

**CITY OF  
INDIAN HARBOUR  
BEACH, FLORIDA**

**Basic Financial  
Statements and  
Supplementary Information**

**Year ended  
September 30, 2017**

**City of Indian Harbour Beach, Florida**

**OFFICIAL DIRECTORY**

**September 30, 2017**

**ELECTED OFFICERS**

MAYOR:	David Panicola
DEPUTY MAYOR:	Scott Nickle
COUNCIL MEMBERS:	Gene Newberry James H. Nolan, Sr. Frank Guertin

**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

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, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the City, 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.

## **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 funding progress, schedule of net pension liability, schedule of contributions, 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 26, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

March 26, 2018  
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, 2017**

Management's Discussion and Analysis is intended to provide an objective analysis of the City of Indian Harbour Beach's (the "City") financial activities based on currently known facts, decisions, and conditions for the fiscal year ended September 30, 2017. This analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, identify changes in financial position, and identify material deviations from the approved budget.

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

**Financial Highlights**

- Government-wide total net position on September 30, 2017, was \$23,631,098 which is a decrease of 0.5% or \$126,891. Of this amount, \$16,078,981 is invested in capital assets and \$7,022,113 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- Government-wide total revenues were \$7,522,244, while government-wide total expenses were \$7,649,135. Total revenues decreased by 18.9% or \$1,749,624 while total expenses increased by 13% or \$878,886. It is important to note that \$1,990,931 of the previous year's revenue represents the book value of Oars & Paddles Park which was transferred to the City by Brevard County.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,212,480, which is an increase of 2.3% or \$229,782 over the previous fiscal year. Of this amount, \$9,380,933 is available for spending at the government's discretion (unassigned).
- The general fund, which is the City's only major governmental fund, generated \$6,645 from the sale of capital assets, \$7,354,299 in revenue, and \$7,296,698 in expenditures creating a net change in fund balance of \$64,246.
- At the end of the current fiscal year, the City's fiduciary fund had a net position of \$252,950 held in trust for supplemental police officer pension benefits. This net position is an increase of 24.7% or \$50,090 over the previous year.
- As of September 30, 2017, 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.



## **Overview of the Financial Statements (continued)**

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

The statement of activities presents information showing how the 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 18-19 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 the general fund on page 68 of this report to demonstrate compliance with this budget.

## **Overview of the Financial Statements (continued)**

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

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

The basic fiduciary fund financial statements can be found on pages 24-25 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 27-66 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison for the general fund, schedule of funding progress for other post-employment benefits, and pension schedules. Also included in this report are supplemental combining fund financial statements for the non-major governmental funds.

The required supplementary information and notes to the required supplementary information can be found on pages 68-79 and the supplemental combining fund financial statements begin on page 82.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Indian Harbour Beach, net position totaled \$23,631,098 at the close of the most recent fiscal year. The largest portion of net position (68%) reflects its net investment in capital assets (e.g. land, infrastructure, buildings, and equipment). The City uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

Approximately, 2.2% (\$530,004) of the City's net position represents resources that are subject to external restrictions on how they may be used. Externally imposed restrictions may include things such as: law enforcement special revenue funds, stormwater assessment, and grants. The remaining unrestricted net position of \$7,022,113 may be used to meet the City's ongoing operations.

## **Government-wide Financial Analysis (continued)**

The following table provides Government-wide comparative data for fiscal years ending September 30, 2017 and 2016:

	Governmental Activities		
	2017	2016	Variance
Current and other assets	\$ 10,589,387	\$ 10,293,027	\$ 296,360
Capital assets	16,078,981	16,228,478	(149,497)
Total assets	<u>26,668,368</u>	<u>26,521,505</u>	<u>146,863</u>
Deferred outflows of resources	<u>2,321,831</u>	<u>1,639,905</u>	<u>681,926</u>
Current liabilities	373,454	303,463	69,991
Long-term liabilities outstanding			
Compensated absences	671,064	646,948	24,116
Other post employment benefit obligations	406,000	376,000	30,000
Net pension liabilities	<u>3,487,585</u>	<u>2,509,139</u>	<u>978,446</u>
Total liabilities	<u>4,938,103</u>	<u>3,835,550</u>	<u>1,102,553</u>
Deferred inflows of resources	<u>420,998</u>	<u>567,871</u>	<u>(146,873)</u>
Net position:			
Net investment in capital assets	16,078,981	16,228,478	(149,497)
Restricted			
Special revenue funds	190,939	25,403	165,536
Other purposes	339,065	257,046	82,019
Unrestricted	<u>7,022,113</u>	<u>7,247,062</u>	<u>(224,949)</u>
Total net position	<u>\$ 23,631,098</u>	<u>\$ 23,757,989</u>	<u>\$ (126,891)</u>

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 decreased over the previous fiscal year's net position by \$126,891 due to governmental activities including the disposal of \$149,497 of capital assets. Indian Harbour Beach also saw an increase in noncurrent employee benefit liabilities of \$1,032,562 which included a 39% or \$978,446 increase in net pension liabilities.

## **Government-wide Financial Analysis (continued)**

The following table provides change in net position governmental activity comparative data for fiscal years ending September 30, 2017 and 2016:

### **CITY OF INDIAN HARBOUR BEACH'S CHANGE IN NET POSITION**

#### All Governmental Activities

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<b><u>Revenues:</u></b>			
<b>Program revenues:</b>			
Charges for services	\$ 387,431	\$ 365,364	\$ 22,067
Operating grants and contributions	54,700	31,784	22,916
Capital grants and contributions	217,967	218,039	(72)
<b>General revenues:</b>			
Property taxes	4,168,292	3,924,982	243,310
Other taxes	1,272,268	1,329,073	(56,805)
State shared revenues	750,138	714,138	36,000
Franchise fees	587,936	583,425	4,511
Local shared revenues	7,601	8,055	(454)
Interest income	70,979	58,124	12,855
Other revenues	4,932	47,953	(43,021)
Special item - transfer of park	-	1,990,931	(1,990,931)
Total revenues	<u>7,522,244</u>	<u>9,271,868</u>	<u>(1,749,624)</u>
<b><u>Expenses:</u></b>			
General government	1,450,212	1,149,544	300,668
Public safety	3,525,683	3,384,859	140,824
Transportation	1,697,211	1,340,014	357,197
Recreation	976,029	895,832	80,197
Total expenses	<u>7,649,135</u>	<u>6,770,249</u>	<u>878,886</u>
Change in net position	(126,891)	2,501,619	(2,628,510)
Net position beginning of fiscal year	<u>23,757,989</u>	<u>21,256,370</u>	<u>2,501,619</u>
Net position end of fiscal year	<u>\$ 23,631,098</u>	<u>\$ 23,757,989</u>	<u>\$ (126,891)</u>

As noted earlier, governmental activities decreased Indian Harbour Beach's net position by \$126,891 or 0.5%. It is important to note that fiscal year 2016 included the one time transfer of Oars and Paddles Park from Brevard County to Indian Harbour Beach which increased revenues for that year by \$1,990,931.

