

**TOWN OF INDIAN RIVER  
SHORES, FLORIDA**

**Basic Financial Statements and  
Supplemental Information**

**Year ended September 30, 2015**



# TOWN OF INDIAN RIVER SHORES, FLORIDA

## Official Directory

September 30, 2015

### *Town Council*

Brian M. Barefoot  
Mayor

Gerard A. Weick  
Vice Mayor

Thomas F. Slater  
Councilmember

Michael B. Ochsner  
Councilmember

Richard M. Haverland  
Councilmember

### *Administrative*

Robert H. Stabe, Jr.  
Town Manager

Heather A. Christmas, CPA  
Town Treasurer

Chester E. Clem  
Town Attorney

Laura Aldrich  
Town Clerk

Tetra Tech HAI  
Town Engineer

Richard G. Rosell  
Public Safety Director

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Indian River Shores, Florida basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As described in Note A-15 to the financial statements, in 2015, the City implemented GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* for reporting the City's pension associated with the active employee members of the Town's General Employees' Defined Benefit Plan and Public Safety Officers & Firefighters Defined Benefit Plan, and the primary activity associated with the pension arrangements reflective for the year ending September 30, 2015 (Note G).

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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 introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2016, on our consideration of the Town of Indian River Shores Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Indian River Shores Florida's internal control over financial reporting and compliance.

March 25, 2016  
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, 2015**

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

As discussed in Note A-15 in the notes to the financial statements, the Town implemented GASB Statement No. 68 and 71 during the current fiscal year. These statements amend the accounting and financial reporting guidance for pension plans for governments. The statements require reporting of the net pension liability, deferred inflows and outflows on the statement of net position, as well as additional disclosures in the notes to the financial statements and required supplementary information. The 2014 amounts in the MD&A have been restated to reflect this change.

**FINANCIAL HIGHLIGHTS**

- Total net position at September 30, 2015 was \$8,735,715. Of this amount, \$1,851,493 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The combined ending fund balance of the governmental funds totaled \$4,418,144.
- The total revenue from all governmental fund sources (including sale of capital assets) was \$6,362,846, an increase of 2.6% from the prior year.
- The total expenditures for Town operations was \$5,875,028, a 4.3% decrease from the prior fiscal year.
- By year end, the Town's total governmental funds net change in fund balance was \$487,818.
- The net increase in fund balance in the General Fund was \$226,082.
- In the General Fund, actual revenues equaled budgeted amounts while budgeted appropriations exceeded actual expenditures by \$6,527.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Town of Indian River Shores' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

- The statement of net position presents information on all of the Town's assets and deferred outflows alongside the Town's liabilities and deferred inflows, with the difference reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).
- Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, certain fees and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs (business-type activities, such as utilities or a golf course). All of the Town's activities are included as governmental activities for fiscal year ended September 30, 2015.

**2) Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: 1) governmental funds and 2) fiduciary funds.

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

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

The Town of Indian River Shores maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road and Bridge Fund, and Planning, Zoning & Building Fund, all of which are considered to be major funds for the current fiscal year. Data from the other two governmental funds, the Bike Path and Pedestrian Way Fund and the Building Permit Surcharge 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 each of its major funds for the fiscal year ended September 30, 2015. Budgetary comparison schedules have been provided for these funds to demonstrate the level of compliance with these budgets.

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

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

**3) Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Reference to the appropriate corresponding note is made next to certain line items on the face of the financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for fiscal years ending September 30, 2015 and 2014 are shown below. Amounts for 2014 were restated to reflect implementation of GASB 68 & 71.

#### TOWN OF INDIAN RIVER SHORES' NET POSITION

September 30,

	Governmental Activities	
	2015	2014 (Restated)
Current and other assets	\$ 4,875,522	\$ 4,219,409
Capital assets, net of depreciation	5,337,526	5,300,405
Total assets	<u>10,213,048</u>	<u>9,519,814</u>
Deferred outflows	1,922,032	-
Long-term liabilities	2,866,160	1,060,458
Other liabilities	457,378	288,510
Total liabilities	<u>3,323,538</u>	<u>1,348,968</u>
Deferred outflows	75,827	3,422
Net position:		
Net investment in capital assets	5,337,526	5,300,405
Restricted	1,546,696	1,290,652
Unrestricted	1,851,493	1,576,367
Total net position	<u>\$ 8,735,715</u>	<u>\$ 8,436,910</u>

The Statement of Net Position is a useful indicator of a governmental entity's financial health and stability over time. The Town of Indian River Shores experienced a net increase in the net position for fiscal year 2015 of \$568,291 and a net increase in the net position for fiscal year 2014 of \$686,254.

The Town, for both fiscal years, reports positive balances in all categories of net position in its governmental activities. The Town's unrestricted net position at September 30, 2015 increased by \$275,126 (17%) over fiscal year 2014. Restricted net position increased during fiscal year 2015 by \$256,044 (20%). The Town's net investment in capital assets increased by \$37,121 (1%) over fiscal year 2014. The investment in capital assets consists of 61% of the net position for fiscal year ending September 30, 2015 and 65% for fiscal year ending 2014.

Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of any related debt, it should be noted that the resources needed to repay any related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities, should they ever exist. For the fiscal year 2015 and 2014, there was no debt associated with capital assets.

The restricted net position represents resources that are subject to external restrictions on how they may be used. The road construction and maintenance restricted net position is generated by the Road and Bridge Fund while amounts restricted for building code enforcement is generated in the Planning, Zoning and Building Fund. The restricted balance increased by 20% from 2014 to 2015 primarily due to permit revenues being double the actual expenditures of the building department.

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

Fiscal year 2015 saw an increase of \$1,922,032 in the deferred outflows of resources over 2014. This was offset by an increase in deferred inflows of resources of \$72,405. These items were related to the gains/losses for the Town's two defined benefit plans which apply to future periods. The net impact on the net position was \$55,541 with the remaining difference of \$1,794,086 being added to the Town's net pension liability within the long-term liabilities line item.

## ANALYSIS OF TOWN'S OPERATIONS

The following table provides a summary of the Town's operations for the year ended September 30, 2015 and 2014.

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

All Governmental Activities

	2015	2014 (Restated)
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 1,084,078	\$ 814,148
Operating grants and contributions	83,241	74,986
Capital grants and contributions	59,257	16,107
<b>General revenues:</b>		
Property taxes	3,964,660	3,402,531
Discretionary sales surtax	514,841	1,200,849
Half-cent sales tax	276,214	262,123
Communications services tax	279,485	275,534
Other taxes	12,128	12,019
State shared revenues	63,234	58,475
Interest	20,963	16,406
Miscellaneous revenue	4,172	7,222
Gain (loss) on disposal of capital assets	4,291	7,307
<b>Total revenues</b>	<b>6,366,564</b>	<b>6,147,707</b>
<b>Expenses:</b>		
General government	1,731,957	1,515,801
Public safety	3,998,713	3,878,382
Cemetery	11,230	26,113
Transportation	41,575	24,341
Culture and recreation	14,798	16,816
<b>Total expenses</b>	<b>5,798,273</b>	<b>5,461,453</b>
Change in net position	568,291	686,254
Net position beginning of fiscal year	8,167,424	7,481,170
<b>Net position end of fiscal year</b>	<b>\$ 8,735,715</b>	<b>\$ 8,167,424</b>

The 2015 revenues increased over 2014 revenues by \$218,857 (3%) primarily due to the increase millage rate from 1.4731 to 1.6786 and the baffle box grant revenue. These increases were offset by the decrease in the discretionary sales tax revenue due which were high in 2014 due to the purchase of two fire trucks costing over \$1,000,000.

Expenses during fiscal year 2015 exceeded 2014 by \$336,820 (6%) primarily due to continued proceedings against the City of Vero Beach in regards to electric rates. For the year ended September 30, 2015, the costs related to this litigation totaled \$534,846. Additionally, the 2014 expenditures were increased by \$269,486 to reflect the implementation of GASB 68 & 71.

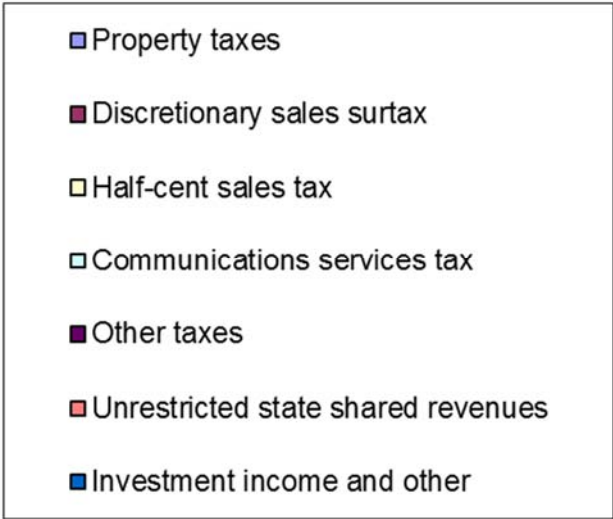
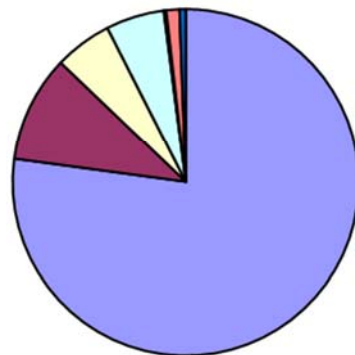
The following table depicts the program revenues collected for the current fiscal year, compared to the related program expenses.

**TOWN OF INDIAN RIVER SHORES**  
Expenses and Program Revenues-Governmental Activities  
Fiscal year ended September 30, 2015

	Revenues	Expenses	Net (Expenses) Revenues
Postal center	\$ 240,225	\$ 259,497	\$ (19,272)
Public safety	135,289	3,642,121	(3,506,832)
Building department	665,161	356,592	308,569
Cemetery	-	11,230	(11,230)
Transportation	164,844	41,575	123,269
Community center	21,057	14,798	6,259
	<u>\$ 1,226,576</u>	<u>\$ 4,325,813</u>	<u>\$ (3,099,237)</u>

Revenues for the Town, other than charges for services and grants shown above, are generated from a number of different sources and are, for the most part, dependent on different financial factors. This relative mix of different revenue sources for fiscal year ended 2015 is illustrated in the chart below.

