

**TOWN OF  
INDIAN RIVER  
SHORES, FLORIDA**

**Basic  
Financial Statements and  
Supplemental Information**

**Year ended  
September 30, 2009**

BERMAN HOPKINS  
WRIGHT & LAHAM  
CPAS AND ASSOCIATES, LLP

# TOWN OF INDIAN RIVER SHORES, FLORIDA

## Official Directory

September 30, 2009

### *Town Council*

E. William Kenyon  
Mayor

William H. Ahrens  
Vice Mayor

Frances F. Atchison  
Council member

Michael B. Ochsner  
Council member

Gerard A. Weick  
Council member

### *Administrative*

Robert J. Bradshaw  
Town Manager

Judith L. Lewis, CPA  
Town Treasurer

Chester E. Clem  
Town Attorney

Laura Aldrich  
Town Clerk

Tetra Tech HAI  
Town Engineer

William Schauman  
Public Safety Director

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## INDEPENDENT AUDITORS' REPORT

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



We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida (the "Town"), as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Indian River Shores, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

8035 Spyglass Hill Road  
Melbourne, FL 32940  
321.757.2020  
FAX 321.242.4844

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

480 N. Orlando Ave.  
Suite 218  
Winter Park, FL 32789  
407.644.5811  
FAX 407.644.6022

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida, as of September 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

301 Clematis Street  
Suite 3000  
W. Palm Beach, FL 33401  
561-837-6627  
FAX 561-837-6632

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2010, on our consideration of the Town of Indian River Shores, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis, budgetary comparison information, and schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Indian River Shores, Florida's, basic financial statements. The supplemental combining and individual fund financial statements and the Schedule of Property Tax Valuations, Levies and Collections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

February 4, 2010  
Melbourne, Florida

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

**TOWN OF INDIAN RIVER SHORES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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 transmittal letter, financial statements and notes to the financial statements. Both current and prior year information is provided where appropriate to facilitate comparative analysis under the GASB 34 reporting model.

**FINANCIAL HIGHLIGHTS**

- Total net assets at September 30, 2009 were \$8,336,838. Of this amount, \$2,922,300 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- Combined ending fund balance of the governmental funds totaled \$4,355,166.
- The total governmental fund revenues were \$4,906,622, a 9% decrease from the prior fiscal year.
- The total gross expenses of all Town programs were \$5,098,721, a 2% decrease from the prior fiscal year.
- By year end, the Town's total governmental funds revenues exceeded total expenditures and other financing sources and uses by \$97,430.
- Total revenues in the General Fund exceeded total expenditures and other financing sources and uses by \$166,083.
- General Fund actual revenues were \$96,536 less than budgeted while General Fund budgeted appropriations exceeded actual expenditures by \$139,043.

**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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).
- Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, certain fees and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs (business-type activities, such as utilities or a golf course). All of the Town's activities are included as governmental activities for fiscal year ended September 30, 2009.

**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* 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 six 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, Planning, Zoning and Building Fund and Postal Center Fund, each of which is considered to be a major fund for the current fiscal year. Data from the other two governmental funds, the Bike Path and Pedestrian Way Fund and the Radon Gas Fund 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 the General Fund, the Road and Bridge Fund, the Planning, Zoning and Building Fund, and the Postal Center Fund for the fiscal year ended September 2009. A budgetary comparison statement has been provided for these funds to demonstrate the level of compliance with these budgets.

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

Town Council members sit as the appointed pension board trustees, or fiduciaries, for the Town's defined benefit plan only. The Town's defined contribution plan has no requirement for a pension board. The Town's Plan Administrator for both the defined benefit and defined contribution plans is the Florida Municipal Pension Trust. 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 each line item on the face of the financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for fiscal years ending September 30, 2009 and 2008 are shown below.

#### TOWN OF INDIAN RIVER SHORES' NET ASSETS September 30,

	Governmental Activities	
	2009	2008 (Restated)
Current and other assets	\$ 4,476,837	\$ 4,376,337
Capital assets	4,469,970	4,721,963
Total assets	8,946,807	9,098,300
Long-term liabilities outstanding	488,298	444,204
Other liabilities	121,671	118,601
Total liabilities	609,969	562,805
Net assets:		
Invested in capital assets	4,469,970	4,721,963
Restricted	944,568	1,114,191
Unrestricted	2,922,300	2,699,341
Total net assets	<u>\$ 8,336,838</u>	<u>\$ 8,535,495</u>

The 2008 net assets and fund balances of the Town are reflective of a prior period adjustment made in 2009 resulting in a decrease to net assets in the amount of \$147,214 and increases in the General, Planning, Zoning and Building and Postal Center Funds in the amounts of \$23,844, \$36, and \$105, respectively.

The Statement of net assets and its concept are useful indicators of a governmental entity's financial health and stability over time. The Town of Indian River Shores experienced a modest net decrease in net assets for fiscal year 2009 of \$198,657 and a minimal net decrease in net assets for fiscal year 2008 of \$3,852.

The Town, for both fiscal years, reports positive balances in all categories of net assets in its governmental activities. The Town's unrestricted net assets at September 30, 2009 increased by \$222,959 (8%) over fiscal year 2008. Restricted net assets decreased during fiscal year 2009 by \$169,623 (15%) under 2008 fiscal year end balances. The Town's net capital assets decreased, by \$251,993 (5%) under fiscal year 2008. Capital consists of 54% and 55%, as a percentage of net assets, respectively, at September 30, 2009 and 2008.

Capital assets are used to provide services to citizens and they are not available for future spending. Although the investments in capital assets are 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.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. Road construction and maintenance restricted net assets are generated by the Road and Bridge special revenue fund. This restricted net asset decreased by 12% from fiscal year 2008 to fiscal year 2009, following many years of steady increase. The restricted net assets for the Planning, Zoning and Building Fund decreased in fiscal year ended September 30, 2009, by 19%, continuing the trend of slowed growth over the last three years. This trend has greatly impacted funds available to operate in these leaner times, though it is expected to revive within two years.

The unrestricted net assets represent Town resources that may be used to meet the Town's ongoing obligations to citizens and creditors. This net asset category increased by 8%, from fiscal year 2008 to 2009. Primarily, the reason for the net asset category increase was the collection of discretionary infrastructure revenues in fiscal year 2009 being recognized as revenue, in replenishment of funding for the public safety department facilities renovation and expansion project in prior fiscal years.

## ANALYSIS OF TOWN'S OPERATIONS

The following table provides a summary of the Town's operations for the year ended September 30, 2009 and 2008.

### TOWN OF INDIAN RIVER SHORES' CHANGES IN NET ASSETS

All Governmental Activities

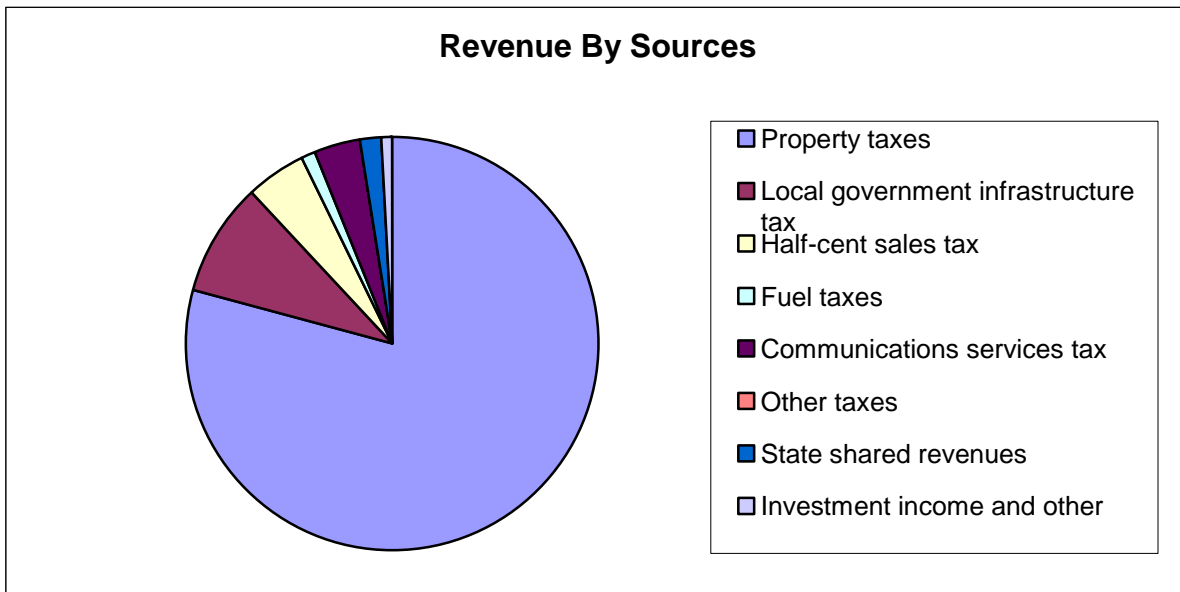
	2009	2008 (Restated)
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 596,561	\$ 787,784
Operating grants and contributions	10,777	1,913
General revenues:		
Property taxes	3,467,708	3,418,898
Other taxes	801,964	980,687
State shared	64,131	83,141
Interest	27,265	120,415
Miscellaneous revenue	14,765	13,029
Investment loss	(76,549)	(42,578)
Loss on disposal of capital assets	(6,558)	-
Total revenues	4,900,064	5,363,289
<u>Expenses:</u>		
General government	1,477,950	1,945,471
Public safety	3,441,297	3,257,774
Public works	141,322	16,543
Engineering and planning services	2,035	6,673
Cemetery	9,869	108,430
Culture and recreation	26,248	24,546
Total expenses	5,098,721	5,359,437
Change in net assets	(198,657)	3,852
Net assets beginning of fiscal year	8,535,495	8,531,643
Net assets end of fiscal year	\$ 8,336,838	\$ 8,535,495

The following table depicts the comparative 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, 2009

	Revenues	Expenses	Net (Expenses) Revenues
Postal Center	\$ 294,030	\$ 375,832	\$ (81,802)
Building Department	260,823	386,880	(126,057)
Public Safety	28,118	3,441,297	(3,413,179)
Cemetery	8,725	9,869	(1,144)
Public Works	2,752	141,322	(138,570)
Community Center	12,890	26,248	(13,358)
	<u>\$ 607,338</u>	<u>\$ 4,381,448</u>	<u>\$ (3,774,110)</u>

Revenues for the Town, other than charges for services 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 2009 is illustrated in the chart below.



