

**TOWN OF INDIAN RIVER
SHORES, FLORIDA**

**Basic Financial Statements and
Supplemental Information**

Year ended September 30, 2016



TOWN OF INDIAN RIVER SHORES, FLORIDA

Official Directory

September 30, 2016

Town Council

Brian M. Barefoot
Mayor

Gerard A. Weick
Vice Mayor

Thomas F. Slater
Councilmember

Michael B. Ochsner
Councilmember

Richard M. Haverland
Councilmember

Administrative

Robert H. Stabe, Jr.
Town Manager

Heather A. Christmas, CPA
Town Treasurer

Chester E. Clem
Town Attorney

Laura Aldrich
Town Clerk

Tetra Tech HAI
Town Engineer

Richard G. Rosell
Public Safety Director

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council
Town of Indian River Shores, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida (the "Town"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, funding progress for other post-employment benefit plan, changes in net pension liability, pension contributions and pension investment returns on pages 4 – 12 and 67 - 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Indian River Shores, Florida's basic financial statements. The combining and individual nonmajor fund financial statements and the supplemental information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supplemental information section 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 and individual nonmajor fund financial statements and the supplemental information section are fairly stated in all material respects in relation to the financial statements as a whole.

The combining and individual nonmajor fund financial statements and the supplemental information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, on our consideration of the Town of Indian River Shores, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Indian River Shores, Florida's internal control over financial reporting and compliance.

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

Melbourne, Florida

March 15, 2017

**TOWN OF INDIAN RIVER SHORES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

This management's discussion and analysis is designed as an objective overview and analysis of the Town of Indian River Shores' (the "Town") financial health and activities. The analysis provides summary financial information for the Town and should be read in conjunction with the accompanying financial statements and notes to the financial statements. Both current and prior year information is provided where appropriate to facilitate comparative analysis under the GASB 34 reporting model.

FINANCIAL HIGHLIGHTS

- Total net position at September 30, 2016 was \$9,274,971. Of this amount, \$1,973,496 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The combined ending fund balance of the governmental funds totaled \$4,794,682.
- The total revenue from all governmental fund sources (including sale of capital assets) was \$6,627,017, an increase of 4.2% from the prior year.
- The total expenditures for Town operations was \$6,250,479, a 6.4% increase from the prior fiscal year.
- By year end, the Town's total governmental funds net change in fund balance was \$376,538.
- The net increase in fund balance in the General Fund was \$29,183.
- In the General Fund, budgeted revenues exceeded actual amounts by \$16,440 while budgeted appropriations exceeded actual expenditures by \$29,176.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Town of Indian River Shores' 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.

1) Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Indian River Shores' finances in a manner similar to a private-sector business.

- The statement of net position presents information on all of the Town's assets and deferred outflows alongside the Town's liabilities and deferred inflows, with the difference reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

- The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).
- Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, certain fees and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs (business-type activities, such as utilities or a golf course). All of the Town's activities are included as governmental activities for fiscal year ended September 30, 2016.

2) Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: 1) governmental funds and 2) fiduciary 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Indian River Shores maintains five 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, Road and Bridge Fund, and Planning, Zoning & Building Fund, all of which are considered to be major funds for the current fiscal year. Data from the other governmental funds are combined into a single aggregated presentation in compliance with the GASB 34 reporting model.

The Town of Indian River Shores adopted an annual appropriated budget for each of its major funds for the fiscal year ended September 30, 2016. Budgetary comparison schedules have been provided for these funds to demonstrate the level of compliance with these budgets.

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 statements because the resources of those funds are not available to support the Town of Indian River Shores' own programs. These funds include an agency fund and several pension trust funds.

Town Council members sit as the appointed pension board trustees, or fiduciaries, for the Town's General Employee defined benefit plan and Other Post Employment Benefit trust. The Public Safety employees defined benefit plan has a separate pension board and the Town's defined contribution plan has no requirement for a pension board. The Town uses a third party to administrate each of its pension plans. The plan administrator is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Individual fund data for each of the fiduciary funds is combined in the accompanying fiduciary fund financial statements.

3) 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. Reference to the appropriate corresponding note is made next to certain line items on the face of the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for fiscal years ending September 30, 2016 and 2015 are shown below.

TOWN OF INDIAN RIVER SHORES' NET POSITION September 30,

	Governmental Activities	
	2016	2015
Current and other assets	\$ 5,006,297	\$ 4,875,522
Capital assets, net of depreciation	5,393,777	5,337,526
Total assets	10,400,074	10,213,048
Deferred outflows	1,478,989	1,922,032
Current liabilities	211,615	457,378
Non-current liabilities	2,315,691	2,866,160
Total liabilities	2,527,306	3,323,538
Deferred inflows	76,786	75,827
Net position:		
Net investment in capital assets	5,393,777	5,337,526
Restricted	1,907,698	1,546,696
Unrestricted	1,973,496	1,851,493
Total net position	<u>\$ 9,274,971</u>	<u>\$ 8,735,715</u>

The Statement of Net Position is a useful indicator of a governmental entity's financial health and stability over time. The Town of Indian River Shores experienced a net increase in the net position for fiscal year 2016 of \$539,256 and a net increase in the net position for fiscal year 2015 of \$568,291.

The Town, for both fiscal years, reports positive balances in all categories of net position in its governmental activities. The Town's unrestricted net position at September 30, 2016 increased by \$122,003 (7%) over fiscal year 2015. Restricted net position increased during fiscal year 2016 by \$361,002 (23%). The Town's net investment in capital assets increased by \$56,251 (1%) over fiscal year 2015. The investment in capital assets consists of 58% of the net position for fiscal year ending September 30, 2016 and 61% for fiscal year ending 2015.

Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of any related debt, it should be noted that the resources needed to repay any related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities, should they ever exist. For the fiscal year 2016 and 2015, there was no debt associated with capital assets.

The restricted net position represents resources that are subject to external restrictions on how they may be used. The road construction and maintenance restricted net position is generated by the Road and Bridge Fund while amounts restricted for building code enforcement are generated in the Planning, Zoning and Building Fund. The restricted balance increased by 23% from 2015 to 2016 primarily due to permit revenues being double the actual expenditures of the building department.

The unrestricted net position represents resources that may be used to meet the Town's ongoing obligations to citizens and creditors.

Fiscal year 2016 saw a decrease of \$443,043 in the deferred outflows of resources over 2015. This was offset by an increase in deferred inflows of resources of \$959. These items were related to amortization of the prior year gains/losses for the Town's two defined benefit plans under GASB 68. The outstanding balances of the deferred outflows and inflows at September 30, 2016 are \$1,478,989 and \$76,786, respectively.

Additionally, under GASB 68, the Town is required to report the net pension liability on the face of its financial statements. At September 30, 2016, the Town reported a net pension liability of \$1,500,439. This is a reduction of \$559,711 from 2015 which is due primarily to the investment income which came in higher than expectations.

ANALYSIS OF TOWN'S OPERATIONS

The following table provides a summary of the Town's operations for the year ended September 30, 2016 and 2015.

TOWN OF INDIAN RIVER SHORES' CHANGES IN NET POSITION		
All Governmental Activities		
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,128,492	\$ 1,084,078
Operating grants and contributions	97,776	83,241
Capital grants and contributions	1,794	59,257
General revenues:		
Property taxes	4,201,754	3,964,660
Discretionary sales surtax	533,876	514,841
Half-cent sales tax	286,413	276,214
Communications services tax	275,373	279,485
Other taxes	11,837	12,128
State shared revenues	64,960	63,234
Interest	18,243	20,963
Miscellaneous revenue	3,538	4,172
Gain (loss) on disposal of capital assets	1,821	4,291
Total revenues	<u>6,625,877</u>	<u>6,366,564</u>
Expenses:		
General government	1,628,654	1,731,957
Public safety	4,415,322	3,998,713
Cemetery	8,328	11,230
Transportation	15,759	41,575
Culture and recreation	18,558	14,798
Total expenses	<u>6,086,621</u>	<u>5,798,273</u>
Change in net position	<u>539,256</u>	<u>568,291</u>
Net position beginning of fiscal year	8,735,715	8,436,910
Prior period adjustment	-	(269,486)
Net assets beginning of fiscal year (restated)	<u>8,735,715</u>	<u>8,167,424</u>
Net position end of fiscal year	<u>\$ 9,274,971</u>	<u>\$ 8,735,715</u>

The 2016 revenues increased over 2015 revenues by \$259,313 (4%) primarily due to the increase property taxes as a result of the increases in property values of 5.9%.

Expenses during fiscal year 2016 exceeded 2015 by \$288,348 (5%) primarily due to the union negotiation which resulted in increased public safety department expenditures of \$450,000. This was offset by decreased spending in the proceedings against the City of Vero Beach in regards to electric rates of approximately \$140,000.

The following table depicts the program revenues collected for the current fiscal year, compared to the related program expenses.

TOWN OF INDIAN RIVER SHORES

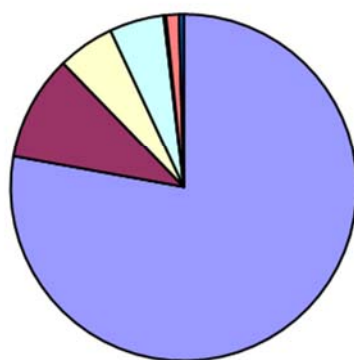
Expenses and Program Revenues-Governmental Activities

Fiscal year ended September 30, 2016

	Revenues	Expenses	Net (Expenses) Revenues
Postal center	\$ 236,422	\$ 258,179	\$ (21,757)
Public safety	149,386	4,057,056	(3,907,670)
Building department	718,486	358,266	360,220
Cemetery	2,200	8,328	(6,128)
Transportation	102,757	15,759	86,998
Community center	18,811	18,558	253
	<u>\$ 1,228,062</u>	<u>\$ 4,716,146</u>	<u>\$ (3,488,084)</u>

Revenues for the Town, other than charges for services and grants shown above, are generated from a number of different sources and are, for the most part, dependent on different financial factors. This relative mix of different revenue sources for fiscal year ended 2016 is illustrated in the chart below.

Revenue by Sources



- Property taxes
- Discretionary sales surtax
- Half-cent sales tax
- Communications services tax
- Other taxes
- Unrestricted state shared revenues
- Interest and other revenue

FINANCIAL ANALYSIS OF THE TOWN OF INDIAN RIVER SHORES' FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town of Indian River Shores' governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2016, the Town of Indian River Shores' governmental funds reported combined fund balances of \$4,794,682.

The General Fund is the chief operating fund of the Town. At September 30, 2016, the total fund balance in the General Fund was \$2,889,638 (60% of the total governmental fund balance), of which 79% was unassigned, which is a measurement of the General Fund's liquidity.

The General Fund's revenues and sales of assets for the fiscal year exceeded expenditures by \$29,183 or a net change of 1% over 2015. This was a result of the Town maintaining their budget using the savings of the attorney fees to offset the costs of the negotiated increased union salaries and benefits.

Special revenue funds are used to account for specific revenues and expenditures. The total governmental fund balance of the Road and Bridge Fund at September 30, 2016 was \$569,302 (12% of the total governmental fund balance), a decrease of \$4,907. This decrease was a result of using current revenues to complete the 2016 transportation projects and allowing the reserves to be used for future paving and repair projects.

The Planning, Zoning and Building Fund is still a self-sustaining fund, showing continuing upturn in net revenues in fiscal year 2015-2016, compared to several years prior. The total governmental fund balance of this fund at September 30, 2016 was \$1,318,349 (27% of the total governmental fund balance), an increase of \$345,862 due to revenue collections exceeding current costs. These reserves will help offset costs for when the economy takes a downturn.

The remaining special revenue fund is less significant at the current fiscal year end, with a positive fund balance of \$17,393 (less than .4% of the total governmental fund balance).

BUDGETARY HIGHLIGHTS

Budget to actual schedules are provided in the required supplementary information for each of the major funds. A budget column for both the original budget adopted for fiscal year ended 2016, as well as the final budget, is presented. A column for actual results follows those columns, with the variance then following as well.

Both original and final budgets are estimates based on information available to management prior to and just after year end. Differences between the original and final budget resulted in an increase in revenues of \$59,102 and an increase in appropriations by \$72,317. Revenue increases were a result of funds not previously anticipated including increased collections of property taxes, state revenues and the sale of surplus assets. The change in expenditures from the original budget are primarily due to the decrease in spending for the litigation against the City of Vero offset by increased spending as a result of negotiated salary and benefit increases for the Town's public safety department.

Revenue differences between final budget and actual results were minimal due to the adjustment performed after year end. The exception was the sale of surplus assets which was budgeted as miscellaneous revenue. The difference in the final budgeted appropriations and expenditures was due to two items. A built in contingency for the unknown nature of the litigation costs and workers compensation audit to be received after year end for fiscal year end. The difference then offset the public safety payable to the pension fund for contributions due to the union negotiation changing pension benefits effective October 1, 2015 but unknown until February 2017 when the actuary issues the impact statement.

CAPITAL ASSET ADMINISTRATION

The Town of Indian River Shores' investment in capital assets includes land, construction in progress, buildings, improvements other than buildings (which include infrastructure) and furniture, fixtures and equipment. The Town's capital assets as of September 30, 2016 reflect an investment of \$5,393,777 net of accumulated depreciation. A comparative summary of net capital assets by category follows:

	Capital Assets at Year End (net of depreciation)		
	2016	2015	Difference
Land	\$ 1,428,482	\$ 1,428,482	\$ -
Construction in progress	-	132,970	(132,970)
Buildings	1,607,518	1,668,873	(61,355)
Improvements other than buildings	514,961	329,553	185,408
Furniture, fixtures and equipment	1,842,816	1,777,648	65,168
Total capital assets	<u>\$ 5,393,777</u>	<u>\$ 5,337,526</u>	<u>\$ 56,251</u>

Major capital asset events during the current fiscal year include the following:

- Completion of progress on baffle box: \$3,600
- Fred Tuerk drainage project: \$54,000
- Town manager vehicle: \$25,000
- Vehicle road camera system: \$77,000
- New phone system: \$32,000
- Bunker gear, vests, fire air masks and air bottles: \$16,000
- Public Safety vehicle and related equipment: \$49,000
- Radios, computers, and other public safety equipment: \$120,000
- Depreciation expense: \$357,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates and fees to be charged for certain activities. One of those factors is the local economy. The following key economic factors reflect the Town's current operating environment:

- Recent property valuations for fiscal year 2017 show that there has been a continuing increase in the economy. The Town of Indian River Shores values increased modestly from \$2,595,827,089 to \$2,765,067,986 or 6.5%.
- The continued growth in the real estate market, construction and development will result in stable revenues from building permit fees for 2017. This will continue to increase the building department reserves.
- Sales tax revenues and franchise fees will continue to strengthen and are expected to continue this growth in the near future.