**Net Pension Liability**

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

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

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

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

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

According to GASB 68 guidelines, September 30 of the previous fiscal year, was chosen for the City’s measurement date. The City’s net pension liability comparative balances for fiscal years ending September 30, 2017 and 2016 are shown below.

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

	<u>2017</u>	<u>2016</u>
Municipal Police Officers' Retirement Fund (MPORF)	\$ 1,504,187	\$ 1,293,361
Police Officers' Supplemental Pension Plan (POSPP)	53,939	78,582
Florida Retirement System (FRS)	1,235,263	570,844
Health Insurance Subsidy (HIS)	<u>694,196</u>	<u>566,352</u>
Total net pension liability	<u>\$ 3,487,585</u>	<u>\$ 2,509,139</u>

## **Government Funds Financial Analysis**

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

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

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

## **Government Funds Financial Analysis (continued)**

The following table provides information regarding the City's combined fund balances. Specific information for the general fund and the special revenue funds is found on page 20.

### **CITY OF INDIAN HARBOUR BEACH'S BALANCE SHEET**

**September 30,**

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 10,165,293	\$ 10,033,578	\$ 131,715
Cash and cash equivalents - restricted	115,000	-	115,000
Receivables	308,862	259,419	49,443
Prepays	232	30	202
Total assets	<u>\$ 10,589,387</u>	<u>\$ 10,293,027</u>	<u>\$ 296,360</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 49,451	\$ 87,932	\$ (38,481)
Accrued wages payable	165,493	164,872	621
Unearned revenue	39,710	46,525	(6,815)
Other liabilities	122,253	11,000	111,253
Total liabilities	<u>376,907</u>	<u>310,329</u>	<u>66,578</u>
Fund balance			
Restricted			
Special revenue funds	190,939	25,403	165,536
Other	339,065	257,046	82,019
Committed	300,313	113,822	186,491
Assigned	1,230	1,814	(584)
Unassigned	9,380,933	9,584,613	(203,680)
Total fund balances	<u>10,212,480</u>	<u>9,982,698</u>	<u>229,782</u>
Total liabilities and fund balances	<u>\$ 10,589,387</u>	<u>\$ 10,293,027</u>	<u>\$ 296,360</u>

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,212,480, an increase of \$229,782 in comparison with the prior year. The entire combined fund balance amount constitutes restricted funds of \$530,004, committed funds of \$300,313, assigned funds of \$1,230, and unassigned funds of \$9,380,933 which are available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$9,380,933, while the total fund balance was \$10,021,541. Total revenues in the general fund were \$7,354,299 which represents an increase of \$253,469 from the prior year or 3.6%. This increase was mainly due to higher ad valorem property tax revenue and intergovernmental grants. The general fund expenditures for the current fiscal year were \$7,296,698. The positive net change in the general fund balance was \$64,246.

## **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 2016/2017 as well as the final amended budget is presented. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund can be found on page 68 of this report.

During the year there was a \$715,774 decrease in appropriations between the original and final amended budget. The following are the main components of the decrease:

- Capital outlay had an anticipated overall decrease (\$566,784) in appropriated funds due to:
  - Infrastructure projects had anticipated decreases due to scheduling conflicts with contractors for a dry pond in one of the parks, actual costs lower than anticipated for paving projects, and hold on sidewalk projects due to citizen concerns (\$375,914);
  - Bicentennial Park improvements including pavilion construction delayed due to permitting schedule and Gleason Park pool renovation bids and project completion coming in lower than anticipated (\$185,187);
- Public safety had an anticipated overall decrease (\$118,978) in appropriated funds due to the following:
  - Police Department - personnel changes which affected associated fringe benefits; anticipation of lower employee education and training costs, gasoline, and vehicle maintenance costs (\$82,700);
  - Fire Department - anticipation of lower than budgeted maintenance costs for equipment and vehicles, and pagers for the volunteer firefighters not requiring replacement (\$30,081).

The above-mentioned anticipated decreases in expenditures were further assisted by the anticipated revenue increases of utility service taxes (\$17,800), intergovernmental revenues (\$28,564), and interest and other earnings (\$25,933). The anticipated increases in revenue and the concerted effort by all departments to reduce anticipated spending allowed the City to decrease the anticipated amount of reserves needed for operation and capital projects for the fiscal year.

At the end of the fiscal year, the City had an excess of revenues over expenditures of \$57,601. A comparison of the final operating revenue budget to actual revenues produces a negative variance of \$140,498. The majority of this decrease was due to the expectation of needed reserves that was offset by higher than expected deposits for intergovernmental revenues (\$56,826); franchise fees (\$17,737); Recreation Department 5K race revenues (\$11,307); and a decrease in total annual expenditures.

Actual expenditures were lower than final budgeted expenditures by \$198,099 or 2.6%. The majority of the decreases throughout the departments was due to the need to stop work on end of the year projects to focus on preparation for the arrival of Hurricane Irma and cleanup post-hurricane for the remaining weeks of the fiscal year. Projects that were significantly affected include: engineering and consulting (\$69,852), drainage improvements (\$48,000), and Algonquin Complex improvements (\$18,785).



## **Capital Assets and Debt Administration**

**Capital assets.** As of September 30, 2017, the City's capital assets total for its governmental activities was \$16,078,981 (net of depreciation). Investment in capital assets includes land, buildings and improvements, infrastructure, improvements other than buildings, equipment, motor vehicles, and software. The total decrease in the City's investment in capital assets for the current fiscal year was approximately 1%. A comparative summary of net capital assets by category follows:

	<b>Capital Assets at Year End (net of accumulated depreciation)</b>		
	<u>2017</u>	<u>2016</u>	<u>Difference</u>
Land	\$ 3,050,325	\$ 3,050,325	\$ -
Construction in progress	-	13,345	(13,345)
Buildings and improvements	2,646,167	2,758,068	(111,901)
Improvements, other than building	1,812,167	1,590,990	221,177
Equipment	923,623	937,627	(14,004)
Motor vehicles	658,430	681,698	(23,268)
Software	86,092	96,205	(10,113)
Infrastructure	<u>6,902,177</u>	<u>7,100,220</u>	<u>(198,043)</u>
Total capital assets	<u>\$ 16,078,981</u>	<u>\$ 16,228,478</u>	<u>\$ (149,497)</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 2016/2017 fiscal year included:

- Gleason Park pool renovation project (\$260,650);
- Emergency access ramp, boardwalk, ADA ramp/beach crossover, and a dock at the City parks (\$103,262);
- Replacement of aging equipment:
  - Police Department - radars, AEDs, laptops, surveillance cameras, radios, and video systems (\$45,588);
  - Fire Department - radios and lighting systems (\$26,005);
  - Public Works - mower, generator, logging wagon (\$2,648);
- Vehicles (\$84,742) - replacement Police Department vehicles and Police ATV
- Public Works storage building (\$22,782);
- Three servers including: Barracuda Backup Server and Finance/Records Management Server (\$17,572);
- Roads/Sidewalks (\$174,658) and Drainage (\$51,487) - projects designed to protect the quality of the City's infrastructure while meeting the mandates of new State and Federal laws and regulations.