## **FINANCIAL ANALYSIS OF THE TOWN OF INDIAN RIVER SHORE'S 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, unreserved 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, 2009, the Town of Indian River Shores governmental funds reported combined fund balances of \$4,355,166.

The General Fund is the chief operating fund of the Town. At September 30, 2009 the total fund balance in the General Fund was \$3,770,172 (87% of the total \$4,355,166), of which 89% was unreserved, which is a measurement of the General Fund's liquidity. The General Fund's revenues for the fiscal year exceeded expenditures by \$346,205. One of the main reasons for the surplus, as referred to earlier, was replenishment of funds from infrastructure tax to repay the General Fund for advancing money for the Public Safety building renovation capital expenditures required to bring the building up to current code plus the expansion. Additionally, significant general administration expenses were reduced by delaying the actuarial report on other post-employment benefits by one year, and no need to fund an anticipated election expense. Furthermore, the Town's insurer rebated a sizeable amount of insurance premium previously paid, through credits granted in the current year, resulting from their positive results of prior year operations and experience.

Special revenue funds are used to account for specific revenues and expenditures. The total fund balance of the Road and Bridge Fund at year ending September 30, 2009 was \$499,150 (11% of the total \$4,355,166). The total fund balance of the Planning, Zoning and Building Fund at September 30, 2009 was \$80,582 (2% of the total \$4,355,166). In the Postal Center Fund's second full fiscal year of operation, after a general fund intrafund balance transfer of just over \$80,000, a positive fund balance of \$661 resulted. This fund is being evaluated as to sustainability as a self-funded separate special revenue fund within a three to five year window. The remaining two special revenue funds are insignificant at the current fiscal year end, with combined positive fund balances of \$4,601 (less than 1% of the total \$4,355,166). The Radon Gas Fund is a self balancing Special Revenue Fund, used for accounting for collection of state radon surcharges, and remitting those amounts, less an administrative collection fee retained by the Town.

## **BUDGETARY HIGHLIGHTS**

A budget to actual statement is provided in the supplementary reports for the General Fund, the Road and Bridge Fund, the Planning, Zoning and Building Fund and the Postal Center Fund. A budget column for both the original budget adopted for fiscal year ended 2009, as well as the final budget, is presented.

Both original and final budgets are estimates based on information available to management prior to and just after year end. The major General Fund budget changes are summarized as follows:

- \$90,000 increase allocated to Public Safety for an increase in defined benefit plan required contributions.

- \$8,000 increase allocated to the Town Treasurer's office for costs related to employee's new entry to Town's health insurance plan in current fiscal year
- \$4,000 increase allocated to Town Manager's office for combined increased cost for health insurance, travel expenses and conference costs

The above increases, plus an additional amount of \$7,500 were for miscellaneous budget adjustments considered necessary in the General Fund, funded by a reduction in the budgeted general administration department line item for undesignated surplus funding.

Other notable transactions were the interfund transfers from the General Fund, as follows:

- \$40,000 transfer to Postal Center Fund in support of operations from undesignated surplus funds
- \$100,000 transfer to Planning, Zoning and Building Fund in support of operations, from the General Fund's Reserved for Building Fund designated fund.

### **CAPITAL ASSET ADMINISTRATION**

The Town of Indian River Shores' investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment. The Town's capital assets as of September 30, 2009 reflect an investment of \$4,469,970, net of accumulated depreciation. A comparative summary of net capital assets by category follows:

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

	<u>2009</u>	<u>2008</u>	<u>Difference</u>
Land	\$ 1,428,482	\$ 1,428,482	\$ -
Buildings	2,110,832	2,203,768	(92,936)
Improvements other than buildings	154,722	169,155	(14,433)
Furniture, fixtures, and equipment	<u>775,934</u>	<u>920,558</u>	<u>(144,624)</u>
Total capital assets	<u>\$ 4,469,970</u>	<u>\$ 4,721,963</u>	<u>\$ (251,993)</u>

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

- Public Safety Marine replacement motor: \$11,051
- Computer upgrades required for Town Manager, Building Department; Bookkeeper, and Town Clerk: \$7,593
- Public Works department purchase of replacement ATV: \$7,181
- Building Department's purchase of in-house scanner for Building Plans retention: \$5,680
- Public Works required replacement of lift station pump: \$3,213
- Public Safety fire truck required generator rebuilding: \$2,400

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates and fees to be charged for certain activities. Part of what draws Florida's residents here is the fact that, by its constitution, it charges no personal income tax, a common source of major revenue for other states. We as a local government are forced to rely instead, primarily, on property taxes as our major revenue source, along with sales tax related revenue streams. User fees, business taxes, grants and fines are the Town's other sources available to fund programs and services.

In the well publicized global economic downturn of the last few years, property values have declined and sales tax collections have sharply decreased, resulting in double digit percent reductions in revenue for most municipalities across the State of Florida. Comparatively, in the Town of Indian River Shores, the property values have been stable for the last few years, due to our unique location on the ocean; however sales tax and revenue sharing revenues are sharply reduced compared to the prior few years. Also, with the Federal Reserve reducing interest rates five times in the last year, earnings in the hundreds of thousands of dollars of interest, on the Town's sizeable undesignated fund balance, has been reduced to under \$30,000 for the last fiscal year.

While fiscal year 2009 was a year of conscious cost saving efforts by the Town, fiscal year 2010 offers even greater pressure in the struggle to maintain the level of service the Town offers, with fewer resources available with which to do it. After much deliberation, the adopted budgets for fiscal year 2010 have been executed implementing some unique strategies.

For the upcoming fiscal year, Town Council opted to keep in place for a third successive year, our state mandated reduced millage rate of 1.3923 from fiscal year 2007-2008. Recognizing the imminent shortfall in revenue from other sources, council opted to transfer over \$100,000 from the General Fund's undesignated retained earnings for the new fiscal year operations. In addition, there have been personnel reductions, limited pay increases, delay in replacement of Public Safety Department pursuit vehicles, reduced services in the Postal Center and the cutting back further on capital asset purchases. Furthermore, we are currently seeking to reduce the Town's expense for employee health insurance, which cost has increased approximately 40% in the last three years, by replacing our insurance provider, if feasible.

The total General Fund budget adopted for the new fiscal year is decreased from fiscal year 2009's final budget, and stands at \$4,376,289. While defined benefit pension costs continue to weigh heavily on the Town, new sources of revenue are being developed for the new year as well. Public Safety Department conducts training seminars for State certified officers, which revenue source they hope to increase in the coming year. More advertising is planned for the Postal Center postal box rentals, in the hopes of generating more capacity usage. Federal Stimulus Grant Money has been awarded to the Public Safety department for fiscal year 2010 for over \$30,000, which will be used to upgrade antiquated computer and communications equipment.

Other issues on the horizon for the Town, is the potential for change in the electric and water service supplier field. Fact finding is ongoing for this volatile issue, which will be discussed in greater detail as the deadline for changing providers draws closer. Also, we are required to have an actuary report on our Post Employment Benefits program in place for retirees in the new fiscal year, being a "phase three" government under GASB 45. This issue has drawn

national attention as governments are discovering for the first time what past promises will actually cost in the future. Choices may need to be made in that area as well in the future. The Town governance continues to be committed to maintaining a solid financial standing. Our designated emergency disaster fund balance still stands at nearly \$2.5 million, or 56% of the fiscal year 2010 budget. General Fund undesignated fund balance increased in 2009 over 2008. These are the bed rock of a municipality's ability to sustain operations and maintain the high level of service our residents expect now and into the foreseeable future.

## **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 North A-1-A, Indian River Shores, Florida, 32963-1014, or [irstt@bellsouth.com](mailto:irstt@bellsouth.com).