**Revenue by Sources**



**FINANCIAL ANALYSIS OF THE TOWN OF INDIAN RIVER SHORES' FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town of Indian River Shores' governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2015, the Town of Indian River Shores' governmental funds reported combined fund balances of \$4,418,144.

The General Fund is the chief operating fund of the Town. At September 30, 2015 the total fund balance in the General Fund was \$2,860,455 (65% of the total fund balance), of which 86% was unassigned, which is a measurement of the General Fund's liquidity.

The General Fund's revenues for the fiscal year exceeded expenditures by \$226,082. The main reason for the excess was due to the fact that the Town elected to utilize 6 officers rather than the expected 7 officers in the 2015 budget.

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, 2015 was \$574,209 (13% of the total fund balance), a decrease of \$45,541.

The Planning, Zoning and Building Fund is still a self-sustaining fund, showing continuing upturn in net revenues in fiscal year 2014-2015, compared to several years prior. The total fund balance of this fund at year ending September 30, 2015 was \$972,487 (22% of the total fund balance), an increase of \$301,585 due to increased revenue collections.

The remaining two special revenue funds are less significant at the current fiscal year end, with combined positive fund balances of \$10,993 (less than .3% of the total fund balance).

## **BUDGETARY HIGHLIGHTS**

Budget to actual schedules are provided in the required supplementary information for each of the major funds. A budget column for both the original budget adopted for fiscal year ended 2015, as well as the final budget, is presented. A column for actual results follows those columns, with the variance then following as well.

Both original and final budgets are estimates based on information available to management prior to and just after year end. Differences between the original and final budget resulted in an increase in revenues of \$146,287 and a decrease in appropriations by \$107,316. Revenue increases were a result of funds not previously anticipated including increased collections of property taxes, states revenues and discretionary sales surtax.

The change in expenditures from the original budget are primarily due to the increase in general government activities related electric litigation and a reduction in public safety due to only using 6 officers rather than 7 as originally budgeted.

Expenditure and revenue differences between final budget and actual results were minimal due to the adjustment performed after year end.



## CAPITAL ASSET ADMINISTRATION

The Town of Indian River Shores' investment in capital assets includes land, construction in progress, buildings, improvements other than buildings (which include infrastructure) and furniture, fixtures and equipment. The Town's capital assets as of September 30, 2015 reflect an investment of \$5,337,526 net of accumulated depreciation. A comparative summary of net capital assets by category follows:

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

	2015	2014	Difference
Land	\$ 1,428,482	\$ 1,428,482	\$ -
Construction in progress	132,970	-	132,970
Buildings	1,668,873	1,737,900	(69,027)
Improvements other than buildings	329,553	337,531	(7,978)
Furniture, fixtures and equipment	1,777,648	1,796,492	(18,844)
Total capital assets	<u>\$ 5,337,526</u>	<u>\$ 5,300,405</u>	<u>\$ 37,121</u>

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

- Construction in progress on Baffle Box: \$119,000
- Public Safety bunker gear, vests, fire air masks and air bottles: \$21,000
- Public Safety vehicles and related equipment: \$100,000
- Radios, Computers, and Public Safety equipment: \$88,000
- Depreciation expense: \$328,000

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

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates and fees to be charged for certain activities. One of those factors is the local economy. The following key economic factors reflect the Town's current operating environment:

- Recent property valuations for fiscal year 2016 show that there has been a turnaround in the economy. The Town of Indian River Shores values increased modestly from \$2,450,139,839 in 2015 to \$2,588,248,441 in 2016 or 5.7%.
- The stabilization in the real estate market, construction and development will result in increasing revenues from building permit fees in comparison to previous years.
- Minimal increases in available interest rates for investments.
- Sales tax revenues and franchise fees will continue to slowly strengthen and are expected to continue this slow growth in the near future.

The budget adopted for the General Fund for fiscal year 2016 increased appropriations by 13% from actual results for the General Fund for fiscal year 2015. This is a result of increased funding to the other-post employment benefit trust fund, anticipation of the legal fees for the litigation with the City of Vero Beach, increasing the reserves, and anticipation of the upcoming union negotiations. These increased expenditures will be paid from unrestricted sources however the Town Council maintained the millage rate for fiscal year 2016 at 1.6786.

The Town's unassigned fund balance stands at \$2.45 million and should be adequate to cover unanticipated costs in the upcoming budget year. This balance will cover approximately 6 months of the General Fund's 2016 operating budgeted expenditures.

## **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**Town of Indian River Shores, Florida**

**STATEMENT OF NET POSITION**

**September 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents (Notes A-4, B)	\$ 4,589,325
Accounts receivable, net (Note A-5)	13,000
Due from other governments	151,586
Inventory (Note A-13)	31,233
Prepaid expenses (Note A-13)	90,378
Total current assets	4,875,522
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,428,482
Construction in progress	132,970
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	1,668,873
Improvements other than buildings	329,553
Furniture, fixtures and equipment	1,777,648
Total capital assets	5,337,526
Total assets	10,213,048
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred assumptions, contributions, and experience (Note G)	1,922,032
Total deferred outflow of resources	1,922,032
<b>LIABILITIES</b>	
Accounts payable	273,388
Accrued liabilities	159,258
Due to other governments	11,259
Deposits	4,474
Unearned revenue	8,999
Noncurrent liabilities:	
Due within one year	
Compensated absences (Notes A-8, E)	99,022
Other post employment benefits (Notes E, H)	15,000
Due in more than one year	
Other post employment benefits (Notes E, H)	691,988
Net pension liabilities	2,060,150
Total liabilities	3,323,538
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred change in proportion (NPL), contributions, experience and investments (Note G)	75,827
Total deferred inflow of resources	75,827
<b>NET POSITION</b>	
Net investment in capital assets	5,337,526
Restricted for road construction and maintenance	574,209
Restricted for building code enforcement	972,487
Unrestricted	1,851,493
Total net position	\$ 8,735,715

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

Town of Indian River Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2015

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	\$ 16,419	\$ -	\$ -	\$ -	\$ (16,419)
Town manager	162,524	-	-	-	(162,524)
Finance department	154,776	-	-	-	(154,776)
Town clerk	120,764	-	-	-	(120,764)
Postal center	259,497	240,225	-	-	(19,272)
Public works	89,405	-	-	-	(89,405)
Town attorney (Note J)	631,194	-	-	-	(631,194)
Planning board	45,798	-	-	-	(45,798)
Engineering and planning services	1,901	-	-	-	(1,901)
General administration	249,679	-	-	-	(249,679)
Public safety:					
Public safety department	3,642,121	134,289	1,000	-	(3,506,832)
Building department	356,592	665,161	-	-	308,569
Physical environment:					
Cemetery	11,230	-	-	-	(11,230)
Transportation:					
Road and offsite drainage	41,575	23,346	82,241	59,257	123,269
Culture and recreation:					
Community center	14,798	21,057	-	-	6,259
Total	<u>\$ 5,798,273</u>	<u>\$ 1,084,078</u>	<u>\$ 83,241</u>	<u>\$ 59,257</u>	<u>(4,571,697)</u>

General revenues:

Taxes:

Property taxes (Note A-10)	3,964,660
Discretionary sales surtax	514,841
Half-cent sales tax	276,214
Communications services tax	279,485
Other taxes	12,128
State shared revenues	63,234
Interest income	20,963
Miscellaneous revenue	4,172
Gain (loss) on disposal of capital assets	4,291

Total general revenues 5,139,988

Change in net position 568,291

Beginning net position 8,436,910

Prior period adjustment (Note L) (269,486)

Beginning net assets, restated 8,167,424

Ending net position \$ 8,735,715

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

Town of Indian River Shores, Florida

**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2015

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents (Notes A-4, B)	\$ 2,959,226	\$ 624,508	\$ 990,529	\$ 15,062	\$ 4,589,325
Accounts receivable, net (Note A-5)	13,000	-	-	-	13,000
Due from other governments	87,227	64,359	-	-	151,586
Inventory (Note A-13)	31,233	-	-	-	31,233
Prepaid expenses (Note A-13)	90,378	-	-	-	90,378
<b>Total assets</b>	<b>\$ 3,181,064</b>	<b>\$ 688,867</b>	<b>\$ 990,529</b>	<b>\$ 15,062</b>	<b>\$ 4,875,522</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 156,577	\$ 114,658	\$ 2,153	\$ -	\$ 273,388
Accrued liabilities	151,626	-	7,632	-	159,258
Due to other governments	-	-	7,190	4,069	11,259
Deposits	3,407	-	1,067	-	4,474
Unearned revenue	8,999	-	-	-	8,999
<b>Total liabilities</b>	<b>320,609</b>	<b>114,658</b>	<b>18,042</b>	<b>4,069</b>	<b>457,378</b>
Fund balances (Notes A-11, F):					
Nonspendable:					
Prepays	90,378	-	-	-	90,378
Inventory	31,233	-	-	-	31,233
Restricted:					
Building code enforcement	-	-	972,487	-	972,487
Capital outlay	161,613	-	-	-	161,613
Road construction and maintenance	-	574,209	-	-	574,209
Committed:					
Cemetery maintenance	122,243	-	-	-	122,243
Bike path construction and maintenance	-	-	-	10,993	10,993
Unassigned					
General fund	472,460	-	-	-	472,460
Emergency funds	1,982,528	-	-	-	1,982,528
<b>Total fund balances</b>	<b>2,860,455</b>	<b>574,209</b>	<b>972,487</b>	<b>10,993</b>	<b>4,418,144</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,181,064</b>	<b>\$ 688,867</b>	<b>\$ 990,529</b>	<b>\$ 15,062</b>	<b>\$ 4,875,522</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 POSITION