The budget adopted for the General Fund for fiscal year 2017 increased appropriations by 15% from actual results for the General Fund for fiscal year 2016. This is a result of increased funding for the salary and benefit increases resulting from the union negotiations, anticipation of the legal fees for the litigation with the City of Vero Beach, and anticipation of increased payments of the police and fire pension fund. These increased expenditures for the salary and benefits will be paid from increased ad valorem revenues. For the year ended September 30, 2017, the Town Council voted to increase the millage rate from 1.6786 to 1.7186. The legal fees will be paid from unrestricted reserves within the General Fund.

The Town's unassigned fund balance stands at \$2.27 million and should be adequate to cover unanticipated costs in the upcoming budget year. This balance will cover approximately 4 months of the General Fund's 2016 operating budgeted expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Indian River Shores for those interested in the Town's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Town's Finance Department, Town of Indian River Shores, 6001 A1A, Indian River Shores, Florida, 32963-1014, or irsta@irshores.com.

BASIC FINANCIAL STATEMENTS

Town of Indian River Shores, Florida

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents (Notes A-4, B)	\$ 4,753,607
Accounts receivable, net (Note A-5)	25,491
Due from other governments	98,060
Inventory (Note A-13)	29,213
Prepaid expenses (Note A-13)	99,926
Total current assets	<u>5,006,297</u>
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,428,482
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	1,607,518
Improvements other than buildings	514,961
Furniture, fixtures and equipment	1,842,816
Total capital assets	<u>5,393,777</u>
Total assets	<u>10,400,074</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred assumptions, contributions, and experience (Note G)	1,478,989
Total deferred outflow of resources	<u>1,478,989</u>
LIABILITIES	
Accounts payable	115,010
Accrued liabilities	69,009
Due to other governments	14,380
Deposits	2,734
Unearned revenue	10,482
Noncurrent liabilities:	
Due within one year	
Compensated absences (Notes A-8, E)	143,143
Other post employment benefits (Notes E, H)	15,000
Due in more than one year	
Other post employment benefits (Notes E, H)	657,109
Net pension liabilities	1,500,439
Total liabilities	<u>2,527,306</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPL), contributions, experience and investments (Note G)	76,786
Total deferred inflow of resources	<u>76,786</u>
NET POSITION	
Net investment in capital assets	5,393,777
Restricted for road construction and maintenance	569,302
Restricted for building code enforcement	1,318,349
Restricted for law enforcement	20,047
Unrestricted	1,973,496
Total net position	<u>\$ 9,274,971</u>

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

Town of Indian River Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2016

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
Town council	\$ 12,916	\$ -	\$ -	\$ -	\$ (12,916)
Town manager	184,931	-	-	-	(184,931)
Finance department	170,398	-	-	-	(170,398)
Town clerk	131,347	-	-	-	(131,347)
Postal center	258,179	236,422	-	-	(21,757)
Public works	90,358	-	-	-	(90,358)
Town attorney (Note J)	492,642	-	-	-	(492,642)
Planning board	9,048	-	-	-	(9,048)
Engineering and planning services	5,900	-	-	-	(5,900)
General administration	272,935	-	-	-	(272,935)
Public safety:					
Public safety department	4,057,056	135,806	13,580	-	(3,907,670)
Building department	358,266	718,486	-	-	360,220
Physical environment:					
Cemetery	8,328	2,200	-	-	(6,128)
Transportation:					
Road and offsite drainage	15,759	16,767	84,196	1,794	86,998
Culture and recreation:					
Community center	18,558	18,811	-	-	253
Total	<u>\$ 6,086,621</u>	<u>\$ 1,128,492</u>	<u>\$ 97,776</u>	<u>\$ 1,794</u>	<u>(4,858,559)</u>
General revenues:					
Taxes:					
Property taxes (Note A-10)					4,201,754
Discretionary sales surtax					533,876
Half-cent sales tax					286,413
Communications services tax					275,373
Other taxes					11,837
State shared revenues					64,960
Interest income					18,243
Miscellaneous revenue					3,538
Gain (loss) on disposal of capital assets					1,821
Total general revenues					<u>5,397,815</u>
Change in net position					539,256
Beginning net position					<u>8,735,715</u>
Ending net position					<u>\$ 9,274,971</u>

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

Town of Indian River Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2016

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Notes A-4, B)	\$ 2,829,887	\$ 564,825	\$ 1,341,502	\$ 17,393	\$ 4,753,607
Accounts receivable, net (Note A-5)	25,491	-	-	-	25,491
Due from other governments	93,101	4,959	-	-	98,060
Inventory (Note A-13)	29,213	-	-	-	29,213
Prepaid expenses (Note A-13)	99,926	-	-	-	99,926
Total assets	<u>\$ 3,077,618</u>	<u>\$ 569,784</u>	<u>\$ 1,341,502</u>	<u>\$ 17,393</u>	<u>\$ 5,006,297</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 106,723	\$ 482	\$ 7,805	\$ -	\$ 115,010
Accrued liabilities	68,041	-	968	-	69,009
Due to other governments	-	-	14,380	-	14,380
Deposits	2,734	-	-	-	2,734
Unearned revenue	10,482	-	-	-	10,482
Total liabilities	<u>187,980</u>	<u>482</u>	<u>23,153</u>	<u>-</u>	<u>211,615</u>
Fund balances (Notes A-11, F):					
Nonspendable:					
Prepays	99,926	-	-	-	99,926
Inventory	29,213	-	-	-	29,213
Restricted:					
Building code enforcement	-	-	1,318,349	-	1,318,349
Capital outlay	354,086	-	-	-	354,086
Law enforcement	20,047	-	-	-	20,047
Road construction and maintenance	-	569,302	-	-	569,302
Committed:					
Cemetery maintenance	117,244	-	-	-	117,244
Bike path construction and maintenance	-	-	-	17,393	17,393
Unassigned					
General fund	276,681	-	-	-	276,681
Emergency funds	1,992,441	-	-	-	1,992,441
Total fund balances	<u>2,889,638</u>	<u>569,302</u>	<u>1,318,349</u>	<u>17,393</u>	<u>4,794,682</u>
Total liabilities and fund balances	<u>\$ 3,077,618</u>	<u>\$ 569,784</u>	<u>\$ 1,341,502</u>	<u>\$ 17,393</u>	<u>\$ 5,006,297</u>

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

Town of Indian River Shores, Florida

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

September 30, 2016

Fund balances - total governmental funds	\$	4,794,682
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The net position reported for governmental activities
in the statement of net position is different because:

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

Land	\$	1,428,482	
Buildings, net		1,607,518	
Improvements other than buildings, net		514,961	
Furniture, fixtures and equipment, net		<u>1,842,816</u>	5,393,777

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		1,478,989
Deferred change in proportion (NPL), contributions, experience, and investments		(76,786)

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		(143,143)
Other post employment benefits		(672,109)
Net pension liabilities		(1,500,439)

Total net position of governmental activities	\$	<u><u>9,274,971</u></u>
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The accompanying notes are an integral part of this financial statement.

Town of Indian River Shores, Florida

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

Year ended September 30, 2016

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes (Note A-10)	\$ 4,201,754	\$ -	\$ -	\$ -	\$ 4,201,754
State shared revenues	64,960	21,653	-	-	86,613
Discretionary sales surtax	533,876	-	-	-	533,876
Communication services tax	275,373	-	-	-	275,373
Intergovernmental	286,742	62,543	-	-	349,285
Federal grant revenue	-	1,794	-	-	1,794
State grant revenue	13,580	-	-	-	13,580
Licenses and permits	-	-	700,044	-	700,044
Fines and forfeitures	7,937	-	5,254	-	13,191
Impact fees	-	7,872	-	6,400	14,272
Sale of burial rights	2,200	-	-	-	2,200
Other taxes	11,508	-	-	-	11,508
Post office fees	234,616	-	-	-	234,616
Ambulance service fees	104,781	-	-	-	104,781
Other fees and rents	26,346	-	1,672	-	28,018
Interest income	18,319	2,495	5,321	-	26,135
Miscellaneous revenue	3,270	-	6,195	-	9,465
Total revenues	5,785,262	96,357	718,486	6,400	6,606,505
EXPENDITURES					
Current					
General government	1,726,133	28,307	27,177	-	1,781,617
Public safety	3,670,140	-	345,447	-	4,015,587
Physical environment	7,810	-	-	-	7,810
Transportation	-	15,299	-	-	15,299
Culture and recreation	16,239	-	-	-	16,239
Capital outlay (Note C)	356,269	57,658	-	-	413,927
Total expenditures	5,776,591	101,264	372,624	-	6,250,479
Excess (deficiency) of revenues over (under) expenditures	8,671	(4,907)	345,862	6,400	356,026
OTHER FINANCING SOURCES					
Proceeds from sale of surplus	20,512	-	-	-	20,512
Total other financing sources	20,512	-	-	-	20,512
Net change in fund balances	29,183	(4,907)	345,862	6,400	376,538
Fund balances, beginning of year	2,860,455	574,209	972,487	10,993	4,418,144
Fund balances, end of year	\$ 2,889,638	\$ 569,302	\$ 1,318,349	\$ 17,393	\$ 4,794,682

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

Town of Indian River Shores, Florida

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

Year ended September 30, 2016

Net change in fund balances - total governmental funds	\$	376,538
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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.

Total capital outlay	\$	413,927	
Less depreciation		<u>(356,536)</u>	57,391

In the statement of activities, only the net loss on the sale and trade
of capital assets is reported. However, in the governmental funds,
the proceeds from the sale increase financial resources.

Thus, the change in net position differs from the change in fund balance.		(1,140)
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Some expenses reported in the statement of activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental funds. These
expenses are:

Net increase in compensated absences		(44,121)
Net decrease in other post employment benefits		34,879
Net decrease in pension expense		115,709

Change in net position of governmental activities	\$	<u><u>539,256</u></u>
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The accompanying notes are an integral part of this financial statement.

Town of Indian River Shores, Florida

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2016

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and investments in defined benefit plan - general employees (Notes A-4 and B)	\$ 723,443	\$ -
Cash and investments in defined benefit plan - public safety employees (Notes A-4 and B)	13,672,728	-
Cash and investments in other post-employment benefit plan (Notes A-4 and B)	412,937	-
Cash and cash equivalents in agency fund	-	8,875
Contribution receivable	93,995	-
Interest receivable	41,294	-
Total assets	<u>14,944,397</u>	<u>8,875</u>
LIABILITIES		
Accounts payable	<u>5,130</u>	<u>8,875</u>
Total liabilities	<u>5,130</u>	<u>\$ 8,875</u>
NET POSITION (Note G)		
Restricted for pension benefits and other purposes	<u>14,939,267</u>	
Total net position	<u>\$ 14,939,267</u>	

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

Town of Indian River Shores, Florida

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended September 30, 2016

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,194,648
Employee	177,528
State	<u>257,370</u>
Total contributions	<u>1,629,546</u>
Investment gain:	
Net increase in fair value of investments	1,218,526
Interests and dividends	<u>397,935</u>
Total investment gain	<u>1,616,461</u>
Total additions	<u>3,246,007</u>
DEDUCTIONS	
Distributions	717,557
Administrative expenses	
Trustee fees	5,451
Investment management fees	58,997
Attorney fees	33,796
Actuary fees	36,490
Other administrative fees	<u>17,306</u>
Total deductions	<u>869,597</u>
Change in net position	<u>2,376,410</u>
Plan net position at beginning of year	12,754,066
Prior period adjustment (Note A-15)	<u>(191,209)</u>
Plan net position at beginning of year, restated	<u>12,562,857</u>
Plan net position at end of year	<u><u>\$ 14,939,267</u></u>

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Indian River Shores, Florida (the "Town"), a political subdivision of the State of Florida located in Indian River County, was incorporated in June 1953. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (the "GASB"). The more significant accounting policies of the Town are described below.

1. Reporting entity

The Town was created and is governed by Special Act of the Legislature under Chapter 29163, Laws 1953, as amended by Ordinance Numbers 1 through 532. The Town is governed under the Town Manager-Council form of government and by the Town Charter and state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed Town Manager.

The Town engages in a comprehensive range of municipal services including general administration, public safety, administration of a community center, maintenance of roads and streets, postal services, and cemetery services.

The reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus be included in the Town's financial statements. The Town did not exercise oversight responsibility over any other potential component units. The financial statements of the Town consist only of the operations of the Town; thus, there are no component units included.

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Town's net position, the difference between the Town's assets and deferred outflows and the Town's liabilities and deferred inflows, as presented in the statement of net position, is subdivided into three categories: amounts invested in capital assets, restricted and unrestricted. The 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. Indirect expenses are costs the Town has allocated to functions through various allocation methods. 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 as general revenues.

Separate fund financial statements are provided for the governmental funds and fiduciary funds, although the latter is excluded from the government-wide financial statements. 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. Reconciliations are provided that convert the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting and financial statement presentation

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting 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 Town 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 thus, have been recognized as revenues of the current fiscal period. Investment earnings are recorded when earned.

The Town reports the following major governmental funds:

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

Road and Bridge Fund - The Road and Bridge Fund accounts for receipts of impact fees collected per dwelling unit from property developers upon issuance of building permits, in addition to local option gas tax and a portion of the state revenue sharing remitted by the State of Florida.

Planning, Zoning and Building Fund - The Planning, Zoning and Building Fund has been created for all building department revenues and expenditures. Additionally, this fund accounts for the receipt of County impact fees. These revenues are remitted to Indian River County. The Town may retain up to 2% of total impact fee revenues as an administrative service fee.

Additionally, the Town reports the following fund types:

Pension Trust Fund - This fund is used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and other governmental units. It accounts for the assets of the Town's defined benefit pension plans and the other post-employment benefit plan.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting and financial statement presentation (continued)

The Pension Trust Fund's measurement focus is on the determination of net income and financial position. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The Pension Trust Fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Pension Trust Fund uses the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Agency Fund - This fund is used to account for the building permit surcharge fees collected by the Town on behalf of the state. Agency funds are custodial in nature and do not involve measurement of results of operations but utilize the accrual basis of accounting.

4. Cash, cash equivalents, and investments

Cash includes demand deposits, cash on hand, and short-term investments with a maturity date within three months of the date acquired by the Town. The Town manages a common cash and investment pool for each fund. Each fund's share in the pool is displayed in the accompanying financial statements as cash and investments. Interest is allocated to the various funds based on each fund's average cash and investment balance where it is legally required to do so. Investments are reported at fair value in accordance with GASB 72 and changes in fair value are included in investment income.