**Town of Indian River Shores, Florida**

**STATEMENT OF NET ASSETS**

**September 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents (Notes A-4, B)	\$ 4,262,186
Restricted investments (Note B)	55,434
Accounts receivable	1,258
Due from other governments	63,942
Inventory	24,995
Prepaid expenses	60,358
Other current assets	<u>8,664</u>
Total current assets	4,476,837
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,428,482
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	2,110,832
Improvements other than buildings	154,722
Furniture, fixtures and equipment	<u>775,934</u>
Total capital assets	<u>4,469,970</u>
Total assets	<u>8,946,807</u>
<b>LIABILITIES</b>	
Accounts payable	44,424
Accrued expenses	38,923
Due to other governments	8,358
Deposits	22,460
Other liabilities	5
Deferred revenue	7,501
Noncurrent liabilities:	
Due within one year (Note E)	67,062
Due in more than one year (Note E)	<u>421,236</u>
Total liabilities	<u>609,969</u>
<b>NET ASSETS</b>	
Invested in capital assets	4,469,970
Restricted for road construction and maintenance	499,150
Restricted for building department	445,418
Unrestricted	<u>2,922,300</u>
Total net assets	<u><u>\$ 8,336,838</u></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, 2009

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	\$ 25,499	\$ -	\$ -	\$ -	\$ (25,499)
Town manager	166,368	-	-	-	(166,368)
Town treasurer	149,364	-	-	-	(149,364)
Town clerk	92,201	-	-	-	(92,201)
Postal center	375,832	294,030	-	-	(81,802)
Building department	386,880	260,823	-	-	(126,057)
General administration	192,776	-	-	-	(192,776)
Town attorney	66,276	-	-	-	(66,276)
Planning board	22,754	-	-	-	(22,754)
Public safety	3,441,297	20,093	8,025	-	(3,413,179)
Engineering and planning services	2,035	-	-	-	(2,035)
Cemetery	9,869	8,725	-	-	(1,144)
Public works	141,322	-	2,752	-	(138,570)
Culture and recreation	26,248	12,890	-	-	(13,358)
Total	<u>\$ 5,098,721</u>	<u>\$ 596,561</u>	<u>\$ 10,777</u>	<u>\$ -</u>	<u>(4,491,383)</u>

General revenues:

Taxes:

Property taxes (Note I)	3,467,708
Infrastructure tax	382,117
Half-cent sales tax	209,644
Local option gas tax	45,937
Communications services tax	162,598
Other taxes	1,668
State shared revenues	64,131
Interest income	27,265
Miscellaneous revenue	14,765
Investment loss	(76,549)
Loss on disposal of capital assets	(6,558)
Total general revenues	<u>4,292,726</u>
Change in net assets	<u>(198,657)</u>
Beginning net assets	8,682,709
Prior period adjustment (Note L)	<u>(147,214)</u>
Beginning net assets, restated	<u>8,535,495</u>
Ending net assets	<u>\$ 8,336,838</u>

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

**Town of Indian River Shores, Florida**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2009**

	General	Road and Bridge	Planning, Zoning and Building	Postal Center	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents (Notes A-4, B)	\$ 3,808,516	\$ 453,175	\$ -	\$ 495	\$ -	\$ 4,262,186
Restricted investments (Note B)	-	55,434	-	-	-	55,434
Accounts receivable	1,258	-	-	-	-	1,258
Due from other governments	59,765	4,177	-	-	-	63,942
Due from other funds (Note D)	36,250	-	93,301	-	4,679	134,230
Inventory	-	-	-	24,995	-	24,995
Prepaid expenses	60,358	-	-	-	-	60,358
Other current assets	8,664	-	-	-	-	8,664
<b>Total assets</b>	<b>\$ 3,974,811</b>	<b>\$ 512,786</b>	<b>\$ 93,301</b>	<b>\$ 25,490</b>	<b>\$ 4,679</b>	<b>\$ 4,611,067</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 41,319	\$ 767	\$ 1,573	\$ 765	\$ -	\$ 44,424
Accrued expenditures	35,373	-	2,866	684	-	38,923
Due to other governments	-	-	8,280	-	78	8,358
Due to other funds (Note D)	97,981	12,869	-	23,380	-	134,230
Deposits	22,460	-	-	-	-	22,460
Other liabilities	5	-	-	-	-	5
Deferred revenue	7,501	-	-	-	-	7,501
<b>Total liabilities</b>	<b>204,639</b>	<b>13,636</b>	<b>12,719</b>	<b>24,829</b>	<b>78</b>	<b>255,901</b>
<b>Fund balances</b>						
Reserved for prepaids	60,358	-	-	-	-	60,358
Reserved for building department	364,836	-	-	-	-	364,836
Unreserved:						
Designated for emergency disasters (Note F)	2,459,105	-	-	-	-	2,459,105
Designated for cemetery maintenance (Note F)	150,425	-	-	-	-	150,425
Undesignated:						
General fund	735,448	-	-	-	-	735,448
Special revenue funds	-	499,150	80,582	661	4,601	584,994
<b>Total fund balances</b>	<b>3,770,172</b>	<b>499,150</b>	<b>80,582</b>	<b>661</b>	<b>4,601</b>	<b>4,355,166</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,974,811</b>	<b>\$ 512,786</b>	<b>\$ 93,301</b>	<b>\$ 25,490</b>	<b>\$ 4,679</b>	<b>\$ 4,611,067</b>

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 ASSETS

September 30, 2009

Fund balances - total governmental funds \$ 4,355,166

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

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

Land	\$ 1,428,482	
Buildings, net of \$1,037,422 accumulated depreciation	2,110,832	
Improvements other than buildings, net of \$98,348 accumulated depreciation	154,722	
Furniture, fixtures and equipment, net of \$1,237,456 accumulated depreciation	<u>775,934</u>	4,469,970

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	<u>(488,298)</u>
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Total net assets of governmental activities \$ 8,336,838

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, 2009

	General	Road and Bridge	Planning, Zoning and Building	Postal Center	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes (Note I)	\$ 3,467,708	\$ -	\$ -	\$ -	\$ -	\$ 3,467,708
State revenue sharing	45,768	18,363	-	-	-	64,131
Infrastructure tax	382,117	-	-	-	-	382,117
Intergovernmental	209,975	45,937	-	-	-	255,912
Licenses and permits	-	-	260,823	-	-	260,823
Fines and forfeitures	20,093	-	-	-	-	20,093
Impact fees	-	492	-	-	845	1,337
Sale of burial rights	8,725	-	-	-	-	8,725
Local business tax	12,347	-	-	-	-	12,347
Franchise fees and rent	175,488	-	-	-	-	175,488
Post office fees	-	-	-	294,030	-	294,030
Interest income	24,932	2,333	-	-	-	27,265
Miscellaneous revenue	11,364	-	1,609	222	-	13,195
Investment gain (loss)	2,152	(78,701)	-	-	-	(76,549)
	<u>4,360,669</u>	<u>(11,576)</u>	<u>262,432</u>	<u>294,252</u>	<u>845</u>	<u>4,906,622</u>
<b>EXPENDITURES</b>						
Current						
General government	661,889	20,379	355,819	373,993	445	1,412,525
Public safety	3,229,482	-	-	-	-	3,229,482
Public works	99,847	27,890	-	-	-	127,737
Capital outlay (Note C)	23,246	7,181	9,246	-	-	39,673
	<u>4,014,464</u>	<u>55,450</u>	<u>365,065</u>	<u>373,993</u>	<u>445</u>	<u>4,809,417</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	346,205	(67,026)	(102,633)	(79,741)	400	97,205
Other financing sources (uses)						
Proceeds from sale of capital assets	225	-	-	-	-	225
Transfers in	-	-	100,000	80,347	-	180,347
Transfers out	(180,347)	-	-	-	-	(180,347)
Total other financing sources (uses)	<u>(180,122)</u>	<u>-</u>	<u>100,000</u>	<u>80,347</u>	<u>-</u>	<u>225</u>
<b>Net change in fund balances</b>	<u>166,083</u>	<u>(67,026)</u>	<u>(2,633)</u>	<u>606</u>	<u>400</u>	<u>97,430</u>
Fund balances, beginning of year	3,580,245	566,176	83,179	(50)	4,201	4,233,751
Prior period adjustment (Note L)	23,844	-	36	105	-	23,985
Fund balances, beginning of year - restated	<u>3,604,089</u>	<u>566,176</u>	<u>83,215</u>	<u>55</u>	<u>4,201</u>	<u>4,257,736</u>
Fund balances, end of year	<u>\$ 3,770,172</u>	<u>\$ 499,150</u>	<u>\$ 80,582</u>	<u>\$ 661</u>	<u>\$ 4,601</u>	<u>\$ 4,355,166</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, 2009

Net change in fund balances - total governmental funds \$ 97,430

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

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets are allocated over their estimated useful lives and  
reported as depreciation expense.

Total capital outlay	\$ 39,673	
Less depreciation	<u>(284,883)</u>	(245,210)

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

Thus, the change in net assets differs from the change in  
fund balance. (6,783)

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 decrease in compensated absences	<u>(44,094)</u>
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Change in net assets of governmental activities	<u>\$ (198,657)</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 ASSETS**  
**September 30, 2009**

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Investments (Note A-4 and B)	<u>\$ 5,410,420</u>
Total assets	<u><u>\$ 5,410,420</u></u>
<b>NET ASSETS</b>	
Net assets held in trust for pension benefits	<u>\$ 5,410,420</u>
Total net assets	<u><u>\$ 5,410,420</u></u>

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

Town of Indian River Shores, Florida

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended September 30, 2009

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 512,402
Employee	150,694
State	<u>150,702</u>
Total contributions	<u>813,798</u>
Investment gain:	
Net increase in fair value of investments	<u>167,057</u>
Total investment gain	<u>167,057</u>
Total additions	<u>980,855</u>
<b>DEDUCTIONS</b>	
Distributions	150,290
Administrative expenses	<u>14,985</u>
Total deductions	<u>165,275</u>
Change in net assets	815,580
Plan net assets at beginning of year	<u>4,594,840</u>
Plan net assets at end of year	<u>\$ 5,410,420</u>

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

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**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 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 by Chapter 29163, Laws 1953, as amended by Ordinance Numbers 1 through 217. 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 the physical environment, 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 assets 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, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets and unrestricted net assets. Net assets are 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 assets 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. A reconciliation is provided that converts 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, 2009

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, state revenue sharing, and infrastructure tax revenues 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.