September 30, 2015

Fund balances - total governmental funds \$ 4,418,144

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

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

Land	\$ 1,428,482	
Construction in progress	132,970	
Buildings, net	1,668,873	
Improvements other than buildings, net	329,553	
Furniture, fixtures and equipment, net	<u>1,777,648</u>	5,337,526

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

Deferred assumptions, contributions, change in proportion (NPL), and experience		1,922,032
Deferred change in proportion (NPL), contributions, experience, and investments		(75,827)

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		(99,022)
Other post employment benefits		(706,988)
Net pension liabilities		(2,060,150)

Total net position of governmental activities \$ 8,735,715

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, 2015

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes (Note A-10)	\$ 3,964,660	\$ -	\$ -	\$ -	\$ 3,964,660
State shared revenues	63,234	21,025	-	-	84,259
Discretionary sales surtax	514,841	-	-	-	514,841
Communication services tax	279,485	-	-	-	279,485
Intergovernmental	276,543	61,216	-	-	337,759
Federal grant revenue	-	59,257	-	-	59,257
State grant revenue	1,000	-	-	-	1,000
Licenses and permits	-	-	654,141	-	654,141
Fines and forfeitures	6,191	-	2,714	-	8,905
Impact fees	-	6,796	-	5,692	12,488
Other taxes	11,799	-	-	-	11,799
Post office fees	238,822	-	-	-	238,822
Ambulance service fees	112,842	-	-	-	112,842
Other fees and rents	39,152	-	1,069	-	40,221
Interest income	20,963	10,858	3,675	-	35,496
Miscellaneous revenue	3,310	-	3,545	-	6,855
Total revenues	<u>5,532,842</u>	<u>159,152</u>	<u>665,144</u>	<u>5,692</u>	<u>6,362,830</u>
<b>EXPENDITURES</b>					
Current					
General government	1,850,314	25,352	24,754	-	1,900,420
Public safety	3,217,100	-	335,119	-	3,552,219
Physical environment	10,982	-	-	-	10,982
Transportation	-	41,038	-	-	41,038
Culture and recreation	9,930	-	-	-	9,930
Capital outlay (Note C)	218,434	138,303	3,702	-	360,439
Total expenditures	<u>5,306,760</u>	<u>204,693</u>	<u>363,575</u>	<u>-</u>	<u>5,875,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,082</u>	<u>(45,541)</u>	<u>301,569</u>	<u>5,692</u>	<u>487,802</u>
<b>OTHER FINANCING SOURCES</b>					
Proceeds from sale of capital assets	-	-	16	-	16
Total other financing sources	<u>-</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>
<b>Net change in fund balances</b>	<u>226,082</u>	<u>(45,541)</u>	<u>301,585</u>	<u>5,692</u>	<u>487,818</u>
<b>Fund balances, beginning of year</b>	<u>2,634,373</u>	<u>619,750</u>	<u>670,902</u>	<u>5,301</u>	<u>3,930,326</u>
<b>Fund balances, end of year</b>	<u>\$ 2,860,455</u>	<u>\$ 574,209</u>	<u>\$ 972,487</u>	<u>\$ 10,993</u>	<u>\$ 4,418,144</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, 2015**

Net change in fund balances - total governmental funds		\$ 487,818
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>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.</p>		
Total capital outlay	\$ 360,439	
Less depreciation	<u>(327,609)</u>	32,830
<p>In the statement of activities, only the net loss on the sale and trade of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance.</p>		
		(709)
<p>Some revenues reported in the statement of activities are to be collected on a long-term basis and therefore are not reported as revenues in the funds.</p>		
		(573)
<p>The effect of trade-in transaction involving capital assets increases net position in the statement of activities.</p>		
		5,000
<p>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:</p>		
Net increase in compensated absences		(7,509)
Net increase in other post employment benefits		(4,107)
Net decrease in pension expense		55,541
		<u>55,541</u>
Change in net position of governmental activities		<u>\$ 568,291</u>

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

Town of Indian River Shores, Florida

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2015

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and investments in defined benefit plan - general employees (Notes A-4 and B)	\$ 590,990
Cash and investments in defined benefit plan - public safety employees (Notes A-4 and B)	11,719,688
Cash and investments in defined contribution plan (Notes A-4 and B)	189,725
Cash and investments in other post-employment benefit plan (Notes A-4 and B)	190,760
Contribution receivable	<u>69,092</u>
Total assets	<u>12,760,255</u>
<b>LIABILITIES</b>	
Accounts payable	<u>6,189</u>
Total liabilities	<u>6,189</u>
<b>NET POSITION (Note G)</b>	
Restricted for pension benefits and other purposes	<u>12,754,066</u>
Total net position	<u><u>\$ 12,754,066</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 POSITION**

**Year ended September 30, 2015**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 938,046
Employee	170,201
State	<u>173,797</u>
Total contributions	<u>1,282,044</u>
Investment gain:	
Net increase in fair value of investments	(729,671)
Interests and dividends	<u>444,635</u>
Total investment gain	<u>(285,036)</u>
Total additions	<u>997,008</u>
<b>DEDUCTIONS</b>	
Distributions	747,254
Administrative expenses	
Trustee fees	5,250
Investment management fees	58,095
Attorney fees	16,663
Actuary fees	32,647
Other administrative fees	<u>11,433</u>
Total deductions	<u>871,342</u>
Change in net position	125,666
Plan net position at beginning of year	<u>12,628,400</u>
Plan net position at end of year	<u><u>\$ 12,754,066</u></u>

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

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting entity

The Town was created and is governed by Special Act of the Legislature under Chapter 29163, Laws 1953, as amended by Ordinance Numbers 1 through 521. The Town is governed under the Town Manager-Council form of government and by the Town Charter and state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed Town Manager.

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

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

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

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

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

The Town's net position, the difference between the Town's assets and deferred outflows and the Town's liabilities and deferred inflows, as presented in the statement of net position, is subdivided into three categories: amounts invested in capital assets, restricted and unrestricted. The net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Indirect expenses are costs the Town has allocated to functions through various allocation methods. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate fund financial statements are provided for the governmental funds and fiduciary funds, although the latter is excluded from the government-wide financial statements. The focus of governmental fund financial statements is on major funds. Therefore, major funds are reported as separate columns in the fund financial statements and non-major funds are aggregated and presented as a single column on each statement. Reconciliations are provided that 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, 2015

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and permits, charges for services, fines and forfeitures and other revenues (except for investment earnings) associated with the current period are all considered to be susceptible to accrual and thus, have been recognized as revenues of the current fiscal period. Investment earnings are recorded when earned.

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund 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 plans, other post-employment benefit plan and the Town's defined contribution 401(a) plan.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

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

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

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 38% of ambulance receivables are fully collectible. Therefore, an allowance for doubtful accounts of \$21,504 has been recorded as of September 30, 2015.

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets (continued)

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

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

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

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

8. Compensated absences

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

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

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



**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

9. Deferred outflows/inflows of resources

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

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

10. Property tax

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of Indian River County Property Appraiser and Indian River County Tax Collector. The laws of the State of Florida regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2015, the Town's millage rate was 1.6786 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, 2015, upon which the 2014-2015 levy was based, was approximately \$2.5 billion.

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, 2015 were approximately 96% 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.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

11. Fund balance classification

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

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

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

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

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

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

Unassigned Fund Balance - The residual classification for the General Fund net resources is the amount of fund balance referred to as "unreserved." It may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

Restricted amounts shall be spent first unless there are legal documents/contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of classifications could be used.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

11. Fund balance classification (continued)

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

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

As of September 30, 2015, the Town has met the requirements of minimum funding.

12. Income tax

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

13. Inventories and Prepaids

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

14. Use of estimates

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

15. New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 68 - For fiscal year ending September 30, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The objective of this statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. New Governmental Accounting Standards Board (GASB) Pronouncements (continued)

GASB Statement No. 71 - For fiscal year ending September 30, 2015, the Town implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* was implemented in order to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68 in the accrual - basis financial statements of employers and nonemployer contributing entities.

The adoption of these Statements had an effect on the Statement of Net Position with the recording of net pension liabilities, deferred outflows of resources and deferred inflows of resources. The restatement is presented in Note L.

16. Impact of Future Pronouncements

In February of 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The Town is currently evaluating the future impact of this statement.

In June of 2015, the GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2016. The Town is currently evaluating the future impact of this statement.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

16. Impact of Future Pronouncements (continued)

In June of 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (OPEB). It improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The Town is currently evaluating the future impact of this statement.

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

The Town had the following cash and investments at September 30, 2015:

	Fair Value	Weighted Average Maturity	Rating
Primary Government			
Cash	\$ 3,763,162	N/A	N/A
Money market account	758,254	N/A	N/A
Local government pooled investment accounts:			
Florida PRIME	67,909	0.08	AAAm (S&P)
	<u>\$ 4,589,325</u>		
Pension Funds			
General Employee Defined Contribution Plan 401A			
Equity funds	\$ 44,288	N/A	Not Rated
Fixed income funds	145,437	8.19	Not Rated
	<u>189,725</u>		
Other Post-Employment Benefit Plan			
Equity funds	133,341	N/A	Not Rated
Fixed income funds			
FMLVT Core Plus	31,285	5.41	Not Rated
FMLVT Broad Market High Quality Bond	26,134	5.98	AAV4 (Fitch)
	<u>190,760</u>		

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

	Fair Value	Weighted Average Maturity	Rating
Pension Funds (continued)			
General Employee Defined Benefit Plan			
Cash and cash equivalents	4,728	N/A	N/A
Equity funds	410,147	N/A	Not Rated
Fixed income funds			
FMLVT Core Plus	104,605	5.41	Not Rated
FMLVT Broad Market High Quality Bond	71,510	5.98	AA/V4 (Fitch)
	590,990		
Fire and Police Defined Benefit Plan			
Cash and cash equivalents	315,540	N/A	N/A
Equity			
Common stock	6,205,462	N/A	Not Rated
International stocks	320,490	N/A	Not Rated
Total equity	6,525,952		
Fixed income			
U.S. government obligations	976,449	4.61	Aaa (Moody's)
Mortgage/asset backed securities	847,055	21.73	Aaa (Moody's)
Collateralized mortgage obligations	505,081	18.20	Aaa (Moody's)
Corporate bonds	2,549,611	5.56	AA+ - BBB- (S&P)
Total fixed income	4,878,196		
	11,719,688		
Total pension funds	<u>\$ 12,500,403</u>		

The Town's deposits and investments are insured by the Federal Depository Insurance Corporation for up to \$250,000. At September 30, 2015, the Town's cash and cash equivalent balances were fully insured. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

The deposits with the State Board of Administration (the "SBA") are composed of local government surplus funds deposited therein by units of local government and are insured by the multiple financial institution collateral pool established by Florida Statute. Section 218.407, Florida Statutes, governs the investing of public funds with the SBA. The investments with the SBA consist largely of federal agency obligations, repurchase agreements, banker's acceptance and commercial paper.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

*Interest rate risk* - The interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The interest rate risk associated with the Town's investments are included in the above table calculated using the weighted average maturity (WAM).