## **Major Initiatives**

Over the course of fiscal year 2016/2017, the City continued a philosophy of investing in the community. The Mayor, City Council, and Staff were committed to protecting assets of the community by investing \$861,752 in various capital assets.

- **Infrastructure**

In FY 2016/2017, the City continued our strategy of investing in the community's infrastructure. Protection of one our most valuable assets, the Indian River Lagoon, is a top priority. Our City continues to take great pride in protecting this natural resource and constructed stormwater improvements to remove the harmful nutrients and debris prior to these waters entering the lagoon. These improvements allow the City to continue our compliance with the NPDES (National Pollutant Discharge Elimination System) nutrient removal requirements.

This strategy continues with the approval of funding from the Save Our Indian River Lagoon ½ Cent Sales Tax for a stormwater reuse project in Gleason Park.

The City also continued to invest in preserving the integrity of the Big Muddy drainage system with new seawalls along the boundary of the system at a cost of \$48,537.

The community utilized Transportation Impact Fees for the design and construction of a \$32,981 pedway on Banana River Drive from South Patrick Drive through the newly acquired Oars and Paddles Park.

While other communities have a backlog of roadways in need of resurfacing, our community continues a proactive approach of providing quality roadways with a robust resurfacing program that makes our citizens proud. In FY 2016/2017, the City resurfaced approximately 1.5 miles of roadways within the City as part of our continued efforts to invest in our infrastructure at a cost of \$141,677.

- **Buildings and Fixed Equipment**

The City enhanced our facilities by constructing a \$22,782 storage facility, providing an additional 600 sq. ft. of storage for our Public Works Department.

- **Property Improvement**

In FY 2016/17, we invested (\$130,754) in new boardwalks, ADA Ramp/Beach crossovers, and an emergency access ramp to provide emergency personnel access to the beach.

Fiscal Year 2016/2017 saw the City commence a Space Needs Assessment for an antiquated Police Headquarters. This assessment resulted in not only an analysis of the needs, but a ROM (Rough Order of Magnitude) estimate for construction and site options. The Mayor and City Council reviewed this analysis and supported the staff's proposal to begin the planning process to collocate a new Police Headquarters with stormwater treatment facilities on the 3.3 acres of land on South Patrick Drive that was acquired in FY 2015/2016.

## **Major Initiatives (continued)**

Gleason Park is one of the shining stars of our community. The renovation of the Gleason Park swimming pool was a major investment (\$250,213) in Fiscal Year 2016/2017. In addition to the renovation of the pool, the project includes a new sand filter, fencing, starting platforms, pool heater for the cooler months, and a pool chiller for the heat of the summer.

- **Vehicles**

During FY 2016/2017, the City continued its police vehicle replacement program by investing \$84,742 in two police SUVs and a police ATV.

- **Equipment and Software**

Another strategic initiative of our community is to utilize technology for our strategic advantage. In FY 2016/2017, the City invested in three servers including a major investment in a dedicated backup server with a network security system, a dedicated Finance/Records Management Server, and team viewer software totaling \$13,789.

In FY 2016/2017, we continued our strategy of replacing aging equipment. Examples include:

- Police Department - radars, AEDs, laptops, surveillance cameras, radios, and video systems (\$45,588);
- Fire Department - radios and lighting systems (\$26,005);
- Public Works - mower, generator, logging wagon (\$2,648).

**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 (6.08%). The beachside communities are certainly desirable places to live which have improved taxable values.

The Indian River Lagoon is a waterbody that is beneficial to the environment and the economic health of the community. Fiscal Year 2017/2018 will see continued water quality projects to protect this valuable resource and help to rejuvenate this impaired waterway.

## **A Look Ahead (continued)**

The voters of Brevard County enthusiastically supported a ½ Cent Sales Tax for water quality projects to improve water quality and save our imperiled Indian River Lagoon. The City of Indian Harbour Beach will annually submit for funding for projects through this sales tax to achieve the goal of restoring the Indian River Lagoon and preserve property values within the community. Major Capital Projects include, but are not limited to, muck removal and significant baffle boxes. The City hopes to supplement this funding to reduce the financial burden on the community.

The City will continue its investment in infrastructure philosophy with road resurfacing and drainage projects. Through our partnership with Brevard County, the City will utilize Transportation Impact Fees to provide sidewalk enhancements within the community.

Our community is very proud of our parks. We will be implementing a Commemorative Brick Paver program in Gleason Park to allow citizens to commemorate special events or individuals. The City plans to renovate the pool/bath house for added safety of patrons. The major pavilion at Bicentennial Park will be rebuilt to today's standards for the entire community to enjoy.

We will continue making improvements to Oars and Paddles Park with shade structures, and pending an appropriation of funding from the Brevard County Tourist Development Council, will construct an additional boat launch, a safety rail, and parking in the park.

Our pursuit of new technology continues as we leverage technology to the strategic advantage of the community through surveillance equipment, website, records management, a new Police Department Server, a new digital 911 dispatch console, and modern radios for the IHB Volunteer Fire Department.

We will enhance previous years' police vehicle replacement program to include a vehicle for the fire department, building department, and public works department as well as the police department.

As we move into Fiscal Year 2017/2018, we will begin the planning of a new Police Headquarters (approximately 13,000 sq. ft.) and server security for FDLE audit requirements.

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, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents - unrestricted	\$ 10,165,293
Cash and cash equivalents - restricted	115,000
Receivables	308,862
Prepays	232
Total current assets	<u>10,589,387</u>
Capital assets, not being depreciated	
Land	3,050,325
Capital assets, net of accumulated depreciation	
Buildings and improvements	2,646,167
Improvements, other than buildings	1,812,167
Equipment	923,623
Motor vehicles	658,430
Software	86,092
Infrastructure	6,902,177
Total capital assets	<u>16,078,981</u>
Total assets	<u>26,668,368</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>2,321,831</u>
<b>LIABILITIES</b>	
Accounts payable	49,451
Accrued wages payable	165,493
Unearned revenue	36,257
Other liabilities	122,253
Noncurrent liabilities	
Due within one year	
Compensated absences payable	335,532
Due in more than one year	
Compensated absences payable	335,532
Other post employment benefits payable	406,000
Net pension liabilities	<u>3,487,585</u>
Total liabilities	<u>4,938,103</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>420,998</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,078,981
Restricted	
Special revenue funds	190,939
Other purposes	339,065
Unrestricted	<u>7,022,113</u>
Total net position	<u>\$ 23,631,098</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, 2017**