*Postal Center Fund* - The Postal Center Fund has been created for all revenues and expenditures related to the operations of the post office.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the Town reports the following fund type:

*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 plan and the Town's defined contribution 401(a) plan.

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 total assets.

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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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. Investments of the pension trust fund are held by insurance companies and are stated at market value. Income from investments owned by the individual funds are recorded in the respective funds as earned, and allocated to designated fund balances according to resolutions enacted by Town Council.

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 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Asset class	Estimated useful lives (years)
Buildings	15 - 40
Improvements other than buildings	10 - 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

All full-time employees earn sick leave at the rate of one shift day per month. The sick leave may be accumulated up to a maximum of 160 days. If an employee retires or terminates in good standing after 20 years of service, a reduced value of unused sick leave will be paid at the employee's current rate of pay.

The Town accrues vacation and sick leave 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.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Income tax

Organizations that followed the provisions of FSP FIN 48-3, which delays the implementation of FIN 48 (FASB ASC 740-10), Accounting for Income Taxes, will be required to implement those provisions for the fiscal year ended September 30, 2010. The Town qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State income tax is required.

10. 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 and liabilities, the disclosure of contingent assets and liabilities 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.

**NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Town had the following cash and investments at September 30, 2009:

	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
Government-wide			
Cash	\$ 343,461	N/A	Not rated
Money market account	3,879,835	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	38,890	33 days	AAAm
Fund B	55,434	6.69 years	Not rated
	<u>\$ 4,317,620</u>		
Defined benefit plans			
Cash	35,781	N/A	Not rated
Fixed income fund	2,121,326	3.57 years	AA/V4 (Fitch)
Equity funds	2,954,521	Less than 1 year	Not rated
	<u>\$ 5,111,628</u>		
Defined contribution plan			
Mutual funds	<u>\$ 298,792</u>	N/A	Not rated

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

The Town's deposits and investments are insured by the Federal Depository Insurance Corporation ("FDIC") for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the 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.

The local government pooled investment account is administered by the State Board of Administration and is composed of local government surplus funds deposited therein by units of local government. The investing of public funds with the State Board of Administration is governed by Section 218.407, Florida Statutes. The investments with the State Board of Administration consist largely of federal agency obligations, repurchase agreements, banker's acceptance and commercial paper.

On December 23, 2008, all Local Government Investment Pool ("LGIP") fund balances became 100% liquid. The LGIP was given a new name, "Florida PRIME," on August 3, 2009. The Florida PRIME is operated as a "2a-like" money market fund. As of September 30, 2009, the Town had \$38,890 in the Florida PRIME.

Currently, Fund B participants are prohibited from withdrawing funds from Fund B. As maturities occur in Fund B, the monies are released and transferred to the Florida PRIME Fund. Since October 1, 2008, \$36,626 of the Town's monies in Fund B have been released, leaving a balance of \$174,561. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of a SEC 2a7-like fund; therefore, Fund B uses the fluctuating net asset value ("NAV") for valuation. The current value of Fund B at September 30, 2009 is \$55,434, which is currently recorded as restricted cash and cash equivalents in the financial statements.

During the 2008 fiscal year, the Town made the decision to no longer deposit money into the SBA accounts and transfer all money available to a money market account.

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

*Interest rate risk* - The interest rate risk is the risk that the value of investments will decrease as a result of a change in interest rates. The interest bearing deposits maintained by the Town earned on average 0.7% on deposits during the year ending September 30, 2009.

The interest rate risk associated with the defined benefit plan is included in the above table. At year end, none of the Town's investments in the defined contribution plan were subject to interest rate risk as they were part of a mutual fund.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

*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 account, securities and exchange commission required money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Town's investment policy does not further limit its investment choices. As of September 30, 2009, the state investment pool Fund B was not rated by a nationally recognized rating agency however Fund A was rated by S&P as noted in the table above. The credit risk associated with the defined benefit plan is included in the above table. Ratings are set by nationally recognized statistical rating organizations (Fitch and Moody's, S&P).

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,428,482	\$ -	\$ -	\$ 1,428,482
Capital assets, being depreciated:				
Buildings	3,148,254	\$ -	\$ -	3,148,254
Improvements other than buildings	249,857	3,213	-	253,070
Furniture, fixtures, and equipment	2,036,586	36,460	59,656	2,013,390
Total capital assets being depreciated	5,434,697	\$ 39,673	\$ 59,656	5,414,714
Less accumulated depreciation for:				
Buildings	944,486	\$ 92,936	\$ -	1,037,422
Improvements other than buildings	80,702	17,646	-	98,348
Furniture, fixtures, and equipment	1,116,028	174,301	52,873	1,237,456
Total accumulated depreciation	2,141,216	\$ 284,883	\$ 52,873	2,373,226
Total capital assets, being depreciated, net	3,293,481			3,041,488
Governmental activities capital assets, net	\$ 4,721,963			\$ 4,469,970

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

General government	\$ 45,268
Public safety	201,952
Public works	20,356
Culture and recreation	17,307
	<u>\$ 284,883</u>

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE D - INTERFUND ACTIVITY**

Due to/from other funds at September 30, 2009 is summarized as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ 36,250	\$ 97,981
Road and bridge fund	-	12,869
Planning, zoning & building fund	93,301	-
Postal center fund	-	23,380
Other governmental funds	4,679	-
	<u>\$ 134,230</u>	<u>\$ 134,230</u>

Interfund transfers include transfers of unrestricted revenues collected in various funds to finance various programs accounted for in other funds, in accordance with budgetary authorizations. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. The Town intends to pay the above interfund balances within the coming year.

Transfers from one fund of the reporting entity to another, which are not repayable and do not constitute payment or reimbursement for goods provided or services performed, are termed intragovernmental transfers out.

**NOTE E - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2009:

	Balance at October 1, 2008 (Restated)	Increase	Decrease	Balance at September 30, 2009	Due within one year
Accrued compensated absences (Note A-8)	<u>\$ 444,204</u>	<u>\$283,736</u>	<u>\$239,642</u>	<u>\$ 488,298</u>	<u>\$ 67,062</u>

Compensated absences in the governmental activities are classified as non-current liabilities and are typically liquidated by the general fund.

**NOTE F - FUND EQUITY AND NET ASSETS**

**Restrictions on net assets** - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE F - FUND EQUITY AND NET ASSETS (continued)**

The following describes the designations and reserves used by the Town:

**Restricted / reserved for road construction and maintenance** - Reserved road construction and maintenance items are those which are restricted specifically for road and bridge expenses as required by the Florida Statutes.

**Reserved for prepaids** - Prepaid items in the general fund are considered nonexpendable current assets. The measurement focus on governmental fund assets indicates whether the assets are available for expenditure. As prepaid items are not available for expenditure, a reserve is maintained to indicate the unavailability of these assets.

**Restricted / reserved for building department** - Building department items include building permit revenues that must be expended for building department use.

**Designated for emergency disasters** - Fund balance represents tentative plans by the Town Council to ensure funding for repairs and recovery expenditures related to the natural disaster damages affecting the Town.

**Designated for cemetery maintenance** - Fund balance represents tentative plans by the Town Council for funds designated for the upkeep and maintenance of the cemetery.

The activity in the designated general fund balances during the year ended September 30, 2009 is as follows:

	Balance, October 1, 2008	Transfers - in	Transfers - out	Balance, September 30, 2009
Emergency disasters	\$ 2,442,739	\$ 16,366	\$ -	\$ 2,459,105
Cemetery maintenance	149,099	1,326	-	150,425
	<u>\$ 2,591,838</u>	<u>\$ 17,692</u>	<u>\$ -</u>	<u>\$ 2,609,530</u>

The addition of \$16,366 to the designation for emergency disasters consists of allocated interest. The increase to the designation for cemetery maintenance is a result of allocated interest of \$1,326.

Total general fund balance reflects a positive balance of \$3,770,172, with the designated amounts shown above representing the tentative plans of the Town Council. All unreserved fund balances, both designated and undesignated, are available to finance future expenditures.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE G - PENSION PLANS**

The Town maintains two single employer pension plans with the Florida Municipal Pension Trust Fund. The Town of Indian River Shores Defined Contribution Pension Plan is a two part plan: employer funded defined contribution and employee funded deferred compensation plans. These, as well as the Town of Indian River Shores Defined Benefit plan, are outlined below. Eligible non-Public Safety Officers may elect to participate in only one of the two plans. Public Safety Officers may participate in the defined benefit plan only. Public Safety Officers are also automatically enrolled in the Public Safety Officer Share Plan. Voluntary additional contributions into the deferred compensation plan may be made by employees participating in either plan.