*Credit risk* - The Town's adopted investment guidelines require that the investments of the Town be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment accounts, securities and exchange commission required money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Town's investment policy does not further limit its investment choices. Ratings are set by nationally recognized statistical rating organizations (S&P, Fitch and Moody's).

As of September 30, 2015, Florida PRIME was rated by S&P as noted in the previous table. The credit risk associated with the pension plans are included in the previous table. The breakdown of the corporate bond types are as follows:

<u>Rating</u>	<u>Corporate bonds</u>
AA+	\$ 91,551
AA	50,306
A+	241,760
A	525,613
A-	506,013
BBB+	584,227
BBB	226,333
BBB-	323,808
Total	<u>\$ 2,549,611</u>

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 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
Construction in progress	-	132,970	-	132,970
Total capital assets not being depreciated	1,428,482	\$ 132,970	\$ -	1,561,452
Capital assets, being depreciated:				
Buildings	3,172,434	\$ -	\$ 2,790	3,169,644
Improvements other than buildings	478,287	5,333	-	483,620
Furniture, fixtures and equipment	2,882,882	227,136	83,430	3,026,588
Total capital assets being depreciated	6,533,603	\$ 232,469	\$ 86,220	6,679,852
Less accumulated depreciation for:				
Buildings	1,434,534	\$ 69,027	\$ 2,790	1,500,771
Improvements other than buildings	140,756	13,311	-	154,067
Furniture, fixtures, and equipment	1,086,390	245,271	82,721	1,248,940
Total accumulated depreciation	2,661,680	\$ 327,609	\$ 85,511	2,903,778
Total capital assets being depreciated, net	3,871,923			3,776,074
Governmental activities capital assets, net	\$ 5,300,405			\$ 5,337,526

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

General government	\$ 46,890
Public safety	268,139
Public works	7,960
Culture and recreation	4,620
	<u>\$ 327,609</u>

**NOTE D - LINE OF CREDIT**

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



**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE E - LONG-TERM LIABILITIES**

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

	Balance at October 1, 2014	Increase	Decrease	Balance at September 30, 2015	Due within one year
Accrued compensated absences (Note A-8)	\$ 91,513	\$ 197,003	\$ 189,494	\$ 99,022	\$ 99,022
Net pension liability	266,064	3,667,761	1,873,675	2,060,150	-
Other post employment benefits	702,881	218,651	214,544	706,988	15,000
	<u>\$1,060,458</u>	<u>\$4,083,415</u>	<u>\$2,277,713</u>	<u>\$ 2,866,160</u>	<u>\$ 114,022</u>

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

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

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

The following describes the restricted, committed and assigned fund balances used by the Town:

The Town establishes the following restricted fund balances:

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

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

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

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

The Town has established the following committed fund balances:

General Fund:

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

Bike Path and Pedestrian Way Fund:

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

The Town has established the following assigned fund balance within its General Fund:

*Other post-employment benefits* - As part of the 2014 budgeting process, the Town Council set aside \$100,000 in Florida Municipal Investment Trust to be used exclusively for the payment of other post-employment benefits. In 2015, the Town established a defined benefit trust fund for and transferred this balance to the trust fund.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

The activity in the restricted, committed and assigned fund balances during the year ended September 30, 2015 are as follows:

	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015
Restricted:				
Building code enforcement	\$ 670,902	\$ 665,160	\$ 363,575	\$ 972,487
Capital outlay	-	514,841	353,228	161,613
Road construction and maintenance	619,750	159,152	204,693	574,209
Committed:				
Cemetery maintenance	133,103	122	10,982	122,243
Bike path construction and maintenance	5,301	5,692		10,993
Assigned:				
Other post-employment benefits	100,947	-	100,947	-
	<u>\$ 1,530,003</u>	<u>\$ 1,344,967</u>	<u>\$ 1,033,425</u>	<u>\$ 1,841,545</u>

**NOTE G - PENSION PLANS**

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

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

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

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

A schedule of net position and statements of changes in net position for each of the plans are as follows:

<b>Fiduciary Plan Net Position</b>					
<b>September 30, 2015</b>					
	Defined Contribution Plan	General Employees Defined Benefit Plan	Public Safety Officers & Firefighters Defined Benefit Plan	Other Post- Employment Benefit Plan	Total Pension Trust Funds
<b>ASSETS</b>					
Cash and investments (Note B)	\$ 189,725	\$ 590,990	\$ 11,719,688	\$ 190,760	\$12,691,163
Contribution receivable	1,484	4,362	63,246	-	69,092
Total assets	191,209	595,352	11,782,934	190,760	12,760,255
<b>LIABILITIES</b>					
Accounts payable	-	296	5,845	48	6,189
Total liabilities	-	296	5,845	48	6,189
<b>NET POSITION</b>					
Restricted for pension benefits and other purposes	191,209	595,056	11,777,089	190,712	12,754,066
Total net position	\$ 191,209	\$ 595,056	\$ 11,777,089	\$ 190,712	\$12,754,066

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

**Changes in Fiduciary Plan Net Position  
For the Year Ended September 30, 2015**

	Defined Contribution Plan	General Employees Defined Benefit Plan	Public Safety Officers & Firefighters Defined Benefit Plan	Other Post- Employment Benefit Plan	Total Pension Trust Funds
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ 39,763	\$ 97,143	\$ 596,652	\$ 204,488	\$ 938,046
Employee	-	22,206	147,995	-	170,201
State	-	-	173,797	-	173,797
Total contributions	<u>39,763</u>	<u>119,349</u>	<u>918,444</u>	<u>204,488</u>	<u>1,282,044</u>
Investment gain:					
Net increase in fair value of investments	(8,956)	(580)	(706,458)	(13,677)	(729,671)
Interests and dividends	3,951	-	440,684	-	444,635
Total investment gain	<u>(5,005)</u>	<u>(580)</u>	<u>(265,774)</u>	<u>(13,677)</u>	<u>(285,036)</u>
Total additions	<u>34,758</u>	<u>118,769</u>	<u>652,670</u>	<u>190,811</u>	<u>997,008</u>
<b>DEDUCTIONS</b>					
Distributions	-	48,395	698,859	-	747,254
Administrative expenses					
Trustee fees	-	-	5,250	-	5,250
Investment management fees	-	-	58,095	-	58,095
Attorney fees	-	-	16,663	-	16,663
Actuary fees	-	-	32,647	-	32,647
Other administrative fees	830	4,819	5,685	99	11,433
Total deductions	<u>830</u>	<u>53,214</u>	<u>817,199</u>	<u>99</u>	<u>871,342</u>
Change in net position	<u>33,928</u>	<u>65,555</u>	<u>(164,529)</u>	<u>190,712</u>	<u>125,666</u>
Plan net position at beginning of year	<u>157,281</u>	<u>529,501</u>	<u>11,941,618</u>	<u>-</u>	<u>12,628,400</u>
Plan net position at end of year	<u>\$ 191,209</u>	<u>\$ 595,056</u>	<u>\$ 11,777,089</u>	<u>\$ 190,712</u>	<u>\$12,754,066</u>

1. Defined contribution plan & deferred compensation plan

*Defined Contribution Plan Description:*

The Defined Contribution Plan is a single-employer plan and is administered by the Florida Municipal Pension Trust Fund ("FMPTF"). It covers all full time employees, except public safety officers, who elect to participate. Effective May 1, 2013, all new non-public safety officers may only participate in this plan. As of September 30, 2015, membership in the plan consists of seven active employees. The plan may be amended by ordinance of the Town Council.

The Town does not issue a stand-alone plan financial report.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

**NOTE G - PENSION PLANS (continued)**

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

*Defined Contribution Funding Policy:*

The plan specifies employer contributions as “matching”, meaning the Town will contribute up to 11% of each participating employee’s base compensation if the employee contributes up to 5%, (before taxes), of their base compensation to the 457(b) Deferred Compensation Plan. Employees may contribute less than 5% with a matching rate from the Town of 2%-8%. Employees may join the defined contribution plan only after completing 1,000 hours of service within a consecutive twelve month period. Following completion of the required hours, employees may first become a member on the earlier of October 1 or April 1, whichever comes first. Participants become 20% vested in the values resulting from employer contributions plus earnings after 3 years of employment service. Vesting increases by 20% for each additional year of employment with participants becoming fully vested after 7 years. The Town’s current year contributions to the defined contribution plan totaled \$39,763.