5. Receivables

The Town's receivables consist of balances due from other government sources, businesses, and individuals. After reviewing the individual account balances, the Town's management has determined that 42% of accounts receivables are fully collectible. Therefore, an allowance for doubtful accounts of \$34,950 in ambulance receivables has been recorded as of September 30, 2016. All due from other governments receivables are deemed collectible at year end.

6. Interfund receivables and payables

Activity between the various funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to or due from other funds.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

Capital assets, which include land, buildings, improvements other than buildings, and furniture, fixtures, and equipment, are reported in the government-wide financial statements. The Town defines capital assets as assets that are capital in nature, that have an initial individual cost of more than \$500 and a life expectancy of more than one year. The cost of improvements and replacements that extend the useful lives of assets are capitalized. Repairs and maintenance costs that do not improve or extend the useful life of the respective assets are not capitalized.

Capital assets are stated at cost or, if donated, at estimated fair value at the date of donation. Contributions of fixed assets received from local sources are recorded as contributions when received. The cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts, and any resulting gain or loss is included in net income.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

<u>Asset class</u>	<u>Estimated useful lives (years)</u>
Buildings	5 - 40
Improvements other than buildings	5 - 30
Furniture, fixtures and equipment	3 - 43

General infrastructure assets acquired prior to October 1, 2003 are not reported in the basic financial statements.

8. Compensated absences

Compensated absences consist of vacation leave and compensatory time earned by employees based on services already rendered. Town policy permits employees to accumulate earned but unused vacation, compensatory and sick pay benefits. Town policy states that unused sick leave shall not be cashed out at time of separation from service with the Town; therefore, no liability for unpaid accumulated sick leave exists.

Employees earn vacation hours based on years of service to the Town and vacation hours must be used in the year they are accrued or they will be lost on the next anniversary date. In addition to vacation time, when an employee works hours which qualify for overtime pay, the Town may grant compensatory time in lieu of overtime pay at request of the employee.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Compensated absences (continued)

The Town's policy is to pay employees for unused vacation hours earned for the last year of employment and all compensatory hours at termination or retirement. The Town accrues compensated absences based on current compensation levels in accordance with accounting principles generally accepted in the United States of America. The entire compensated absences liability is reported on the government-wide financial statements.

9. 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.

10. Property tax

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 Indian River County Property Appraiser and Indian River County Tax Collector. The laws of the State of Florida 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, 2016, the Town's millage rate was 1.6786 mills. The tax levy of the Town is established by the Town Council prior to October 1st of each year and the Indian River County Property Appraiser incorporates the Town millages into the total tax levy, which includes Indian River County and the County School Board tax requirements among other overlapping governments.

All property is reassessed according to its fair market value on January 1st 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 at January 1, 2015, upon which the 2015-2016 levy was based, was approximately \$2.6 billion.

All taxes are due and payable on November 1st (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 paid in March are paid without discount. Current tax collections, net of discounts taken, for the year ended September 30, 2016 were approximately 96% of the total tax levy.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Property tax (continued)

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

11. Fund balance classification

The Town has adopted a Fund Balance Policy to comply with Governmental Accounting and Financial Standards Board Statement ("GASB") No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*; and to provide for the prudent disposition of excess funds realized in the General Fund. Within the governmental funds of the Town, the fund balance shall be composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

Fund Balance - Net position or the difference between assets and liabilities in a governmental fund.

Non-spendable Fund Balance - This classification represents funds that are inherently unavailable. Resources that must be maintained intact pursuant to legal or contractual requirements are nonspendable such as inventory and prepaid expenses.

Restricted Fund Balance - These funds are limited by externally enforceable limitations on use. This includes resources restricted by creditors, grantors, contributors, laws, regulations or other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Funds in this classification are those with limitations the Town's government places on itself. The purpose of these funds is decided by Council action and also requires Council action to change the purpose.

Assigned Fund Balance - Assigned fund balances have limitations based on the intended use of the funds. The assigned use can be established by the Council or the Town Manager as described in the financial statements and the fund balance may be used in the subsequent year's budget.

Unassigned Fund Balance - The residual classification for the General Fund net resources is the amount of fund balance referred to as "unreserved." It 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

Finally, the Town has designated a minimum level of unassigned fund balance:

The Town will establish and maintain an Unassigned Fund Balance that has not been restricted, committed or assigned to a specific purpose within the General Fund, and will retain at least the upper range minimum recommended balance of 15 percent of operating revenues, retaining in the unreserved Fund Balance an amount adequate to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and Town emergencies. This and future levels of funding shall require the approval of Town Council.

As of September 30, 2016, the Town has met the requirements of minimum funding.

12. Income tax

The Town 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.

13. Inventories and prepaids

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. Inventory consists of stamps used in the operation of the Postal Center. The costs of inventories are recorded as expenditures when used. Additionally, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

14. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets, liabilities, deferred inflows and deferred outflows, the disclosure of contingent assets, liabilities, deferred inflows and deferred outflows at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

15. Change in accounting principle

Beginning with the year ended September 30, 2016, the Town will no longer include the net position and changes in fiduciary net position for the Town's 401A Defined Contribution plan in its annual financial statements, as the funds held in the plan are held for the custody of the beneficiary and the Town has no fiduciary responsibility for the assets once the contributions have been remitted to the plan trustee. As a result of this change, the beginning net position of the fiduciary pension trust fund has been reduced by \$191,209.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Change in accounting policy (continued)

Additionally, beginning with the year ended September 30, 2016, the Town will report the Building Permit Surcharge fund as an Agency fund of the Town rather than a special revenue fund, as the fund does not meet the definition of a Special Revenue fund under GASB Statement No. 54. The revenue collected and deposited into this fund are on behalf of the State rather than the Town. This change did not change the beginning net position of the other governmental funds or governmental activities however for comparative purposes, including those of the accompanying schedules, this fund was previously located within the "Other Governmental Funds" column.

16. New Governmental Accounting Standards Board (GASB) pronouncements

For the year ended September 30, 2016, the Town implemented GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This statement expanded the disclosures for the Town's investments found in Note B to the financial statements.

For the year ended September 30, 2016, the Town implemented GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Issued June 2015 this statement was issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Town does not participate in any pension plans that do not fall within the scope of GASB 68, and the changes to GASB 67 and 68 do not affect the Town. Therefore, this Statement has no impact upon the Town.

For the year ended September 30, 2016, the Town implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply. This pronouncement did not impact the preparation of these financial statements.

For the year ended September 30, 2016, the Town implemented GASB Statement 79, *Certain External Investment Pools and Pool Participants*. This statement was issued to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement expanded the disclosures for the Town's investments with the SBA found in Note B to the financial statements.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Impact of Future Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for fiscal year 2017.

In June of 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this statement is to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (OPEB). It improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The requirements of this Statement are effective for fiscal year 2018.

In August 2015, GASB issued Statement 77, *Tax Abatement Disclosures* (GASB 77). This statement was issued to provide disclosure guidance to governments that enter into tax abatement agreements. Tax abatement agreements are used by state and local governments particularly to encourage economic development. The requirements of GASB 77 are effective for fiscal year 2017.

In December 2015, GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). This statement was issued to address an issue regarding the scope and applicability of GASB 68. The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of GASB 78 are effective for fiscal year 2017.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Impact of Future Pronouncements (continued)

In January 2016, GASB issued Statement 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement No. 14 (GASB 80). This statement was issued to amend the blending requirements for the financial statement presentation of component units of all state and local governments. The requirements of GASB 80 are effective for fiscal year 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 will be effective for the Town in fiscal year 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is effective for the Town in fiscal year 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83 is effective for the Town in fiscal year 2019.

The Town will implement new GASB pronouncements no later than the required effective date. The Town is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the Town's financial statements.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town had the following cash and investments at September 30, 2016:

	Fair Value	Weighted Average Maturity	Rating
Governmental Funds			
Cash	\$ 3,925,172	N/A	N/A
Money market account	760,157	N/A	N/A
Local government pooled investment accounts:			
Florida PRIME	68,278	0.14	AAAm (S&P)
	<u>\$ 4,753,607</u>		
Agency fund (Building Permit Surcharge fund)			
Cash	\$ 8,875	N/A	N/A
	<u>\$ 8,875</u>		
Pension trust funds			
Other Post-Employment Benefit Plan			
Cash and cash equivalents	\$ 826	N/A	N/A
Equity funds	290,708	N/A	Not Rated
Fixed income funds			
FMlvt Broad Market High Quality Bond	49,139	6.84	Aaf/S4 (Fitch)
FMlvt Core Plus Fixed Income Fund	72,264	5.90	Not Rated
	<u>412,937</u>		
General Employee Defined Benefit Plan			
Cash and cash equivalents	14,469	N/A	N/A
Equity funds	499,899	N/A	Not Rated
Fixed income funds			
FMlvt Broad Market High Quality Bond	79,579	6.84	Aaf/S4 (Fitch)
FMlvt Core Plus Fixed Income Fund	129,496	5.90	Not Rated
	<u>723,443</u>		
Fire and Police Defined Benefit Plan			
Cash and cash equivalents	252,984	N/A	N/A
Equity			
Common stock	7,551,161	N/A	Not Rated
International stocks	326,109	N/A	Not Rated
Total equity	<u>7,877,270</u>		
Fixed income			
U.S. government obligations	2,226,478	6.18	Aaa (Moody's)
Mortgage/asset backed securities	1,031,761	25.16	Aaa (Moody's)
Corporate bonds	2,284,235	6.32	Aa2-Baa3 (Moody's)
Total fixed income	<u>5,542,474</u>		
	<u>13,672,728</u>		
Total pension funds	<u>\$ 14,809,108</u>		

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

Deposits, FDIC and Qualified Public Depository

The Town's deposits and investments are insured by the Federal Depository Insurance Corporation for up to \$250,000. At September 30, 2016, the Town's cash and cash equivalent balances were fully insured. 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 Town 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.

External Investment Pool

The deposits with the State Board of Administration (the "SBA") 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 Statute. Section 218.407, Florida Statutes, governs the investing of public funds with the SBA. The investments with the SBA consist largely of federal agency obligations, repurchase agreements, banker's acceptance and commercial paper.

Under GASB 79, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

External Investment Pool (continued)

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Investments

The investments included in the Town's General Employee Defined Benefit Plan and Other Post-Employment Benefit Plan are with an investment pool and not the securities that make up the pool.

Interest rate risk - The interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The interest rate risk associated with the Town's investments are included in the above table calculated using the weighted average maturity (WAM) in years. The Town's investment policy does not limit its investment choices based on interest rate risk.

Credit risk - The Town's adopted investment guidelines require that the investments of the Town 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 accounts, securities and exchange commission required money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Town's investment policy does not further limit its investment choices. Ratings are set by nationally recognized statistical rating organizations (S&P, Fitch and Moody's).

As of September 30, 2016, Florida PRIME was rated by S&P as noted in the previous table. The credit risk associated with the pension plans are included in the previous table. The breakdown of the corporate bond types are as follows:

<u>Rating</u>	<u>Corporate bonds</u>
Aa2	\$ 50,518
Aa3	51,567
A1	403,061
A2	180,716
A3	370,466
Baa1	828,518
Baa2	294,922
Baa3	104,467
Total	<u>\$ 2,284,235</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

Investments (continued)

Fair value hierarchy - Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets or liabilities, that the Town has the ability to access at measurement date.

Level 2 - other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The Town's portfolio has the following recurring fair value measurements as of September 30, 2016:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	Total			
Debt securities				
U.S. government obligations	\$ 2,226,478	\$ -	\$ 2,226,478	\$ -
Mortgage/asset backed securities	1,031,761	-	1,031,761	-
Corporate bonds	2,284,235	-	2,284,235	-
Total Fixed income securities	5,542,474	-	5,542,474	-
Equity securities				
Common stock	7,551,161	7,551,161	-	-
International stocks	326,109	326,109	-	-
Total equity securities	7,877,270	7,877,270	-	-
Florida Municipal Investment Trust	1,121,085	-	1,121,085	-
Total investments measured by fair value	\$ 14,540,829	\$ 7,877,270	\$ 6,663,559	\$ -

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

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Town management's perceived risk of that investment.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

Investments (continued)

Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments categorized as Level 2 are valued at fair value based on the observable market prices on the underlying assets held by the pool or fund less liabilities. Investments held with the Florida Municipal Investment Trust are categorized as level 2 and are valued using the quoted value of the underlying assets or similar assets and multiplied by the Town's percentage of ownership in the pool.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,428,482	\$ -	\$ -	\$ 1,428,482
Construction in progress	132,970	57,658	190,628	-
Total capital assets not being depreciated	1,561,452	\$ 57,658	\$ 190,628	1,428,482
Capital assets, being depreciated:				
Buildings	3,169,644	\$ 6,300	\$ -	3,175,944
Improvements other than buildings	483,620	204,737	-	688,357
Furniture, fixtures and equipment	3,026,588	335,860	103,338	3,259,110
Total capital assets being depreciated	6,679,852	\$ 546,897	\$ 103,338	7,123,411
Less accumulated depreciation for:				
Buildings	1,500,771	\$ 67,655	\$ -	1,568,426
Improvements other than buildings	154,067	19,329	-	173,396
Furniture, fixtures, and equipment	1,248,940	269,552	102,198	1,416,294
Total accumulated depreciation	2,903,778	\$ 356,536	\$ 102,198	3,158,116
Total capital assets being depreciated, net	3,776,074			3,965,295
Governmental activities capital assets, net	\$ 5,337,526			\$ 5,393,777

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - CAPITAL ASSETS (continued)

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

General government	\$ 49,851
Public safety	292,869
Public works	7,601
Culture and recreation	5,980
Physical environment	<u>235</u>
	<u><u>\$ 356,536</u></u>

NOTE D - LINE OF CREDIT

On December 19, 2013, the Town established a \$1,000,000 bank line of credit to finance extraordinary expenditures in the event the Town encounters an emergency situation or occurrence in order to serve the public purpose of protecting and preserving the public health safety and general welfare of the citizens and residents of the Town and property located therein. The line was renewed on August 14, 2015 with no maturity date. The line bears interest at prime plus 0.50% per annum. It is secured by all Non-Ad Valorem revenues. There is no commitment fee associated with this line of credit. As of September 30, 2016, there was no outstanding balance on the line of credit and no amounts were drawn on the line during the fiscal year.