1. Defined contribution plan & deferred compensation plan

*Defined Contribution Plan Description:*

The Defined Contribution Plan is a single-employer plan, administered by the Florida Municipal Pension Trust Fund ("FMPTF"). It covers all full time employees, except Public Safety Officers, who elect to participate. Currently, membership in the plan consists of 7 active employees. The Town does not issue a stand-alone plan financial report.

*Funding Policy:*

The plan specifies employer contributions as "matching", meaning the Town will contribute 11% of each participating employee's base compensation only if the employee contributes 5%, or more (before taxes), of their base compensation to the 457(b) Deferred Compensation Plan. 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. The Town's current year contributions to the defined contribution plan totaled \$34,979. 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.

*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 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.

*Funding Policy:*

For Defined Contribution Plan employee participants, a minimum of 5% of compensation, net of overtime, must be contributed by the employee. 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 \$15,900 for the current year.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE G - 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. Town of Indian river shores defined benefit plan

*Plan Description:*

The Defined Benefit Plan is a single-employer defined benefit pension plan administered by the FMPTF. The Plan covers all the Town's full-time employees that have elected to participate. Membership in the plan consists of 24 active employees during the year ended September 30, 2009. The defined benefit plan provides retirement and death benefits to plan members and beneficiaries. The Town has authority to establish and amend the plan provided such does not diminish or adversely affect benefit provisions. The plan is divided into two separate groups: Group A consists of all general employees, not including public safety officers, and Group B consists of all public safety officers.

*Funding Policy:*

Plan members for both Group A and B were required to contribute 9% (before taxes) of their annual compensation. The Town is required to contribute at an actuarially determined rate. When the employer's required contribution exceeds 11% of covered payroll (meaning the plan is under-funded), the excess liability is to be split by the Town and the active employee participants. The excess contributions are allocated between the Town and active employees in direct proportion of the employee contributions to the employer contributions however the maximum employee contribution is not to exceed 9%, such was the case during the year ended September 30, 2009. The Town and the employees split the excess liability up until the employee contribution reached the maximum of 9%, thus requiring the Town to contribute at an actuarial determined rate of 39.45% of covered payroll for Group A and 51.87% of covered payroll for Group B. Administrative costs are financed through investment earnings.

*Annual Pension Cost and Net Pension Obligation:*

An actuarial valuation report was issued for the year ended September 30, 2009 and dated as of October 1, 2008. The annual required contribution for the years ended September 30, 2005, 2006, and 2007 was determined as part of the actuarial valuation dated October 1, 2004, using the individual entry age normal actuarial cost method. The actuarial valuation dated October 1, 2007 and beyond uses the aggregate actuarial cost method. Under both actuarial cost methods, annual pension cost was equal to, or exceeded the Town's required contributions. The aggregate method does not identify or separately amortize unfunded actuarial accrued liabilities.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE G - PENSION PLANS (continued)

2. Town of Indian river shores defined benefit plan (continued)

The following is a schedule of the Town's contributions to the defined benefit plan for the last six years up to and including September 30, 2009:

<u>Year ended September 30,</u>	<u>Annual required contributions</u>	<u>Percent contributed</u>	<u>Actual Contributions</u>
2004	\$ 101,864	95%	\$ 96,669
2005	113,608	114%	129,513
2006	117,584	112%	131,694
2007	128,163	303%	388,334
2008	454,297	147%	668,920
2009	475,633	100%	477,923

The actuarial valuation assumptions in the report dated October 1, 2004 included (a) 8.5% investment rate of return (net of expenses) and (b) projected salary increases of 6% per year. Both of these assumptions included an inflation component of 3.5%. The actuarial valuation assumptions in the report dated October 1, 2008 includes a (a) 7.75% investment rate of return (net of expenses), which is a decrease of .25% compared to the prior year, and projected salary increases of 5% per year.

3. Town of Indian river shore's 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 Plan is administered by the FMPTF. 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; 22 employees as of September 30, 2009. 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.

*Funding Policy:*

The monies to fund this plan shall be derived exclusively from monies received from the state and not from any additional taxed 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 need 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, 2009 totaled \$150,702.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE H - 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 2002, Town Council passed a motion to allow the Town Manager, upon hire, to substitute the ICMA deferred compensation plan for the Town's defined benefit or defined contribution plan participation choices. In fiscal year 2004, Town Council passed a resolution acknowledging the Building Official, upon hire, as a participant in the ICMA deferred compensation plan, also 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 Town Manager and Building Official were \$13,833 and \$13,246, respectively, for a total of \$27,079 for the year ended September 30, 2009.

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

**NOTE I - PROPERTY TAX**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of Indian River County Property Appraiser and Indian River County Tax Collector. The laws of the State of Florida regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2009, the Town's millage rate was 1.3923 mills. The tax levy of the Town is established by the Town Council prior to October 1<sup>st</sup> 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 1<sup>st</sup> 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, 2009, upon which the 2008-2009 levy was based, was approximately \$2.5 billion.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE I - PROPERTY TAX (continued)**

All taxes are due and payable on November 1<sup>st</sup> (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, 2009 were approximately 97% of the total tax levy.

On or prior to June 1<sup>st</sup> 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.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

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

**NOTE K - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Additionally, the Town has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the Town may be exposed to. Premiums paid by the Town during the year totaled \$240,217. There have been no significant reductions in insurance coverages during fiscal year 2009. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE L - PRIOR PERIOD ADJUSTMENTS**

1. Compensated absences - vacation time accrual

The prior period government-wide financial statements did not reflect an accrual to account for vacation hours accumulated throughout the year by employees (an informal policy set by management). The recording of this accrual results in an additional liability to the Town for compensated absences. The beginning net assets on the Statement of Activities have been restated to reflect a decrease in the amount of \$145,379.

2. Compensated absences - accrued comp time

The prior period financial statements included the comp time accrual as a current liability of the Town. An adjustment was made to record the accrual as a long-term liability only on the government-wide financial statements. In addition, an adjustment was made to record the FICA liability related to the comp time accrual to actual. The Town's beginning net assets on the Statement of Activities has been restated to reflect a decrease in the amount of \$1,835. The beginning fund balances on the Statement of Revenues, Expenditures and Changes in Fund Balances have been restated to reflect increases in the general fund, planning, zoning, and building fund, and postal center fund in the amounts of \$23,844, \$36, and \$105, respectively.

3. Net effect

The net results of the prior period adjustments was a decrease in net assets on the Statements of Activities in the amount of \$147,214 and increases in the general, planning, zoning, and building, and postal center funds in the amounts of \$23,844, \$36, and \$105, respectively.

**NOTE M - SUBSEQUENT EVENT**

1. GASB 45 - Accounting and financial reporting by employers for postemployment benefits other than pensions

Many state and local governmental employers provide other postemployment benefits ("OPEB") as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits such as life insurance when provided separately from a pension plan. GASB 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Phase 3 governments, for the purpose of implementation, are those governments with total annual revenues of less than \$10 million. The phase 3 governments are required to implement GASB 45 in their financial statements for periods beginning after December 15, 2008. As of the date of the auditor's report, the effects of the new pronouncement are not quantifiable for disclosure purposes.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE M - SUBSEQUENT EVENT (continued)**

2. Evaluating subsequent events

The Town has evaluated subsequent events through February 4, 2010 the date which the financial statements were issued.

**REQUIRED SUPPLEMENTAL 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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 3,470,000	\$ 3,470,000	\$ 3,467,708	\$ (2,292)
State revenue sharing	64,000	64,000	45,768	(18,232)
Infrastructure tax	422,024	422,024	382,117	(39,907)
Intergovernmental	239,814	239,814	209,975	(29,839)
Fines and forfeitures	16,600	16,600	20,093	3,493
Sale of burial rights	2,000	2,000	8,725	6,725
Local business tax	-	-	12,347	12,347
Franchise fees and rent	161,067	161,067	175,488	14,421
Interest income	80,000	80,000	24,932	(55,068)
Miscellaneous revenue	1,700	1,700	11,364	9,664
Investment gain	-	-	2,152	2,152
	<u>4,457,205</u>	<u>4,457,205</u>	<u>4,360,669</u>	<u>(96,536)</u>
<b>EXPENDITURES</b>				
Current				
General government	740,626	757,626	661,889	95,737
Public safety	3,146,852	3,236,852	3,229,482	7,370
Public works	106,529	109,029	99,847	9,182
Capital outlay	50,000	50,000	23,246	26,754
	<u>4,044,007</u>	<u>4,153,507</u>	<u>4,014,464</u>	<u>139,043</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	413,198	303,698	346,205	42,507
Other financing source (uses)				
Proceeds from sale of capital assets	-	-	225	225
Transfers out	-	(140,000)	(180,347)	40,347
Total other financing sources (uses)	<u>-</u>	<u>(140,000)</u>	<u>(180,122)</u>	<u>40,572</u>
<b>Net change in fund balances</b>	413,198	163,698	166,083	83,079
Fund balances, beginning of year	3,580,245	3,580,245	3,580,245	-
Prior period adjustment	23,844	23,844	23,844	-
Fund balances, beginning of year - restated	<u>3,604,089</u>	<u>3,604,089</u>	<u>3,604,089</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,017,287</u>	<u>\$ 3,767,787</u>	<u>\$ 3,770,172</u>	<u>\$ 83,079</u>