*Deferred Compensation Plan Description:*

The Town became a participating employer in the FMPTF 457(b) Deferred Compensation Plan in October 2005. This plan allows any employee from any department aside from public safety officers to participate, subject to federal contribution limits. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

*Deferred Compensation Funding Policy:*

To be eligible for the Defined Contribution Plan, employee participants must contribute to the deferred compensation plan (up to 5%). Other employees’ contributions to this deferred compensation plan are discretionary, subject to federal limits. Employees may begin participating in this plan immediately upon hire and enrollment, with the required documents, but no later than entry date to the defined contribution plan, if eligible and participation is elected. Employee contributions totaled \$17,997 for the current year.

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

2. General Employees Defined Benefit Plan

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

*Plan Description:*

The General Employees Defined Benefit Plan is a single-employer defined benefit pension plan administered by the FMPTF. The Town Council for the Town of Indian River Shores serves as the Pension Board of the General Employees’ Defined Benefit Plan. The General Employees Defined Benefit Plan covers all the Town’s non-public safety full-time employees that have elected to participate in the plan. Membership in the plan consists of 3 active and 3 inactive employees receiving benefits at September 30, 2015.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

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

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

Types of benefits offered:	Retirement, disability, and pre-retirement death benefits
Basic pension formula:	2.75% of average earnings x service
Normal retirement age:	Age 55 with at least five years of service (Town Manager)
	Age 62
Early retirement age:	Age 55 with at least seven years of service
Early retirement adjustment:	Early retirement pension is reduced by 2% for each year by which the early retirement date precedes the normal retirement date.
Disability pension:	Larger of basic pension formula or 42% of average earnings (for service-connected disabilities)
	Larger of basic pension formula or 25% of average earnings (for non-service-connected disabilities if the participant has earned at least 10 years of service)
	Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other Town-provided disability compensation from exceeding average earnings.
Pre-retirement death benefit:	Basic pension formula payable for 10 years or one-half of the 50% joint and contingent annuity payable for life at early or normal retirement age (payable to the spouse of a vested married participant)
	Basic pension formula payable for 10 years at early or normal retirement age (payable to the beneficiary of a vested unmarried participant)
	Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Vesting requirement:	20% vesting for each year of service in excess of two years of service; 100% vesting at seven years of service
Average earnings:	Average of the last five years of pensionable earnings
Cost-of-living adjustment:	No automatic cost-of-living adjustment is provided.
Legal authority:	The plan was established effective May 1, 1999 pursuant to Town ordinance and has been amended several times since that date.
Changes:	The benefit terms did not change from the prior measurement date.

*Funding Policy:*

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

The Town's annual required contribution rate for the year ended September 30, 2015 was 39.48% of covered payroll. The Town contributed \$97,143 for the year ended September 30, 2015. Administrative costs are financed through investment earnings.

*Net Pension Liability:*

The components of the net pension liability at September 30, 2015 were as follows:

<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Funded Percentage</u>
\$ 609,331	\$ 590,990	\$ 18,341	96.99%



**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

2. General Employees Defined Benefit Plan (continued)

The change in the net pension liability for the year ended September 30, 2015 were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2014	\$ 629,064	\$ (526,361)	\$ 102,703
Change due to:			
Service cost	46,763	-	46,763
Expected interest growth	62,578	(53,533)	9,045
Unexpected investment income	-	54,113	54,113
Demographic experience	(12,452)	-	(12,452)
Employer contributions	-	(97,010)	(97,010)
Employee contributions	-	(22,115)	(22,115)
Benefit payments & refunds	(47,674)	48,395	721
Administrative expenses	-	5,521	5,521
Changes in benefit terms	-	-	-
Assumption changes	(68,948)	-	(68,948)
Balance as of September 30, 2015	\$ 609,331	\$ (590,990)	\$ 18,341

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

Employer's reporting date: September 30, 2015  
 Measurement date: September 30, 2015  
 Actuarial valuation date: October 1, 2014

Actuarial assumptions:

Discount rate: 9.59% per annum (3.60% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.

Salary increases: 5.00% per annum

Cost-of-living increases: None assumed

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

Retirement: Retirement is assumed to occur at the later of normal retirement age or one year after the valuation date.

Other decrements: None assumed.

Non-investment expenses: \$3,500 per year

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

2. General Employees Defined Benefit Plan (continued)

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

Changes: Since the prior measurement date, the discount rate was increased from 8.39% per annum to 9.59% per annum.

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

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	12.00%	2.48% per annum
Multi-sector	18.00%	2.20% per annum
U.S. large cap equity	47.00%	7.14% per annum
U.S. small cap equity	13.00%	8.45% per annum
Non-U.S. equity	10.00%	8.43% per annum
Weighted arithmetic average	100.00%	5.99% per annum

The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Comparison of Net Pension Liability Using Alternative Discount Rates:*

	Discount Rate Minus 1.00%	9.59% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 665,915	\$ 609,331	\$ 560,392
Less fiduciary net position	(590,990)	(590,990)	(590,990)
Net pension liability	<u>\$ 74,925</u>	<u>\$ 18,341</u>	<u>\$ (30,598)</u>

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

2. General Employees Defined Benefit Plan (continued)

*Deferred Inflow and Outflow of Resources*

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2014		\$ -	\$ 3,422
Change due to:			
Amortization payments	10 years	(10,823)	(8,995)
Investment gain/loss	4-5 years	54,113	-
Demographic gain/loss	10 years	-	12,452
Assumption changes	10 years	-	68,948
Total change		43,290	72,405
Balance as of September 30, 2015		\$ 43,290	\$ 75,827

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

Net pension liability as of September 30, 2014	\$102,703
Plus pension expense for the 2014/15 fiscal year	41,763
Minus employer contribution for the 2014/15 fiscal year	(97,010)
Plus change in balance of deferred outflows of resources	43,290
Minus change in balance of deferred inflows of resources	(72,405)
Net pension liability as of September 30, 2015	\$ 18,341

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

Year ended September 30,	Pension Expense
2016	\$ 1,828
2017	1,828
2018	1,826
2019	2,681
2020	(8,140)
Thereafter	(32,560)
	\$ (32,537)

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

2. General Employees Defined Benefit Plan (continued)

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

Changes: Since the prior measurement date, the discount rate was increased from 8.39% per annum to 9.59% per annum.

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

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	12.00%	2.48% per annum
Multi-sector	18.00%	2.20% per annum
U.S. large cap equity	47.00%	7.14% per annum
U.S. small cap equity	13.00%	8.45% per annum
Non-U.S. equity	10.00%	8.43% per annum
Weighted arithmetic average	100.00%	5.99% per annum

The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Comparison of Net Pension Liability Using Alternative Discount Rates:*

	Discount Rate Minus 1.00%	9.59% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 665,915	\$ 609,331	\$ 560,392
Less fiduciary net position	(590,990)	(590,990)	(590,990)
Net pension liability	<u>\$ 74,925</u>	<u>\$ 18,341</u>	<u>\$ (30,598)</u>

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

2. General Employees Defined Benefit Plan (continued)

*Deferred Inflow and Outflow of Resources*

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2014		\$ -	\$ 3,422
Change due to:			
Amortization payments	10 years	(10,823)	(8,995)
Investment gain/loss	4-5 years	54,113	-
Demographic gain/loss	10 years	-	12,452
Assumption changes	10 years	-	68,948
Total change		43,290	72,405
Balance as of September 30, 2015		\$ 43,290	\$ 75,827

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

Net pension liability as of September 30, 2014	\$102,703
Plus pension expense for the 2014/15 fiscal year	41,763
Minus employer contribution for the 2014/15 fiscal year	(97,010)
Plus change in balance of deferred outflows of resources	43,290
Minus change in balance of deferred inflows of resources	(72,405)
Net pension liability as of September 30, 2015	\$ 18,341

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

Year ended September 30,	Pension Expense
2016	\$ 1,828
2017	1,828
2018	1,826
2019	2,681
2020	(8,140)
Thereafter	(32,560)
	\$ (32,537)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

*Additional Information:*

With the implementation of GASB Statement 68 in fiscal year 2015 pension accounting is no longer tied to the funding process. As stated by the GASB, "after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits." However, the Town believes that this amount is still important for the readers of the financial statements to know. The Town uses an actuarially determined unfunded liability to calculate its funding each year. The latest balance is \$280,935 as of September 30, 2015. Further information regarding the unfunded actuarial accrued liability and its calculations can be found in the latest actuarial valuations which can be obtained by a request to the Town.

3. Public Safety Officers & Firefighters Defined Benefit Plan

*Plan Description:*

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

The Plan covers all the Town's full-time public safety officers. Membership in the plan consists of 21 active employees, 10 retirees, 1 beneficiary and 2 terminated vested at September 30, 2015.

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

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

Types of benefits offered:	Retirement, termination, disability and death benefits
Basic pension formula:	Hired before October 1, 2012: 2.75% of Average Final Compensation (AFC) times Credited Service, limited to 100% or AFC
	Hired after October 1, 2012: 2.00% of Average Final Compensation (AFC) times Credited Service, limited to 100% or AFC
Normal retirement age:	Age 55 with at least seven years of credited service
	Age 52 with at least twenty-five years of credited service

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - PENSION PLANS (continued)

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

Early retirement age: Age 50 and the completion of 7 years of credited service.

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

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

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

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

Pre-retirement death benefit: Accrued benefit payable at Normal Retirement, or reduced payable at Early Retirement. The benefit payable as a 10 Year Certain and Life for the Beneficiary.

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

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

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

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

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

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

*Funding Policy:*

Public Safety Officers & Firefighters Defined Benefit Plan members hired prior to October 1, 2012 are required to contribute a minimum of 5% and may be required to contribute up to a maximum of 9% (before taxes) of their annual compensation. Employees hired after October 1, 2012 are required to contribute a minimum of 9% and may be required to contribute up to a maximum of 13% (before taxes) of their annual compensation.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

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

The Town is required to contribute at an actuarially determined amount. When the employer's required contribution exceeds 11% of covered payroll (meaning the plan is under-funded), the excess liability is to be split by the Town and the active employee participants. The excess contributions are allocated between the Town and active employees in direct proportion of the employee contributions to the employer contributions. The Town and the employees split the excess liability up until the employee contribution reached the maximum percentage as described previously.

The Town's annual required contribution rate for the year ended September 30, 2015 was 42.20% of covered payroll. The Town contributed \$596,652 for the year ended September 30, 2015. Administrative costs are financed through investment earnings.

*Net Pension Liability:*

The components of the net pension liability at September 30, 2015 were as follows:

Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Funded Percentage
\$13,787,463	\$11,745,654	\$ 2,041,809	85.19%

The change in the net pension liability for the year ended September 30, 2015 were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2014	\$12,079,820	\$(11,916,459)	\$ 163,361
Change due to:			
Service cost	297,756	-	297,756
Interest	751,759	-	751,759
Share plan allocation	173,797		173,797
Differences between expected and actual experience	1,183,190	-	1,183,190
Employer contributions	-	(605,302)	(605,302)
State contributions	-	(173,797)	(173,797)
Employee contributions	-	(147,518)	(147,518)
Net investment income		330,943	330,943
Benefit payments & refunds	(698,859)	698,859	-
Administrative expenses	-	67,620	67,620
Balance as of September 30, 2015	\$13,787,463	\$(11,745,654)	\$ 2,041,809



Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - PENSION PLANS (continued)

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

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

Employer's reporting date:	September 30, 2015
Measurement date:	September 30, 2015
Actuarial valuation date:	October 1, 2014
Actuarial assumptions:	
Discount rate:	6.25% per annum; this rate was used to discount all future benefit payments.
Inflation:	2.00%
Salary increases:	5.25% per annum
Cost-of-living increases:	None assumed
Mortality basis:	Sex-distinct rates set forth in the RP-2000 Combined Healthy Mortality Table for annuitants, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430 Disabled lives set forward five years.
Retirement:	50% probability for each of the first two years eligible and 100% probability thereafter.
Early Retirement:	10% probability for each year eligible.
Termination Rate:	5% probability for less than 5 years' service and 2% thereafter.
Other decrements:	Disability ranging from 0.09% to 1.04% depending on age.
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Changes:	Valuations prior to October 1, 2014, utilized a service-based salary increase assumption table changed to 5.25% per year until the assumed retirement age.

Valuations prior to October 1, 2014 utilized an asset smoothing technique for funding purposes developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. The actuarial investment gain or loss is defined as the difference between expected and actual net-of-fees, measured on a Market basis. The current asset method is Fair Market Value, net of investment related expenses.

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

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the table on the following page.

Investment Category	Target Allocation	Expected Long-Term Real Return
Equities	60.00%	8% - 10% per annum
Fixed Income	40.00%	4% - 6% per annum
Weighted arithmetic average	100.00%	6.25% per annum

The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Comparison of Net Pension Liability Using Alternative Discount Rates:*

	Discount Rate Minus 1.00%	6.25% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 15,241,158	\$ 13,787,463	\$ 12,569,514
Less fiduciary net position	(11,745,654)	(11,745,654)	(11,745,654)
Net pension liability	<u>\$ 3,495,504</u>	<u>\$ 2,041,809</u>	<u>\$ 823,860</u>

*Deferred Inflow and Outflow of Resources*

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2014		\$ -	\$ -
Change due to:			
Investment gain/loss	5 years	864,580	-
Expected & actual experience	7 years	1,014,162	-
Total change		<u>1,878,742</u>	<u>-</u>
Balance as of September 30, 2015		<u>\$ 1,878,742</u>	<u>\$ -</u>

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

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

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

Net pension liability as of September 30, 2014	\$163,361
Plus pension expense for the 2014/15 fiscal year	605,008
Minus employer contribution for the 2014/15 fiscal year	(605,302)
Plus change in balance of deferred outflows of resources	1,878,742
Minus change in balance of deferred inflows of resources	<u>0</u>
Net pension liability as of September 30, 2015	<u><u>\$2,041,809</u></u>

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

Year ended September 30,	Pension Expense
2016	\$ 385,172
2017	385,172
2018	385,172
2019	385,172
2020	169,027
Thereafter	<u>169,027</u>
	<u><u>\$ 1,878,742</u></u>

*Additional Information:*

With the implementation of GASB Statement 68 in fiscal year 2015, pension accounting is no longer tied to the funding process. As stated by the GASB, “after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits.” However, the Town believes that this amount is still important for the readers of the financial statements to know. The Town uses an actuarially determined unfunded liability to calculate its funding each year. The latest balance is \$2,074,367 as of September 30, 2015. Further information regarding the unfunded actuarial accrued liability and its calculations can be found in the latest actuarial valuations which can be obtained by a request to the Town.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE G - PENSION PLANS (continued)**

4. Public Safety Officer Share Plan

*Plan Description:*

The Town's Public Safety Officer Share Plan was adopted to implement the provisions of Chapters 175 and 185, Florida Statutes, and to provide a mechanism to pay required "extra benefits" to the public safety officers based on the growth of insurance premium tax revenue pursuant to Chapters 175 and 185. The monies are to be an additional benefit to the public safety officers that are participants of the Town's defined benefit plan mentioned above; 24 employees at September 30, 2015. In accordance with provisions of Florida Statute 175 and 185, each participant is entitled to one share for each year of credited service as a public safety officer of the Town, measured from October 1, 2006.

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

At September 30, 2015, the balance of this plan was \$1,279,005.

*Funding Policy:*

The monies to fund this plan shall be derived exclusively from monies received from the state and not from any additional taxes levied by the Town. The Town shall bear no expense in respect to the operation of this plan. The Board of Trustees shall pay all costs and expenses associated with the management and operation of this plan for the year. They may also set aside monies needed to cover expenses for the next fiscal year. After all expenses are covered, the Board of Trustees will then allocate and credit to the fund all monies left over on behalf of the participants of the plan. State contributions for the fiscal year ended September 30, 2015 totaled \$173,797.

**NOTE H - OTHER POST EMPLOYMENT BENEFITS**

*Plan Description:*

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

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

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

As of September 30, 2015, the Town provides benefits for 16 eligible inactive employees. Total premiums per month for the year ended September 30, 2015 ranged as follows:

Type	Single	With Spouse
Health	\$589 - \$605	\$1,403 - \$1,439
Dental	\$24 - \$26	\$51 - \$55
Vision	\$6	\$14
Life	\$3 - \$23	N/A

*Funding Policy:*

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

Contribution rates for the Plan are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance, except as noted above. The ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees or an "implicit" subsidy. This implicit subsidy is considered to be an Other Post Employment Benefit (OPEB) obligation of the Town.

The OPEB liability is currently partially funded, with a combination of annual contributions to a professionally managed fund and Town premium payments on a pay-as-you-go basis. An initial \$204,488 was contributed to the OPEB fund run by the FMPTF administered by the Florida League of Cities in 2015. Additionally, during the year ended September 30, 2015, the Town paid \$10,056 in retiree premium from its general fund. Therefore, the total contribution for the year totaled \$214,544.

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

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

**Schedule of annual cost and Net OPEB Obligation**

Annual Required Contribution (ARC)	\$ 253,412
Interest on net OPEB Obligation	24,671
Adjustment to annual required contribution	<u>(59,431)</u>
Annual OPEB cost (expense)	218,652
Contributions made	(214,544)
Interest on employer contribution	<u>-</u>
Increase in net OPEB obligation	4,108
Net OPEB obligation - beginning of year	<u>702,880</u>
Net OPEB obligation - end of year	<u><u>\$ 706,988</u></u>

The funded status of the plan as of October 1, 2015, the date of the latest valuation, was as follows:

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll [(b-a)/c]
10/01/15	\$ 190,760	\$ 1,382,100	\$1,191,340	13.8%	\$2,151,096	55.4%

Of the \$1,191,340 unfunded actuarial accrued liability, it is estimated that \$917,332 (77%) is related to the "implicit" cost to retirees while the remaining \$274,008 (23%) relates to the "explicit" subsidy provided to retirees.

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

Valuation Date	October 1, 2015
Actuarial Cost Method	Entry age cost method
Amortization Method	Level percentage, closed
Remaining Amortization Period	9 years
Asset Valuation Method	Market value

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

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

Actuarial Assumptions:

Investment rate of return	3.48% compounded annually
Projected salary increases	5.00% per year
Healthcare cost trend	
2017	5.00%
2018	5.10%
2019	5.10%
2020	5.60%
2021	5.80%
Ultimate	5.60%

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

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

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

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

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

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

**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE I - ICMA DEFERRED COMPENSATION PLAN**

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

In fiscal year 2015, the Town Council passed a resolution acknowledging the Public Safety Director, upon hire, as a participant in the ICMA deferred compensation plan, in lieu of participation in either the Town's defined benefit or defined contribution plan choices. The amount contributed (11% of base compensation) on behalf of the Public Safety Director was \$5,384 for the year ended September 30, 2015.

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

**NOTE J - COMMITMENTS AND CONTINGENCIES**

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

During the year ended September 30, 2014, the Town began proceedings to file a lawsuit against the City of Vero Beach regarding the rates charged by its Electric Utility and in relation to the franchise agreement which expires in November 2016. As of the date of this audit report, the case is still ongoing and the ultimate impact of this matter cannot be determined. For the year ended September 30, 2015, the attorney and consulting fees related to this litigation totaled \$534,846.

**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.



**Town of Indian River Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE K - RISK MANAGEMENT (continued)**

Additionally, the Town has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks to which the Town may be exposed to. Premiums paid by the Town during the year totaled \$187,950. There have been no significant reductions in insurance coverages during fiscal year 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

**NOTE L - PRIOR PERIOD ADJUSTMENT**

As stated previously in Note A-15, the Town implemented GASB statement No. 68 and 71. These new statements require a prior period adjustment to recognize the beginning net pension liability of the Town's two defined benefit pension funds.

The General Employee Defined Benefit Pension Plan required a reduction in the beginning net position of \$106,125 to recognize a net pension liability of \$102,703 and deferred inflows of \$3,422.