<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	\$ 1,450,212	\$ 18,162	\$ 54,278	\$ -	\$ (1,377,772)
Public safety	3,525,683	156,483	-	-	(3,369,200)
Transportation	1,697,211	30,658	422	217,967	(1,448,164)
Recreation	976,029	182,128	-	-	(793,901)
Total	<u>\$ 7,649,135</u>	<u>\$ 387,431</u>	<u>\$ 54,700</u>	<u>\$ 217,967</u>	<u>(6,989,037)</u>

General revenues:

Taxes:

Property taxes	4,168,292
Local option, use and fuel taxes	338,187
Utility service taxes	548,273
Other general taxes	385,808
State shared revenues	750,138
Franchise fees	587,936
Local shared revenues	7,601
Interest income	70,979
Other revenues	52,490
Loss on disposal of capital assets	(47,558)
Total general revenues	<u>6,862,146</u>
Change in net position	(126,891)
Net position - beginning	<u>23,757,989</u>
Net position - ending	<u>\$ 23,631,098</u>

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

**City of Indian Harbour Beach, Florida**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 9,974,433	\$ 190,860	\$ 10,165,293
Cash and cash equivalents - restricted	115,000	-	115,000
Receivables	308,783	79	308,862
Prepays	232	-	232
Total assets	<u>\$ 10,398,448</u>	<u>\$ 190,939</u>	<u>\$ 10,589,387</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 49,451	\$ -	\$ 49,451
Accrued wages payable	165,493	-	165,493
Unearned revenue	39,710	-	39,710
Other liabilities	122,253	-	122,253
Total liabilities	<u>376,907</u>	<u>-</u>	<u>376,907</u>
Fund balance			
Restricted			
Special revenue funds	-	190,939	190,939
Other	339,065	-	339,065
Committed	300,313	-	300,313
Assigned	1,230	-	1,230
Unassigned	9,380,933	-	9,380,933
Total fund balances	<u>10,021,541</u>	<u>190,939</u>	<u>10,212,480</u>
Total liabilities and fund balances	<u>\$ 10,398,448</u>	<u>\$ 190,939</u>	<u>\$ 10,589,387</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, 2017**

Fund balances - total governmental funds \$ 10,212,480

The net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 3,050,325	
Buildings and improvements, net	2,646,167	
Improvements, other than buildings, net	1,812,167	
Equipment, net	923,623	
Motor vehicles, net	658,430	
Software, net	86,092	
Infrastructure, net	<u>6,902,177</u>	16,078,981

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	(671,064)
Other post employment benefits payable	<u>(406,000)</u>

Unearned revenue in the governmental funds not susceptible to full accrual on the government-wide financial statements	3,453
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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	2,321,831	
Deferred change in proportion (NPL), experience, and investments	<u>(420,998)</u>	
Total deferred outflows (inflows)		1,900,833

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>(3,487,585)</u>
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Total net position of governmental activities	<u><u>\$ 23,631,098</u></u>
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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, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 5,440,560	\$ -	\$ 5,440,560
Permits, fees and special assessments	723,410	217,967	941,377
Intergovernmental	803,395	-	803,395
Charges for services	253,486	-	253,486
Judgments, fines and forfeits	9,915	591	10,506
Interest and other earnings	70,621	358	70,979
Miscellaneous	52,912	-	52,912
Total revenues	<u>7,354,299</u>	<u>218,916</u>	<u>7,573,215</u>
<b>EXPENDITURES</b>			
Current			
General government	1,210,125	-	1,210,125
Public safety	3,306,924	1,893	3,308,817
Transportation	1,208,937	-	1,208,937
Recreation	760,447	-	760,447
Capital outlay	810,265	51,487	861,752
Total expenditures	<u>7,296,698</u>	<u>53,380</u>	<u>7,350,078</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	57,601	165,536	223,137
Other financing sources			
Proceeds from the sale of capital assets	6,645	-	6,645
<b>Net change in fund balances</b>	64,246	165,536	229,782
Fund balances at October 1, 2016	9,957,295	25,403	9,982,698
Fund balances at September 30, 2017	<u>\$ 10,021,541</u>	<u>\$ 190,939</u>	<u>\$ 10,212,480</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, 2017**

Net change in fund balances - total governmental funds		\$ 229,782
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	\$ 861,752	
Less depreciation expense	<u>(957,046)</u>	(95,294)
In the statement of activities, the loss on the sale of capital assets is reported. However, in the governmental funds, only the proceeds on the sale are reported.		
Proceeds from the sale of capital assets	(6,645)	
Loss on disposal of capital assets	<u>(47,558)</u>	(54,203)
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		(3,413)
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		(24,116)
Change in other post employment benefits payable		(30,000)
Change in pension expense		<u>(149,647)</u>
Change in net position of governmental activities		<u><u>\$ (126,891)</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, 2017

	<u>Police Supplemental Pension Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 243,683
Contribution receivables	<u>9,267</u>
Total assets	<u><u>\$ 252,950</u></u>
<b>NET POSITION</b>	
Net position held in trust for supplemental pension benefits	<u><u>\$ 252,950</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, 2017

	<u>Police Supplemental Pension Fund</u>
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO:</b>	
<b>CONTRIBUTIONS:</b>	
Employer contributions	<u>\$ 40,252</u>
<b>INVESTMENT INCOME:</b>	
Net appreciation in fair value of investments	<u>27,413</u>
Total additions	<u>67,665</u>
<b>DEDUCTIONS TO NET POSITION ATTRIBUTED TO:</b>	
Plan distributions	13,006
Administrative expenses	<u>4,569</u>
Total deductions	<u>17,575</u>
Change in net position	50,090
Net position at beginning of year	<u>202,860</u>
Net position at end of year	<u><u>\$ 252,950</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, 2017**

**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, 2017**

**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, 2017**

**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 \$47,967 in encumbrances outstanding that was reported in fund balances for the general fund at September 30, 2017. \$1,230 of encumbrances was reported in assigned fund balance, and \$46,737 of encumbrances was reported in committed fund balance.

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

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

9. Capital assets

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

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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 - 60 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 unearned revenue will be recognized as revenue. As of September 30, 2017, The City reported \$36,257 of unearned revenue in the statement of net position, and \$39,710 in the balance sheet for governmental funds.

11. Compensated absences

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

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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 initially made from it that are properly applicable to another fund, are recorded as an other financing use in the reimbursing fund and as an other financing source in the fund that is reimbursed. All interfund transactions are reported as transfers.