See accompanying notes to required supplemental 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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State revenue sharing	\$ 19,000	\$ 19,000	\$ 18,363	\$ (637)
Intergovernmental	50,000	50,000	45,937	(4,063)
Impact fees	3,000	3,000	492	(2,508)
Interest income	2,900	2,900	2,333	(567)
Investment gain (loss)	-	-	(78,701)	(78,701)
	<u>74,900</u>	<u>74,900</u>	<u>(11,576)</u>	<u>(86,476)</u>
<b>EXPENDITURES</b>				
Current				
General government	24,167	24,167	20,379	3,788
Public works	7,300	7,300	27,890	(20,590)
Capital outlay	-	-	7,181	(7,181)
	<u>31,467</u>	<u>31,467</u>	<u>55,450</u>	<u>(23,983)</u>
<b>Net change in fund balances</b>	43,433	43,433	(67,026)	(110,459)
Fund balances, beginning of year	566,176	566,176	566,176	-
Fund balances, end of year	<u>\$ 609,609</u>	<u>\$ 609,609</u>	<u>\$ 499,150</u>	<u>\$ (110,459)</u>

See accompanying notes to required supplemental 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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and permits	\$ 336,084	\$ 336,084	\$ 260,823	\$ (75,261)
Miscellaneous revenue	1,288	1,288	1,609	321
	<u>337,372</u>	<u>337,372</u>	<u>262,432</u>	<u>(74,940)</u>
<b>EXPENDITURES</b>				
Current				
General government	354,418	354,418	355,819	(1,401)
Capital outlay	6,000	6,000	9,246	(3,246)
	<u>360,418</u>	<u>360,418</u>	<u>365,065</u>	<u>(4,647)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(23,046)	(23,046)	(102,633)	(79,587)
Other financing sources (uses)				
Transfers in	23,046	123,046	100,000	(23,046)
Total other financing sources (uses)	<u>23,046</u>	<u>123,046</u>	<u>100,000</u>	<u>(23,046)</u>
<b>Net change in fund balances</b>	-	100,000	(2,633)	(102,633)
Fund balances, beginning of year	83,179	83,179	83,179	-
Prior period adjustment	36	36	36	-
Fund balances, beginning of year - restated	<u>83,215</u>	<u>83,215</u>	<u>83,215</u>	<u>-</u>
Fund balances, end of year	<u>\$ 83,215</u>	<u>\$ 183,215</u>	<u>\$ 80,582</u>	<u>\$ (102,633)</u>

See accompanying notes to required supplemental information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Post office fees	\$ 380,000	\$ 380,000	\$ 294,252	\$ (85,748)
	<u>380,000</u>	<u>380,000</u>	<u>294,252</u>	<u>(85,748)</u>
<b>EXPENDITURES</b>				
Current				
General government	420,347	420,347	373,993	46,354
	<u>420,347</u>	<u>420,347</u>	<u>373,993</u>	<u>46,354</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(40,347)	(40,347)	(79,741)	(39,394)
Other financing sources (uses)				
Transfers in	40,347	80,347	80,347	-
Total other financing sources (uses)	<u>40,347</u>	<u>80,347</u>	<u>80,347</u>	<u>-</u>
<b>Net change in fund balances</b>	-	40,000	606	(39,394)
Fund balances, beginning of year	(50)	(50)	(50)	-
Prior period adjustment	105	105	105	-
Fund balances, beginning of year - restated	<u>55</u>	<u>55</u>	<u>55</u>	<u>-</u>
Fund balances, end of year	<u>\$ 55</u>	<u>\$ 40,055</u>	<u>\$ 661</u>	<u>\$ (39,394)</u>

See accompanying notes to required supplemental information.

Town of Indian River Shores, Florida

SCHEDULE OF FUNDING PROGRESS

Year ended September 30, 2009

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll [(b-a)/c]
October 1, 2002	\$ 1,819,204	\$ 2,201,783	\$ 382,579	82.6%	\$ 785,470	48.7%
October 1, 2003	\$ 1,776,203	\$ 2,500,699	\$ 724,496	71.0%	\$ 787,984	91.9%
October 1, 2004	\$ 1,920,017	\$ 2,715,010	\$ 794,993	70.7%	\$ 803,397	99.0%
October 1, 2005	\$ 2,065,710	\$ 2,065,710	\$ -	100.0%	\$ 831,516	0.0%
October 1, 2006	\$ 2,362,978	\$ 2,362,978	\$ -	100.0%	\$ 860,619	0.0%
October 1, 2007	\$ 4,104,494	\$ 4,104,494	\$ -	100.0%	\$ 1,686,300	0.0%
October 1, 2008	\$ 4,198,311	\$ 7,693,066	\$ 3,494,755	54.6%	\$ 1,115,829	313.2%

See accompanying notes to required supplemental information.

**Town of Indian River Shores, Florida**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2009**

**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 1<sup>st</sup> 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 1<sup>st</sup>.

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

Prior to October 1<sup>st</sup>, 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.

2. Excess of expenditures over appropriations

The Town's Road and Bridge Fund expenditures exceeded its budgeted expenditures by \$23,983. These over expenditures were funded by the prior year fund surplus. The Town's Planning and Zoning Fund expenditures exceeded its budgeted expenditures by \$4,647. These over expenditures were funded by a transfer in from the General Fund to help reduce the General Fund's reserved for building department balances.

**SUPPLEMENTAL COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

## **GENERAL FUND**

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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.

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**Town of Indian River Shores, Florida**

**GENERAL FUND  
COMPARATIVE BALANCE SHEETS**

**September 30,**

	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,808,516	\$ 3,674,998
Restricted investments	-	8,524
Accounts receivable	1,258	16,447
Due from other governments	59,765	66,922
Due from other funds	36,250	28,357
Prepaid expenses	60,358	2,610
Other current assets	8,664	8,645
Total assets	\$ 3,974,811	\$ 3,806,503
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 41,319	\$ 34,996
Accrued expenditures	35,373	52,233
Due to other funds	97,981	92,474
Deposits	22,460	36,690
Other liabilities	5	1,600
Deferred revenue	7,501	8,265
Total liabilities	204,639	226,258
Fund balances		
Reserved for prepaids	60,358	2,610
Reserved for building department	364,836	464,836
Unreserved:		
Designated for emergency disasters	2,459,105	2,442,739
Designated for cemetery maintenance	150,425	149,099
Undesignated	735,448	520,961
Total fund balances	3,770,172	3,580,245
Total liabilities and fund balances	\$ 3,974,811	\$ 3,806,503

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2009	2008
<b>REVENUES</b>		
Property taxes	\$ 3,467,708	\$ 3,418,898
State revenue sharing	45,768	62,992
Infrastructure tax	382,117	552,207
Intergovernmental	209,975	238,226
Fines and forfeitures	20,093	28,189
Sale of burial rights	8,725	6,775
Local business tax	12,347	-
Franchise fees and rent	175,488	153,483
Interest income	24,932	117,588
Miscellaneous revenue	11,364	17,239
Investment gain (loss)	2,152	(2,152)
	4,360,669	4,593,445
<b>EXPENDITURES</b>		
Current		
General government	661,889	899,809
Public safety	3,229,482	3,099,791
Public works	99,847	107,069
Capital outlay	23,246	972,725
	4,014,464	5,079,394
<b>Excess (deficiency) of revenues over (under) expenditures</b>	346,205	(485,949)
Other financing sources (uses)		
Proceeds from sale of capital assets	225	6,600
Transfers out	(180,347)	(78,000)
Total other financing sources (uses)	(180,122)	(71,400)
<b>Net change in fund balances</b>	166,083	(557,349)
Fund balances, beginning of year	3,580,245	4,137,594
Prior period adjustment	23,844	-
Fund balances, beginning of year - restated	3,604,089	4,137,594
Fund balances, end of year	\$ 3,770,172	\$ 3,580,245

## **ROAD AND BRIDGE FUND**

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

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Town of Indian River Shores, Florida

ROAD AND BRIDGE FUND  
COMPARATIVE BALANCE SHEETS

September 30,

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 453,175	\$ 415,272
Restricted investments	55,434	160,084
Due from other governments	4,177	3,533
Total assets	<u>\$ 512,786</u>	<u>\$ 578,889</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 767	\$ 1,459
Due to other funds	12,869	11,254
Total liabilities	<u>13,636</u>	<u>12,713</u>
Fund balances		
Unreserved	<u>499,150</u>	<u>566,176</u>
Total liabilities and fund balances	<u>\$ 512,786</u>	<u>\$ 578,889</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,**

	2009	2008
<b>REVENUES</b>		
State revenue sharing	\$ 18,363	\$ 20,149
Intergovernmental	45,937	45,167
Impact fees	492	2,214
Interest income	2,333	2,827
Investment loss	(78,701)	(40,426)
	(11,576)	29,931
<b>EXPENDITURES</b>		
Current		
General government	20,379	-
Public works	27,890	29,745
Capital outlay	7,181	-
	55,450	29,745
<b>Net change in fund balances</b>	(67,026)	186
Fund balances, beginning of year	566,176	565,990
Fund balances, end of year	\$ 499,150	\$ 566,176

**PLANNING, ZONING AND BUILDING FUND**

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The Planning, Zoning and Building Fund has been created for all Building Department revenues and expenditures.

