 192,680</u>	<u>\$ 221,475</u>

See Independent Auditor's Report.

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2015

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Permits, fees and special assessments	\$ -	\$ -	\$ 217,640	\$ 217,640
Judgments, fines and forfeits	670	946	-	1,616
Interest and other earnings	17	-	314	331
Total revenues	<u>687</u>	<u>946</u>	<u>217,954</u>	<u>219,587</u>
EXPENDITURES				
Current				
Public safety	5,002	1,326	-	6,328
Capital outlay	-	-	25,340	25,340
Total expenditures	<u>5,002</u>	<u>1,326</u>	<u>25,340</u>	<u>31,668</u>
Net change in fund balances	(4,315)	(380)	192,614	187,919
Fund balances at October 1, 2014	<u>33,049</u>	<u>441</u>	<u>66</u>	<u>33,556</u>
Fund balances at September 30, 2015	<u><u>\$ 28,734</u></u>	<u><u>\$ 61</u></u>	<u><u>\$ 192,680</u></u>	<u><u>\$ 221,475</u></u>

See Independent Auditor's Report.

City of Indian Harbour Beach, Florida

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

Year ended September 30, 2015

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Permits, fees and special assessments	\$ 217,548	\$ 217,640	\$ 92
Judgments, fines and forfeits	1,627	1,616	(11)
Interest and other earnings	317	331	14
Miscellaneous	4,790	-	(4,790)
Total revenues	<u>224,282</u>	<u>219,587</u>	<u>(4,695)</u>
EXPENDITURES			
Current			
Public safety	6,377	6,328	49
Capital outlay	<u>217,905</u>	<u>25,340</u>	<u>192,565</u>
Total expenditures	<u>224,282</u>	<u>31,668</u>	<u>192,614</u>
Net change in fund balances	-	187,919	187,919
Fund balances at October 1, 2014	<u>33,556</u>	<u>33,556</u>	-
Fund balances at September 30, 2015	<u><u>\$ 33,556</u></u>	<u><u>\$ 221,475</u></u>	<u><u>\$ 187,919</u></u>

See Independent Auditor's Report.

CITY OF INDIAN HARBOUR BEACH, FLORIDA

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

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MANAGEMENT LETTER

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SCHEDULE OF MANAGEMENT RECOMMENDATIONS AND RESPONSES

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INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

September 30, 2015

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, 2015, 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 March 17, 2016.

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.

March 17, 2016
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, 2015, and have issued our report thereon dated March 17, 2016.

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*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 17, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings were made during the prior year audit.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity is noted in Note A-1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and 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. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and 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, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.s., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the City of Indian Harbour Beach does not have a special district that is a component unit.

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.

March 17, 2016
Melbourne, Florida

*Berman Hopkins Wright & LaHam
CPAs and Associates, LLP*

City of Indian Harbour Beach, Florida

SCHEDULE OF MANAGEMENT RECOMMENDATIONS AND RESPONSES

September 30, 2015

There were no findings or recommendations for the year ended September 30, 2014 and September 30, 2015.

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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, 2015. 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, 2015.

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
March 17, 2016

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP