

**TOWN OF INDIAN RIVER
SHORES, FLORIDA**

**Basic Financial Statements and
Supplemental Information**

Year ended September 30, 2017



Sunset on Indian Lane in the Town of Indian River Shores

TOWN OF INDIAN RIVER SHORES, FLORIDA

Official Directory

September 30, 2017

Town Council

Brian M. Barefoot
Mayor

Michael B. Ochsner
Vice Mayor

Deborah H. Peniston
Councilmember

Robert F. Auwaerter
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

Richard G. Rosell
Public Safety Director

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**TOWN OF INDIAN RIVER SHORES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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. The Town implemented GASB 74 & 75 for fiscal year 2017.

FINANCIAL HIGHLIGHTS

- Total net position at September 30, 2017 was \$14,357,768. Of this amount, \$6,431,985 (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 \$8,944,606.
- The total revenue from all governmental fund sources (not including other financing sources) was \$6,953,240, an increase of \$346,735 or 5.3% from the prior year.
- The total expenditures for Town operations were \$7,654,611, an increase of \$1,404,132 or 22.5% from the prior fiscal year.
- By year end, the Town's total governmental funds net change in fund balance was \$4,149,924.
- The net increase in fund balance in the General Fund was \$3,956,310.
- In the General Fund, actual revenues exceeded budgeted amounts by \$4,973 while budgeted appropriations exceeded actual expenditures by \$42,044.

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 Town's activities are included as governmental activities for fiscal year ended September 30, 2017.

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, 2017. 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, 2017 and 2016 are shown below.

TOWN OF INDIAN RIVER SHORES' NET POSITION September 30,

	Governmental Activities	
	2017	2016
Current assets	\$ 9,217,641	\$ 5,006,297
Capital assets, net of depreciation	5,113,815	5,393,777
Non-current assets	203,750	-
Total assets	<u>14,535,206</u>	<u>10,400,074</u>
Deferred outflows	<u>1,202,082</u>	<u>1,478,989</u>
Current liabilities	273,035	211,615
Non-current liabilities	372,025	2,315,691
Total liabilities	<u>645,060</u>	<u>2,527,306</u>
Deferred inflows	<u>734,460</u>	<u>76,786</u>
Net position:		
Net investment in capital assets	5,113,815	5,393,777
Restricted	2,811,968	1,907,698
Unrestricted	<u>6,431,985</u>	<u>1,973,496</u>
Total net position	<u>\$ 14,357,768</u>	<u>\$ 9,274,971</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 2017 of \$5,082,797 (which includes the prior period adjustment) and a net increase in the net position for fiscal year 2016 of \$539,256.

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, 2017 increased by \$4,458,489 (226%) over fiscal year 2016. Restricted net position increased during fiscal year 2017 by \$904,270 (47%). The Town's net investment in capital assets decreased by \$279,962 (5%) over fiscal year 2016. The investment in capital assets consists of 36% of the net position for fiscal year ending September 30, 2017 and 58% for fiscal year ending 2016.

The unrestricted balances and investment in capital assets increased significantly from 2016 due to the gain on the sale of Town property of \$4,705,523.

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 2017 and 2016, 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. Building permit collections continue to be greater than the department expenses which accounts for the increase in the reserves. Finally, the Town received revenue for the one-cent, voter-approved local government infrastructure surtax which may only be used for specific capital related expenditures.

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

Fiscal year 2017 saw a decrease of \$276,907 in the deferred outflows of resources over 2016. This was offset by an increase in deferred inflows of resources of \$657,674. These items were related to the amortization of the prior year gains/losses and deferral of gains over expectations in 2017 for the Town's three defined benefit plans under GASB 68 and GASB 75. The outstanding balances of the deferred outflows and inflows at September 30, 2017 are \$1,202,082 and \$734,460, 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, 2017, the Town reported a net pension liability of \$227,685. This is a reduction of \$1,272,754 from 2016 which is due primarily to additional contributions made by the Town and investment income which came in higher than expectations.

Finally, the Town implemented GASB 75 during fiscal year 2017 which required the Town to report the net other post employment liability on the face of its financial statements. This change required the removal of the other post employment benefit obligation from 2016 and record the total liability in 2017. Additionally, during the year, the Town utilized a portion of the proceeds from the sale of capital assets to paydown the liability which caused the ending net other post employment liability to reduce the liability of \$1,207,269 at October 1, 2016 to an asset of \$203,750 at September 30, 2017.

ANALYSIS OF TOWN'S OPERATIONS

The following table provides a summary of the Town's operations for the year ended September 30, 2017 and 2016.

TOWN OF INDIAN RIVER SHORES' CHANGES IN NET POSITION		
All Governmental Activities		
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 991,210	\$ 1,128,492
Operating grants and contributions	111,169	97,776
Capital grants and contributions	5,456	1,794
General revenues:		
Property taxes	4,576,979	4,201,754
Discretionary sales surtax	553,224	533,876
Half-cent sales tax	296,122	286,413
Communications services tax	276,075	275,373
Other taxes	13,023	11,837
State shared revenues	68,154	64,960
Interest	60,000	18,243
Miscellaneous revenue	1,828	3,538
Gain (loss) on disposal of capital assets	4,705,523	1,821
Total revenues	<u>11,658,763</u>	<u>6,625,877</u>
Expenses:		
General government	1,728,843	1,628,654
Public safety	4,235,589	4,415,322
Physical environment	9,271	8,328
Transportation	44,831	15,759
Culture and recreation	22,272	18,558
Total expenses	<u>6,040,806</u>	<u>6,086,621</u>
Change in net position	<u>5,617,957</u>	<u>539,256</u>
Net position beginning of fiscal year	9,274,971	8,735,715
Prior period adjustment	(535,160)	-
Net assets beginning of fiscal year (restated)	<u>8,739,811</u>	<u>8,735,715</u>
Net position end of fiscal year	<u>\$ 14,357,768</u>	<u>\$ 9,274,971</u>

The 2017 revenues increased over 2016 revenues by \$5,032,886 (43%) due to the gain on the sale of Town land. See Note C for further discussion of this sale. Additionally, the Town saw increased property revenues of 8% because of the increased millage rate of .0400 (2%) to 1.7186 and an increase property values of 6%.

Expenses during fiscal year 2016 exceeded 2017 by \$45,815 (1%). The most significant changes from 2016 to 2017 were as follows:

- An increase in public safety salaries and related taxes of approximately \$120,000.
- A decrease in public safety pension expense of approximately \$300,000.
- An increase in professional services related to the sale of land of approximately \$350,000.
- A decrease in the attorney fees related to the proceedings against the City of Vero Beach regarding electric rates of approximately \$350,000.

The remaining differences were the result of other various expenses and projects completed throughout the year including annual pay increases, engineering studies and other professional services, increased depreciation expense and the difference in recording of other post employment benefits under GASB 75.

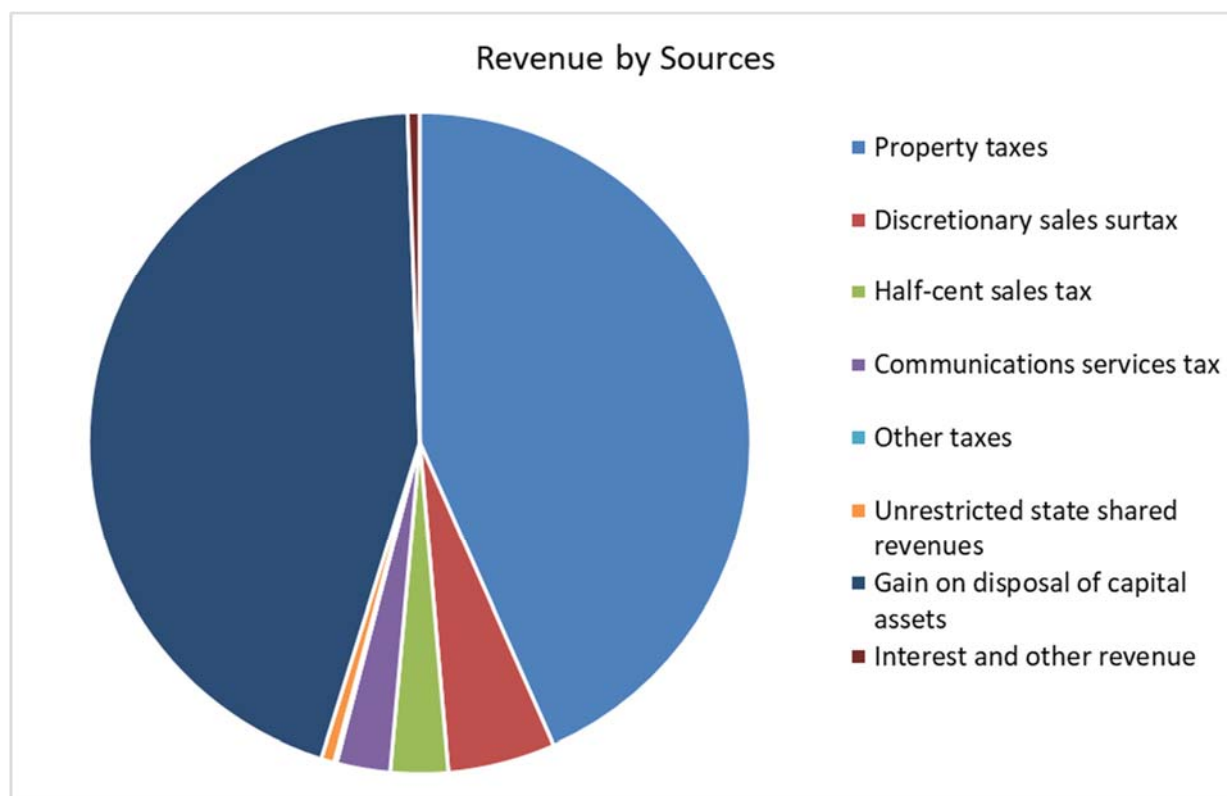
As mentioned previously, the Town implemented GASB 74 and 75 in 2017. The net prior period adjustment needed to reflect this change was \$535,160. Further information regarding the prior period adjustment can be found in Notes A-16 and J in the notes to the financial statements.

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, 2017

	Revenues	Expenses	Net (Expenses) Revenues
Postal center	\$ 221,222	\$ 244,430	\$ (23,208)
Public safety	162,731	3,858,362	(3,695,631)
Building department	603,071	377,227	225,844
Cemetery	-	9,271	(9,271)
Transportation	100,211	44,831	55,380
Community center	17,600	22,272	(4,672)
	<u>\$ 1,104,835</u>	<u>\$ 4,556,393</u>	<u>\$ (3,451,558)</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 2017 is illustrated in the following chart:



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, 2017, the Town of Indian River Shores' governmental funds reported combined fund balances of \$8,944,606.

The General Fund is the chief operating fund of the Town. At September 30, 2017, the total fund balance in the General Fund was \$6,845,948 (77% of the total governmental fund balance), of which 85% 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 approximately \$3,960,000. This was primarily a result of the Town auctioning land for \$4,840,000. This was then offset by the cost of the commission fees of \$350,000 and an additional contribution to the other post employment benefit plan of \$1,150,000. Further, the Town did not spend approximately \$360,000 in restricted revenues received for capital outlay thus this amount was added to reserves.

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, 2017 was \$553,043 (6% of the total governmental fund balance), a decrease of \$16,259. This decrease was a result of using current revenues to begin work on the reconstruction of Old Winter Beach Road.

The Planning, Zoning and Building Fund is still a self-sustaining fund, showing continual excess of revenues over expenditures. The total governmental fund balance of this fund at September 30, 2017 was \$1,512,324 (17% of the total governmental fund balance), an increase of \$193,975 due to revenue collections exceeding current costs. These reserves will help offset expenses when the economy takes a downturn and reduces fee income. It is the Town's intent to analyze future needs for this department and adjust permits costs accordingly.

The remaining special revenue funds are less significant at the current fiscal year end, with a positive fund balance of \$33,291 (.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 2017, 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 \$43,405, an increase of other financing sources by \$4,818,848 and an increase in appropriations by \$473,221.

Revenue increases were a result of funds not previously anticipated including increased collections of property taxes, state revenues and the interest income. The increase in the other financing sources was directly related to the sale of the land described in Note C in the notes to the financial statements. The changes in expenditures from the original budget are primarily due to making an additional contribution to the other post employment benefit plan, decreases in spending for the capital related expenditures delayed until 2018, the decrease in spending for the litigation against the City of Vero and a decrease in the contribution to the public safety officers' pension fund due to employees entering the deferred retirement option plan (DROP) program.

Revenue differences between final budget and actual results were minimal due to the adjustment performed after year end. The difference in the final budgeted appropriations and expenditures was due a built-in contingency for the unknown nature of the litigation costs and workers compensation audit to be received after fiscal year end.

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, 2017 reflect an investment of \$5,113,815 net of accumulated depreciation.

A comparative summary of net capital assets by category follows:

**Capital Assets at Year End
(net of depreciation)**

	2017	2016	Difference
Land	\$ 1,303,482	\$ 1,428,482	\$ (125,000)
Construction in progress	44,450	-	44,450
Buildings	1,553,692	1,607,518	(53,826)
Improvements other than buildings	486,319	514,961	(28,642)
Furniture, fixtures and equipment	1,725,872	1,842,816	(116,944)
Total capital assets	<u>\$ 5,113,815</u>	<u>\$ 5,393,777</u>	<u>\$ (279,962)</u>

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

- Began Old Winter Beach Road engineering work: \$40,000
- Purchased 2 public safety vehicles and related equipment: \$83,000
- Sold land with a carrying value of \$125,000
- Depreciation and impairment expense: \$392,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2018 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 2018 show that there has been a continuing increase in real estate sale prices. The Town of Indian River Shores values increased modestly from \$2,760,188,928 to \$2,945,614,980 or 6.7%.
- The continued growth in the real estate market, construction and development will result in stable revenues from building permit fees for 2018. 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 2018 decreased appropriations by 22% from actual results for the General Fund for fiscal year 2017. This is a result of a decreased payment for the police and fire pension fund. Any differences that will be required will be from the proceeds from the sale of land. For the year ending September 30, 2018, the Town Council voted to decrease the millage rate from 1.7186 to 1.3774.

The Town's unassigned fund balance stands at \$5.83 million and should be adequate to cover unanticipated costs in the upcoming budget year. This balance will cover over 11 months of the General Fund's 2018 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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents (Notes A-4, B)	\$ 5,048,422
Investments (Notes A-4, B)	3,855,584
Accounts receivable, net (Note A-5)	17,851
Due from other governments (Note A-5)	122,926
Inventory (Note A-14)	56,002
Prepaid expenses (Note A-14)	115,856
Other current assets	1,000
Total current assets	<u>9,217,641</u>
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,303,482
Construction in progress	44,450
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	1,553,692
Improvements other than buildings	486,319
Furniture, fixtures and equipment	1,725,872
Total capital assets	<u>5,113,815</u>
Net other post employment benefit assets (Notes A-10, F, J)	203,750
Total assets	<u>14,535,206</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred assumptions, contributions, and experience (Note A-9, I, J)	1,202,082
Total deferred outflow of resources	<u>1,202,082</u>
LIABILITIES	
Accounts payable (Note D)	216,555
Accrued liabilities	18,848
Due to other governments	7,190
Deposits	25,304
Unearned revenue	5,138
Noncurrent liabilities:	
Due within one year	
Compensated absences (Notes A-8, F)	144,340
Due in more than one year	
Net pension liabilities (NPL) (Notes A-10, F, I)	227,685
Total liabilities	<u>645,060</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPL), contributions, experience and investments (Notes A-9, F, J)	734,460
Total deferred inflow of resources	<u>734,460</u>
NET POSITION (Note H)	
Net investment in capital assets	5,113,815
Restricted for road construction and maintenance	553,043
Restricted for building code enforcement	1,512,324
Restricted for law enforcement	13,098
Restricted for capital outlay	733,503
Unrestricted	6,431,985
Total net position	<u>\$ 14,357,768</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, 2017

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	\$ 12,279	\$ -	\$ -	\$ -	\$ (12,279)
Town manager	198,087	-	-	-	(198,087)
Finance department	186,056	-	-	-	(186,056)
Town clerk	132,261	-	-	-	(132,261)
Postal center	244,430	221,222	-	-	(23,208)
Public works	106,356	-	-	-	(106,356)
Town attorney	129,262	-	-	-	(129,262)
Planning board	17,194	3,000	-	-	(14,194)
Engineering and planning services	42,843	-	-	-	(42,843)
General administration	660,075	-	-	-	(660,075)
Public safety:					
Public safety department	3,858,362	134,272	23,003	5,456	(3,695,631)
Building department	377,227	603,071	-	-	225,844
Physical environment:					
Cemetery	9,271	-	-	-	(9,271)
Transportation:					
Road and offsite drainage	44,831	12,045	88,166	-	55,380
Culture and recreation:					
Community center	22,272	17,600	-	-	(4,672)
Total	<u>\$ 6,040,806</u>	<u>\$ 991,210</u>	<u>\$ 111,169</u>	<u>\$ 5,456</u>	<u>(4,932,971)</u>
General revenues:					
Taxes:					
Property taxes (Note A-11)					4,576,979
Discretionary sales surtax					553,224
Half-cent sales tax					296,122
Communications services tax					276,075
Other taxes					13,023
State shared revenues					68,154
Interest income					60,000
Miscellaneous revenue					1,828
Gain (loss) on disposal of capital assets (Note C)					4,705,523
Total general revenues					<u>10,550,928</u>
Change in net position					<u>5,617,957</u>
Beginning net position					9,274,971
Prior period adjustment (Note A-16)					<u>(535,160)</u>
Beginning net assets, restated					<u>8,739,811</u>
Ending net position					<u>\$ 14,357,768</u>

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

Town of Indian River Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2017

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash (Notes A-4, B)	\$ 2,894,068	\$ 576,075	\$ 1,544,988	\$ 33,291	\$ 5,048,422
Investments (Notes A-4, B)	3,855,584	-	-	-	3,855,584
Accounts receivable, net (Note A-5)	17,851	-	-	-	17,851
Due from other governments (Note A-5)	117,355	5,571	-	-	122,926
Inventory (Note A-14)	56,002	-	-	-	56,002
Prepaid expenses (Note A-14)	115,856	-	-	-	115,856
Other current assets	-	-	1,000	-	1,000
Total assets	<u>\$ 7,056,716</u>	<u>\$ 581,646</u>	<u>\$ 1,545,988</u>	<u>\$ 33,291</u>	<u>\$ 9,217,641</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable (Note D)	\$ 183,831	\$ 28,603	\$ 4,121	\$ -	\$ 216,555
Accrued liabilities	17,845	-	1,003	-	18,848
Due to other governments	-	-	7,190	-	7,190
Deposits	3,954	-	21,350	-	25,304
Unearned revenue	5,138	-	-	-	5,138
Total liabilities	<u>210,768</u>	<u>28,603</u>	<u>33,664</u>	<u>-</u>	<u>273,035</u>
Fund balances (Notes A-12, H):					
Nonspendable:					
Prepays	115,856	-	-	-	115,856
Inventory	56,002	-	-	-	56,002
Restricted:					
Building code enforcement	-	-	1,512,324	-	1,512,324
Capital outlay	733,503	-	-	-	733,503
Law enforcement	-	-	-	13,098	13,098
Road construction and maintenance	-	553,043	-	-	553,043
Committed:					
Cemetery maintenance	109,530	-	-	-	109,530
Bike path construction and maintenance	-	-	-	20,193	20,193
Unassigned					
Emergency funds	2,012,963	-	-	-	2,012,963
General fund	3,818,094	-	-	-	3,818,094
Total fund balances	<u>6,845,948</u>	<u>553,043</u>	<u>1,512,324</u>	<u>33,291</u>	<u>8,944,606</u>
Total liabilities and fund balances	<u>\$ 7,056,716</u>	<u>\$ 581,646</u>	<u>\$ 1,545,988</u>	<u>\$ 33,291</u>	<u>\$ 9,217,641</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, 2017

Fund balances - total governmental funds	\$	8,944,606
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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	\$	1,303,482	
Construction in progress		44,450	
Buildings, net		1,553,692	
Improvements other than buildings, net		486,319	
Furniture, fixtures and equipment, net		<u>1,725,872</u>	5,113,815

Long-term assets are not available to pay for current
period expenditures and, therefore, are not reported in
the funds. Those assets consist of:

Net other post-employment benefit assets		203,750
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Deferred amounts are reported in the Statement of Net
Position as deferred outflows or deferred inflows of
resources but are not reported in the funds. Those
deferred amounts consist of:

Deferred assumptions, contributions, change in proportion (NPL), and experience		1,202,082
Deferred change in proportion (NPL), contributions, experience, and investments		(734,460)

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		(144,340)
Net pension liabilities		(227,685)

Total net position of governmental activities	<u>\$</u>	<u>14,357,768</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, 2017

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes (Note A-11)	\$ 4,576,979	\$ -	\$ -	\$ -	\$ 4,576,979
State shared revenues	68,154	22,718	-	-	90,872
Discretionary sales surtax	553,224	-	-	-	553,224
Communication services tax	276,075	-	-	-	276,075
Intergovernmental	296,451	65,448	-	-	361,899
Federal grant revenue	20,899	-	-	-	20,899
State grant revenue	7,560	-	-	-	7,560
Licenses and permits	-	-	577,910	348	578,258
Fines and forfeitures	8,902	-	1,920	-	10,822
Impact fees	-	3,444	-	2,800	6,244
Sale of burial rights	-	-	-	-	-
Other taxes	12,694	-	-	-	12,694
Post office fees	219,346	-	-	-	219,346
Ambulance service fees	120,492	-	-	-	120,492
Other fees and rents	26,990	-	1,561	-	28,551
Interest income	60,000	5,802	14,629	144	80,575
Miscellaneous revenue	1,699	-	7,051	-	8,750
Total revenues	<u>6,249,465</u>	<u>97,412</u>	<u>603,071</u>	<u>3,292</u>	<u>6,953,240</u>
EXPENDITURES					
Current					
General government	2,872,905	29,210	28,764	4	2,930,883
Public safety	4,035,733	-	365,761	3,937	4,405,431
Physical environment	8,921	-	-	-	8,921
Transportation	-	44,831	-	-	44,831
Culture and recreation	15,908	-	-	-	15,908
Capital outlay (Note C)	190,936	39,630	14,571	3,500	248,637
Total expenditures	<u>7,124,403</u>	<u>113,671</u>	<u>409,096</u>	<u>7,441</u>	<u>7,654,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(874,938)</u>	<u>(16,259)</u>	<u>193,975</u>	<u>(4,149)</u>	<u>(701,371)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of surplus (Note C)	4,842,395	-	-	-	4,842,395
Insurance recoveries	8,900	-	-	-	8,900
Transfers in (Note G)	-	-	-	20,047	20,047
Transfers out (Note G)	<u>(20,047)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,047)</u>
Total other financing sources	<u>4,831,248</u>	<u>-</u>	<u>-</u>	<u>20,047</u>	<u>4,851,295</u>
Net change in fund balances	3,956,310	(16,259)	193,975	15,898	4,149,924
Fund balances, beginning of year	<u>2,889,638</u>	<u>569,302</u>	<u>1,318,349</u>	<u>17,393</u>	<u>4,794,682</u>
Fund balances, end of year	<u>\$ 6,845,948</u>	<u>\$ 553,043</u>	<u>\$ 1,512,324</u>	<u>\$ 33,291</u>	<u>\$ 8,944,606</u>

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, 2017

Net change in fund balances - total governmental funds	\$ 4,149,924
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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.

Capital outlay expenditures which were capitalized	\$ 248,637	
Depreciation expense for governmental assets	(376,552)	
Asset impairment cost	<u>(15,175)</u>	(143,090)

In the statement of activities, only the net gain 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.	(136,872)
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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	(1,197)
Net decrease in other post-employment benefit obligations	1,156,462
Net decrease in pension obligations	<u>592,730</u>

Change in net position of governmental activities	<u><u>\$ 5,617,957</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, 2017

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and investments in defined benefit plan - general employees (Notes A-4 and B)	\$ 925,141	\$ -
Cash and investments in defined benefit plan - public safety employees (Notes A-4 and B)	15,639,246	-
Cash and investments in other post employment benefit plan (Notes A-4 and B)	1,760,101	-
Cash and cash equivalents in agency fund	-	4,774
Contribution receivable	137,580	-
Interest receivable	47,971	-
Total assets	<u>18,510,039</u>	<u>4,774</u>
LIABILITIES		
Accounts payable	<u>6,183</u>	<u>4,774</u>
Total liabilities	<u>6,183</u>	<u>\$ 4,774</u>
NET POSITION (Note G)		
Restricted for pension benefits and other purposes	<u>18,503,856</u>	
Total net position	<u>\$ 18,503,856</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, 2017

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,449,634
Employee	155,605
State	<u>131,990</u>
Total contributions	<u>2,737,229</u>
Investment gain:	
Net increase in fair value of investments	1,217,847
Interests and dividends	<u>429,882</u>
Total investment gain	<u>1,647,729</u>
Total additions	<u>4,384,958</u>
DEDUCTIONS	
Distributions	667,676
Administrative expenses	
Trustee fees	6,389
Investment management fees	77,930
Attorney fees	20,500
Actuary fees	17,149
Other administrative fees	<u>30,725</u>
Total deductions	<u>820,369</u>
Change in net position	3,564,589
Plan net position at beginning of year	<u>14,939,267</u>
Plan net position at end of year	<u><u>\$ 18,503,856</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, 2017

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 29.163, Laws 1953, as amended by Ordinance Numbers 1 through 536. 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, 2017

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, 2017

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, 2017

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 58% of accounts receivables are fully collectible. Therefore, an allowance for doubtful accounts of \$12,785 in ambulance receivables has been recorded as of September 30, 2017. 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, 2017

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, 2017

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.

The Town has three types of transactions, related to the General Employee Defined Benefit Pension Plan, the Public Safety Officers & Firefighters Defined Benefit Pension Plan and the Other-Post Employment Benefit Plan, which qualify for reporting in these categories.

10. Pensions and Other-Post Employment Benefit Plans

In government-wide financial statements, pensions and other post-employment benefit plans are recognized and disclosed using the accrual basis of accounting (see Notes I, J and the required supplemental information section immediately following the notes to financial statements), regardless of the amount recognized as expenditures on the modified accrual basis of accounting.

The Town typically recognizes a net pension or other-post employment benefit liability for each qualified plan in which it participates, which represents the excess of the total liability over the fiduciary net position of the qualified plan, measured as of the Town's fiscal year-end. If the fiduciary net position of the qualified plan exceeds the total liability of a qualified plan, the Town will recognize an asset for that specific plan.

Changes in the net liability during the period are recorded as an expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the net liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants, in the respective qualified plan and recorded as a component of expense beginning with the period in which they arose.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Pensions (continued)

Projected earnings on qualified plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. 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 mils. For the year ended September 30, 2017, the Town's millage rate was 1.6786 mils. 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, 2016, upon which the 2016-2017 levy was based, was approximately \$2.8 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, 2017 were approximately 96% of the total tax levy.

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. 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, 2017, the Town has met the requirements of minimum funding.

13. 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.

14. 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.

15. 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. New Governmental Accounting Standards Board (GASB) pronouncements

GASB Statement No. 74 and 75

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) about providing decision-useful information, supporting assessments of accountability and inter-period 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*.

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 Town implemented the GASB Statements No. 74 and early implemented Statement No. 75 for the year ended September 30, 2017. The implementation of GASB statement No. 75 required a prior period adjustment to the statement of net assets to reflect the removal of the prior other post-employment liability of \$672,109 and record the net other post-employment obligation of \$1,207,269 as of September 30, 2016. This resulted in a net decrease to the beginning net position of the Town by \$535,160. In addition, these statements required additional schedules and disclosures which can be found in Note J and the required supplementary information.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. New Governmental Accounting Standards Board (GASB) pronouncements (continued)

GASB Statement No. 77

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. This pronouncement did not impact the preparation of these financial statements as the Town has not entered into any tax abatement agreements.

GASB Statement No. 78

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 Town does not provide pensions through multiple-employer defined benefit pension plans. Therefore, this Statement has no impact upon the Town.

GASB Statement No. 80

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. This pronouncement did not impact the preparation of these financial statements.

GASB Statement No. 82

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. The requirements of this statement are reflected in Note I and the required supplemental information.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Impact of Future Pronouncements

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 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.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for the Town in fiscal year 2020.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. GASB 85 is effective for the Town in fiscal year 2018.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 85 is effective for the Town in fiscal year 2018.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 85). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 85 is effective for the Town in fiscal year 2021.

The Town will implement new GASB pronouncements no later than the required effective date. The Town is currently evaluating whether 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, 2017

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town had the following cash and investments at September 30, 2017:

	Fair Value	Weighted Average Maturity	Rating
Governmental Funds			
Cash	\$ 5,048,422	N/A	N/A
Local government pooled investment accounts:			
Florida PRIME	3,855,584	0.14	AAAm (S&P)
	<u>\$ 8,904,006</u>		
Agency fund (Building Permit Surcharge fund)			
Cash	\$ 4,774	N/A	N/A
	<u>\$ 4,774</u>		
Pension trust funds			
Other Post-Employment Benefit Plan			
Florida Municipal Pension Trust Fund (FMPTF) –			
Other Post Employment Benefit 70/30 Allocation	\$ 1,760,101	*	Not Rated
	<u>1,760,101</u>		
General Employee Defined Benefit Plan			
Florida Municipal Pension Trust Fund (FMPTF) –			
Defined Benefit 70/30 Allocation Plan	925,141	*	Not Rated
	<u>925,141</u>		
Fire and Police Defined Benefit Plan			
Cash and cash equivalents	515,984	N/A	N/A
Equity			
Common stock	8,866,155	N/A	Not Rated
International stocks	249,116	N/A	Not Rated
Total equity	<u>9,115,271</u>		
Fixed income			
U.S. government obligations	1,846,350	8.88	Aaa (Moody's)
Mortgage/asset backed securities	799,820	23.18	Aaa (Moody's)
Collateralized mortgage obligations	898,054	2.57	Aaa (Moody's)
Corporate bonds	2,241,546	6.17	Aa2-Baa3 (Moody's)
Foreign bonds, notes and debentures	222,221	5.70	Aa1-Baa3 (Moody's)
Total fixed income	<u>6,007,991</u>		
	<u>15,639,246</u>		
Total pension funds	<u>\$ 18,324,488</u>		

* Portions of the FMPTF are invested in debt instruments and mutual funds with a weighted average to maturity (WAM) of 6.10 years and 7.40 years, respectively

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017, 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 Pools (SBA and FMPTF)

SBA - 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.

Regarding 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, 2017

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

External Investment Pool (SBA and FMPTF) (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, 2017, 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.

FMPTF - The investments included in the Town's General Employee Defined Benefit Plan and Other Post-Employment Benefit Plan are in an investment pool and the plans do not directly own the securities that make up the pool. The pool is valued using the quoted value of the underlying assets or similar assets and multiplied by the Town's percentage of ownership in the pool.

Investments

Interest rate risk - The interest rate risk is the risk that the value of investments will decrease because 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 policies do 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 policies do not further limit its investment choices. Ratings are set by nationally recognized statistical rating organizations (S&P, Fitch and Moody's).

The credit risk associated with investments are included in the previous table. A breakdown of investment types with varying credit ratings are as follows:

Rating	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Total
Corporate bonds	\$70,132	\$50,490	\$180,361	\$86,323	\$387,512	\$395,082	\$778,637	\$293,009	\$2,241,546
Foreign bonds, notes and debentures	-	-	83,728	-	40,886	-	-	97,607	222,221
	<u>\$70,132</u>	<u>\$50,490</u>	<u>\$264,089</u>	<u>\$86,323</u>	<u>\$428,398</u>	<u>\$395,082</u>	<u>\$778,637</u>	<u>\$390,616</u>	<u>\$2,463,767</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017:

		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	\$ 1,846,350	\$ 1,846,350	\$ -	\$ -
Mortgage/asset backed securities	799,820	-	799,820	-
Collateralized mortgage obligations	898,054	-	898,054	-
Corporate bonds	2,241,546	-	2,241,546	-
Foreign bonds, notes and debentures	222,221	-	222,221	-
Total fixed income securities	6,007,991	1,846,350	4,161,641	-
Equity securities				
Common stock	8,866,155	7,577,543	1,288,612	-
International stocks	249,116	249,116	-	-
Total equity securities	9,115,271	7,826,659	1,288,612	-
Total investments by fair value level	15,123,262	\$ 9,673,009	\$ 5,450,253	\$ -
		Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Investments measured at net asset value				
Florida Municipal Pension Trust Fund (FMPTF) – Other Post Employment Benefit 70/30 Allocation	1,760,101	-	Monthly	Once a month, with advance written notification
Florida Municipal Pension Trust Fund (FMPTF) – Defined Benefit 70/30 Allocation Plan	925,141	-	Monthly	Once a month, with advance written notification
Total investments measured at net asset value	2,685,242			
Total investments measured at fair value	\$ 11,800,513			

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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

Investments (continued)

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.

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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,428,482	\$ -	\$ 125,000	\$ 1,303,482
Construction in progress	-	44,450	-	44,450
Total capital assets not being depreciated	1,428,482	\$ 44,450	\$ 125,000	1,347,932
Capital assets, being depreciated:				
Buildings	3,175,944	\$ 13,168	\$ 21,624	3,167,488
Improvements other than buildings	688,357	18,900	11,756	695,501
Furniture, fixtures and equipment	3,259,110	172,118	51,054	3,380,174
Total capital assets being depreciated	7,123,411	\$ 204,186	\$ 84,434	7,243,163
Less accumulated depreciation for:				
Buildings	1,568,426	\$ 66,994	\$ 21,624	1,613,796
Improvements other than buildings	173,396	36,375	589	209,182
Furniture, fixtures, and equipment	1,416,294	288,358	50,350	1,654,302
Total accumulated depreciation	3,158,116	\$ 391,727	\$ 72,563	3,477,280
Total capital assets being depreciated, net	3,965,295			3,765,883
Governmental activities capital assets, net	\$ 5,393,777			\$ 5,113,815

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE C - CAPITAL ASSETS (continued)

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

General government	\$ 57,588
Public safety	304,326
Public works	8,152
Culture and recreation	6,136
Physical enviroment	350
	<u>\$ 376,552</u>

During the year ended September 30, 2017, the Town's dune crossover was impaired because of Hurricane Matthew and again because of Hurricane Irma. The impairment cost was \$15,175 and was included in the above accumulated depreciation. Insurance proceeds of \$8,900 were received for Hurricane Matthew and resulted in a net impairment loss of \$6,275.

During the year ended September 30, 2017, the Town auctioned a piece of land with a carrying value of \$125,000 to a private developer for \$4,840,000 for a net gain of \$4,715,000.

NOTE D - ACCOUNTS PAYABLE

Payables at September 30, 2017 were as follows:

Governmental Activities:	Vendors	Pension Funds	Total
General	\$ 55,825	\$ 128,006	\$ 183,831
Road and Bridge	28,603	-	28,603
Planning, Zoning and Building	4,121	-	4,121
Other governmental	-	-	-
Total Governmental Activities	<u>\$ 88,549</u>	<u>\$ 128,006</u>	<u>\$ 216,555</u>

The amount due from the General Fund to the Pension Funds is the amount collected from the State of Florida in September that is to be remitted to the Town's Public Safety Officer Share Plan. A receivable is recorded in the Pension Trust fund for these funds.

NOTE E - 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 reaffirmed on July 27, 2017 until March 30, 2018. 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, 2017, there was no outstanding balance on the line of credit and no amounts were drawn on the line during the fiscal year.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2017:

	Balance at October 1, 2016 (restated)	Increase	Decrease	Balance at September 30, 2017	Due within one year
Compensated absences	\$ 143,143	\$ 298,004	\$ 296,807	\$ 144,340	\$ 144,340
Net pension liability	1,500,439	2,347,020	3,619,774	227,685	-
Net other post employment liabilities (asset)	1,207,166	209,830	1,621,186	(204,190)	-
	<u>\$ 2,850,748</u>	<u>\$ 2,854,854</u>	<u>\$ 5,537,767</u>	<u>\$ 167,835</u>	<u>\$ 144,340</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.

NOTE G - INTERFUND TRANSFERS

During the year ended September 30, 2017, \$20,047 was transferred from the General Fund to the Law Enforcement Forfeiture Fund. On November 17, 2016, the Town Council approved the creation of this fund to account for amounts previously classified as restricted for law enforcement in the General Fund.

NOTE H - 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 established 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE H - FUND EQUITY AND NET POSITION (continued)

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.

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.

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, 2017 are as follows:

	Balance at October 1, 2016	Increases	Decreases	Balance at September 30, 2017
Restricted:				
Building code enforcement	\$ 1,318,349	\$ 603,071	\$ 409,096	\$ 1,512,324
Capital outlay	354,086	558,796	179,379	733,503
Law enforcement	20,047	492	7,441	13,098
Road construction and maintenance	569,302	97,412	113,671	553,043
Committed:				
Cemetery maintenance	117,244	1,207	8,921	109,530
Bike path construction and maintenance	17,393	2,800	-	20,193
	<u>\$ 2,396,421</u>	<u>\$ 1,263,778</u>	<u>\$ 718,508</u>	<u>\$ 2,941,691</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - 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.

**Fiduciary Plan Net Position
September 30, 2017**

	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post Employment Benefits Plan	Total Pension Trust Funds
ASSETS				
Cash and investments	\$ 15,639,246	\$ 925,141	\$ 1,760,101	\$ 18,324,488
Interest receivable	47,971	-	-	47,971
Contribution receivable	137,042	538	-	137,580
Total assets	<u>15,824,259</u>	<u>925,679</u>	<u>1,760,101</u>	<u>18,510,039</u>
LIABILITIES				
Accounts payable	<u>5,279</u>	<u>464</u>	<u>440</u>	<u>6,183</u>
Total liabilities	<u>5,279</u>	<u>464</u>	<u>440</u>	<u>6,183</u>
NET POSITION				
Restricted for pension benefits and other purposes	<u>15,818,980</u>	<u>925,215</u>	<u>1,759,661</u>	<u>18,503,856</u>
Total net position	<u>\$ 15,818,980</u>	<u>\$ 925,215</u>	<u>\$ 1,759,661</u>	<u>\$ 18,503,856</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

**Changes in Fiduciary Plan Net Position
For the Year Ended September 30, 2017**

	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post Employment Benefits Plan	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 1,086,393	\$ 111,287	\$ 1,251,954	\$ 2,449,634
Employee	132,129	23,476	-	155,605
State	131,990	-	-	131,990
Total contributions	1,350,512	134,763	1,251,954	2,737,229
Investment gain:				
Net increase in fair value of investments	1,001,066	120,559	96,222	1,217,847
Interests and dividends	429,882	-	-	429,882
Total investment gain	1,430,948	120,559	96,222	1,647,729
Total additions	2,781,460	255,322	1,348,176	4,384,958
DEDUCTIONS				
Distributions	619,281	48,395	-	667,676
Administrative expenses				
Trustee fees	6,389	-	-	6,389
Investment management fees	77,930	-	-	77,930
Attorney fees	20,500	-	-	20,500
Actuary fees	17,149	-	-	17,149
Other administrative fees	23,804	5,572	1,349	30,725
Total deductions	765,053	53,967	1,349	820,369
Change in net position	2,016,407	201,355	1,346,827	3,564,589
Plan net position at beginning of year	13,802,573	723,860	412,834	14,939,267
Plan net position at end of year	<u>\$ 15,818,980</u>	<u>\$ 925,215</u>	<u>\$ 1,759,661</u>	<u>\$ 18,503,856</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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, 2017, membership in the plan consists of seven active employees. The plan may be amended by ordinance of the Town Council. The Town does not issue a stand-alone plan financial report.

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 \$47,543. Of that amount \$3,034 was paid from forfeitures of former employees who were not vested in the plan upon termination.

The Town does not 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 \$21,611 for the current year.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

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.

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, 2017.

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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: 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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, 2017 was 41.82% of covered payroll. The Town contributed \$111,558 for the year ended September 30, 2017. Administrative costs are financed through investment earnings.

Net Pension Liability:

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

<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Funded Percentage</u>
\$ 931,585	\$ 925,141	\$ 6,444	99.31%

The change in the net pension liability for the year ended September 30, 2017 were as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance as of September 30, 2016	\$ 815,281	\$ (723,443)	\$ 91,838
Change due to:			
Service cost	70,056	-	70,056
Expected interest growth	64,651	(57,246)	7,405
Unexpected investment income	-	(63,313)	(63,313)
Demographic experience	10,699	-	10,699
Employer contributions	-	(111,558)	(111,558)
Employee contributions	-	(23,447)	(23,447)
Benefit payments & refunds	(48,395)	48,395	-
Administrative expenses	-	5,471	5,471
Changes in benefit terms	-	-	-
Assumption changes	19,293	-	19,293
Balance as of September 30, 2017	<u>\$ 931,585</u>	<u>\$ (925,141)</u>	<u>\$ 6,444</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

Employer's reporting date: September 30, 2017

Measurement date: September 30, 2017

Actuarial valuation date: October 1, 2016

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

Cost-of-living increases: None assumed

Mortality basis: Sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB

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 mortality basis was changed from a 2015 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

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

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.

Sensitivity of Net Pension Liability Using Alternative Discount Rates:

The following presents the net pension liability as if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	Discount Rate Minus 1.00%	7.50% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 1,032,827	\$ 931,585	\$ 845,513
Less fiduciary net position	(925,141)	(925,141)	(925,141)
Net pension liability	<u>\$ 107,686</u>	<u>\$ 6,444</u>	<u>\$ (79,628)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Deferred Outflow and Inflow of Resources

On September 30, 2017, the Town reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	\$ 8,024	\$ 8,931
Changes of assumptions	125,134	48,263
Net difference between Projected and Actual Earnings on Pension Plan investments	21,644	55,618
Total	<u>\$ 154,802</u>	<u>\$ 112,812</u>

Changes to the deferred inflows and outflows for the year ended September 30, 2017 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2016		\$ 158,940	\$ 72,558
Change due to:			
Amortization payments		(34,130)	(23,059)
Investment gain/loss	5 years	-	63,313
Demographic gain/loss	4-8 years	10,699	-
Assumption changes	4-8 years	19,293	-
Total change		<u>(4,138)</u>	<u>40,254</u>
Balance as of September 30, 2017		<u>\$ 154,802</u>	<u>\$ 112,812</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, 2016	\$ 91,838
Plus pension expense for the 2016/17 fiscal year	70,556
Minus employer contribution for the 2016/17 fiscal year	(111,558)
Plus change in balance of deferred outflows of resources	(25,782)
Minus change in balance of deferred inflows of resources	<u>(18,610)</u>
Net pension liability as of September 30, 2017	<u>\$ 6,444</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - 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
2018	\$ 11,069
2019	11,924
2020	1,102
2021	(5,023)
2022	7,638
Thereafter	15,280
	<u>\$ 41,990</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 available actuarial valuation was at October 1, 2016 with an unfunded liability of \$273,767. This balance was developed using a 5.9% investment rate, rather than the 7.5% investment rate used to estimate the Net Pension Liability as described above. 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 at September 30, 2017 is as follows:

19 active employees,
10 service retirees
2 DROP retirees
<u>4 terminated vested employees</u>
<u>35 total participants</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

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.

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:	2.75% (2.0% if hired after September 30, 2012) of Average Final Compensation (AFC) times Credited Service, limited to 100% of AFC.
Normal retirement age:	Age 50 with at least seven years of credited service
Disability pension:	<p>Larger of basic pension formula or 42% of average earnings (for service-connected disabilities)</p> <p>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)</p> <p>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.</p>
Pre-retirement death benefit:	<p>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)</p> <p>Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)</p>
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.
Deferred Retirement Option Plan:	Eligible upon satisfaction of Normal Retirement requirements. May participate up to 60 months, but not beyond 30 years of total service with the Town. The balance will earn at the actual net returns realized by the Plan as a whole.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

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, 2017 was 58.13% of covered payroll. The Town contributed \$1,086,822 for the year ended September 30, 2017. Administrative costs are financed through investment earnings.

Net Pension Liability:

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

Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Funded Percentage
\$16,032,668	\$15,811,427	\$ 221,241	98.62%

The change in the net pension liability for the year ended September 30, 2017 were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2016	\$15,205,937	\$(13,797,336)	\$ 1,408,601
Change due to:			
Service cost	294,947	-	294,947
Interest	949,453	-	949,453
Share plan allocation	131,990	-	131,990
Differences between expected and actual experience	69,622	-	69,622
Changes in benefit terms	-	-	-
Assumption changes	-	-	-
Employer contributions	-	(1,086,822)	(1,086,822)
State contributions	-	(131,990)	(131,990)
Employee contributions	-	(131,883)	(131,883)
Net investment income	-	(1,345,839)	(1,345,839)
Benefit payments & refunds	(619,281)	619,281	-
Administrative expenses	-	63,162	63,162
Balance as of September 30, 2017	<u>\$16,032,668</u>	<u>\$(15,811,427)</u>	<u>\$ 221,241</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

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

Employer's reporting date: September 30, 2017

Measurement date: September 30, 2017

Actuarial valuation date: October 1, 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%

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

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.

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, 2017 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

Sensitivity of Net Pension Liability Using Alternative Discount Rates:

The following presents the net pension liability as if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	Discount Rate Minus 1.00%	6.25% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 17,745,037	\$ 16,032,668	\$ 14,620,864
Less fiduciary net position	(15,811,427)	(15,811,427)	(15,811,427)
Net pension liability	<u>\$ 1,933,610</u>	<u>\$ 221,241</u>	<u>\$ (1,190,563)</u>

Deferred Outflow and Inflow of Resources

On September 30, 2017, the Town reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pension from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	\$ 731,804	\$ 3,383
Changes of assumptions	315,476	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	363,708
Total	<u>\$ 1,047,280</u>	<u>\$ 367,091</u>

Changes to the deferred inflows and outflows for the year ended September 30, 2017 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2016		\$ 1,320,049	\$ 4,228
Change due to:			
Amortization payments		(261,821)	(19,190)
Investment gain/loss	5 years	(80,570)	382,053
Expected & actual experience	5 years	69,622	-
Total change		<u>(272,769)</u>	<u>362,863</u>
Balance as of September 30, 2017		<u>\$ 1,047,280</u>	<u>\$ 367,091</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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

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, 2016	\$ 1,408,601
Plus pension expense for the 2016/17 fiscal year	667,084
Minus employer/state contribution for the 2016/17 fiscal year	(1,218,812)
Plus change in balance of deferred outflows of resources	(272,769)
Minus change in balance of deferred inflows of resources	<u>(362,863)</u>
Net pension liability as of September 30, 2017	<u><u>\$ 221,241</u></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
2018	\$ 242,629
2019	242,628
2020	26,483
2021	168,449
2022	-
Thereafter	-
	<u><u>\$ 680,189</u></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 \$423,259 as of September 30, 2017. 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

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, 2017. 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, 2017, the balance of this plan was \$1,921,772.

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, 2017 totaled \$131,990.

4. 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, 2017, there were two participants in DROP with a deferred balance of \$181,928.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - PENSION PLANS (continued)

5. 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, 2017, there were no elections of the PLOP.

NOTE J - 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.

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 eliminating the explicit subsidy to all employees hired after February 2014.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

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, 2017, the Town provides benefits for 32 active and 16 eligible inactive employees. Total premiums per month at September 30, 2017 ranged as follows:

Type	Single	With Spouse
Health	\$701	\$1,403
Dental	\$29	\$61
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 and life 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 funded with a combination of annual contributions to a professionally managed fund and Town premium payments on a pay-as-you-go basis. \$1,251,954 was contributed to the OPEB trust fund run by the FMPTF administered by the Florida League of Cities in 2017. Additionally, during the year ended September 30, 2017, the Town paid \$12,669 in retiree premium from its general fund. Therefore, the total contribution for the year totaled \$1,264,623.

Benefits may be changed from time to time by management as noted above. Under the current policy, if a retiree does not make payments in a timely manner the benefit is forfeited and cannot be reinstated. Finally, administrative costs are financed through investment earnings.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

The Town's net OPEB liability (asset) calculated using the Alternative Measurement Method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members.

The Alternative Measurement Method involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that the 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 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.

Net Other Post Employment Benefit (OPEB) Liability (Asset):

The components of the net OPEB liability (asset) at September 30, 2017 were as follows:

Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)	Funded Percentage
\$ 1,555,911	\$ 1,759,661	\$ (203,750)	113.10%

The change in the net OPEB liability (asset) for the year ended September 30, 2017 were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance as of September 30, 2016	\$ 1,620,103	\$ (412,834)	\$ 1,207,269
Change due to:			
Service cost	99,983	-	99,983
Expected interest growth	96,165	(60,004)	36,161
Unexpected investment income	-	(36,218)	(36,218)
Assumption/demographic changes	(247,671)	-	(247,671)
Employer contributions	-	(1,264,623)	(1,264,623)
Benefit payments & refunds	(12,669)	12,669	-
Administrative expenses	-	1,349	1,349
Balance as of September 30, 2017	<u>\$ 1,555,911</u>	<u>\$ (1,759,661)</u>	<u>\$ (203,750)</u>

The net OPEB liability (asset) was determined based on the following information:

Employer's reporting date: September 30, 2017

Measurement date: September 30, 2017

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

Valuation date:	October 1, 2016
Actuarial assumptions:	
Discount rate:	5.78% per annum
Asset method:	Fair Market Value, net of investment related expense
Inflation:	2.24%
Salary increases:	5.75%
Cost-of-living increases:	None assumed
Mortality basis:	Sex-distinct rates set forth in the RP-2014 Mortality Table for annuitants for small plans, with adjustments for mortality improvements based on Scale MP, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430.
Marital status:	Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.
Benefit payment dates:	<p>Under the benefit terms, benefit payments begin when an active employee retires. The retirement rate is based upon pension plan retirement qualification, or if the employee has already qualified, one year later than the actuarial date.</p> <p>It is assumed that the retiree or spouse will leave the healthcare plan and accept Medicare at 65. In the case where the spouse is younger it is assumed that 5% of retirees will remain on until the spouse turns 65.</p>
Turnover:	The probability that an active employee will remain employed until the assumed age at which employment-related eligibility criteria will be met was determined using gender-specific age-based turnover rates derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

Healthcare cost trend rate: The expected rates of increase in healthcare costs are based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, in National Health Care Expenditures Projections: 2009–2025 (www.cms.hhs.gov). Healthcare costs are expected to increase as follows:

2019	5.50%
2020	5.50%
2021	4.80%
2022	5.50%
2023	5.60%
Ultimate	5.30%

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

	Health	Dental	Vision	Life
<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%

Changes: Since the prior measurement date of October 1, 2016, the discount rate increased from 4.12% to 5.78%, since estimated cash flows are projected to cover the entire liability as of September 30, 2017.

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

The long-term expected rate of return on OPEB 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 OPEB plan investment expense 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	70.00%	4.26%
Broad Market Fixed Income	30.00%	<u>1.84%</u>
Weighted arithmetic average	100.00%	3.54%
Inflation factor		<u>2.24%</u>
Long-term expected rate of return		5.78%

The projection of cash flows used to determine the discount rate assumes that Town contributions will be made at actuarially determined rates. Based on those assumptions, the OPEB 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 investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

Sensitivity of Net OPEB Liability Using Alternative Rates:

The following presents the Town's OPEB liability as if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	Discount Rate Minus 1.00%	5.78% Discount Rate	Discount Rate Plus 1.00%
Total OPEB liability	\$ 1,703,560	\$ 1,555,911	\$ 1,426,566
Less fiduciary net position	(1,759,661)	(1,759,661)	(1,759,661)
Net OPEB liability (asset)	<u>\$ (56,101)</u>	<u>\$ (203,750)</u>	<u>\$ (333,095)</u>

The following presents the Town's OPEB liability as if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	Healthcare Cost Trend Rate Minus 1.00%	Healthcare Cost Trend Rate	Healthcare Cost Trend Rate Plus 1.00%
Total OPEB liability	\$ 1,435,034	\$ 1,555,911	\$ 1,693,939
Less fiduciary net position	(1,759,661)	(1,759,661)	(1,759,661)
Net OPEB liability (asset)	<u>\$ (324,627)</u>	<u>\$ (203,750)</u>	<u>\$ (65,722)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

Deferred Outflow and Inflow of Resources

On September 30, 2017, the Town reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumption/demographic	\$ -	\$ 225,595
Net difference between Projected and Actual		
Earnings on OPEB investments	-	28,962
Total	<u>\$ -</u>	<u>\$ 254,557</u>

Changes to the deferred inflows and outflows for the year ended September 30, 2017 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2016		\$ -	\$ -
Change due to:			
Amortization payments		-	(29,317)
Investment gain/loss	5 years	-	36,203
Assumption/demographic changes	11 years	-	247,671
Total change		<u>-</u>	<u>254,557</u>
Balance as of September 30, 2017		<u>\$ -</u>	<u>\$ 254,557</u>

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

Net OPEB liability as of September 30, 2016	\$ 1,207,269
Plus OPEB expense for the 2016/17 fiscal year	108,161
Minus employer contributions for the 2016/17 fiscal year	(1,264,623)
Minus change in balance of deferred inflows of resources	<u>(254,557)</u>
Net OPEB liability (asset) as of September 30, 2017	<u>\$ (203,750)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in other post employment benefit expense as follows:

Year ended September 30,	OPEB Expense
2018	\$ 29,317
2019	29,317
2020	29,317
2021	29,317
2022	22,077
Thereafter	115,212
	<u>\$ 254,557</u>

NOTE K - 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 \$11,262 for the year ended September 30, 2017.

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - 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 expired November 2017. As of the date of this audit report, the Town has not pursued further litigation with the City of Vero Beach but progress in the matter 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 threat of litigation. For the year ended September 30, 2017, the attorney and consulting fees related to this litigation totaled \$62,486. Since 2014, the Town has spent \$1,279,780 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, work has begun on the cellular tower, but no amounts have been spent by the Town on this project.

NOTE M - 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 \$202,614. There have been no significant reductions in insurance coverages during fiscal year 2017. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

NOTE N - SUBSEQUENT EVENT

Evaluating subsequent events

The Town has evaluated subsequent events through February __, 2018, the date which the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Indian River Shores, Florida

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

Year ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 4,562,164	\$ 4,576,979	\$ 4,576,979	\$ -
State revenue sharing	68,917	64,659	68,154	3,495
Discretionary sales surtax	546,617	552,150	553,224	1,074
Communication services tax	264,254	276,075	276,075	-
Intergovernmental	296,386	296,451	296,451	-
Federal grant revenue	6,624	13,435	20,899	7,464
State grant revenue	47,500	15,023	7,560	(7,463)
Fines and forfeitures	7,000	8,902	8,902	-
Sale of burial rights	1,500	-	-	-
Other taxes	12,000	12,694	12,694	-
Post office fees	231,300	219,346	219,346	-
Ambulance service fees	105,000	116,387	120,492	4,105
Other fees and rents	26,325	26,991	26,990	(1)
Interest income	19,000	60,000	60,000	-
Miscellaneous revenue	6,500	5,400	1,699	(3,701)
Total revenues	<u>6,201,087</u>	<u>6,244,492</u>	<u>6,249,465</u>	<u>4,973</u>
EXPENDITURES				
Current				
General government	1,974,473	2,885,458	2,872,905	12,553
Public safety	4,237,971	4,075,290	4,035,733	39,557
Physical environment	8,697	7,701	8,921	(1,220)
Culture and recreation	14,839	15,963	15,908	55
Capital outlay	457,246	182,035	190,936	(8,901)
Total expenditures	<u>6,693,226</u>	<u>7,166,447</u>	<u>7,124,403</u>	<u>42,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(492,139)</u>	<u>(921,955)</u>	<u>(874,938)</u>	<u>47,017</u>
Other financing sources (uses)				
Proceeds from sale of surplus	3,500	4,842,395	4,842,395	-
Insurance recoveries	-	-	8,900	8,900
Transfer out	-	(20,047)	(20,047)	-
Total other financing sources	<u>3,500</u>	<u>4,822,348</u>	<u>4,831,248</u>	<u>8,900</u>
Net change in fund balances	<u>(488,639)</u>	<u>3,900,393</u>	<u>3,956,310</u>	<u>55,917</u>
Fund balances, beginning of year	<u>2,889,638</u>	<u>2,889,638</u>	<u>2,889,638</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,400,999</u>	<u>\$ 6,790,031</u>	<u>\$ 6,845,948</u>	<u>\$ 55,917</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 - ROAD AND BRIDGE FUND**

Year ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
State revenue sharing	\$ 21,525	\$ 26,212	\$ 22,718	\$ (3,494)
Intergovernmental	65,595	65,448	65,448	-
Federal grant revenue	-	-	-	-
Impact fees	4,000	3,444	3,444	-
Interest income	2,500	5,801	5,802	1
Total revenues	93,620	100,905	97,412	(3,493)
EXPENDITURES				
Current				
General government	30,705	29,210	29,210	-
Transportation	41,179	85,584	44,831	40,753
Capital outlay	-	-	39,630	(39,630)
Total expenditures	71,884	114,794	113,671	1,123
Net change in fund balances	21,736	(13,889)	(16,259)	(2,370)
Fund balances, beginning of year	569,302	569,302	569,302	-
Fund balances, end of year	<u>\$ 591,038</u>	<u>\$ 555,413</u>	<u>\$ 553,043</u>	<u>\$ (2,370)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 750,000	\$ 577,910	\$ 577,910	\$ -
Fines and forfeitures	4,000	1,420	1,920	500
Other fees and rents	1,000	1,561	1,561	-
Interest income	3,000	14,628	14,629	1
Miscellaneous revenue	2,000	7,551	7,051	(500)
Total revenues	<u>760,000</u>	<u>603,070</u>	<u>603,071</u>	<u>1</u>
EXPENDITURES				
Current				
General government	33,528	28,764	28,764	-
Public safety	395,080	366,919	365,761	1,158
Capital outlay	12,750	14,571	14,571	-
Total expenditures	<u>441,358</u>	<u>410,254</u>	<u>409,096</u>	<u>1,158</u>
Net change in fund balances	318,642	192,816	193,975	1,159
Fund balances, beginning of year	<u>1,318,349</u>	<u>1,318,349</u>	<u>1,318,349</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,636,991</u></u>	<u><u>\$ 1,511,165</u></u>	<u><u>\$ 1,512,324</u></u>	<u><u>\$ 1,159</u></u>

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**

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY				
Service cost	\$ 70,056	\$ 63,621	\$ 46,763	\$ 46,940
Interest	64,651	48,718	62,578	50,578
Demographic experience	10,699	(276)	(12,452)	-
Changes of assumptions	19,293	142,282	(68,948)	-
Benefit payments, including refunds on member contributions	(48,395)	(48,395)	(47,674)	(47,742)
Net change in total pension liability	116,304	205,950	(19,733)	49,776
Total pension liability - beginning	815,281	609,331	629,064	579,288
Total pension liability - ending (a)	931,585	815,281	609,331	629,064
PLAN FIDUCIARY NET POSITION				
Contributions - employer	111,558	108,876	97,010	103,810
Contributions - member	23,447	23,640	22,115	21,529
Net investment income	120,559	54,062	(580)	42,265
Benefit payments, including refunds on member contributions	(48,395)	(48,395)	(48,395)	(48,395)
Administrative expenses	(5,471)	(5,730)	(5,521)	(15,548)
Net change in plan fiduciary net position	201,698	132,453	64,629	103,661
Plan fiduciary net position - beginning	723,443	590,990	526,361	422,700
Plan fiduciary net position - ending (b)	925,141	723,443	590,990	526,361
Net pension liability - ending (a) - (b)	\$ 6,444	\$ 91,838	\$ 18,341	\$ 102,703
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.31%	88.74%	96.99%	83.67%
Covered Employee Payroll	\$ 275,802	\$ 258,006	\$ 251,169	\$ 221,719
Net Pension Liability as a Percentage of the Covered Employee Payroll	2.34%	35.60%	7.30%	46.32%

NOTE: Four 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)
2017 ⁽¹⁾	\$ 111,558	\$ 111,558	\$ -	\$ 275,802	40.45%
2016	\$ 108,876	\$ 108,876	\$ -	\$ 258,006	42.20%
2015	\$ 97,010	\$ 97,010	\$ -	\$ 251,169	38.62%
2014 ^{(2) (3)}	\$ 103,810	\$ 103,810	\$ -	\$ 221,719	46.82%
2013 ⁽⁴⁾	\$ 76,706	\$ 76,706	\$ -	\$ 92,719	82.73%
2012 ^{(5) (6)}	\$ 47,940	\$ 47,940	\$ -	\$ 87,214	54.97%
2011	\$ 34,961	\$ 34,961	\$ -	\$ 83,061	42.09%
2010 ⁽⁷⁾	\$ 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 September 30, 2017.

(1) Mortality table changed to RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

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

(7) 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**

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY				
Service cost	\$ 294,947	\$ 307,087	\$ 297,756	\$ 250,814
Interest	949,453	871,471	751,759	743,119
Share plan allocation	131,990	257,370	173,797	180,816
Changes of benefit terms	-	183,569	-	-
Differences between expected and actual experience	69,622	(5,073)	1,183,190	-
Changes of assumptions	-	473,212	-	317,720
Benefit payments, including refunds on member contributions	(619,281)	(669,162)	(698,859)	(553,418)
Net change in total pension liability	826,731	1,418,474	1,707,643	939,051
Total pension liability - beginning	15,205,937	13,787,463	12,079,820	11,140,769
Total pension liability - ending (a)	16,032,668	15,205,937	13,787,463	12,079,820
PLAN FIDUCIARY NET POSITION				
Contributions - employer	1,086,822	930,552	605,302	730,088
Contributions - state	131,990	257,370	173,797	180,816
Contributions - member	131,883	145,727	147,518	106,952
Net investment income	1,345,839	1,462,352	(330,943)	1,233,577
Benefit payments, including refunds on member contributions	(619,281)	(669,162)	(698,859)	(553,418)
Administrative expenses	(63,162)	(75,157)	(67,620)	(62,214)
Net change in plan fiduciary net position	2,014,091	2,051,682	(170,805)	1,635,801
Plan fiduciary net position - beginning	13,797,336	11,745,654	11,916,459	10,280,658
Plan fiduciary net position - ending (b)	15,811,427	13,797,336	11,745,654	11,916,459
Net pension liability - ending (a) - (b)	\$ 221,241	\$ 1,408,601	\$ 2,041,809	\$ 163,361
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.62%	90.74%	85.19%	98.65%
Covered Employee Payroll	\$ 1,387,302	\$ 1,607,448	\$ 1,434,366	\$ 1,153,014
Net Pension Liability as a Percentage of the Covered Employee Payroll	15.95%	87.63%	142.35%	14.17%

NOTE: Four 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)
2017	\$ 806,439	\$ 1,086,822	\$ (280,383)	\$ 1,387,302	78.34%
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, 2017.

(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 CHANGES IN NET OTHER POST EMPLOYMENT BENEFITS LIABILITY
OTHER POST EMPLOYMENT BENEFITS DEFINED BENEFIT PLAN**

	<u>9/30/2017</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 99,983
Interest	96,165
Changes of assumptions & demographics	(247,671)
Benefit payments, including refunds on member contributions	<u>(12,669)</u>
Net change in total pension liability	(64,192)
Total OPEB liability - beginning	<u>1,620,103</u>
Total OPEB liability - ending (a)	<u>1,555,911</u>
 PLAN FIDUCIARY NET POSITION	
Contributions - employer	1,264,623
Net investment income	96,222
Benefit payments, including refunds on member contributions	(12,669)
Administrative expenses	<u>(1,349)</u>
Net change in plan fiduciary net position	1,346,827
Plan fiduciary net position - beginning	<u>412,834</u>
Plan fiduciary net position - ending (b)	<u>1,759,661</u>
Net OPEB liability (asset) - ending (a) - (b)	<u><u>\$ (203,750)</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 113.10%
 Covered Employee Payroll	 \$ 2,403,928
 Net OPEB Liability as a Percentage of the Covered Employee Payroll	 -8.48%

NOTE: One year of data is available for GASB 74/75.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

**SCHEDULE OF CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS DEFINED BENEFIT PLAN**

Year ended September 30,	Actuarially Determined Contributions (a)	Contribution in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency (Surplus) (a - b)	Covered Payroll (c)	Contribution in Percentage of Covered Employee Payroll (b / c)
2017 (1)	\$ 209,699	\$ 1,264,623	\$ (1,054,924)	\$ 2,403,928	52.61%
2016 (2)	\$ 206,439	\$ 199,771	\$ 6,668	\$ 2,280,023	8.76%
2015 (3)	\$ 253,412	\$ 214,544	\$ 38,868	\$ 2,151,096	9.97%
2014 (4)	\$ 206,359	\$ 37,810	\$ 168,549	\$ 1,741,323	2.17%
2013 (5)	\$ 207,729	\$ 189,383	\$ 18,346	\$ 1,741,206	10.88%
2012	\$ 232,334	\$ 39,392	\$ 192,942	\$ 2,119,284	1.86%
2011	\$ 228,877	\$ 43,727	\$ 185,150	\$ 2,119,284	2.06%
2010 (6)	\$ 225,984	\$ 34,465	\$ 191,519	\$ 2,119,284	1.63%

All years are calculated use the Alternative Measurement Method allowed under GASB 45 & GASB 75.
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, 2017.

(1) The discount rate was increased from 3.48% to 4.12% to comply with GASB 74/75. Health cost trend assumptions changed from 5.10% - 5.80% to 4.40% - 5.50%. The payroll growth rate assumption was increased from 5.00% to 5.75% based on an analysis of current salary trends.

(2) 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 by Scale MP, 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.

(3) 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%.

(4) 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.

(5) 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.

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

Valuation Date	Annual Money - Weighted Rate of Return, Net of Investment Expense
September 30, 2017	13.96%
September 30, 2016	8.58%
September 30, 2015	-0.10%
September 30, 2014	9.32%

PUBLIC SAFETY OFFICERS & FIREFIGHTERS DEFINED BENEFIT PLAN

Valuation Date	Annual Money - Weighted Rate of Return, Net of Investment Expense
September 30, 2017	9.46%
September 30, 2016	12.18%
September 30, 2015	-2.76%
September 30, 2014	11.71%

OTHER POST EMPLOYEMENT BENEFITS DEFINED BENEFIT PLAN

Valuation Date	Annual Money - Weighted Rate of Return, Net of Investment Expense
September 30, 2017	13.70%

NOTE: Four years of data was available for GASB 67/68, which was adopted in fiscal year 2014. One year of data was available for GASB 74/75, which was adopted in fiscal year 2017.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

NOTE B - SIGNIFICANT METHODS AND ASSUMPTIONS

1. General Employees Defined Benefit Plan

To determine the actuarially required contribution rate significant methods and assumptions were required to be made as follows:

Valuation Date	October 1, 2016
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Remaining Amortization Period	7 years
Asset Valuation Method	Fair 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 as follows:

Valuation Date	October 1, 2016
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Amortization Period	10 years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment rate of return	6.25% compounded annually
Projected salary increases	5.25% per year

3. Other Post Employment Benefits Defined Benefit Plan

To determine the actuarially required contribution rate significant methods and assumptions were required to be made as follows:

Valuation Date	October 1, 2016
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage, closed
Remaining Amortization Period	10 years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment rate of return	4.12% compounded annually
Projected salary increases	5.75% 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,

	2017	2016*
ASSETS		
Cash	\$ 2,894,068	\$ 2,761,609
Investments	3,855,584	68,278
Accounts receivable, net	17,851	25,491
Due from other governments	117,355	93,101
Inventory	56,002	29,213
Prepaid expenses	115,856	99,926
Total assets	<u>\$ 7,056,716</u>	<u>\$ 3,077,618</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 183,831	\$ 106,723
Accrued liabilities	17,845	68,041
Deposits	3,954	2,734
Unearned revenue	5,138	10,482
Total liabilities	<u>210,768</u>	<u>187,980</u>
Fund balances:		
Nonspendable:		
Prepays	115,856	99,926
Inventory	56,002	29,213
Restricted:		
Capital outlay	733,503	354,086
Law enforcement	-	20,047
Committed:		
Cemetery maintenance	109,530	117,244
Unassigned:		
General fund	3,818,094	276,681
Emergency disasters	2,012,963	1,992,441
Total fund balances	<u>6,845,948</u>	<u>2,889,638</u>
Total liabilities and fund balances	<u>\$ 7,056,716</u>	<u>\$ 3,077,618</u>

*Amounts deposited within the SBA at September 30, 2016 were reclassified to investments to be comparable to September 30, 2017.

Town of Indian River Shores, Florida

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

Years ended September 30,

	<u>2017</u>	<u>2016</u>
REVENUES		
Property taxes	\$ 4,576,979	\$ 4,201,754
State revenue sharing	68,154	64,960
Discretionary sales surtax	553,224	533,876
Communication services tax	276,075	275,373
Intergovernmental	296,451	286,742
Federal grant revenue	20,899	-
State grant revenue	7,560	13,580
Fines and forfeitures	8,902	7,937
Sale of burial rights	-	2,200
Other taxes	12,694	11,508
Post office fees	219,346	234,616
Ambulance service fees	120,492	104,781
Other fees and rents	26,990	26,346
Interest income	60,000	18,319
Miscellaneous revenue	1,699	3,270
Total revenues	<u>6,249,465</u>	<u>5,785,262</u>
EXPENDITURES		
Current		
General government	2,872,905	1,726,133
Public safety	4,035,733	3,670,140
Physical environment	8,921	7,810
Culture and recreation	15,908	16,239
Capital outlay	<u>190,936</u>	<u>356,269</u>
Total expenditures	<u>7,124,403</u>	<u>5,776,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(874,938)</u>	<u>8,671</u>
Other financing sources (uses)		
Proceeds from sale of surplus	4,842,395	20,512
Insurance recoveries	8,900	-
Transfers out	<u>(20,047)</u>	<u>-</u>
Total other financing sources	<u>4,831,248</u>	<u>20,512</u>
Net change in fund balances	<u>3,956,310</u>	<u>29,183</u>
Fund balances, beginning of year	<u>2,889,638</u>	<u>2,860,455</u>
Fund balances, end of year	<u><u>\$ 6,845,948</u></u>	<u><u>\$ 2,889,638</u></u>

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,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 576,075	\$ 564,825
Due from other governments	<u>5,571</u>	<u>4,959</u>
Total assets	<u>\$ 581,646</u>	<u>\$ 569,784</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	<u>\$ 28,603</u>	<u>\$ 482</u>
Total liabilities	<u>28,603</u>	<u>482</u>
Fund balances:		
Restricted:		
Road construction and maintenance	<u>553,043</u>	<u>569,302</u>
Total liabilities and fund balances	<u>\$ 581,646</u>	<u>\$ 569,784</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>2017</u>	<u>2016</u>
REVENUES		
State revenue sharing	\$ 22,718	\$ 21,653
Intergovernmental	65,448	62,543
Federal grant revenue	-	1,794
Impact fees	3,444	7,872
Interest income	5,802	2,495
Total revenues	<u>97,412</u>	<u>96,357</u>
EXPENDITURES		
Current		
General government	29,210	28,307
Transportation	44,831	15,299
Capital outlay	<u>39,630</u>	<u>57,658</u>
Total expenditures	<u>113,671</u>	<u>101,264</u>
Net change in fund balances	(16,259)	(4,907)
Fund balances, beginning of year	<u>569,302</u>	<u>574,209</u>
Fund balances, end of year	<u><u>\$ 553,043</u></u>	<u><u>\$ 569,302</u></u>

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>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 1,544,988	\$ 1,341,502
Other current assets	<u>1,000</u>	<u>-</u>
Total assets	<u><u>\$ 1,545,988</u></u>	<u><u>\$ 1,341,502</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 4,121	\$ 7,805
Accrued liabilities	1,003	968
Due to other governments	7,190	14,380
Deposits	<u>21,350</u>	<u>-</u>
Total liabilities	<u>33,664</u>	<u>23,153</u>
Fund balances:		
Restricted:		
Building code enforcement	<u>1,512,324</u>	<u>1,318,349</u>
Total fund balances	<u>1,512,324</u>	<u>1,318,349</u>
Total liabilities and fund balances	<u><u>\$ 1,545,988</u></u>	<u><u>\$ 1,341,502</u></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>2017</u>	<u>2016</u>
REVENUES		
Licenses and permits	\$ 577,910	\$ 700,044
Fines and forfeitures	1,920	5,254
Other fees and rents	1,561	1,672
Interest income	14,629	5,321
Miscellaneous revenue	7,051	6,195
Total revenues	<u>603,071</u>	<u>718,486</u>
EXPENDITURES		
Current		
General government	28,764	27,177
Public safety	365,761	345,447
Capital outlay	14,571	-
Total expenditures	<u>409,096</u>	<u>372,624</u>
Net change in fund balances	193,975	345,862
Fund balances, beginning of year	<u>1,318,349</u>	<u>972,487</u>
Fund balances, end of year	<u><u>\$ 1,512,324</u></u>	<u><u>\$ 1,318,349</u></u>

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.

Law Enforcement Forfeiture Fund – This fund to account for the receipt of revenues received by forfeiture under Florida Statutes 932.7055. Proceeds and interest earned therefrom in this fund 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.

Town of Indian River Shores, Florida
NONMAJOR GOVERNMENTAL FUNDS
COMPARATIVE COMBINING BALANCE SHEETS

September 30,

	Bike Path and Pedestrian Way Fund	Law Enforcememt Forfeiture Fund	Totals	
			2017	2016*
ASSETS				
Cash	\$ 20,193	\$ 13,098	\$ 33,291	\$ 17,393
Total assets	<u>\$ 20,193</u>	<u>\$ 13,098</u>	<u>\$ 33,291</u>	<u>\$ 17,393</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Law enforcement	-	13,098	13,098	-
Committed:				
Bike path construction and maintenance	20,193	-	20,193	17,393
Total fund balances	<u>20,193</u>	<u>13,098</u>	<u>33,291</u>	<u>17,393</u>
Total liabilities and fund balances	<u>\$ 20,193</u>	<u>\$ 13,098</u>	<u>\$ 33,291</u>	<u>\$ 17,393</u>

* Includes only the activity of the Bike Path and Pedestrian Way Fund. Law Enforcement Forfeiture Fund was created in the fiscal year 2017.

Town of Indian River Shores, Florida

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

September 30,

	Bike Path and Pedestrian Way Fund	Law Enforcememt Forfeiture Fund	Totals	
			2017	2016*
REVENUES				
Impact fees	\$ 2,800	-	\$ 2,800	\$ 6,400
Fines and forfeitures	-	348	348	-
Interest income	-	144	144	-
	<u>2,800</u>	<u>492</u>	<u>3,292</u>	<u>6,400</u>
EXPENDITURES				
Current				
General government	-	4	4	-
Public safety	-	3,937	3,937	-
Capital outlay	-	3,500	3,500	-
	<u>-</u>	<u>7,441</u>	<u>7,441</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,800	(6,949)	(4,149)	6,400
Other financing source (uses)				
Transfers in	-	20,047	20,047	-
Net change in fund balances	2,800	13,098	15,898	6,400
Fund balances, beginning of year	<u>17,393</u>	<u>-</u>	<u>17,393</u>	<u>10,993</u>
Fund balances, end of year	<u>\$ 20,193</u>	<u>\$ 13,098</u>	<u>\$ 33,291</u>	<u>\$ 17,393</u>

* Includes only the activity of the Bike Path and Pedestrian Way Fund. Law Enforcement Forfeiture Fund was created in the fiscal year 2017.

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,

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 4,774	\$ 8,875
Total assets	<u>\$ 4,774</u>	<u>\$ 8,875</u>
LIABILITIES		
Accounts payable	\$ 4,774	\$ 8,875
Total liabilities	<u>\$ 4,774</u>	<u>\$ 8,875</u>

Town of Indian River Shores, Florida

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

September 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments in defined benefit plan - general employees	\$ 925,141	\$ 723,443
Cash and investments in defined benefit plan - public safety employees	15,639,246	13,672,728
Cash and investments in defined contribution plan	-	-
Cash and investments in other post employment benefit plan	1,760,101	412,937
Contribution receivable	137,580	93,995
Interest receivable	<u>47,971</u>	<u>41,294</u>
Total assets	<u>18,510,039</u>	<u>14,944,397</u>
LIABILITIES		
Accounts payable	<u>6,183</u>	<u>5,130</u>
Total liabilities	<u>6,183</u>	<u>5,130</u>
NET POSITION		
Restricted for pension benefits and other purposes	<u>18,503,856</u>	<u>14,939,267</u>
Total net position	<u><u>\$ 18,503,856</u></u>	<u><u>\$ 14,939,267</u></u>

Town of Indian River Shores, Florida

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

Years ended September 30,

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Contributions:		
Employer	\$ 2,449,634	\$ 1,194,648
Employee	155,605	177,528
State	131,990	257,370
Total contributions	<u>2,737,229</u>	<u>1,629,546</u>
Investment gain:		
Net increase (decrease) in fair value of investments	1,217,847	1,218,526
Interests and dividends	429,882	397,935
Total investment gain (loss)	<u>1,647,729</u>	<u>1,616,461</u>
Total additions	<u>4,384,958</u>	<u>3,246,007</u>
DEDUCTIONS		
Distributions	667,676	717,557
Administrative expenses		
Trustee fees	6,389	5,451
Investment management fees	77,930	58,997
Attorney fees	20,500	33,796
Actuary fees	17,149	36,490
Other administrative fees	30,725	17,306
Total deductions	<u>820,369</u>	<u>869,597</u>
Change in net position	<u>3,564,589</u>	<u>2,376,410</u>
Plan net position at beginning of year	14,939,267	12,754,066
Prior period adjustment	<u>-</u>	<u>(191,209)</u>
Plan net position at beginning of year (restated)	<u>14,939,267</u>	<u>12,562,857</u>
Plan net position at end of year	<u><u>\$ 18,503,856</u></u>	<u><u>\$ 14,939,267</u></u>

SUPPLEMENTAL INFORMATION

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2017

	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	OTHER POST- EMPLOYMENT BENEFIT	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Position September 30, 2016	\$ 13,802,573	\$ 723,860	\$ 412,834	\$ 14,939,267
Additions:				
Employer contributions	1,086,393	111,287	1,251,954	2,449,634
Employee contributions	132,129	23,476	-	155,605
State share plan contributions	131,990	-	-	131,990
Subtotal contributions	1,350,512	134,763	1,251,954	2,737,229
Interest	184,878	-	-	184,878
Dividends	245,004	-	-	245,004
Net increase in investments	1,001,066	120,559	96,222	1,217,847
Net investment earnings	1,430,948	120,559	96,222	1,647,729
Net additions	2,781,460	255,322	1,348,176	4,384,958
Deductions:				
Trustee fees	(6,389)	-	-	(6,389)
Investment management fees	(77,930)	-	-	(77,930)
Attorney fees	(20,500)	-	-	(20,500)
Actuary fees	(17,149)	-	-	(17,149)
Other administrative fees	(23,804)	(5,572)	(1,349)	(30,725)
Subtotal deductions	(145,772)	(5,572)	(1,349)	(152,693)
Distributions paid out	(619,281)	(48,395)	-	(667,676)
Ending reconciled balance-Plan Net Position September 30, 2017	\$ 15,818,980	\$ 925,215	\$ 1,759,661	\$ 18,503,856

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

SCHEDULE OF PROPERTY TAX VALUATIONS, LEVIES AND COLLECTIONS

**Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate in Mills</u>	<u>Amount Levied</u>	<u>Amount Collected (*)</u>	<u>Percent Collected</u>
2017	\$ 2,760,188,928	1.7186	\$ 4,743,661	\$ 4,572,583	96%
2016	\$ 2,595,827,089	1.6786	\$ 4,357,355	\$ 4,199,369	96%
2015	\$ 2,450,139,839	1.6786	\$ 4,112,805	\$ 3,964,483	96%
2014	\$ 2,392,161,099	1.4731	\$ 3,523,893	\$ 3,401,078	97%
2013	\$ 2,352,573,108	1.4731	\$ 3,465,575	\$ 3,359,917	97%
2012	\$ 2,364,986,600	1.4731	\$ 3,483,862	\$ 3,486,300	100%
2011	\$ 2,455,523,093	1.4731	\$ 3,617,231	\$ 3,410,519	94%
2010	\$ 2,505,058,154	1.3923	\$ 3,487,792	\$ 3,384,579	97%
2009	\$ 2,516,715,187	1.3923	\$ 3,504,023	\$ 3,468,008	99%
2008	\$ 2,574,214,967	1.3923	\$ 3,584,079	\$ 3,418,898	95%

* Includes delinquent collections