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**Town of Indian River Shores, Florida**

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

**September 30,**

	2009	2008
<b>ASSETS</b>		
Due from other funds	\$ 93,301	\$ 88,143
Total assets	\$ 93,301	\$ 88,143
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 1,573	\$ 2,966
Accrued expenditures	2,866	1,998
Due to other governments	8,280	-
Total liabilities	12,719	4,964
Fund balances		
Unreserved	80,582	83,179
Total liabilities and fund balances	\$ 93,301	\$ 88,143

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2009	2008
<b>REVENUES</b>		
Intergovernmental	\$ -	\$ 1,548
Licenses and permits	260,823	414,954
Miscellaneous revenue	1,609	14,501
	262,432	431,003
<b>EXPENDITURES</b>		
Current		
General government	355,819	442,611
Capital outlay	9,246	20,902
	365,065	463,513
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(102,633)	(32,510)
Other financing sources (uses)		
Transfers in	100,000	-
Total other financing sources (uses)	100,000	-
<b>Net change in fund balances</b>	(2,633)	(32,510)
Fund balances, beginning of year	83,179	115,689
Prior period adjustment	36	-
Fund balances, beginning of year - restated	83,215	115,689
Fund balances, end of year	\$ 80,582	\$ 83,179

**POSTAL CENTER FUND**

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The Postal Center Fund has been created for all revenues and expenditures related to the operations of the post office.

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Town of Indian River Shores, Florida

POSTAL CENTER FUND  
COMPARATIVE BALANCE SHEETS

September 30,

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash	\$ 495	\$ 298
Accounts receivable	-	211
Inventory	<u>24,995</u>	<u>18,793</u>
Total assets	<u>\$ 25,490</u>	<u>\$ 19,302</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 765	\$ 1,454
Accrued expenditures	684	795
Due to other funds	<u>23,380</u>	<u>17,103</u>
Total liabilities	<u>24,829</u>	<u>19,352</u>
Fund balances		
Unreserved	<u>661</u>	<u>(50)</u>
Total liabilities and fund balances	<u>\$ 25,490</u>	<u>\$ 19,302</u>

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2009	2008
<b>REVENUES</b>		
Post office fees	\$ 294,030	\$ 312,158
Miscellaneous revenue	222	-
	294,252	312,158
<b>EXPENDITURES</b>		
Current		
General government	373,993	390,208
	373,993	390,208
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(79,741)	(78,050)
Other financing sources (uses)		
Transfers in	80,347	78,000
Total other financing sources (uses)	80,347	78,000
<b>Net change in fund balances</b>	606	(50)
Fund balances, beginning of year	(50)	-
Prior period adjustment	105	-
Fund balances, beginning of year - restated	55	-
Fund balances, end of year	\$ 661	\$ (50)

## **NONMAJOR GOVERNMENTAL FUNDS**

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

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**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.

**Radon Gas Fund** - This fund accounts for the receipt of impact fees per dwelling unit upon issuance of building permits. These revenues are remitted to the Florida Department of Business and Professional Regulation and the Florida Department of Community Affairs. The Town may retain up to 10% of total revenues as an administrative service fee.

Town of Indian River Shores, Florida

NONMAJOR GOVERNMENTAL FUNDS  
COMPARATIVE COMBINING BALANCE SHEETS

September 30, 2009

	Bike Path and Pedestrian Way Fund	Radon Gas Fund	Totals	
			2009	2008
<b>ASSETS</b>				
Due from other funds	\$ 4,601	\$ 78	\$ 4,679	\$ 4,331
Total assets	<u>\$ 4,601</u>	<u>\$ 78</u>	<u>\$ 4,679</u>	<u>\$ 4,331</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Due to other governments	\$ -	\$ 78	\$ 78	\$ 130
Total liabilities	<u>-</u>	<u>78</u>	<u>78</u>	<u>130</u>
Fund balances				
Unreserved	4,601	-	4,601	4,201
Total fund balances	<u>4,601</u>	<u>-</u>	<u>4,601</u>	<u>4,201</u>
Total liabilities and fund balances	<u>\$ 4,601</u>	<u>\$ 78</u>	<u>\$ 4,679</u>	<u>\$ 4,331</u>

Town of Indian River Shores, Florida

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

Year ended September 30, 2009

	Bike Path and Pedestrian Way Fund	Radon Gas Fund	Totals	
			2009	2008
<b>REVENUES</b>				
Impact fees	\$ 400	\$ 445	\$ 845	\$ 3,227
	<u>400</u>	<u>445</u>	<u>845</u>	<u>3,227</u>
<b>EXPENDITURES</b>				
Current				
General government	-	445	445	1,427
	<u>-</u>	<u>445</u>	<u>445</u>	<u>1,427</u>
<b>Net change in fund balances</b>	400	-	400	1,800
Fund balances, beginning of year	4,201	-	4,201	2,401
Fund balances, end of year	<u>\$ 4,601</u>	<u>\$ -</u>	<u>\$ 4,601</u>	<u>\$ 4,201</u>

## **PENSION TRUST FUNDS**

---

Trust funds are used to account for assets held by the Town as trustee or agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, nonexpendable trust and pension trust funds. Nonexpendable trust and pension trust funds are accounted for essentially in the same manner as proprietary funds.

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**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

PENSION TRUST FUNDS  
COMPARATIVE STATEMENTS OF FIDUCIARY NET ASSETS

September 30,

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Investment in defined benefit plan	\$ 4,821,570	\$ 4,198,311
Investment in PSO share plan	290,058	129,183
Investment in defined contribution plan	298,792	267,346
Total assets	<u>\$ 5,410,420</u>	<u>\$ 4,594,840</u>
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits	<u>\$ 5,410,420</u>	<u>\$ 4,594,840</u>
Total net assets	<u>\$ 5,410,420</u>	<u>\$ 4,594,840</u>

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2009	2008
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 512,402	\$ 698,624
Employee	150,694	151,767
State	150,702	126,683
Total contributions	813,798	977,074
Investment gain (loss):		
Net increase (decrease) in fair value of investments	167,057	(645,828)
Total investment gain (loss)	167,057	(645,828)
Total additions	980,855	331,246
<b>DEDUCTIONS</b>		
Distributions	150,290	165,822
Administrative expenses	14,985	22,376
Total deductions	165,275	188,198
Change in net assets	815,580	143,048
Plan net assets at beginning of year	4,594,840	4,451,792
Plan net assets at end of year	\$ 5,410,420	\$ 4,594,840

**SUPPLEMENTAL INFORMATION**

Town of Indian River Shores

COMBINING STATEMENT OF PLAN ASSETS & CHANGES IN ASSETS

Fiscal year ended September 30, 2009

	DEFINED BENEFIT POLICE & FIRE	DEFINED BENEFIT GENERAL EMPLOYEES	STATE SHARE ACCOUNT	DEFINED CONTRIBUTION	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Assets September 30, 2008	\$ 3,912,239	\$ 286,072	\$ 129,183	\$ 267,346	\$ 4,594,840
Additions:					
FY 09 Employee contributions withheld	143,711	6,983	-	-	150,694
FY09 Employer contributions	465,246	12,177	-	34,981	512,404
State share plan contributions	-	-	150,702	-	150,702
Subtotal additions	608,957	19,160	150,702	34,981	813,800
FMPTF investment income (losses)	148,314	9,663	11,533	(2,453)	167,057
Net additions	757,271	28,823	162,235	32,528	980,857
Deductions:					
Actuary fees deducted	(3,733)	(842)	-	-	(4,575)
Administrative expenses & quarterly fees	(9,194)	-	(1,219)	(1,082)	(11,495)
Subtotal deductions	(12,927)	(842)	(1,219)	(1,082)	(16,070)
Distributions paid out	(100,671)	(48,395)	(141)	-	(149,207)
Ending reconciled balance-Plan net assets September 30, 2009	<u>\$ 4,555,912</u>	<u>\$ 265,658</u>	<u>\$ 290,058</u>	<u>\$ 298,792</u>	<u>\$ 5,410,420</u>

**Town of Indian River Shores, Florida**

**SCHEDULE OF PROPERTY TAX VALUATIONS, LEVIES AND COLLECTIONS**

**Last Five Fiscal Years**

<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>
2003	\$ 1,760,124,373	1.4370	\$ 2,529,299	\$ 2,421,295	96%
2004	\$ 1,952,206,948	1.4730	\$ 2,884,386	\$ 2,755,336	96%
2005	\$ 2,143,027,490	1.4730	\$ 3,156,679	\$ 3,037,211	96%
2006	\$ 2,300,778,517	1.4730	\$ 3,389,047	\$ 3,242,690	96%
2007	\$ 2,552,420,615	1.4730	\$ 3,759,716	\$ 3,637,258	97%
2008	\$ 2,532,506,193	1.3923	\$ 3,526,008	\$ 3,418,898	97%
2009	\$ 2,574,214,967	1.3923	\$ 3,584,079	\$ 3,468,008	97%

\* Includes delinquent collections

See independent auditor's report.