The Public Safety Officers & Firefighters Defined Benefit Plan required a reduction in the beginning net position of \$163,361 to recognize a net pension liability of \$163,361.

In total, the beginning net position of the Governmental Activities was reduced by \$269,486. Further information regarding the Town's pension plans may be found in Note G.

**NOTE M - SUBSEQUENT EVENT**

1. Collective bargaining

During the year ended September 30, 2015, the Town began negotiations with the Public Safety Officers for the Collective Bargaining Agreement to begin on October 1, 2015. As of the date of the audit report, the negotiation continues.

2. Evaluating subsequent events

The Town has evaluated subsequent events through March 25, 2016, the date which the financial statements were issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

Town of Indian River Shores, Florida

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

Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 3,953,334	\$ 3,964,660	\$ 3,964,660	\$ -
State revenue sharing	60,146	63,234	63,234	-
Discretionary sales surtax	467,816	514,841	514,841	-
Communication services tax	256,470	279,485	279,485	-
Intergovernmental	265,544	276,543	276,543	-
Federal grant revenue	1,000	-	-	-
State grant revenue	-	1,000	1,000	-
Fines and forfeitures	2,200	6,191	6,191	-
Sale of burial rights	250	(490)	-	490
Other taxes	11,710	11,799	11,799	-
Post office fees	220,310	238,822	238,822	-
Ambulance service fees	95,000	112,842	112,842	-
Other fees and rents	32,025	39,153	39,152	(1)
Interest income	15,000	20,963	20,963	-
Miscellaneous revenue	5,750	3,799	3,310	(489)
Total revenues	<u>5,386,555</u>	<u>5,532,842</u>	<u>5,532,842</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General government	1,347,074	1,845,758	1,850,314	(4,556)
Public safety	3,798,810	3,228,183	3,217,100	11,083
Physical environment	12,217	10,982	10,982	-
Culture and recreation	10,967	9,930	9,930	-
Capital outlay	251,535	218,434	218,434	-
Total expenditures	<u>5,420,603</u>	<u>5,313,287</u>	<u>5,306,760</u>	<u>6,527</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(34,048)</u>	<u>219,555</u>	<u>226,082</u>	<u>6,527</u>
Other financing sources				
Proceeds from sale of capital assets	2,500	-	-	-
Total other financing sources	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(31,548)</u>	<u>219,555</u>	<u>226,082</u>	<u>6,527</u>
Fund balances, beginning of year	<u>2,634,373</u>	<u>2,634,373</u>	<u>2,634,373</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,602,825</u>	<u>\$ 2,853,928</u>	<u>\$ 2,860,455</u>	<u>\$ 6,527</u>

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State revenue sharing	\$ 19,400	\$ 21,025	\$ 21,025	-
Intergovernmental	124,500	61,216	61,216	-
Federal grant revenue	-	59,257	59,257	-
Impact fees	2,000	6,796	6,796	-
Interest income	2,000	10,858	10,858	-
Investment gain	2,000	-	-	-
Total revenues	<u>149,900</u>	<u>159,152</u>	<u>159,152</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General government	26,837	25,352	25,352	-
Transportation	15,644	46,371	41,038	5,333
Capital outlay	145,000	132,970	138,303	(5,333)
Total expenditures	<u>187,481</u>	<u>204,693</u>	<u>204,693</u>	<u>-</u>
<b>Net change in fund balances</b>	(37,581)	(45,541)	(45,541)	-
Fund balances, beginning of year	<u>619,750</u>	<u>619,750</u>	<u>619,750</u>	<u>-</u>
Fund balances, end of year	<u>\$ 582,169</u>	<u>\$ 574,209</u>	<u>\$ 574,209</u>	<u>\$ -</u>

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 375,000	\$ 654,141	\$ 654,141	\$ -
Fines and forfeitures	3,000	2,714	2,714	-
Other fees and rents	1,300	1,069	1,069	-
Interest income	2,100	3,675	3,675	-
Miscellaneous revenue	-	3,546	3,545	(1)
Total revenues	<u>381,400</u>	<u>665,145</u>	<u>665,144</u>	<u>(1)</u>
<b>EXPENDITURES</b>				
Current				
General government	26,529	24,754	24,754	-
Public safety	325,741	340,119	335,119	5,000
Capital outlay	-	3,702	3,702	-
Total expenditures	<u>352,270</u>	<u>368,575</u>	<u>363,575</u>	<u>5,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>29,130</u>	<u>296,570</u>	<u>301,569</u>	<u>4,999</u>
Other financing sources				
Proceeds from sale of capital assets	-	15	16	1
Total other financing sources	<u>-</u>	<u>15</u>	<u>16</u>	<u>1</u>
<b>Net change in fund balances</b>	29,130	296,585	301,585	5,000
Fund balances, beginning of year	<u>670,902</u>	<u>670,902</u>	<u>670,902</u>	<u>-</u>
Fund balances, end of year	<u>\$ 700,032</u>	<u>\$ 967,487</u>	<u>\$ 972,487</u>	<u>\$ 5,000</u>

See accompanying note to required supplementary information.

**Town of Indian River Shores, Florida**

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

**Year ended September 30, 2015**

**SCHEDULE OF FUNDING PROGRESS**

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

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

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

(2) Closed the explicit subsidy for members hired after February 2014. Assumption for the acceptance of health for these members was dropped by 5%. The assumed investment rate was increased from 3.5% to 3.51% to match the High Grade 20 year Municipal Bond Rate. The payroll growth rate assumption was increased from 3.00% to 5.0%. Health cost trend assumptions changed from 5.40% - 6.60% to 4.80% - 6.90%. The mortality tables changed from the CDC/NCHS, National Vital Statistics System United States Life Tables, 2008 Mortality tables to RP2014 Sex-Distinct White Collar mortality tables.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

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

See accompanying note to required supplementary information.

**Town of Indian River Shores, Florida**

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

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

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

See accompanying note to required supplementary information.

**Town of Indian River Shores, Florida**

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

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

See the notes to the Requires Supplementary Information for significant assumptions uses to compute the annual required contribution requirement for the year ended Septmber 30, 2015.

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

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

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

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

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

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

See accompanying note to required supplementary information.



**Town of Indian River Shores, Florida**

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

	9/30/2015	9/30/2014
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 297,756	\$ 250,814
Interest	751,759	743,119
Share plan allocation	173,797	180,816
Differences between expected and actual experience	1,183,190	-
Changes of assumptions	-	317,720
Benefit payments, including refunds on member contributions	(698,859)	(553,418)
Net change in total pension liability	1,707,643	939,051
Total pension liability - beginning	12,079,820	11,140,769
<b>Total pension liability - ending (a)</b>	<b>13,787,463</b>	<b>12,079,820</b>
 <b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - employer	605,302	730,088
Contributions - state	173,797	180,816
Contributions - member	147,518	106,952
Net investment income	(330,943)	1,233,577
Benefit payments, including refunds on member contributions	(698,859)	(553,418)
Administrative expenses	(67,620)	(62,214)
Net change in plan fiduciary net position	(170,805)	1,635,801
Plan fiduciary net position - beginning	11,916,459	10,280,658
<b>Plan fiduciary net position - ending (b)</b>	<b>11,745,654</b>	<b>11,916,459</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 2,041,809</b>	<b>\$ 163,361</b>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.19%	98.65%
 Covered Employee Payroll	1,477,270	1,153,015
 Net Pension Liability as a Percentage of the Covered Employee Payroll	138.22%	14.17%

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

See accompanying note to required supplementary information.

**Town of Indian River Shores, Florida**

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

Year ended September 30,	Actuarially Determined Contributions ( a )	Contribution in Relation to the Actuarially Determined Contributions ( b )	Contribution Deficiency ( a - b )	Covered Payroll ( c )	Contribution in Percentage of Covered Employee Payroll ( b / c )
2015 (1) (2)	\$ 605,302	\$ 605,302	\$ -	\$ 1,477,270	40.97%
2014 (3)	\$ 700,688	\$ 730,088	\$ (29,400)	\$ 1,153,015	63.32%
2013	\$ 615,449	\$ 865,449	\$ (250,000)	\$ 1,154,255	74.98%
2012 (4) (5)	\$ 1,064,161	\$ 1,064,160	\$ 1	\$ 1,720,628	61.85%
2011	\$ 591,975	\$ 569,908	\$ 22,067	\$ 1,638,694	34.78%
2010 (6)	\$ 581,174	\$ 575,942	\$ 5,232	\$ 1,671,450	34.46%
2009	\$ 589,079	\$ 465,246	\$ 123,833	\$ 1,058,282	43.96%
2008	\$ 458,163	\$ 651,687	\$ (193,524)	\$ 1,092,936	59.63%

See the notes to the Requires Supplementary Information for significant assumptions uses to compute the annual required contribution requirement for the year ended September 30, 2015.

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

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

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

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

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

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

See accompanying note to required supplementary information.

**Town of Indian River Shores, Florida**

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

**GENERAL EMPLOYEES DEFINED BENEFIT PLAN**

<u>Valuation Date</u>	<u>Annual Money - Weighted Rate of Return, Net of Investment Expense</u>
September 30, 2015	5.99%
September 30, 2014	4.80%

**PUBLIC SAFETY OFFICERS & FIREFIGHTERS DEFINED BENEFIT PLAN**

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

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

See accompanying note to required supplementary information.

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**Town of Indian River Shores, Florida**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2015**

**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, the 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.

**NOTE B - SIGNIFICANT METHODS AND ASSUMPTIONS USED FOR PENSION FUNDS**

1. General Employees Defined Benefit Plan

To determine the actuarially required contribution rate significant methods and assumptions were required to be made. Those assumptions for the year ended September 30, 2015 are listing on the following page.