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, 2016:

	Balance at October 1, 2015	Increase	Decrease	Balance at September 30, 2016	Due within one year
Accrued compensated absences (Note A-8)	\$ 99,022	\$ 291,609	\$ 247,488	\$ 143,143	\$ 143,143
Net pension liability	2,060,150	1,624,424	2,184,135	1,500,439	-
Other post employment benefits	<u>706,988</u>	<u>164,892</u>	<u>199,771</u>	<u>672,109</u>	<u>15,000</u>
	<u><u>\$2,866,160</u></u>	<u><u>\$2,080,925</u></u>	<u><u>\$2,631,394</u></u>	<u><u>\$ 2,315,691</u></u>	<u><u>\$ 158,143</u></u>

Compensated absences, net pension liability and other post-employment benefits in the governmental activities are classified as non-current liabilities and are typically liquidated by the General and Planning, Zoning and Building funds.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F - FUND EQUITY AND NET POSITION

Restrictions - In the fund financial statements, governmental funds report restricted, committed and assignment of fund balances with limitations imposed by creditors, grantors, laws, regulations, or enabling legislation; that can be used only for the specific purposes determined by a formal action; that are intended to be used for specific purposes that are neither considered restricted nor committed. The following describes the restricted, committed and assigned fund balances used by the Town:

The Town establishes the following restricted fund balances:

Road construction and maintenance - This restriction of fund balance was established by the Town Council to account for special revenues for road, bridge, sidewalk type expenses and improvements and transportation related expenditures. The fund collects the Local Option Gas Tax, under Sections 206.41(1)(e), 206.87 (1)(c), and 336.135 of FL Statutes and a portion of the Revenue Sharing revenue coming from the state for the 8th cent motor fuel tax, and a Special Fuel and Motor Fuel Use Tax, which is allocated according to the percentage determined by the state and authorized under the Municipal Revenue Sharing Program Section 206.605(1), 206.879(1), 212.20(6) and 218.20-.26 of FL Statutes.

Building code enforcement - This restriction of fund balance was established by Florida Statute 553.80(1)(g) for the collection of building code inspection fees to be used for the enforcement of the Florida Building Code as enacted by the Town of Indian River Shores Ordinance No. 506 for the specific purpose revenues.

Law Enforcement – This restriction of fund balance was to account for funds received by forfeiture under Florida Statutes 932.7055. Such proceeds and interest earned therefrom shall be used for school resource officer, crime prevention, safe neighborhood, drug abuse education and prevention programs, or for other law enforcement purposes, which include defraying the cost of protracted or complex investigations, providing additional equipment or expertise, purchasing automated external defibrillators for use in law enforcement vehicles, and providing matching funds to obtain federal grants. The proceeds and interest may not be used to meet normal operating expenses of the law enforcement agency. These funds will transferred to a separately created special revenue fund in fiscal year 2017.

Capital outlay - This restriction of fund balance was established under Florida Statute 212.055(2)(d) for use of proceeds of the one-cent, voter-approved local government infrastructure surtax.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F - FUND EQUITY AND NET POSITION (continued)

The Town has established the following committed fund balances:

Cemetery maintenance - This restriction of fund balance was established by Resolution 104 of the Town Council in 1972 for upkeep and maintenance of the cemetery

Bike path construction and maintenance - This restriction of fund balance was established by the Town of Indian River Shores Ordinance No. 506 for the specific purpose of maintaining the Town's bike path.

The activity in the restricted, committed and assigned fund balances during the year ended September 30, 2016 are as follows:

	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016
Restricted:				
Building code enforcement	\$ 972,487	\$ 718,486	\$ 372,624	\$ 1,318,349
Capital outlay	161,613	535,163	342,690	354,086
Law enforcement	-	20,047	-	20,047
Road construction and maintenance	574,209	96,357	101,264	569,302
Committed:				
Cemetery maintenance	122,243	2,811	7,810	117,244
Bike path construction and maintenance	10,993	6,400	-	17,393
	<u>\$ 1,841,545</u>	<u>\$ 1,379,264</u>	<u>\$ 824,388</u>	<u>\$ 2,396,421</u>

NOTE G - PENSION PLANS

The Town maintains two defined benefit pension plans and a defined contribution pension plan. The defined contribution is a two part plan: an employer funded defined contribution and an employee funded deferred compensation plan. These, as well as the Town of Indian River Shores Defined Benefit plans, are outlined below. The Town has authority to establish and amend the plans provided such does not diminish or adversely affect benefit provisions.

Effective May 1, 2013, the Town's General Employees' Defined Benefit Plan was closed to new participants. All new non-Public Safety Officers may only participate in the defined contribution plan.

Public Safety Officers may only participate in the Public Safety Officers & Firefighters Defined Benefit Plan. Public Safety Officers are also automatically enrolled in the Public Safety Officer Share Plan. Voluntary additional contributions into a deferred compensation plan may be made by employees participating in either plan.

A schedule of net position and statements of changes in net position for each of the plans are found on the following pages.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

**Fiduciary Plan Net Position
September 30, 2016**

	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post- Employment Benefit Plan	Total Pension Trust Funds
ASSETS				
Cash and investments (Note B)	\$ 13,672,728	\$ 723,443	\$ 412,937	\$ 14,809,108
Interest receivable	41,294	-	-	41,294
Contribution receivable	93,215	780	-	93,995
Total assets	<u>13,807,237</u>	<u>724,223</u>	<u>412,937</u>	<u>14,944,397</u>
LIABILITIES				
Accounts payable	<u>4,664</u>	<u>363</u>	<u>103</u>	<u>5,130</u>
Total liabilities	<u>4,664</u>	<u>363</u>	<u>103</u>	<u>5,130</u>
NET POSITION				
Restricted for pension benefits and other purposes	<u>13,802,573</u>	<u>723,860</u>	<u>412,834</u>	<u>14,939,267</u>
Total net position	<u>\$ 13,802,573</u>	<u>\$ 723,860</u>	<u>\$ 412,834</u>	<u>\$ 14,939,267</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

**Changes in Fiduciary Plan Net Position
For the Year Ended September 30, 2016**

	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post- Employment Benefit Plan	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 900,609	\$ 106,039	\$ 188,000	\$ 1,194,648
Employee	154,633	22,895	-	177,528
State	257,370	-	-	257,370
Total contributions	1,312,612	128,934	188,000	1,629,546
Investment gain:				
Net increase in fair value of investments	1,129,490	54,062	34,974	1,218,526
Interests and dividends	397,935	-	-	397,935
Total investment gain	1,527,425	54,062	34,974	1,616,461
Total additions	2,840,037	182,996	222,974	3,246,007
DEDUCTIONS				
Distributions	669,162	48,395	-	717,557
Administrative expenses				
Trustee fees	5,451	-	-	5,451
Investment management fees	58,997	-	-	58,997
Attorney fees	33,796	-	-	33,796
Actuary fees	36,490	-	-	36,490
Other administrative fees	10,657	5,797	852	17,306
Total deductions	814,553	54,192	852	869,597
Change in net position	2,025,484	128,804	222,122	2,376,410
Plan net position at beginning of year	11,777,089	595,056	190,712	12,562,857
Plan net position at end of year	\$ 13,802,573	\$ 723,860	\$ 412,834	\$ 14,939,267

1. Defined contribution plan & deferred compensation plan

Defined Contribution Plan Description:

The Defined Contribution Plan is a single-employer plan and is administered by the Florida Municipal Pension Trust Fund ("FMPTF"). It covers all full time employees, except public safety officers, who elect to participate. Effective May 1, 2013, all new non-public safety officers may only participate in this plan. As of September 30, 2016, membership in the plan consists of seven active employees and one inactive employee. The plan may be amended by ordinance of the Town Council. The Town does not issue a stand-alone plan financial report.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

1. Defined contribution plan & deferred compensation plan (continued)

Defined Contribution Funding Policy:

The plan specifies employer contributions as “matching”, meaning the Town will contribute up to 11% of each participating employee’s base compensation if the employee contributes up to 5%, (before taxes), of their base compensation to the 457(b) Deferred Compensation Plan. Employees may contribute less than 5% with a matching rate from the Town of 2%-8%. Employees may join the defined contribution plan only after completing 1,000 hours of service within a consecutive twelve month period. Following completion of the required hours, employees may first become a member on the earlier of October 1 or April 1, whichever comes first. Participants become 20% vested in the values resulting from employer contributions plus earnings after 3 years of employment service. Vesting increases by 20% for each additional year of employment with participants becoming fully vested after 7 years. The Town’s current year contributions to the defined contribution plan totaled \$43,991.

As noted in A-15, beginning with the year ended September 30, 2016, the Town will no longer include the net position and changes in fiduciary net position for the Town’s Defined Contribution plan in its annual financial statements, as the funds held in the plan are held for the custody of the beneficiary and the Town has no fiduciary responsibility for the assets once the contributions have been remitted to the plan trustee.

Deferred Compensation Plan Description:

The Town became a participating employer in the FMPTF 457(b) Deferred Compensation Plan in October 2005. This plan allows any employee from any department aside from public safety officers to participate, subject to federal contribution limits. The plan 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.

Deferred Compensation Funding Policy:

To be eligible for the Defined Contribution Plan, employee participants must contribute to the deferred compensation plan (up to 5%). Other employees’ contributions to this deferred compensation plan are discretionary, subject to federal limits. Employees may begin participating in this plan immediately upon hire and enrollment, with the required documents, but no later than entry date to the defined contribution plan, if eligible and participation is elected. Employee contributions totaled \$19,996 for the current year.

All assets and income of the deferred compensation plan through FMPTF are held in trust for the exclusive benefit of the participants and their beneficiaries and are 100% vested upon contribution. Therefore, assets of the plan are not reportable in the accompanying financial statements.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan

Effective May 1, 2013, the Town Council closed the plan to new participants.

Plan Description:

The General Employees Defined Benefit Plan is a single-employer defined benefit pension plan administered by the FMPTF. The Town Council for the Town of Indian River Shores serves as the Pension Board of the General Employees' Defined Benefit Plan. The General Employees Defined Benefit Plan covers all the Town's non-public safety full-time employees that have elected to participate in the plan. Membership in the plan consists of 3 active and 3 inactive employees receiving benefits at September 30, 2016.

The defined benefit plan provides retirement and death benefits to plan members and beneficiaries. It is reported as a pension trust fund and is included as part of the Town's reporting entity. The plan may be amended by ordinance of the Town Council.

The Town does not issue a stand-alone plan financial report for the General Employees Defined Benefit Plan. It is reported as a pension trust fund and is included as part of the Town's reporting entity.

The following is a description of the benefit terms under this plan:

Types of benefits offered: Retirement, disability, and pre-retirement death benefits

Basic pension formula: 2.75% of average earnings x service

Normal retirement age: Age 55 with at least five years of service (Town Manager)
Age 62

Early retirement age: Age 55 with at least seven years of service

Early retirement adjustment: Early retirement pension is reduced by 2% for each year by which the early retirement date precedes the normal retirement date.

Disability pension: Larger of basic pension formula or 42% of average earnings (for service-connected disabilities). Larger of basic pension formula or 25% of average earnings (for non-service-connected disabilities if the participant has earned at least 10 years of service)

Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other Town-provided disability compensation from exceeding average earnings.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Pre-retirement death benefit: Basic pension formula payable for 10 years or one-half of the 50% joint and contingent annuity payable for life at early or normal retirement age (payable to the spouse of a vested married participant)

Basic pension formula payable for 10 years at early or normal retirement age (payable to the beneficiary of a vested unmarried participant)

Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)

Vesting requirement: 20% vesting for each year of service in excess of two years of service; 100% vesting at seven years of service

Average earnings: Average of the last five years of pensionable earnings

Cost-of-living adjustment: No automatic cost-of-living adjustment is provided.

Legal authority: The plan was established effective May 1, 1999 pursuant to Town ordinance and has been amended several times since that date.

Changes: The benefit terms did not change from the prior measurement date.

Funding Policy:

General Employees Defined Benefit Plan members are required to contribute a minimum of 5% and may be required to contribute up to a maximum of 9% (before taxes) of their annual compensation. The Town is required to contribute at an actuarially determined amount. When the employer's required contribution exceeds 11% of covered payroll (meaning the plan is under-funded), the excess liability is to be split by the Town and the active employee participants. The excess contributions are allocated between the Town and active employees in direct proportion to the employee contributions to the employer contributions. The Town and the employees split the excess liability up until the employee contribution reaches the maximum of 9%.

The Town's annual required contribution rate for the year ended September 30, 2016 was 41.45% of covered payroll. The Town contributed \$108,876 for the year ended September 30, 2016. Administrative costs are financed through investment earnings.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Net Pension Liability:

The components of the net pension liability at September 30, 2016 were as follows:

<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Funded Percentage</u>
\$ 815,281	\$ 723,443	\$ 91,838	88.74%

The change in the net pension liability for the year ended September 30, 2016 were as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance as of September 30, 2015	\$ 609,331	\$ (590,990)	\$ 18,341
Change due to:			
Service cost	63,621	-	63,621
Expected interest growth	48,718	(47,211)	1,507
Unexpected investment income	-	(6,851)	(6,851)
Demographic experience	(276)	-	(276)
Employer contributions	-	(108,876)	(108,876)
Employee contributions	-	(23,640)	(23,640)
Benefit payments & refunds	(48,395)	48,395	-
Administrative expenses	-	5,730	5,730
Changes in benefit terms	-	-	-
Assumption changes	142,282	-	142,282
Balance as of September 30, 2016	<u>\$ 815,281</u>	<u>\$ (723,443)</u>	<u>\$ 91,838</u>

The net pension liability was determined based on the following information:

Employer's reporting date: September 30, 2016

Measurement date: September 30, 2016

Actuarial valuation date: October 1, 2015

Actuarial assumptions:

Discount rate: 7.50% per annum (2.89% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.

Salary increases: 5.00% per annum

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Cost-of-living increases:	None assumed
Mortality basis:	Sex-distinct rates set forth in the 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, and set back two years; future generational improvements in mortality have not been reflected.
Retirement:	Retirement is assumed to occur at the later of normal retirement age or one year after the valuation date.
Other decrements:	None assumed.
Non-investment expenses:	\$3,500 per year
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Changes:	Since the prior measurement date, the discount rate was decreased from 9.59% per annum to 7.50% per annum.

Determination of the Long-Term Expected Rate of Return on Plan Assets:

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 in the following table:

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	12.00%	0.50% per annum
Multi-sector	18.00%	1.00% per annum
U.S. large cap equity	47.00%	6.00% per annum
U.S. small cap equity	13.00%	6.75% per annum
Non-U.S. equity	10.00%	6.75% per annum
Weighted arithmetic average	100.00%	4.61% per annum

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Town 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.