13. Income taxes

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

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, 2017**

**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, 2017, 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, 2017**

**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.

For the year ending September 30, 2017, the breakout of the fund balances is shown below:

	General Fund	Other Governmental Funds	Total
Restricted			
Law enforcement	\$ -	\$ 24,082	\$ 24,082
Other	224,065	-	224,065
Surety bond	115,000	-	115,000
Stormwater	-	166,857	166,857
Committed			
Budgeted use of reserves	300,313	-	300,313
Assigned			
Encumbrances	1,230	-	1,230
Unassigned	9,380,933	-	9,380,933
Total fund balance	\$ 10,021,541	\$ 190,939	\$ 10,212,480

16. Accounting and financial reporting for pensions

GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (as amended), 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, 2017 (Notes G through J).

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2017, the City had \$259,220 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, 2017**

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

The following deposit accounts were included in the various funds at September 30, 2017:

<u>Deposits and insured investments</u>	<u>Balance</u>	<u>Duration</u>	<u>Rating</u>
Cash	\$ 8,106,929	N/A	Not rated
Public funds now	552,622	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	259,220	51 days	AAAm (S&P)
Florida municipal investment trust (FMIT)	219,712	0.67 years	AAAf/S1 (Fitch)
Florida SAFE	1,141,810	< 60 days	AAAm (S&P)
Total cash, cash equivalents, and investments	<u>\$ 10,280,293</u>		
Defined benefit plan (fiduciary fund)			
Cash	\$ 975	N/A	Not rated
Bond Fund	38,258	4.74 years	AAf/S4 (Fitch)
Fixed income fund	56,291	2.24 years	Not rated
Equity funds	148,159	N/A	Not rated
	<u>\$ 243,683</u>		

As of September 30, 2017, all of the local government investment accounts were rated as shown in the table above. Total cash, cash equivalents, and investments are composed of \$10,165,293 unrestricted cash and \$115,000 cash restricted for a surety bond.

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

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

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



**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

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

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

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

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

The following table presents a summary of the City's Florida municipal investment trust (FMIT) according to the fair value hierarchy as of September 30, 2017:

Description	Fair Value	Level 1	Level 2	Level 3
FMIT 0-2 Year High Quality Bond	\$ 219,712	\$ -	\$ 219,712	\$ -

The following table presents a summary of the City's defined benefit plan (fiduciary fund) according to the fair value hierarchy as of September 30, 2017:

Description	Fair Value	Level 1	Level 2	Level 3
FMIT Broad Market High Quality Bond	\$ 38,258	\$ -	\$ 38,258	\$ -
FMIT Core Plus	56,291	-	-	56,291
FMIT High Quality Growth	19,495	-	19,495	-
FMIT Large Cap Diversified Value	19,251	-	19,251	-
FMIT Russell 1000 Enhanced Index	56,778	-	56,778	-
FMIT Diversified Small to Mid Cap Equity	26,805	-	26,805	-
FMIT International Equity	25,830	-	25,830	-
Total	242,708	<u>\$ -</u>	<u>\$ 186,417</u>	<u>\$ 56,291</u>
Cash and money market	975			
Total cash and cash equivalent	<u>\$ 243,683</u>			

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE C - RECEIVABLES**

1. Receivables

Receivables at September 30, 2017, consist of the following:

	General Fund	Other Governmental Funds
Taxes	\$ 61,343	\$ -
Franchise fees	94,150	-
Utilities	74,876	-
Special assessments	3,453	-
Other	74,961	79
	<u>\$ 308,783</u>	<u>\$ 79</u>

2. Special assessments

The City has levied special assessments against the benefiting property owners of various canal dredging improvement projects that the City has undertaken since 2005. These assessments are levied to reimburse the City for a predetermined portion of the total expenses for the improvement projects. The aforementioned residents entered into individual promissory notes with the City, in which they will make a one-time payment for the total amount due or will be subject to an interest rate of 5% per annum, payable in quarterly installments for ten years. The City believes that all amounts will be collectible; therefore, there is not an allowance for doubtful account. The amounts payable to the City as of September 30, 2017, were \$3,453.

The following is a summary of changes in special assessment receivables reported in the financial statements for the year ended September 30, 2017:

	Balance at October 1, 2016	Increases	Decreases	Balance at September 30, 2017	Due within one year
Special assessment receivable	<u>\$ 6,866</u>	<u>\$ -</u>	<u>\$ 3,413</u>	<u>\$ 3,453</u>	<u>\$ 3,453</u>

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE D - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,050,325	\$ -	\$ -	\$ -	\$ 3,050,325
Construction work in progress	13,345	-	-	(13,345)	-
Total capital assets not being depreciated	<u>3,063,670</u>	<u>-</u>	<u>-</u>	<u>(13,345)</u>	<u>3,050,325</u>
Capital assets, being depreciated:					
Building and improvements	4,844,425	24,693	-	-	4,869,118
Improvements, other than buildings	2,440,460	355,099	63,406	5,220	2,737,373
Equipment	2,258,017	170,266	111,374	-	2,316,909
Motor vehicles	1,815,150	84,742	85,256	-	1,814,636
Software	191,806	807	-	-	192,613
Infrastructure	8,763,642	226,145	24,970	8,125	8,972,942
Total capital assets being depreciated	<u>20,313,500</u>	<u>861,752</u>	<u>285,006</u>	<u>13,345</u>	<u>20,903,591</u>
Less accumulated depreciation for:					
Building and improvements	2,086,357	136,594	-	-	2,222,951
Improvements, other than buildings	849,470	114,014	38,278	-	925,206
Equipment	1,320,390	176,628	103,732	-	1,393,286
Motor vehicles	1,133,452	103,915	81,161	-	1,156,206
Software	95,601	10,920	-	-	106,521
Infrastructure	1,663,422	414,975	7,632	-	2,070,765
Total accumulated depreciation	<u>7,148,692</u>	<u>957,046</u>	<u>230,803</u>	<u>-</u>	<u>7,874,935</u>
Total capital assets, being depreciated, net	<u>13,164,808</u>	<u>(95,294)</u>	<u>54,203</u>	<u>13,345</u>	<u>13,028,656</u>
Governmental activities capital assets, net	<u>\$ 16,228,478</u>	<u>\$ (95,294)</u>	<u>\$ 54,203</u>	<u>\$ -</u>	<u>\$ 16,078,981</u>

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE D - CAPITAL ASSETS (continued)**

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

General government	\$	52,193
Public safety		222,531
Transportation		471,772
Recreation		210,550
	\$	<u>957,046</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, 2017:

Long-term liabilities	Balance at October 1, 2016	Increases	Decreases	Balance at September 30, 2017	Due within one year
Compensated absences	\$ 646,948	\$ 341,049	\$ 316,933	\$ 671,064	\$ 335,532
OPEB	376,000	30,000	-	406,000	-
Net pension liability	2,509,139	2,579,775	1,601,329	3,487,585	-
	<u>\$ 3,532,087</u>	<u>\$ 2,950,824</u>	<u>\$ 1,918,262</u>	<u>\$ 4,564,649</u>	<u>\$ 335,532</u>