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



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

8035 Spyglass Hill Road  
Melbourne, FL 32940  
321.757.2020  
FAX 321.242.4844

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida (the "Town") as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

480 N. Orlando Ave.  
Suite 218  
Winter Park, FL 32789  
407.644.5811  
FAX 407.644.6022

In planning and performing our audit, we considered the Town of Indian River Shores, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Indian River Shores, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Indian River Shores, Florida's internal control over financial reporting.

301 Clematis Street  
Suite 3000  
W. Palm Beach, FL 33401  
561-837-6627  
FAX 561-837-6632

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Indian River Shores, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Town of Indian River Shores, Florida's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Indian River Shores, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

We noted certain matters that we have reported to the management of the Town of Indian River Shores, Florida in the management letter dated February 4, 2010. We did not audit the Town of Indian River Shores' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town of Indian River Shores, Florida's management, Town Council, the Auditor General of the State of Florida, and other regulatory agencies of federal and state governments, and is not intended to be and should not be used by anyone other than these specified parties.

February 4, 2010  
Melbourne, Florida

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

## MANAGEMENT LETTER

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



We have audited the financial statements of the Town of Indian River Shores, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated February 4, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters dated February 4, 2010, which should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Management Recommendations - Repeated.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Indian River Shores complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we identified recommendations as listed under the heading Current Year Management Recommendations at 09-1, 09-2, and 09-3.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have such findings.

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FAX 561-837-6632

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- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Indian River Shores was established by and is governed per the special law 54-1407 Laws of Florida. Additional legal entity disclosures are included in Note A-1 of the financial statements. The Town of Indian River Shores does not have any component units.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Indian River Shores, did *not* meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Indian River Shores for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Indian River Shores' financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Florida Auditor General, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 4, 2010  
Melbourne, Florida

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

## **Prior Year Management Recommendations - Corrected**

### 08-1 Building Department Controls Over Cash Collections

Criteria: Since cash is so readily subject to error and mishandling, effective control of checks, currency, and other cash items should begin at the time of receipt and continue through until deposit.

Condition: During our walkthrough documentation procedure for the audit, it was noted that in the building department receipts are written for all cash payments and check payments when requested. The building department then creates a cash receipt summary sheet and deposit transmittal form, which is given to the treasurer's office with the cash and checks to be deposited. The treasurer's office reconciles the amounts to be deposited to these forms; however, no reconciliation is done to trace the amounts deposited back to the original written receipts.

Effect: By not monitoring and reconciling cash receipts there is an increased risk that errors or misappropriations could occur and go undetected.

Auditors' recommendation: We recommend that the Town periodically reconcile the actual deposits made to the written receipts in the receipt books.

As of September 30, 2009, the above issue has been resolved.

### 08-2 Customer Deposits

Criteria: The Town should comply with Chapter 717, Florida Statutes, which requires all monies deemed to be unclaimed, to be filed with the Department of Financial Services.

Condition: During our audit, we noted two customer deposit liability balances, for Carlton Development and Marbrisa, which have been carried forward for years. Per inquiry of management, the construction and landscaping jobs that the above deposits relate to were completed many years ago.

Effect: The Town is not in compliance with Chapter 717, Florida Statutes.

Auditors' Recommendations: We recommend that the Town attempt to contact the companies to which the money is owed to and pay off the liability. After due diligence has been reached with respect to contacting or locating the apparent owners of the unclaimed property, then the Town can file a petition with the Department of Financial Services to take custody of these funds, so the Town can transfer the money to the state and remove the liability from the books.

As of September 30, 2009, the Town had put in their due diligence to resolve the above issue. As of the financial statement date, above issue had been resolved.

## Prior Year Management Recommendations - Corrected

### 08-4 Disposal of capital assets

Criteria: Upon disposal of an asset, the Town should appropriately remove the asset from its capital asset reports and depreciation schedules.

Condition: During a physical observation of 25 haphazardly selected capital assets, we noted that one item had been disposed during the year, however it was not disposed in the capital asset records.

Effect: Although not a material amount, the assets, accumulated depreciation, and depreciation expense are overstated. In addition, due to the fact that the asset was not fully depreciated, the loss on disposal of assets is understated.

Auditors' Recommendations: We recommend that the Town establish a written process which requires a request for disposal to be prepared that describes the asset, the reason for and the means of its disposal, and any expected proceeds, if applicable. All requests should be approved by a member of management and sent directly to the accounting department to use as a basis for establishing control over the asset pending its disposal and for the appropriate removal of the asset from the records.

As of September 30, 2009, the above issue has been resolved.

## Prior Year Management Recommendations - Repeated

### 08-3 Controls Over Payroll Process

Criteria: Internal controls are necessary to help protect the Town from risk of errors or misappropriations.

Condition: During our walkthrough documentation procedure for the audit, it was noted that payroll is approved by the Town manager prior to the final payroll being processed. After this approval, the Town treasurer then has the ability to complete and process payroll. All checks are directly deposited into the employees' accounts. There is not a final approval to ensure that the original payroll amount approved by the Town manager was the same amount that was processed and deposited.

Status as of September 30, 2009:

Condition: During our walkthrough documentation procedure for the audit, it was noted that payroll is approved by the Town manager prior to the final payroll being processed. After this approval, the Town treasurer then has the ability to complete and process payroll. All checks are directly deposited into the employees' accounts. There is not a final approval to ensure that the original payroll amount approved by the Town manager was the same amount that was processed and deposited.

Effect: By not reconciling the original payroll to the final processed payroll there is an increased risk that errors or misappropriations could occur and go undetected.

Auditors' recommendation: We recommend that a member of management, separate from the Town treasurer, reconcile the original payroll, the one that the Town manager previously approved, to a copy of the final payroll that was disbursed.

## Current Year Management Recommendations

### 09-1 Employee Manual

Criteria: An employee manual is used to communicate an organizations employment policies and procedures, which include potential employment benefits. This manual should be kept up to date to ensure accurate communication of information.

Condition: During the audit, it was noted that the Town's policy manual was outdated. The Town had instituted informal policies that were not updated or included in the employment manual.

Effect: Policies stated in the employee manual related to accrued vacation did not reflect the informal policy approved by management, thus compensated absences were understated by \$147,214.

Auditors' recommendation: We recommend that the Town work to update the current employee manual and perform periodic reviews for changes.

### 09-2 Budget Amendments

Criteria: Section 166.241 of the Florida Statutes requires that the governing body of the Town adopt an annual budget. This budget should be amended if management believes expenses will exceed actual appropriations.

Condition: During the current year, actual expenditures exceeded final budgeted appropriations of the Road and Bridge Fund by \$23,983 and Planning and Zoning Fund by \$4,611.

Effect: The Town did not amend the budget to reflect additional expenditures incurred after the final amendment, thus the actual expenditures exceeded budgeted appropriations.

Auditors' recommendation: It is our recommendation that the Town amend their budget to ensure that the actual expenditures do not exceed the budget. The Town has the ability to amend their budget within 60 days after the fiscal year end.

## Current Year Management Recommendations (Repeated)

### 09-3 Perpetual Inventory

Criteria: Sound procedures for recording inventory involve maintaining perpetual inventory counts. Physical inventory counts should be performed periodically to substantiate the accuracy of the perpetual inventory.

Condition: During the physical inventory observation, it was noted that the Town does not maintain a perpetual inventory count for a large majority of the inventory held by the Postal Center. Inventory balances recorded in the financial statements are a direct reflection of the physical inventory counts.

Effect: Since a perpetual inventory is not maintained, we are unable to determine if the physical inventory count accurately reflects the amount of inventory the Town should have.

Auditors' recommendation: It is our recommendation that the Town account for inventory by maintaining a perpetual inventory count. This will provide management with better accounting control over the flow of goods and increase the possibility of detecting theft or error.

MAYOR:  
THOMAS W. CADDEN

VICE MAYOR:  
E. WILLIAM KENYON

COUNCIL:  
WILLIAM H. AHRENS  
FRANCES F. ATCHISON  
DAVID J. BECKER

TOWN MANAGER:  
ROBERT J. BRADSHAW



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**Response to Recommendations  
Fiscal Year Ended September 30, 2009**

**08-3 Controls Over Payroll Processing**

We have now implemented a second step in the independent reconciling of processed payroll, whereby the individual processing payroll delivers to the Town Clerk the preliminary account allocation report. Then, when final payroll is processed, the final account allocation report is given to the Town Clerk, who agrees the amounts. If there are discrepancies, a reconciliation is performed by the payroll processor and kept with the allocation reports in both the Town Clerk's files and the payroll pay period ending file.

**09-1 Employee Manual**

The Finance Committee has discussed the need for an updated employee manual. They have recommended one or two Town staff members, with detailed knowledge of Town policies and their intent, take on the project of updating the manual this new fiscal year. The finance committee will review the revision, then make a recommendation to Town Council, who will be the ultimate approving body.

**09-2 Budget Amendments**

The Town will take care to amend the budget earlier in the year, so as to avoid the uncorrectable condition created for fiscal year 2009, when the oversight occurred, but the time period available to amend the budget further had expired.

**09-3 Perpetual Inventory**

We have gone back to October 1, 2009 and added an additional perpetual inventory computation on the Postal Center's Daily Reconciliation Sheet. The physical inventory count valuation is brought forward daily, postage received is then added, and postage sold deducted, which yields the perpetual inventory valuation that will be substantiated by physical counts at future dates, no less than quarterly.

Robert J. Bradshaw, Town Manager  
February 18, 2010