Comparison of Net Pension Liability Using Alternative Discount Rates:

	Discount Rate Minus 1.00%	7.50% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 901,399	\$ 815,281	\$ 741,621
Less fiduciary net position	(723,443)	(723,443)	(723,443)
Net pension liability	<u>\$ 177,956</u>	<u>\$ 91,838</u>	<u>\$ 18,178</u>

Deferred Inflow and Outflow of Resources

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2015		\$ 43,290	\$ 75,827
Change due to:			
Amortization payments		(26,632)	(10,396)
Investment gain/loss	3-4 years	-	6,851
Demographic gain/loss	9 years	-	276
Assumption changes	9 years	142,282	-
Total change		<u>115,650</u>	<u>(3,269)</u>
Balance as of September 30, 2016		<u>\$ 158,940</u>	<u>\$ 72,558</u>

The following schedule discloses the amounts of deferred inflows and outflows to be used as reductions and additions to the net pension liability:

Net pension liability as of September 30, 2015	\$ 18,341
Plus pension expense for the 2015/16 fiscal year	63,454
Minus employer contribution for the 2015/16 fiscal year	(108,876)
Plus change in balance of deferred outflows of resources	115,650
Minus change in balance of deferred inflows of resources	<u>3,269</u>
Net pension liability as of September 30, 2016	<u>\$ 91,838</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Pension Expense
2017	\$ 16,236
2018	16,234
2019	17,089
2020	6,267
2021	7,638
Thereafter	22,918
	<u>\$ 86,382</u>

Additional Information:

With the implementation of GASB Statement 68 in fiscal year 2015 pension accounting is no longer tied to the funding process. As stated by the GASB, "after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits." However, the Town believes that this amount is still important for the readers of the financial statements to know. The Town uses an actuarially determined unfunded liability to calculate its funding each year. The latest balance is \$273,767 as of September 30, 2016. Further information regarding the unfunded actuarial accrued liability and its calculations can be found in the latest actuarial valuations which can be obtained by a request to the Town.

3. Public Safety Officers & Firefighters Defined Benefit Plan

Plan Description:

The Public Safety Officers & Firefighters Defined Benefit Plan is a single-employer defined benefit pension plan administered by Foster & Foster. The Public Safety Officers & Firefighters Defined Benefit Plan is governed by an independent Board of Trustees consisting of two elected members of the Plan, two Town appointees, and a fifth trustee elected by the other four trustees. Members are eligible to participate immediately upon hire as a Public Safety Officer or Firefighter.

The Plan covers all the Town's full-time public safety officers. Membership in the plan consists of 21 active employees, 11 retirees, 1 beneficiary and 2 terminated vested at September 30, 2016.

The Town does not issue a stand-alone plan financial report for the Public Safety Officers & Firefighters Defined Benefit Plan. It is reported as a pension trust fund and is included as part of the Town's reporting entity.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

The following is a description of the benefit terms under this plan:

Types of benefits offered: Retirement, termination, disability and death benefits

Basic pension formula: Hired before October 1, 2012: 2.75% of Average Final Compensation (AFC) times Credited Service, limited to 100% or AFC

Hired after October 1, 2012: 2.00% of Average Final Compensation (AFC) times Credited Service, limited to 100% or AFC

Normal retirement age: Age 50 with at least seven years of credited service

Disability pension: Larger of basic pension formula or 42% of average earnings (for service-connected disabilities)

Larger of basic pension formula or 25% of average earnings (for non-service-connected disabilities if the participant has earned at least 10 years of service)

Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other Town-provided disability compensation from exceeding average earnings.

Pre-retirement death benefit: Accrued benefit payable at Normal Retirement. The benefit payable as a 10 Year Certain and Life for the Beneficiary (payable to the beneficiary of a vested participant)

Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)

Vesting requirement: 20% vesting for each year of service in excess of two years of service; 100% vesting at seven years of service

Average earnings: Average compensation for the best five (5) out of the last ten (10) years of Credited Service.

Cost-of-living adjustment: No automatic cost-of-living adjustment is provided.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

Changes: For measurement date September 30, 2016, the following changes were made to the benefits of plan members:

- A reduction in member contribution rate for members hired after October 1, 2012
- A reduction in age for the normal retirement eligibility
- Removal of the early retirement option
- Addition of a partial lump sum option available to members not participating in DROP
- A DROP retirement option upon eligibility for Normal Retirement

Funding Policy:

Public Safety Officers & Firefighters Defined Benefit Plan contributions are based on actuarially determined amounts. The base member contribution rate is 5% of earnings, with an adjustment to reflect 31.25% of the total minimum required contribution below 14.5% of payroll or above 16.0% of payroll. The member contribution cannot exceed 9.0% of earnings. The remaining required amount is paid by the Town.

The Town's annual required contribution rate for the year ended September 30, 2016 was 57.89% of covered payroll. This rate was developed in the October 17, 2016, Actuarial Impact Statement (AIS) prepared upon completion of the current union contract. The Town contributed \$900,609 for the year ended September 30, 2016. Administrative costs are financed through investment earnings.

Net Pension Liability:

The components of the net pension liability at September 30, 2016 were as follows:

Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Funded Percentage
\$15,205,937	\$13,797,336	\$ 1,408,601	90.74%

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

The change in the net pension liability for the year ended September 30, 2016 were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2015	\$13,787,463	\$(11,745,654)	\$ 2,041,809
Change due to:			
Service cost	307,087	-	307,087
Interest	871,471	-	871,471
Share plan allocation	257,370		257,370
Differences between expected and actual experience	(5,073)	-	(5,073)
Changes in benefit terms	183,569	-	183,569
Assumption changes	473,212	-	473,212
Employer contributions	-	(930,552)	(930,552)
State contributions	-	(257,370)	(257,370)
Employee contributions	-	(145,727)	(145,727)
Net investment income		(1,462,352)	(1,462,352)
Benefit payments & refunds	(669,162)	669,162	-
Administrative expenses	-	75,157	75,157
Balance as of September 30, 2016	<u>\$15,205,937</u>	<u>\$(13,797,336)</u>	<u>\$ 1,408,601</u>

The net pension liability was determined based on the following information:

Employer's reporting date: September 30, 2016

Measurement date: September 30, 2016

Actuarial valuation date: October 1, 2015 (AIS October 17, 2016)

Actuarial assumptions:

Discount rate: 6.25% per annum; this rate was used to discount all future benefit payments.

Asset method: Fair Market Value, net of investment related expense

Inflation: 2.00%

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

Salary increases: 5.25%

Cost-of-living increases: None assumed

Mortality basis: *Healthy Lives:*
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB
Male: RP2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB

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.

Normal retirement: For Members retiring with less than 25 years of Credited Service, 50% per year prior to age 55, with 100% assumed retirement at age 55.

For Members retiring with at least 25 years of Credited Service, 50% per year for the first two years of eligibility, and 100% upon the completion of 27 years of Credited Service.

Regardless of the number of years of credited service, 100% retirement is assumed at age 55.

Early Retirement: Removed with Ordinance No. 527.

Termination Rate: 5% probability for less than 5 years' service and 2% thereafter.

Other decrements: Disability ranging from 0.09% to 1.04% depending on age.

Future contributions: Contributions from the employer and employees are assumed to be made as legally required.

Changes: - A change was made to the assumed rates of normal retirement.

- For compliance with Chapter 2015-157, Laws of Florida, this valuation of the Plan incorporates the special risk mortality assumption utilized in the July 1, 2015 valuation for the Florida Retirement System.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

- The administrative expense assumption was changed from 1.00% of Total Annual Payroll to actual administrative expenses incurred by the Plan for the prior fiscal year.

Determination of the Long-Term Expected Rate of Return on Plan Assets:

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 in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	60.00%	7.50%
Broad Market Fixed Income	40.00%	2.50%
Weighted arithmetic average	100.00%	6.25%

The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Town 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.

Comparison of Net Pension Liability Using Alternative Discount Rates:

	Discount Rate Minus 1.00%	6.25% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 16,891,834	\$ 15,205,937	\$ 13,818,441
Less fiduciary net position	(13,797,336)	(13,797,336)	(13,797,336)
Net pension liability	<u>\$ 3,094,498</u>	<u>\$ 1,408,601</u>	<u>\$ 21,105</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

Deferred Inflow and Outflow of Resources

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2015		\$ 1,878,742	\$ -
Change due to:			
Amortization payments		(322,073)	(845)
Investment gain/loss	5 years	(709,832)	-
Expected & actual experience	7 years	-	5,073
Assumption changes	6 years	473,212	-
Total change		<u>(558,693)</u>	<u>4,228</u>
Balance as of September 30, 2016		<u>\$ 1,320,049</u>	<u>\$ 4,228</u>

The following schedule discloses the amounts of deferred inflows and outflows to be used as reductions and additions to the net pension liability:

Net pension liability as of September 30, 2015	\$2,041,809
Plus pension expense for the 2015/16 fiscal year	1,117,635
Minus employer/state contribution for the 2015/16 fiscal year	(1,187,922)
Minus change in balance of deferred outflows of resources	(558,693)
Minus change in balance of deferred inflows of resources	<u>(4,228)</u>
Net pension liability as of September 30, 2016	<u>\$1,408,601</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Pension Expense
2017	\$ 321,228
2018	321,230
2019	321,229
2020	105,084
2021	247,050
Thereafter	-
	<u>\$ 1,315,821</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

3. Public Safety Officers & Firefighters Defined Benefit Plan (continued)

Additional Information:

With the implementation of GASB Statement 68 in fiscal year 2015, pension accounting is no longer tied to the funding process. As stated by the GASB, "after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits." However, the Town believes that this amount is still important for the readers of the financial statements to know. The Town uses an actuarially determined unfunded liability to calculate its funding each year. The latest balance is \$1,506,550 as of September 30, 2016. Further information regarding the unfunded actuarial accrued liability and its calculations can be found in the latest actuarial valuations which can be obtained by a request to the Town.

4. Public Safety Officer Share Plan

Plan Description:

The Town's Public Safety Officer Share Plan was adopted to implement the provisions of Chapters 175 and 185, Florida Statutes, and to provide a mechanism to pay required "extra benefits" to the public safety officers based on the growth of insurance premium tax revenue pursuant to Chapters 175 and 185. The monies are to be an additional benefit to the public safety officers that are participants of the Town's defined benefit plan mentioned above; 21 employees at September 30, 2016. In accordance with provisions of Florida Statute 175 and 185, each participant is entitled to one share for each year of credited service as a public safety officer of the Town, measured from October 1, 2006.

The Board of Trustees for Public Safety Officers & Firefighters Defined Benefit Plan governs this plan and is administered by Foster & Foster. The activity of the plan is included with the Public Safety Officers & Firefighters Defined Benefit Plan.

At September 30, 2016, the balance of this plan was \$1,635,101.

Funding Policy:

The monies to fund this plan shall be derived exclusively from monies received from the state and not from any additional taxes levied by the Town. The Town shall bear no expense in respect to the operation of this plan. The Board of Trustees shall pay all costs and expenses associated with the management and operation of this plan for the year. They may also set aside monies needed to cover expenses for the next fiscal year. After all expenses are covered, the Board of Trustees will then allocate and credit to the fund all monies left over on behalf of the participants of the plan. State contributions for the fiscal year ended September 30, 2016 totaled \$257,370.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - PENSION PLANS (continued)

5. Deferred Retirement Option Plan

Effective October 1, 2015, when a member of the Public Safety Officers & Firefighters Defined Benefit Plan reaches retirement eligibility, there is a deferred retirement option plan (DROP). When an employee elects to enter a DROP, they continue working, but all pension contributions stop and the pension benefit earned begins accruing for that individual in a separate account. However, a Member who enters the DROP and who is otherwise eligible to participate will continue participation in the Share Account benefit. At termination of employment, the employee has an option of a lump sum payment or roll over into a tax deferred account.

At September 30, 2016, there were no participants nor amounts deferred within the DROP plan.

6. Partial Lump-Sum Option Payment

Effective October 1, 2015, the Town established a Partial Lump-Sum Option Payment (PLOP) for those members Public Safety Officers & Firefighters Defined Benefit Plan who do not elect to enter the DROP. The PLOP is an option at retirement that allows a recipient to receive a lump-sum benefit payment along with a reduced monthly retirement allowance.

The member may elect a percentage of the retirement benefit payment in a lump sum ranging from 5 – 20 percent with the remaining amount to be paid under the normal or optional forms of benefits. The assumptions used for mortality and interest will be as provided in the Plan definition of Actuarial Equivalence for calculation of all optional forms, including PLOP lump sums.

During year ended September 30, 2016, there were no elections of the PLOP.

NOTE H - OTHER POST EMPLOYMENT BENEFITS

Plan Description:

The Town administers a single-employer defined benefit retiree other post-employment benefit plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Town and eligible dependents, may continue to participate in the Town's fully-insured benefit plan for medical, prescription drug, dental, vision and life insurance. During the fiscal year ended September 30, 2015, a trust was established for the Town, however, the OPEB trust does not issue stand-alone financial reports and is not included in the reports of any other entity.

The Town subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

Additionally, pursuant to a policy adopted by the Town Council on September 26, 2002, eligible retirees receive insurance coverage at explicitly subsidized premium rates - rates that are lower than full blended rates charged by the insurance vendors. The amount of subsidy depends on service with the Town at the time of retirement and is described below. The benefits provided under this defined benefit plan are provided for a retiree's lifetime (or until such time at which retiree discontinues coverage under the Town sponsored plans, if earlier). Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. In 2014, the Town Council approved closing this benefit to all employees hired after February 2014.

The Town provides direct subsidies for retiree health, dental, vision and life coverage costs. The service based subsidy (discount) requires a minimum of 7 years of service at retirement and is calculated as: 1.5% for each of the first 7 years of service plus 2.0% for each full year of service between 8 and 15 years of service and 2.5% for each full year of service in excess of 15 (but not beyond 25). The maximum subsidy, for employees retiring with 25 years of service with the Town or more, is 51.5% of the applicable premium.

As of September 30, 2016, the Town provides benefits for 16 eligible inactive employees. Total premiums per month for the year ended September 30, 2016 ranged as follows:

Type	Single	With Spouse
Health	\$578 - \$646	\$1,292 - \$1,376
Dental	\$26 - \$27	\$55 - \$57
Vision	\$6	\$14
Life	\$3 - \$23	N/A

Funding Policy:

The Plan was established by Ordinance 519 on January 22, 2015. The Plan may be amended or terminated as circumstances require by ordinance. The numbers shown below reflect a decision to partially fund the program. Therefore, the contributions made to the program are the benefits paid to retirees (both on an explicit and implicit basis) and administrative expenses.

Contributions 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, except as noted above. 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 Town.

The OPEB liability is currently partially funded, with a combination of annual contributions to a professionally managed fund and Town premium payments on a pay-as-you-go basis. \$188,000 was contributed to the OPEB trust fund run by the FMPTF administered by the Florida League of Cities in 2016. Additionally, during the year ended September 30, 2016, the Town paid \$11,771 in retiree premium from its general fund. Therefore, the total contribution for the year totaled \$199,771.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

Benefits may be changed from time to time by management as noted above. Under the current policy, if a retiree does not make his or her payments for the benefits the benefit is forfeited and cannot be reinstated.

Annual OPEB Cost and Net OPEB Obligation:

The Town's annual OPEB cost (expense) is calculated based on an annual required contribution ("ARC") of the employer, an amount calculated using the Alternative Measurement Method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize an unfunded liability of the plan over a period not to exceed fifteen years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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 the long-term perspective of the calculations.

Significant actuarial assumptions used to compute the annual contribution requirement are as follows:

Valuation Date	October 1, 2015
Actuarial Cost Method	Entry age cost method
Amortization Method	Level percentage, closed
Remaining Amortization Period	9 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment rate of return	3.48% compounded annually
Projected salary increases	5.00% per year
Healthcare cost trend	
2017	5.00%
2018	5.10%
2019	5.10%
2020	5.60%
2021	5.80%
Ultimate	5.60%

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

The investment rate of return was based upon S&P Municipal Bond 20 year High Grade Rate Index. The healthcare cost trend comes from the Centers for Medicare & Medicaid Services, Office of the Actuary report on National Health Expenditure Projections 2014-2024.

The Town has elected to use the Tables provided under GASB 45 to calculate turnover rates and retiree cost rates. The Sex-distinct rates set forth in RP-2014: White Collar Mortality Table for annuitants were used to calculate the remaining life of members.

The retirement rate is based upon pension plan retirement qualification, or if the employee has already qualified, one year later than the actuarial date. Additionally, it is assumed that the retiree or spouse will leave the healthcare plan and accept medicare at 65 with the exception of the spouse being younger in which it is assumed that 5% will remain on until the spouse turns 65.

Finally, the following table shows the expected acceptance rates for the different types of insurance plans by employee type based on historical data:

	<u>Health</u>	<u>Dental</u>	<u>Vision</u>	<u>Life</u>
<i>Employees hired prior to February 2014</i>				
Public safety officers	80%	50%	40%	70%
General employees	57%	43%	29%	71%
<i>Employees hired after February 2014</i>				
Public safety officers	75%	50%	40%	70%
General employees	52%	43%	29%	71%

The following is a schedule of the Town's contributions to the Other Post Employment Benefit Plan for September 30, 2016 and the preceding two years:

<u>Year ended</u> <u>September 30,</u>	<u>Annual</u> <u>required</u> <u>contributions</u>	<u>Percent</u> <u>contributed</u>	<u>Actual</u> <u>Contributions</u>	<u>Net Obligation</u>
2014*	\$ 206,359	18%	\$ 37,810	\$ 702,880
2015**	\$ 253,412	85%	\$ 214,544	\$ 706,988
2016**	\$ 206,439	97%	\$ 199,771	\$ 672,109

* The 2014 contribution includes amounts paid for retiree insurance and the buyout of remaining health insurance.

* The 2015 & 2016 contribution includes amounts paid for retiree insurance and the amounts submitted to the trust plan.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

The following table shows the components of the Town's annual OPEB cost for the year, the amount of and change in the Town's net OPEB obligation, including the implicit rate subsidy for insurance.

Schedule of annual cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$ 206,439
Interest on net OPEB Obligation	24,603
Adjustment to annual required contribution	<u>(66,150)</u>
Annual OPEB cost (expense)	164,892
Contributions made	<u>(199,771)</u>
Increase in net OPEB obligation	(34,879)
Net OPEB obligation - beginning of year	<u>706,988</u>
Net OPEB obligation - end of year	<u><u>\$ 672,109</u></u>

The funded status of the plan as of October 1, 2016, the date of the latest valuation, was as follows:

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll [(b-a)/c]
10/01/16	\$ 412,937	\$ 1,292,446	\$ 879,509	32.0%	\$2,280,023	38.6%

Of the \$1,292,446 actuarial accrued liability, it is estimated that \$977,533 (76%) is related to the "implicit" cost to retirees while the remaining \$314,913 (24%) relates to the "explicit" subsidy provided to retirees.

Significant actuarial assumptions used to compute the funded status are as follows:

Valuation Date	October 1, 2016
Actuarial Cost Method	Entry age cost method
Amortization Method	Level percentage, closed
Remaining Amortization Period	8 years
Asset Valuation Method	Market value

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions:

Investment rate of return	2.89% compounded annually
Projected salary increases	5.00% per year
Healthcare cost trend	
2018	5.10%
2019	5.10%
2020	5.60%
2021	5.80%
2022	5.60%
Ultimate	5.60%

The investment rate of return was based upon S&P Municipal Bond 20 year High Grade Rate Index. The healthcare cost trend comes from the Centers for Medicare & Medicaid Services, Office of the Actuary report on National Health Expenditure Projections 2015-2025.

The Town has elected to use the Tables provided under GASB 45 to calculate turnover rates and retiree cost rates. The sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2017 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430 were used to calculate the remaining life of members.

The retirement rate is based upon pension plan retirement qualification, or if the employee has already qualified, one year later than the actuarial date. Additionally, it is assumed that the retiree or spouse will leave the healthcare plan and accept medicare at 65 with the exception of the spouse being younger in which it is assumed that 5% will remain on until the spouse turns 65.

Finally, the following table shows the expected acceptance rates for the different types of insurance plans by employee type based on historical data:

	<u>Health</u>	<u>Dental</u>	<u>Vision</u>	<u>Life</u>
<i>Employees hired prior to February 2014</i>				
Public safety officers	80%	50%	40%	70%
General employees	57%	43%	29%	71%
<i>Employees hired after February 2014</i>				
Public safety officers	75%	50%	40%	70%
General employees	52%	43%	29%	71%

The required supplementary information immediately following the notes to the financial statements includes the schedule of funding progress with multiyear trend information demonstrating how the actuarial value of plan assets has changed over time relative to the actuarial accrued liability.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE I - ICMA DEFERRED COMPENSATION PLAN

The Town offers its employees a second deferred compensation plan, administered by ICMA Retirement Corporation, created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Any employee may begin participating in this plan immediately upon hiring and enrollment with the required documents. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In fiscal year 2015, the Town Council passed a resolution acknowledging the Public Safety Director, upon hire, as a participant in the ICMA deferred compensation plan, in lieu of participation in either the Town's defined benefit or defined contribution plan choices. The amount contributed (11% of base compensation) on behalf of the Public Safety Director was \$11,356 for the year ended September 30, 2016.

All assets and income of the ICMA plan, as with the FMPTF plan, are held in trust for the exclusive benefit of the participants and their beneficiaries and are 100% vested upon contribution. Therefore, assets of the plan are not reportable in the accompanying financial statements.

NOTE J - COMMITMENTS AND CONTINGENCIES

From time to time, the Town is a defendant in various legal actions arising in the day-to-day operations of the Town. In the opinion of management, based upon information available at this time, the ultimate disposition of these matters will not have a material adverse effect on the Town's financial condition and results of operations.

City of Vero Beach Electric Utility

During the year ended September 30, 2014, the Town began proceedings to file a lawsuit against the City of Vero Beach regarding the rates charged by its Electric Utility and in relation to the franchise agreement which expires in November 2016. As of the date of this audit report, the progress on the case is still ongoing. Currently, Florida Power & Light is in negotiations to purchase the Town's electric customers from the City of Vero Beach which would end the litigation. For the year ended September 30, 2016, the attorney and consulting fees related to this litigation totaled \$412,747. Since 2014, the Town has spent \$1,217,294 in attorney and fees related to this litigation.

Cellular Tower

During the year ended September 30, 2016, the Town entered into a contract for the construction of a cellular tower on Town property. While the Town will not take ownership of the tower upon completion, it has committed \$150,000 towards the camouflage. As of the date of the audit report, no amount have been spent on this project.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - RISK MANAGEMENT

The Town 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 Town 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 Town has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks to which the Town may be exposed to. Premiums paid by the Town during the year totaled \$170,185. There have been no significant reductions in insurance coverages during fiscal year 2016. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

NOTE L - SUBSEQUENT EVENT

1. Law enforcement forfeiture fund

Subsequent to the year ended September 30, 2016, the Town Council approved the creation of the Law Enforcement Forfeiture Fund. The net position/fund balance restricted for law enforcement use will be transferred to that fund in fiscal year 2017.

2. Evaluating subsequent events

The Town has evaluated subsequent events through March 15, 2017, the date which the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Indian River Shores, Florida

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

Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 4,171,848	\$ 4,201,754	\$ 4,201,754	\$ -
State revenue sharing	64,766	64,960	64,960	-
Discretionary sales surtax	516,446	530,297	533,876	3,579
Communication services tax	283,957	274,808	275,373	565
Intergovernmental	287,533	285,402	286,742	1,340
Federal grant revenue	1,000	-	-	-
State grant revenue	-	13,580	13,580	-
Fines and forfeitures	4,000	7,355	7,937	582
Sale of burial rights	1,500	2,200	2,200	-
Other taxes	12,000	11,508	11,508	-
Post office fees	231,800	234,616	234,616	-
Ambulance service fees	105,000	104,901	104,781	(120)
Other fees and rents	38,750	23,863	26,346	2,483
Interest income	18,000	20,636	18,319	(2,317)
Miscellaneous revenue	6,000	25,822	3,270	(22,552)
Total revenues	5,742,600	5,801,702	5,785,262	(16,440)
EXPENDITURES				
Current				
General government	2,003,070	1,801,571	1,726,133	75,438
Public safety	3,344,727	3,624,109	3,670,140	(46,031)
Physical environment	13,411	7,810	7,810	-
Culture and recreation	13,910	16,007	16,239	(232)
Capital outlay	358,332	356,270	356,269	1
Total expenditures	5,733,450	5,805,767	5,776,591	29,176
Excess (deficiency) of revenues over (under) expenditures	9,150	(4,065)	8,671	12,736
Other financing sources				
Proceeds from sale of surplus	2,500	-	20,512	20,512
Total other financing sources	2,500	-	20,512	20,512
Net change in fund balances	11,650	(4,065)	29,183	33,248
Fund balances, beginning of year	2,860,455	2,860,455	2,860,455	-
Fund balances, end of year	\$ 2,872,105	\$ 2,856,390	\$ 2,889,638	\$ 33,248

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET TO ACTUAL - ROAD AND BRIDGE FUND**

Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
State revenue sharing	\$ 19,400	\$ 21,653	\$ 21,653	\$ -
Intergovernmental	52,000	62,107	62,543	436
Federal grant revenue	-	1,794	1,794	-
Impact fees	2,500	7,872	7,872	-
Interest income	2,800	1,814	2,495	681
Total revenues	76,700	95,240	96,357	1,117
EXPENDITURES				
Current				
General government	29,560	28,316	28,307	9
Transportation	127,141	15,820	15,299	521
Capital outlay	-	57,658	57,658	-
Total expenditures	156,701	101,794	101,264	530
Net change in fund balances	(80,001)	(6,554)	(4,907)	1,647
Fund balances, beginning of year	574,209	574,209	574,209	-
Fund balances, end of year	<u>\$ 494,208</u>	<u>\$ 567,655</u>	<u>\$ 569,302</u>	<u>\$ 1,647</u>

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET TO ACTUAL - PLANNING, ZONING AND
BUILDING FUND**

Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 475,000	\$ 700,044	\$ 700,044	\$ -
Fines and forfeitures	4,000	5,254	5,254	-
Other fees and rents	1,000	1,672	1,672	-
Interest income	3,000	3,686	5,321	1,635
Miscellaneous revenue	1,500	5,261	6,195	934
Total revenues	484,500	715,917	718,486	2,569
EXPENDITURES				
Current				
General government	28,233	27,130	27,177	(47)
Public safety	400,081	350,246	345,447	4,799
Capital outlay	9,000	-	-	-
Total expenditures	437,314	377,376	372,624	4,752
Net change in fund balances	47,186	338,541	345,862	7,321
Fund balances, beginning of year	972,487	972,487	972,487	-
Fund balances, end of year	<u>\$ 1,019,673</u>	<u>\$ 1,311,028</u>	<u>\$ 1,318,349</u>	<u>\$ 7,321</u>

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN**

Year ended September 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll [(b-a)/c]
October 1, 2016 ⁽¹⁾	\$ 412,937	\$ 1,292,446	\$ 879,509	32.0%	\$ 2,280,023	38.6%
October 1, 2015 ⁽²⁾	\$ 190,760	\$ 1,382,100	\$ 1,191,340	13.8%	\$ 2,151,096	55.4%
October 1, 2014 ⁽³⁾	\$ -	\$ 1,534,772	\$ 1,534,772	0.0%	\$ 1,741,323	88.1%
September 30, 2013 ⁽⁴⁾	\$ -	\$ 1,495,773	\$ 1,495,773	0.0%	\$ 1,741,206	85.9%
September 30, 2010*	\$ -	\$ 1,815,609	\$ 1,815,609	0.0%	\$ 2,119,284	85.7%

*Note - 2010 was the first year of the calculation. Additional information will be added as it becomes available.

(1) The assumed investment rate was decreased from 3.51% to 2.89% to match the High Grade 20 year Municipal Bond Rate. Health cost trend assumptions changed from 5.00% - 5.80% to 5.10% - 5.80%. The mortality table changed to RP-2000 Mortality Table for annuitants, projected to 2017 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430 to be in line with the other defined benefit plans.

(2) The assumed investment rate was decreased from 3.51% to 3.48% to match the High Grade 20 year Municipal Bond Rate. Health cost trend assumptions changed from 4.80% - 6.90% to 5.00% - 5.80%.

(3) Closed the explicit subsidy for members hired after February 2014. Assumption for the acceptance of health for these members was dropped by 5%. The assumed investment rate was increased from 3.5% to 3.51% to match the High Grade 20 year Municipal Bond Rate. The payroll growth rate assumption was increased from 3.0% to 5.0%. Health cost trend assumptions changed from 5.40% - 6.60% to 4.80% - 6.90%. The mortality tables changed from the CDC/NCHS, National Vital Statistics System United States Life Tables, 2008 Mortality tables to RP2014 Sex-Distinct White Collar mortality tables.