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

**NOTE F - UNEARNED REVENUE**

Unearned revenue at September 30, 2017, consists of the following:

Unearned business tax	\$	25,146
Other unearned revenue		11,111
Unearned revenue - statement of net position		36,257
Unearned special assessment revenues		3,453
Unearned revenue - balance sheet	\$	<u>39,710</u>

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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	19
Service retirees	10
DROP retirees	1
Beneficiaries	0
Disability retirees	1
Terminated vested	1
Total	<u>32</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, 2017**

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

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

1. Plan description (continued)

If a member dies and the death was service related, his or her surviving beneficiary receives annual benefits equal to 50 percent of the member's base pay on date of death, payable 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 5.4 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, 2017**

**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, 2017, determined through an actuarial valuation as of October 1, 2015, that was rolled forward to September 30, 2016 (measurement date), consisted of the following: employees - estimated 6.5% of current year covered payroll and City and State - 40.4% of the projected current year covered payroll, both of which are normal costs. The City recognized \$568,723 of City and State contributions and \$81,918 of employee contributions during the fiscal year ended September 30, 2017.

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, 2017, 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)
<b>Beginning balances of:</b>	\$ 9,202,148	\$ 7,908,787	\$ 1,293,361
Service cost	348,837	-	348,837
Interest on the total pension liability	719,178	-	719,178
Change in excess State money	(40,320)	-	(40,320)
Differences between expected and actual experience	(108,561)	-	(108,561)
Contributions from the City	-	499,130	(499,130)
Contributions from the State (non-special funding)	-	69,593	(69,593)
Contributions from employees	-	81,918	(81,918)
Net investment income	-	609,155	(609,155)
Changes of assumptions	521,951	-	521,951
Benefit payments	(461,895)	(461,895)	-
Plan administrative expense	-	(29,537)	29,537
<b>Ending balances of:</b>	<u>\$ 10,181,338</u>	<u>\$ 8,677,151</u>	<u>\$ 1,504,187</u>

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2017, the City recognized pension expense of \$471,904. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Recognition Period</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	5 years	\$ -	\$ 328,012
Change in assumptions	5 years	478,459	-
Net difference between projected and actual earnings on pension plan investments	5 years	408,819	37,396
City pension plan contributions subsequent to the measurement date		<u>519,445</u>	<u>-</u>
<b>Total</b>		<u><u>\$ 1,406,723</u></u>	<u><u>\$ 365,408</u></u>

The deferred outflows of resources related to the pension plan, totaling \$519,445 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, 2018. 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
2018	\$ 180,096
2019	119,197
2020	137,895
2021	84,682



**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

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

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

4. Actuarial assumptions

The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumption:

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

**Mortality Rate Healthy Lives**

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

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

**Mortality Rate Disabled Lives**

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

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

Mortality rates were based on the above. The most recent actuarial experience study used to review the other significant assumptions was dated August 29, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	15%	6.75%
Fixed income	40%	2.00%
Total	<u>100%</u>	

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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:

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
City's net pension liability	\$ 2,880,297	\$ 1,504,187	\$ 380,413

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, 2017, the City reported a payable in the amount of \$18,590 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2017.

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, 2017**

**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. For the year ended September 30, 2017, the City had one police officer enter 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 31 (eleven inactive employees and beneficiaries currently receiving benefits; one inactive employee 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, 2017**

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

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

2. Funding policy

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

All of the City's full-time police officers participate in the POSPP, which includes a deferred compensation POSPP. The City recognized \$35,117 of City contributions during the fiscal year ended September 30, 2017.

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, 2017, the City reported the changes in net pension liability from the following sources:

<b>Changes in net pension liability</b>	<b>Increase (Decrease)</b>		
	<b>Total pension liability</b> (a)	<b>Plan's fiduciary net position</b> (b)	<b>Net pension liability</b> (a) - (b)
<b>Beginning balances of:</b>	\$ 251,963	\$ 173,381	\$ 78,582
Service cost	6,018	-	6,018
Expected interest growth	17,559	12,666	4,893
Unexpected investment income	-	1,423	(1,423)
Demographic experience	(6,562)	-	(6,562)
Contributions from the City	-	35,117	(35,117)
Benefit payments and refunds	(12,180)	(12,180)	-
Plan administrative expense	-	(7,548)	7,548
<b>Ending balances of:</b>	<b>\$ 256,798</b>	<b>\$ 202,859</b>	<b>\$ 53,939</b>

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2017, the City recognized pension revenue of \$30,576. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Recognition Period</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	11.32 years	\$ 3,770	\$ 5,982
Change in assumptions	11.32 years	37,415	-
Net difference between projected and actual earnings on pension plan investments	5 years	7,723	1,138
City pension plan contributions subsequent to the measurement date		40,252	-
<b>Total</b>		<b>\$ 89,160</b>	<b>\$ 7,120</b>

The deferred outflows of resources related to the pension plan, totaling \$40,252 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, 2018. 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
2018	\$ 6,526
2019	6,527
2020	6,277
2021	3,871
2022	4,154
Thereafter	14,433

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2015, actuarial valuation was determined using the following actuarial assumptions, and rolled forward and applied to all periods included in the measurement:

Inflation	2.92%
Salary increases	4.00%
Discount rate	7.00%

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 the September 30, 2016 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Long term Real Rate of Return</u>
Core bonds	16%	0.58%
Multi-sector	24%	1.08%
U.S. large cap equity	39%	6.08%
U.S. small cap equity	11%	6.83%
Non-U.S. equity	10%	6.83%
Total	<u>100%</u>	4.08%

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

5. Discount rate

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

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's total pension liability	\$ 283,386	\$ 256,798	\$ 234,291
Less fiduciary net position	202,859	202,859	202,859
City's net pension liability	<u>\$ 80,527</u>	<u>\$ 53,939</u>	<u>\$ 31,432</u>

Plan fiduciary net position as a percentage  
of the total pension liability 79.00%

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, 2017, the City reported a payable in the amount of \$1,591 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2017.

**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, 2017**

**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](http://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, 2017

**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, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Special Risk Administrative Support—28.06% and 34.63%; Special Risk—22.57% and 23.27%; Senior Management Service—21.77% and 22.71%; Elected Officers'—42.47% and 45.50%; and DROP participants—12.99% and 13.26%.

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

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

*Florida Retirement System (continued)*

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

These employer contribution rates include 1.66% HIS Plan subsidy for the period of October 1, 2016 through September 30, 2017.

The City recognized \$117,941 of FRS contributions during the fiscal year ended September 30, 2017.