(4) The payroll growth rate assumption was decreased from 4.50% to 3.0%. Health cost trend assumptions increased from 5.00% - 5.25% to 5.40% - 6.60%. The mortality tables changed from RP2000 Combined Healthy tables to the CDC/NCHS, National Vital Statistics System United States Life Tables, 2008 Mortality tables. The health insurance plan no longer contains Medicare integration with the September 30, 2013 assumptions.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended September 30,	Actual Contributions	Annual required contributions	Percent contributed	Annual OPEB Cost	Percent contributed
2016	\$ 199,771	\$ 206,439	97%	\$ 164,892	121%
2015	\$ 214,544	\$ 253,412	85%	\$ 218,652	98%
2014	\$ 37,810	\$ 206,359	18%	\$ 177,898	21%
2013	\$ 189,383	\$ 207,729	91%	\$ 182,564	104%
2012	\$ 39,392	\$ 232,334	17%	\$ 232,334	17%
2011	\$ 43,727	\$ 228,877	19%	\$ 228,877	19%
2010*	\$ 34,465	\$ 225,984	15%	\$ 225,984	15%

*Note - 2010 was the first year of the calculation. Additional information will be added as it becomes available.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
GENERAL EMPLOYEES DEFINED BENEFIT PLAN**

	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY			
Service cost	\$ 63,621	\$ 46,763	\$ 46,940
Interest	48,718	62,578	50,578
Demographic experience	(276)	(12,452)	-
Changes of assumptions	142,282	(68,948)	-
Benefit payments, including refunds on member contributions	<u>(48,395)</u>	<u>(47,674)</u>	<u>(47,742)</u>
Net change in total pension liability	205,950	(19,733)	49,776
Total pension liability - beginning	<u>609,331</u>	<u>629,064</u>	<u>579,288</u>
Total pension liability - ending (a)	<u>815,281</u>	<u>609,331</u>	<u>629,064</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	108,876	97,010	103,810
Contributions - member	23,640	22,115	21,529
Net investment income	54,062	(580)	42,265
Benefit payments, including refunds on member contributions	(48,395)	(48,395)	(48,395)
Administrative expenses	<u>(5,730)</u>	<u>(5,521)</u>	<u>(15,548)</u>
Net change in plan fiduciary net position	132,453	64,629	103,661
Plan fiduciary net position - beginning	<u>590,990</u>	<u>526,361</u>	<u>422,700</u>
Plan fiduciary net position - ending (b)	<u>723,443</u>	<u>590,990</u>	<u>526,361</u>
Net pension liability - ending (a) - (b)	<u>\$ 91,838</u>	<u>\$ 18,341</u>	<u>\$ 102,703</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 88.74%	 96.99%	 83.67%
 Covered Employee Payroll	 258,006	 251,169	 221,719
 Net Pension Liability as a Percentage of the Covered Employee Payroll	 35.60%	 7.30%	 46.32%

NOTE: Three years of data is available for GASB 67/68.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES DEFINED BENEFIT PLAN**

Year ended September 30,	Actuarially Determined Contributions (a)	Contribution in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency (a - b)	Covered Payroll (c)	Contribution in Percentage of Covered Employee Payroll (b / c)
2016 ⁽¹⁾	\$ 108,876	\$ 108,876	\$ -	\$ 258,006	42.20%
2015	\$ 97,010	\$ 97,010	\$ -	\$ 251,169	38.62%
2014 ^{(1) (2)}	\$ 103,810	\$ 103,810	\$ -	\$ 221,719	46.82%
2013 ⁽³⁾	\$ 76,706	\$ 76,706	\$ -	\$ 92,719	82.73%
2012 ^{(4) (5)}	\$ 47,940	\$ 47,940	\$ -	\$ 87,214	54.97%
2011	\$ 34,961	\$ 34,961	\$ -	\$ 83,061	42.09%
2010 ⁽⁶⁾	\$ 42,621	\$ 42,621	\$ -	\$ 81,471	52.31%
2009	\$ 12,177	\$ 12,177	\$ -	\$ 57,547	21.16%
2008	\$ 17,233	\$ 17,233	\$ -	\$ 39,640	43.47%

See the notes to the Requires Supplementary Information for significant assumptions uses to compute the annual required contribution requirement for the year ended Septmber 30, 2016.

(1) Froze the plan to new membership effective May 1, 2013 and allowed the Town Manager to participate in the Plan with a normal retirement date of age 55 with at least five years of service.

(2) Mortality table changed to RP-2000 Mortality Table for annuitants, projected to 2015 by scale AA and set back two years. Shortened amortization rate by one year. Actuarial value of assets was changed from five year smoothing to the unadjusted market value.

(3) The interest rate assumption was decreased from 6.90% per annum to 5.90% per annum. Administrative expenses changed from 1.5% of future payroll to flat \$3,500 per year.

(4) Town adopted Ordinance 504 splitting the plans into two separate plans - General Employees Defined Benefit Plan and Public Safety Officers & Firefighters Defined Benefit Plan. Previous actuarial balances reflect the portion related to only the General Employees Defined Benefit Plan portion.

(5) The interest rate assumption was decreased from 7.75% per annum to 6.90% per annum.

(6) Actuarial funding method changed from the aggregate cost method to the individual entry age normal cost method. Asset valuation changed from unadjusted market value to the market value adjusted to reflect a five-year phase-in of the net investment appreciation. Assumed retirement age from the most valuable retirement age to the later of age 62 or one year of after the valuation date. Assumed administrative expenses changed from 0.75% of future payroll to 1.5%.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
PUBLIC SAFETY OFFICERS AND FIREFIGHTERS DEFINED BENEFIT PLAN**

	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY			
Service cost	\$ 307,087	\$ 297,756	\$ 250,814
Interest	871,471	751,759	743,119
Share plan allocation	257,370	173,797	180,816
Changes of benefit terms	183,569	-	-
Differences between expected and actual experience	(5,073)	1,183,190	-
Changes of assumptions	473,212	-	317,720
Benefit payments, including refunds on member contributions	(669,162)	(698,859)	(553,418)
Net change in total pension liability	1,418,474	1,707,643	939,051
Total pension liability - beginning	13,787,463	12,079,820	11,140,769
Total pension liability - ending (a)	15,205,937	13,787,463	12,079,820
PLAN FIDUCIARY NET POSITION			
Contributions - employer	930,552	605,302	730,088
Contributions - state	257,370	173,797	180,816
Contributions - member	145,727	147,518	106,952
Net investment income	1,462,352	(330,943)	1,233,577
Benefit payments, including refunds on member contributions	(669,162)	(698,859)	(553,418)
Administrative expenses	(75,157)	(67,620)	(62,214)
Net change in plan fiduciary net position	2,051,682	(170,805)	1,635,801
Plan fiduciary net position - beginning	11,745,654	11,916,459	10,280,658
Plan fiduciary net position - ending (b)	13,797,336	11,745,654	11,916,459
Net pension liability - ending (a) - (b)	\$ 1,408,601	\$ 2,041,809	\$ 163,361
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.74%	85.19%	98.65%
Covered Employee Payroll	1,607,448	1,434,366	1,153,014
Net Pension Liability as a Percentage of the Covered Employee Payroll	87.63%	142.35%	14.17%

NOTE: Three years of data is available for GASB 67/68.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF CONTRIBUTIONS
PUBLIC SAFETY OFFICERS AND FIREFIGHTERS DEFINED BENEFIT PLAN**

Year ended September 30,	Actuarially Determined Contributions (a)	Contribution in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency (a - b)	Covered Payroll (c)	Contribution in Percentage of Covered Employee Payroll (b / c)
2016 (1)	\$ 930,552	\$ 930,552	\$ -	\$ 1,607,448	57.89%
2015 (2) (3)	\$ 605,302	\$ 605,302	\$ -	\$ 1,434,366	42.20%
2014 (4)	\$ 700,688	\$ 730,088	\$ (29,400)	\$ 1,153,015	63.32%
2013	\$ 615,449	\$ 865,449	\$ (250,000)	\$ 1,154,255	74.98%
2012 (5) (6)	\$ 1,064,161	\$ 1,064,160	\$ 1	\$ 1,720,628	61.85%
2011	\$ 591,975	\$ 569,908	\$ 22,067	\$ 1,638,694	34.78%
2010 (7)	\$ 581,174	\$ 575,942	\$ 5,232	\$ 1,671,450	34.46%
2009	\$ 589,079	\$ 465,246	\$ 123,833	\$ 1,058,282	43.96%
2008	\$ 458,163	\$ 651,687	\$ (193,524)	\$ 1,092,936	59.63%

See the notes to the Requires Supplementary Information for significant assumptions uses to compute the annual required contribution requirement for the year ended September 30, 2016.

(1) Ordinance No. 527, adopted and effective June 16, 2016, implemented the following benefit changes:

- (a) A reduction in the Member Contribution rate for members hired after October 1, 2012.
- (b) A reduction in the age for Normal Retirement eligibility and removal of the early retirement option.
- (c) A DROP retirement option upon eligibility for Normal Retirement and addition of a partial lump sum option available to members not participating in the DROP. Ordinance No. 532, provided a 90 day window for retroactive DROP participation, back to the first eligibility for Normal Retirement, but not prior to October 1, 2015.

(2) Included a limitation on overtime and lump sum payments of unused sick and vacation accruals. Accounted for the 13% member contributions rates and 2% benefit accrual rate for each year for members hired after September 30, 2012. Additionally, granted plan entry equal to employment date for three plan members previously listed as October 1, 2006.

(4) Lowered investment rate assumption from 6.5% to 6.25%. Changed the individual salary increase from a service based table to a flat 5.25% per year. The actuarial smoothing method replaced by actual market value method.

(5) Performed an experience study which adjusted the assumptions for the following: increase in salary. Added termination rates, early retirement rates, disability rates and mortality rate.

(6) Town adopted Ordinance 504 splitting the plans into two separate plans - General Employees Defined Benefit Plan and Public Safety Officers & Firefighters Defined Benefit Plan. Previous actuarial balances reflect the portion related to only the Public Safety Officers & Firefighters Defined Benefit Plan portion.

(7) The interest rate assumption was decreased from 7.75% per annum to 6.50% per annum.

(8) Actuarial funding method changed from the aggregate cost method to the individual entry age normal cost method. Asset valuation changed from unadjusted market value to the market value adjusted to reflect a five-year phase-in of the net investment appreciation. Assumed retirement age from the most valuable retirement age to the later of age 55 or one year of after the valuation date. Assumed administrative expenses changed from 0.75% of future payroll to 1.0%.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF INVESTMENT RETURNS
DEFINED BENEFIT PENSION PLANS**

GENERAL EMPLOYEES DEFINED BENEFIT PLAN

<u>Valuation Date</u>	<u>Annual Money - Weighted Rate of Return, Net of Investment Expense</u>
September 30, 2016	8.58%
September 30, 2015	-0.10%
September 30, 2014	9.32%

PUBLIC SAFETY OFFICERS & FIREFIGHTERS DEFINED BENEFIT PLAN

<u>Valuation Date</u>	<u>Annual Money - Weighted Rate of Return, Net of Investment Expense</u>
September 30, 2016	12.18%
September 30, 2015	-2.76%
September 30, 2014	11.71%

NOTE: Three years of data was available for GASB 67/68, which was adopted in fiscal year 2014.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Budgets and budgetary accounting

The following procedures are used to establish and maintain operating budgets of the Town:

Prior to August 1st of each year, the Town Manager, in consultation with the Finance Committee, submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1st.

Public hearings are conducted to obtain taxpayer suggestions. If changes are suggested by the taxpayers, the Town Council considers those changes and votes to incorporate them if deemed appropriate.

Prior to October 1st, the budgets are legally enacted through passage of a resolution.

The Town Council is authorized to amend the budget to utilize excess funds, to increase appropriations, to transfer funds, or for any other purpose. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for certain tax revenue, which are on a cash basis and encumbrances that are considered as the equivalent of expenditures and are reserved at year-end for governmental funds.

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

Town of Indian River Shores, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

NOTE B - SIGNIFICANT METHODS AND ASSUMPTIONS USED FOR PENSION FUNDS

1. General Employees Defined Benefit Plan

To determine the actuarially required contribution rate significant methods and assumptions were required to be made. Those assumptions for the year ended September 30, 2016 are as follows:

Valuation Date	October 1, 2015
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage, closed
Remaining Amortization Period	8 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	5.90% compounded annually
Projected salary increases	5.00% per year

2. Public Safety Officers & Firefighters Defined Benefit Plan

To determine the actuarially required contribution rate significant methods and assumptions were required to be made. Those assumptions for the year ended September 30, 2016 are as follows:

Valuation Date	October 1, 2015
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Amortization Period	10 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	6.25% compounded annually
Projected salary increases	5.25% per year

SUPPLEMENTAL COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

Town of Indian River Shores, Florida

**GENERAL FUND
COMPARATIVE BALANCE SHEETS**

September 30,

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,829,887	\$ 2,959,226
Accounts receivable, net	25,491	13,000
Due from other governments	93,101	87,227
Inventory	29,213	31,233
Prepaid expenses	99,926	90,378
Total assets	<u>\$ 3,077,618</u>	<u>\$ 3,181,064</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 106,723	\$ 156,577
Accrued liabilities	68,041	151,626
Deposits	2,734	3,407
Unearned revenue	10,482	8,999
Total liabilities	<u>187,980</u>	<u>320,609</u>
Fund balances:		
Nonspendable:		
Prepays	99,926	90,378
Inventory	29,213	31,233
Restricted:		
Capital outlay	354,086	161,613
Law enforcement	20,047	-
Committed:		
Cemetery maintenance	117,244	122,243
Unassigned		
General fund	276,681	472,460
Emergency disasters	1,992,441	1,982,528
Total fund balances	<u>2,889,638</u>	<u>2,860,455</u>
Total liabilities and fund balances	<u>\$ 3,077,618</u>	<u>\$ 3,181,064</u>

Town of Indian River Shores, Florida

**GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Years ended September 30,

	2016	2015
REVENUES		
Property taxes	\$ 4,201,754	\$ 3,964,660
State revenue sharing	64,960	63,234
Discretionary sales surtax	533,876	514,841
Communication services tax	275,373	279,485
Intergovernmental	286,742	276,543
State grant revenue	13,580	1,000
Fines and forfeitures	7,937	6,191
Sale of burial rights	2,200	-
Other taxes	11,508	11,799
Post office fees	234,616	238,822
Ambulance service fees	104,781	112,842
Other fees and rents	26,346	39,152
Interest income	18,319	20,963
Miscellaneous revenue	3,270	3,310
Total revenues	<u>5,785,262</u>	<u>5,532,842</u>
EXPENDITURES		
Current		
General government	1,726,133	1,850,314
Public safety	3,670,140	3,217,100
Physical environment	7,810	10,982
Culture and recreation	16,239	9,930
Capital outlay	356,269	218,434
Total expenditures	<u>5,776,591</u>	<u>5,306,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,671</u>	<u>226,082</u>
Other financing sources (uses)		
Proceeds from sale of surplus	20,512	-
Total other financing sources (uses)	<u>20,512</u>	<u>-</u>
Net change in fund balances	<u>29,183</u>	<u>226,082</u>
Fund balances, beginning of year	<u>2,860,455</u>	<u>2,634,373</u>
Fund balances, end of year	<u><u>\$ 2,889,638</u></u>	<u><u>\$ 2,860,455</u></u>

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ROAD AND BRIDGE FUND

The Road and Bridge Fund accounts for receipts of impact fees collected per dwelling unit from property developers upon issuance of building permits, motor fuel tax and local option gas tax revenues remitted by the State of Florida.

Town of Indian River Shores, Florida

ROAD AND BRIDGE FUND
COMPARATIVE BALANCE SHEETS

September 30,

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 564,825	\$ 624,508
Due from other governments	4,959	64,359
Total assets	<u>\$ 569,784</u>	<u>\$ 688,867</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 482	\$ 114,658
Total liabilities	<u>482</u>	<u>114,658</u>
Fund balances:		
Restricted:		
Road construction and maintenance	<u>569,302</u>	<u>574,209</u>
Total liabilities and fund balances	<u>\$ 569,784</u>	<u>\$ 688,867</u>

Town of Indian River Shores, Florida

**ROAD AND BRIDGE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Years ended September 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
State revenue sharing	\$ 21,653	\$ 21,025
Intergovernmental	62,543	61,216
Federal grant revenue	1,794	59,257
Impact fees	7,872	6,796
Interest income	2,495	10,858
Total revenues	<u>96,357</u>	<u>159,152</u>
EXPENDITURES		
Current		
General government	28,307	25,352
Transportation	15,299	41,038
Capital outlay	<u>57,658</u>	<u>138,303</u>
Total expenditures	<u>101,264</u>	<u>204,693</u>
Net change in fund balances	(4,907)	(45,541)
Fund balances, beginning of year	<u>574,209</u>	<u>619,750</u>
Fund balances, end of year	<u><u>\$ 569,302</u></u>	<u><u>\$ 574,209</u></u>

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PLANNING, ZONING AND BUILDING FUND

The Planning, Zoning and Building Fund has been created for all building department revenues and expenditures. Additionally, this fund accounts for the receipt of County impact fees. These revenues are remitted to Indian River County. The Town may retain up to 2% of total impact fee revenues as an administrative service fee.

Town of Indian River Shores, Florida

**PLANNING, ZONING AND BUILDING FUND
COMPARATIVE BALANCE SHEETS**

September 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,341,502	\$ 990,529
Total assets	<u>\$ 1,341,502</u>	<u>\$ 990,529</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 7,805	\$ 2,153
Accrued liabilities	968	7,632
Due to other governments	14,380	7,190
Deposits	-	1,067
Total liabilities	<u>23,153</u>	<u>18,042</u>
Fund balances:		
Restricted:		
Building code enforcement	<u>1,318,349</u>	<u>972,487</u>
Total fund balances	<u>1,318,349</u>	<u>972,487</u>
Total liabilities and fund balances	<u>\$ 1,341,502</u>	<u>\$ 990,529</u>

Town of Indian River Shores, Florida

**PLANNING, ZONING AND BUILDING FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

September 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Licenses and permits	\$ 700,044	\$ 654,141
Fines and forfeitures	5,254	2,714
Other fees and rents	1,672	1,069
Interest income	5,321	3,675
Miscellaneous revenue	6,195	3,545
Total revenues	<u>718,486</u>	<u>665,144</u>
EXPENDITURES		
Current		
General government	27,177	24,754
Public safety	345,447	335,119
Capital outlay	-	3,702
Total expenditures	<u>372,624</u>	<u>363,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>345,862</u>	<u>301,569</u>
Other financing source		
Proceeds from sale of surplus	-	16
Total other financing sources	<u>-</u>	<u>16</u>
Net change in fund balances	345,862	301,585
Fund balances, beginning of year	<u>972,487</u>	<u>670,902</u>
Fund balances, end of year	<u><u>\$ 1,318,349</u></u>	<u><u>\$ 972,487</u></u>

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NONMAJOR GOVERNMENTAL FUNDS

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

Bike Path and Pedestrian Way Fund - This fund accounts for the receipt of impact fees per dwelling unit upon issuance of building permits. Expenditures are for expansion and related costs.

Town of Indian River Shores, Florida

**NONMAJOR GOVERNMENTAL FUNDS
COMPARATIVE COMBINING BALANCE SHEETS**

September 30,

	Totals	
	2016*	2015
ASSETS		
Cash and cash equivalents	\$ 17,393	\$ 15,062
Total assets	<u>\$ 17,393</u>	<u>\$ 15,062</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -	\$ -
Due to other governments	-	4,069
Total liabilities	<u>-</u>	<u>4,069</u>
Fund balances:		
Committed:		
Bike path construction and maintenance	<u>17,393</u>	<u>10,993</u>
Total fund balances	<u>17,393</u>	<u>10,993</u>
Total liabilities and fund balances	<u>\$ 17,393</u>	<u>\$ 15,062</u>

* Includes only the activity of the Bike Path and Pedestrian Way Fund.
Building Permit Surcharge Fund was changed to an Agency Fund in 2016.

Town of Indian River Shores, Florida

**NONMAJOR GOVERNMENTAL FUNDS
COMPARATIVE COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

September 30,

	Totals	
	2016	2015
REVENUES		
Impact fees	\$ 6,400	\$ 5,692
	<u>6,400</u>	<u>5,692</u>
EXPENDITURES		
Current		
General government	-	-
	<u>-</u>	<u>-</u>
Net change in fund balances	6,400	5,692
Fund balances, beginning of year	<u>10,993</u>	<u>5,301</u>
Fund balances, end of year	<u><u>\$ 17,393</u></u>	<u><u>\$ 10,993</u></u>

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the Town as trustee or agent for individuals, other governmental units and/or other funds. These include agency funds, expendable trust, nonexpendable trust and pension trust funds.

Agency Fund - This fund is used to account for the building permit surcharge fees collected by the Town on behalf of the state. Agency funds are custodial in nature.

Pension Trust Funds - These funds are used to account for assets held in trust by the Town for others. Pension trust funds are accounted for as a fiduciary funds since proper maintenance is critical.

Town of Indian River Shores, Florida

AGENCY FUNDS
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

September 30,

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 8,875	\$ -
Total assets	<u>\$ 8,875</u>	<u>\$ -</u>
LIABILITIES		
Accounts payable	\$ 8,875	\$ -
Total liabilities	<u>\$ 8,875</u>	<u>\$ -</u>

Town of Indian River Shores, Florida

**PENSION TRUST FUNDS
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION**

September 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments in defined benefit plan - general employees	\$ 723,443	\$ 590,990
Cash and investments in defined benefit plan - public safety employees	13,672,728	11,719,688
Cash and investments in defined contribution plan	-	189,725
Cash and investments in other post employment benefit plan	412,937	190,760
Contribution receivable	93,995	69,092
Interest receivable	41,294	-
Total assets	<u>14,944,397</u>	<u>12,760,255</u>
LIABILITIES		
Accounts payable	<u>5,130</u>	<u>6,189</u>
Total liabilities	<u>5,130</u>	<u>6,189</u>
NET POSITION		
Restricted for pension benefits and other purpose	<u>14,939,267</u>	<u>12,754,066</u>
Total net position	<u><u>\$ 14,939,267</u></u>	<u><u>\$ 12,754,066</u></u>

Town of Indian River Shores, Florida

**PENSION TRUST FUNDS
COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

Years ended September 30,

	2016	2015
ADDITIONS		
Contributions:		
Employer	\$ 1,194,648	\$ 938,046
Employee	177,528	170,201
State	257,370	173,797
Total contributions	<u>1,629,546</u>	<u>1,282,044</u>
Investment gain:		
Net increase (decrease) in fair value of investments	1,218,526	(729,671)
Interests and dividends	397,935	444,635
Total investment gain (loss)	<u>1,616,461</u>	<u>(285,036)</u>
Total additions	<u>3,246,007</u>	<u>997,008</u>
DEDUCTIONS		
Distributions	717,557	747,254
Administrative expenses		
Trustee fees	5,451	5,250
Investment management fees	58,997	58,095
Attorney fees	33,796	16,663
Actuary fees	36,490	32,647
Other administrative fees	17,306	11,433
Total deductions	<u>869,597</u>	<u>871,342</u>
Change in net position	<u>2,376,410</u>	<u>125,666</u>
Plan net position at beginning of year	12,754,066	12,628,400
Prior period adjustment	(191,209)	-
Plan net position at beginning of year (restated)	<u>12,562,857</u>	<u>12,628,400</u>
Plan net position at end of year	<u><u>\$ 14,939,267</u></u>	<u><u>\$ 12,754,066</u></u>

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SUPPLEMENTAL INFORMATION

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2016

	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	DEFINED CONTRIBUTION	OTHER POST- EMPLOYMENT BENEFIT	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Position September 30, 2015	\$ 11,777,089	\$ 595,056	\$ 191,209	\$ 190,712	\$ 12,754,066
Change in accounting principle	-	-	(191,209)	-	(191,209)
Beginning restated balance-Plan Net Position September 30, 2015	11,777,089	595,056	-	190,712	12,562,857
 Additions:					
Employer contributions	900,609	106,039	-	188,000	1,194,648
Employee contributions	154,633	22,895	-	-	177,528
State share plan contributions	257,370	-	-	-	257,370
Subtotal contributions	1,312,612	128,934	-	188,000	1,629,546
 Interest	172,282	-	-	-	172,282
Dividends	225,653	-	-	-	225,653
Net increase in investments	1,129,490	54,062	-	34,974	1,218,526
Net investment earnings	1,527,425	54,062	-	34,974	1,616,461
Net additions	2,840,037	182,996	-	222,974	3,246,007
 Deductions:					
Trustee fees	(5,451)	-	-	-	(5,451)
Investment management fees	(58,997)	-	-	-	(58,997)
Attorney fees	(33,796)	-	-	-	(33,796)
Actuary fees	(36,490)	-	-	-	(36,490)
Other administrative fees	(10,657)	(5,797)	-	(852)	(17,306)
Subtotal deductions	(145,391)	(5,797)	-	(852)	(152,040)
 Distributions paid out	(669,162)	(48,395)	-	-	(717,557)
 Ending reconciled balance-Plan Net Position September 30, 2016	<u>\$ 13,802,573</u>	<u>\$ 723,860</u>	<u>\$ -</u>	<u>\$ 412,834</u>	<u>\$ 14,939,267</u>

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2015

	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	DEFINED CONTRIBUTION	OTHER POST- EMPLOYMENT BENEFIT	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Position September 30, 2014	\$ 11,941,618	\$ 529,501	\$ 157,281	\$ -	\$ 12,628,400
Additions:					
Employer contributions	596,652	97,143	39,763	204,488	938,046
Employee contributions	147,995	22,206	-	-	170,201
State share plan contributions	173,797	-	-	-	173,797
Subtotal contributions	918,444	119,349	39,763	204,488	1,282,044
Investment earnings/(loss)	(265,774)	(580)	(5,005)	(13,677)	(285,036)
Net additions	652,670	118,769	34,758	190,811	997,008
Deductions:					
Trustee fees	(5,250)	-	-	-	(5,250)
Investment management fees	(58,095)	-	-	-	(58,095)
Attorney fees	(16,663)	-	-	-	(16,663)
Actuary fees	(32,647)	-	-	-	(32,647)
Other administrative fees	(5,685)	(4,819)	(830)	(99)	(11,433)
Subtotal deductions	(118,340)	(4,819)	(830)	(99)	(124,088)
Distributions paid out	(698,859)	(48,395)	-	-	(747,254)
Ending reconciled balance-Plan Net Position September 30, 2015	<u>\$ 11,777,089</u>	<u>\$ 595,056</u>	<u>\$ 191,209</u>	<u>\$ 190,712</u>	<u>\$ 12,754,066</u>

Town of Indian River Shores, Florida

SCHEDULE OF PROPERTY TAX VALUATIONS, LEVIES AND COLLECTIONS

**Last Five Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate in Mils</u>	<u>Amount Levied</u>	<u>Amount Collected (*)</u>	<u>Percent Collected</u>
2012	\$ 2,364,986,600	1.4731	\$ 3,483,862	\$ 3,486,300	100%
2013	\$ 2,352,573,108	1.4731	\$ 3,465,575	\$ 3,359,917	97%
2014	\$ 2,392,161,099	1.4731	\$ 3,523,893	\$ 3,401,078	97%
2015	\$ 2,450,139,839	1.6786	\$ 4,112,805	\$ 3,964,483	96%
2016	\$ 2,595,827,089	1.6786	\$ 4,357,355	\$ 4,199,369	96%

* Includes delinquent collections

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

To the Honorable Members of the Town Council
Town of Indian River Shores, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Indian River Shores, Florida (the "Town"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Indian River Shores, Florida's basic financial statements, and have issued our report thereon dated March 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Indian River Shores, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Indian River Shores, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Indian River Shores, 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 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, and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 Town of Indian River Shores, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Melbourne, Florida

March 15, 2017

Independent Auditors' Management Letter

To the Honorable Members of the Town Council
The Town of Indian River Shores, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Indian River Shores, Florida as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 15, 2017.

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 Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on Investment Compliance on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated March 15, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the findings and recommendations made in the preceding annual financial audit report, as noted below:

Prior Year Management Letter Comments:

2014-001 Calculation of permit fees	Corrected
2015-001 GASB 68 Implementation	Corrected

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 Town of Indian River Shores, Florida was established by and is governed per the special law 54-1407 Laws of Florida. Additional legal entity disclosures are included in Note A-1 of the financial statements. The Town of Indian River Shores, Florida does not have any component units.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town of Indian River Shores, Florida for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

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

Melbourne, Florida

March 15, 2017



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INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

To the Honorable Mayor and Town Council
Town of Indian River Shores, Florida

We have examined the Town of Indian River Shores, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the Town of Indian River Shores, Florida's compliance with those requirements. Our responsibility is to express an opinion on the Town of Indian River Shores, Florida's compliance based on our examination.

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

In our opinion, the Town of Indian River Shores, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

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

Melbourne, Florida
March 15, 2017