At September 30, 2017, the City reported a liability of \$1,235,263 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.0048 percent, which was an increase of 0.0003 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$292,363. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Recognition Period</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	6.4 years	\$ 89,850	\$ 10,926
Change in assumptions	6.4 years	70,991	-
Net difference between projected and actual earnings on Pension Plan investments	5 years	299,874	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	6.4 years	79,107	18,165
City Pension Plan contributions subsequent to the measurement date		96,099	-
<b>Total</b>		<b>\$ 635,921</b>	<b>\$ 29,091</b>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 \$96,099 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, 2018. 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
2018	\$ 92,921
2019	92,921
2020	92,921
2021	92,921
2022	92,921
Thereafter	46,126

4. Actuarial assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, 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, 2016, 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, 2017**

**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%	3.0%	3.0%	1.7%
Fixed income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real estate (property)	10%	6.4%	5.8%	12.0%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	11.1%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

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

5. Discount rate

The discount rate used to measure the total pension liability was 7.60%. 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, 2017

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 using the discount rate of 7.60%, 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 (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's proportionate share of the net pension liability	\$ 2,248,251	\$ 1,235,263	\$ 366,255

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, 2017, the City reported a payable in the amount of \$6,859 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

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, 2017**

**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, 2017, 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, 2017, the HIS contribution was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City recognized \$30,053 of HIS contributions during the fiscal year ended September 30, 2017.

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

At September 30, 2017, the City reported a liability of \$694,196 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.0059 percent, which was an increase of 0.0004 percent from its proportionate share measured as of June 30, 2015.

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2017, the City recognized pension expense of \$41,554. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<b>Description</b>	<b>Recognition Period</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	7.2 years	\$ -	\$ 1,502
Change in assumptions	7.2 years	103,509	-
Net difference between projected and actual earnings on Pension Plan investments	5 years	329	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	7.2 years	62,552	17,877
City Pension Plan contributions subsequent to the measurement date		<u>23,637</u>	<u>-</u>
Total		<u>\$ 190,027</u>	<u>\$ 19,379</u>

The deferred outflows of resources related to the HIS plan, totaling \$23,637 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, 2018.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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
2018	\$ 20,438
2019	20,438
2020	20,438
2021	20,438
2022	20,438
Thereafter	44,821

4. Actuarial assumptions

The total pension liability in the July 1, 2016, 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	2.85%

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

The actuarial assumptions used in the July 1, 2016, 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, 2017

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 2.85%. 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 using the discount rate of 2.85%, 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 (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's proportionate share of the net pension liability	\$ 783,935	\$ 694,196	\$ 599,833

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, 2017, the City reported a payable in the amount of \$116 for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2017.

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2017, the City estimates it subsidized \$6,000 of medical costs for its retirees and \$6,900 for the retirees' spouses.

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 the 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, 2017**

**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)	\$	59,000
Interest on net OPEB obligation		15,000
Adjustment to annual required contribution		(31,000)
Annual OPEB cost		43,000
Increase (decrease) in the OPEB Obligation		(13,000)
Increase in net OPEB obligation		30,000
Net OPEB Obligation - beginning of year		376,000
Net OPEB Obligation - end of year	\$	406,000

As of September 30, 2017, no trust has been established for the Plan.

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2017, are presented below.

The following is the schedule of employer contributions:

Fiscal year ended September 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 46,000	13%	\$ 349,000
2016	\$ 39,000	31%	\$ 376,000
2017	\$ 43,000	30%	\$ 406,000

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, 2017**

**NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)**

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

The actuarial valuation as of October 1, 2015 used the following methods and assumptions:

- 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 8% in the current year of valuation, with expected future annual fluctuations ranging from 5.5% to 8%, 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, 2017 the City's millage rate was 5.4802 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, 2016, upon which the 2016-2017 levy was based, was \$788,394,552.

**City of Indian Harbour Beach, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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, 2017, were approximately 96.5% of the total tax levy.

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

**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 \$193,634. There have been no significant reductions in insurance coverages during fiscal year 2017. 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, 2017**

**NOTE P - SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 26, 2018, 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,474,011	\$ 5,431,668	\$ 5,440,560	\$ 8,892
Permits, fees and special assessments	689,800	700,481	723,410	22,929
Intergovernmental	718,005	746,569	803,395	56,826
Charges for services	231,317	241,241	253,486	12,245
Judgments, fines and forfeits	12,200	16,971	9,915	(7,056)
Interest and other earnings	42,385	68,318	70,621	2,303
Miscellaneous	1,042,853	289,549	52,912	(236,637)
Total revenues	<u>8,210,571</u>	<u>7,494,797</u>	<u>7,354,299</u>	<u>(140,498)</u>
<b>EXPENDITURES</b>				
Current				
General government	1,311,700	1,234,585	1,210,125	24,460
Public safety	3,448,547	3,329,569	3,306,924	22,645
Transportation	1,263,668	1,276,855	1,208,937	67,918
Recreation	738,811	772,727	760,447	12,280
Capital outlay	1,447,845	881,061	810,265	70,796
Total expenditures	<u>8,210,571</u>	<u>7,494,797</u>	<u>7,296,698</u>	<u>198,099</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	57,601	57,601
Other financing sources				
Sale of capital assets	-	-	6,645	6,645
<b>Net change in fund balances</b>	-	-	64,246	64,246
Fund balances at October 1, 2016	<u>9,957,295</u>	<u>9,957,295</u>	<u>9,957,295</u>	-
Fund balances at September 30, 2017	<u>\$ 9,957,295</u>	<u>\$ 9,957,295</u>	<u>\$ 10,021,541</u>	<u>\$ 64,246</u>

See notes to required supplementary information.



**City of Indian Harbour Beach, Florida**

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

**September 30, 2017**

<u>Actuarial valuation dates</u>	<u>10/1/2013</u>	<u>10/1/2015</u>
Actuarial value of assets (a)	\$ -	\$ -
Actuarial accrued liability (AAL) (b)	489,000	393,000
Unfunded AAL (UAAL) (b-a)	489,000	393,000
Funded ratio (a/b)	0.00%	0.00%
Annual covered payroll (c)	2,415,000	2,487,000
UAAL as a percentage of covered payroll [(b-a)/c]	20.2%	15.8%

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

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

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's total pension liability	\$ 10,183,238	\$ 9,202,148	\$ 9,168,538	\$ 8,468,241
The plan's fiduciary net position	8,679,052	7,908,787	7,881,363	7,191,362
City's net pension liability (asset)	1,504,187	1,293,361	1,287,175	1,276,879
City's covered payroll	1,260,276	1,138,129	911,867	876,742
City's net pension liability (asset) as a percentage of its covered payroll	119.35%	113.64%	141.16%	145.64%
Plan fiduciary net position as a percentage of the total pension liability	85.23%	85.95%	85.96%	84.92%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

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

	<b>Last 10 Fiscal Years*</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's total pension liability	\$ 256,798	\$ 251,963	\$ 198,315	\$ 186,958
The plan's fiduciary net position	202,859	173,381	120,128	100,198
City's net pension liability (asset)	53,939	78,582	78,187	86,760
City's covered payroll	830,401	929,086	1,005,543	1,124,957
City's net pension liability (asset) as a percentage of its covered payroll	6.50%	8.46%	7.78%	7.71%
Plan fiduciary net position as a percentage of the total pension liability	79.00%	68.81%	60.57%	53.59%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

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

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.004836289%	0.004479430%	0.004107691%
City's proportionate share of the net pension liability (asset)	\$ 1,235,263	\$ 570,844	\$ 236,188
City's covered payroll	1,836,270	1,708,020	1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	67.27%	33.42%	15.80%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

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

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.005863185%	0.005463236%	0.004971806%
City's proportionate share of the net pension liability (asset)	\$ 694,196	\$ 566,352	\$ 465,504
City's covered payroll	1,836,270	1,708,020	1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.80%	33.16%	31.13%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

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

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 563,344	\$ 545,405	\$ 438,982	\$ 361,218
Excess state money reserve	(40,320)	-	-	-
Contributions in relation to the contractually required contribution	<u>(568,723)</u>	<u>(604,769)</u>	<u>(438,982)</u>	<u>(361,218)</u>
Contribution deficiency (excess)	<u>\$ (45,699)</u>	<u>\$ (59,364)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,260,276	\$ 1,138,129	\$ 911,867	\$ 876,742
Contributions as a percentage of covered payroll	45.13%	53.14%	48.14%	41.20%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

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

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially required contribution	\$ 27,186	\$ 25,258	\$ 26,298	\$ 28,747
Contributions in relation to the contractually required contribution	(35,117)	(68,454)	(26,298)	(28,747)
Contribution deficiency (excess)	<u>\$ (7,931)</u>	<u>\$ (43,196)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 830,401	\$ 929,086	\$ 1,005,543	\$ 1,124,957
Contributions as a percentage of covered payroll	4.23%	7.37%	2.62%	2.56%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

**SCHEDULE OF CONTRIBUTIONS -  
FLORIDA RETIREMENT SYSTEM**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 117,941	\$ 109,212	\$ 89,976	\$ 57,988
Contributions in relation to the contractually required contribution	(117,941)	(109,212)	(89,976)	(57,988)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194	\$ 1,538,303
Contributions as a percentage of covered payroll	6.42%	6.39%	6.02%	3.77%

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

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

See notes to required supplementary information.



**City of Indian Harbour Beach, Florida**

**SCHEDULE OF CONTRIBUTIONS -  
HEALTH INSURANCE SUPPLEMENT**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 30,053	\$ 20,884	\$ 17,032	\$ 17,439
Contributions in relation to the contractually required contribution	<u>(30,053)</u>	<u>(20,884)</u>	<u>(17,032)</u>	<u>(17,439)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194	\$ 1,538,303
Contributions as a percentage of covered payroll	1.64%	1.22%	1.14%	1.13%

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

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

See notes to required supplementary information.

**City of Indian Harbour Beach, Florida**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2017**

**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, 2017, have been amended according to City procedures. All annual appropriations lapse at fiscal year-end.

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

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

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

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

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

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

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

City of Indian Harbour Beach, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

**NOTE B - SCHEDULE OF NET PENSION LIABILITY**

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the 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 I for reference to FRS CAFR information).

**NOTE D - SCHEDULE OF CONTRIBUTIONS**

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the 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 expenditures for particular purposes and are funds that were not deemed a major fund by GASB 34 standards.

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***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, 2017

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 24,059	\$ 13	\$ 166,788	\$ 190,860
Receivables	-	10	69	79
Total assets	<u>\$ 24,059</u>	<u>\$ 23</u>	<u>\$ 166,857</u>	<u>\$ 190,939</u>
<b>FUND BALANCE</b>				
Restricted fund balance	<u>\$ 24,059</u>	<u>\$ 23</u>	<u>\$ 166,857</u>	<u>\$ 190,939</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, 2017**

	Impound Fund	Police Training Fund	Stormwater Utility Fund	Total Other Governmental Funds
<b>REVENUES</b>				
Permits, fees and special assessments	\$ -	\$ -	\$ 217,967	\$ 217,967
Judgments, fines and forfeits	305	286	-	591
Interest and other earnings	10	-	348	358
Total revenues	<u>315</u>	<u>286</u>	<u>218,315</u>	<u>218,916</u>
<b>EXPENDITURES</b>				
Current				
Public safety	1,578	315	-	1,893
Capital outlay	-	-	51,487	51,487
Total expenditures	<u>1,578</u>	<u>315</u>	<u>51,487</u>	<u>53,380</u>
<b>Net change in fund balances</b>	<b>(1,263)</b>	<b>(29)</b>	<b>166,828</b>	<b>165,536</b>
Fund balances at October 1, 2016	<u>25,322</u>	<u>52</u>	<u>29</u>	<u>25,403</u>
Fund balances at September 30, 2017	<u><u>\$ 24,059</u></u>	<u><u>\$ 23</u></u>	<u><u>\$ 166,857</u></u>	<u><u>\$ 190,939</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, 2017

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Permits, fees and special assessments	\$ 217,873	\$ 217,967	\$ 94
Judgments, fines and forfeits	605	591	(14)
Interest and other earnings	286	358	72
Miscellaneous	1,263	-	(1,263)
Total revenues	<u>220,027</u>	<u>218,916</u>	<u>(1,111)</u>
<b>EXPENDITURES</b>			
Current			
Public safety	1,878	1,893	(15)
Capital outlay	218,149	51,487	166,662
Total expenditures	<u>220,027</u>	<u>53,380</u>	<u>166,647</u>
<b>Net change in fund balances</b>	-	165,536	165,536
Fund balances at October 1, 2016	<u>25,403</u>	<u>25,403</u>	<u>-</u>
Fund balances at September 30, 2017	<u><u>\$ 25,403</u></u>	<u><u>\$ 190,939</u></u>	<u><u>\$ 165,536</u></u>

See Independent Auditor's Report.



**CITY OF INDIAN HARBOUR BEACH, FLORIDA**

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

~

**MANAGEMENT LETTER**

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**INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE**

**September 30, 2017**

**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, 2017, 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 26, 2018.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Indian Harbour Beach, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 26, 2018  
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, 2017, and have issued our report thereon dated March 26, 2018.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 26, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority are disclosed in Note A-1 to the financial statements.

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Indian Harbour Beach has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Indian Harbour Beach did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted certain exceptions related to controls over payroll, and we recommend that management implement an improved review process, related to the exceptions noted.

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City of Indian Harbour Beach for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

## **Additional Matters**

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

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2018  
Melbourne, Florida

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

## INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

To the Honorable Mayor and City Council  
City of Indian Harbour Beach  
Indian Harbour Beach, 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, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2017.

Melbourne, Florida  
March 26, 2018

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