Valuation Date	October 1, 2014
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage, closed

Town of Indian River Shores, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

**NOTE B - SIGNIFICANT METHODS AND ASSUMPTIONS USED FOR PENSION FUNDS  
(continued)**

1. General Employees Defined Benefit Plan (continued)

Remaining Amortization Period	9 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	5.90% compounded annually
Projected salary increases	5.00% per year

2. Public Safety Officers & Firefighters Defined Benefit Plan

To determine the actuarially required contribution rate significant methods and assumptions were required to be made. Those assumptions for the year ended September 30, 2015 are as follows:

Valuation Date	October 1, 2014
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Amortization Period	10 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	6.25% compounded annually
Projected salary increases	5.25% per year

**SUPPLEMENTAL COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

## **GENERAL FUND**

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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,**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,959,226	\$ 2,665,662
Accounts receivable, net	13,000	23,886
Due from other governments	87,227	86,279
Inventory	31,233	45,404
Prepaid expenses	90,378	87,635
Total assets	\$ 3,181,064	\$ 2,908,866
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 156,577	\$ 148,609
Accrued liabilities	151,626	112,071
Deposits	3,407	3,073
Unearned revenue	8,999	10,740
Total liabilities	320,609	274,493
Fund balances:		
Nonspendable:		
Prepays	90,378	87,635
Inventory	31,233	45,405
Restricted:		
Capital outlay	161,613	-
Committed:		
Cemetery maintenance	122,243	133,103
Assigned:		
Other post-employment benefits	-	100,947
Unassigned		
General fund	472,460	293,833
Emergency disasters	1,982,528	1,973,450
Total fund balances	2,860,455	2,634,373
Total liabilities and fund balances	\$ 3,181,064	\$ 2,908,866

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2015	2014
<b>REVENUES</b>		
Property taxes	\$ 3,964,660	\$ 3,402,531
State revenue sharing	63,234	58,475
Discretionary sales surtax	514,841	1,200,849
Communication services tax	279,485	275,534
Intergovernmental	276,543	262,452
Federal grant revenue	-	1,119
State grant revenue	1,000	16,107
Fines and forfeitures	6,191	2,737
Sale of burial rights	-	3,950
Other taxes	11,799	11,690
Post office fees	238,822	223,978
Ambulance service fees	112,842	105,876
Other fees and rents	39,152	34,550
Interest income	20,963	16,406
Miscellaneous revenue	3,310	6,660
Total revenues	5,532,842	5,622,914
<b>EXPENDITURES</b>		
Current		
General government	1,850,314	1,330,293
Public safety	3,217,100	3,023,375
Physical environment	10,982	25,860
Culture and recreation	9,930	9,895
Capital outlay	218,434	1,357,448
Total expenditures	5,306,760	5,746,871
<b>Excess (deficiency) of revenues over (under) expenditures</b>	226,082	(123,957)
Other financing sources (uses)		
Proceeds from sale of capital assets	-	56,434
Total other financing sources (uses)	-	56,434
<b>Net change in fund balances</b>	226,082	(67,523)
Fund balances, beginning of year	2,634,373	2,701,896
Fund balances, end of year	\$ 2,860,455	\$ 2,634,373

## **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, 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,**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 624,508	\$ 617,020
Due from other governments	64,359	4,430
Total assets	\$ 688,867	\$ 621,450
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 114,658	\$ 1,700
Total liabilities	114,658	1,700
Fund balances:		
Restricted:		
Road construction and maintenance	574,209	619,750
Total liabilities and fund balances	\$ 688,867	\$ 621,450

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2015	2014
<b>REVENUES</b>		
State revenue sharing	\$ 21,025	\$ 20,051
Intergovernmental	61,216	53,816
Federal grant revenue	59,257	-
Impact fees	6,796	2,214
Interest income	10,858	2,783
Investment gain	-	(5,358)
Total revenues	159,152	73,506
<b>EXPENDITURES</b>		
Current		
General government	25,352	26,295
Transportation	41,038	23,794
Capital outlay	138,303	7,773
Total expenditures	204,693	57,862
<b>Net change in fund balances</b>	<b>(45,541)</b>	<b>15,644</b>
Fund balances, beginning of year	619,750	604,106
Fund balances, end of year	<b>\$ 574,209</b>	<b>\$ 619,750</b>

## **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.

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**Town of Indian River Shores, Florida**  
**PLANNING, ZONING AND BUILDING FUND**  
**COMPARATIVE BALANCE SHEETS**

**September 30,**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 990,529	\$ 680,794
Total assets	\$ 990,529	\$ 680,794
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 2,153	\$ 3,385
Accrued liabilities	7,632	6,507
Due to other governments	7,190	-
Deposits	1,067	-
Total liabilities	18,042	9,892
Fund balances:		
Restricted:		
Building code enforcement	972,487	670,902
Total fund balances	972,487	670,902
Total liabilities and fund balances	\$ 990,529	\$ 680,794

**Town of Indian River Shores, Florida**

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

**September 30,**

	2015	2014
<b>REVENUES</b>		
Licenses and permits	\$ 654,141	\$ 436,611
Fines and forfeitures	2,714	1,314
Other fees and rents	1,069	1,348
Interest income	3,675	2,859
Miscellaneous revenue	3,545	3,930
Total revenues	665,144	446,062
<b>EXPENDITURES</b>		
Current		
General government	24,754	24,954
Public safety	335,119	304,448
Capital outlay	3,702	7,254
Total expenditures	363,575	336,656
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>301,569</b>	<b>109,406</b>
Other financing source		
Proceeds from sale of capital assets	16	-
Total other financing sources	16	-
<b>Net change in fund balances</b>	<b>301,585</b>	<b>109,406</b>
Fund balances, beginning of year	670,902	561,496
Fund balances, end of year	<b>\$ 972,487</b>	<b>\$ 670,902</b>

## **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 expenditures 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.

**Building Permit Surcharge 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.

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Town of Indian River Shores, Florida

**NONMAJOR GOVERNMENTAL FUNDS  
COMPARATIVE COMBINING BALANCE SHEETS**

September 30,

	Bike Path and Pedestrian Way Fund	Building Permit Surcharge Fund	Totals	
			2015	2014
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,993	\$ 4,069	\$ 15,062	\$ 8,299
Total assets	<u>\$ 10,993</u>	<u>\$ 4,069</u>	<u>\$ 15,062</u>	<u>\$ 8,299</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 50
Due to other governments	-	4,069	4,069	2,948
Total liabilities	<u>\$ -</u>	<u>\$ 4,069</u>	<u>\$ 4,069</u>	<u>\$ 2,998</u>
Fund balances:				
Committed:				
Bike path construction and maintenance	10,993	-	10,993	5,301
Total fund balances	<u>10,993</u>	<u>-</u>	<u>10,993</u>	<u>5,301</u>
Total liabilities and fund balances	<u>\$ 10,993</u>	<u>\$ 4,069</u>	<u>\$ 15,062</u>	<u>\$ 8,299</u>

Town of Indian River Shores, Florida

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

September 30,

	Bike Path and Pedestrian Way Fund	Building Permit Surcharge Fund	Totals	
			2015	2014
<b>REVENUES</b>				
Impact fees	\$ 5,692	\$ -	\$ 5,692	\$ 2,200
	<u>5,692</u>	<u>-</u>	<u>5,692</u>	<u>2,200</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>5,692</u>	<u>-</u>	<u>5,692</u>	<u>2,200</u>
Fund balances, beginning of year	<u>5,301</u>	<u>-</u>	<u>5,301</u>	<u>3,101</u>
Fund balances, end of year	<u>\$ 10,993</u>	<u>\$ -</u>	<u>\$ 10,993</u>	<u>\$ 5,301</u>

## **PENSION TRUST FUNDS**

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Trust funds are used to account for assets held by the Town as trustee or agent for individuals, other governmental units and/or other funds. These include 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.



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Town of Indian River Shores, Florida

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

September 30,

	2015	2014
<b>ASSETS</b>		
Cash and investments in defined benefit plan - general employees	\$ 590,990	\$ 526,361
Cash and investments in defined benefit plan - public safety employees	11,719,688	11,868,521
Cash and investments in defined contribution plan	189,725	155,965
Cash and investments in other post employment benefit plan	190,760	-
Contribution receivable	69,092	87,838
Total assets	12,760,255	12,638,685
<b>LIABILITIES</b>		
Accounts payable	6,189	10,285
Total liabilities	6,189	10,285
<b>NET POSITION</b>		
Restricted for pension benefits and other purpose	12,754,066	12,628,400
Total net position	\$ 12,754,066	\$ 12,628,400

**Town of Indian River Shores, Florida**

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

**Years ended September 30,**

	2015	2014
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 938,046	\$ 900,062
Employee	170,201	133,951
State	173,797	180,817
Total contributions	1,282,044	1,214,830
Investment gain:		
Net increase (decrease) in fair value of investments	(729,671)	950,517
Interests and dividends	444,635	397,666
Total investment gain (loss)	(285,036)	1,348,183
Total additions	997,008	2,563,013
<b>DEDUCTIONS</b>		
Distributions	747,254	601,813
Administrative expenses		
Trustee fees	5,250	-
Investment management fees	58,095	-
Attorney fees	16,663	-
Actuary fees	32,647	-
Other administrative fees	11,433	131,864
Total deductions	871,342	733,677
Change in net position	125,666	1,829,336
Plan net position at beginning of year	12,628,400	10,799,064
Plan net position at end of year	\$ 12,754,066	\$ 12,628,400

## **SUPPLEMENTAL INFORMATION**

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2015

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

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2014

	<b>DEFINED BENEFIT PUBLIC SAFETY &amp; FIREFIGHTER EMPLOYEES</b>	<b>DEFINED BENEFIT GENERAL EMPLOYEES</b>	<b>DEFINED CONTRIBUTION</b>	<b>TOTAL PENSION TRUST FUNDS</b>
Beginning reconciled balance-Plan Net Position September 30, 2013	\$ 10,270,844	\$ 418,613	\$ 109,607	\$ 10,799,064
Additions:				
Employer contributions	759,782	107,230	33,050	900,062
Employee contributions	111,703	22,248	-	133,951
State share plan contributions	180,817	-	-	180,817
Subtotal contributions	<u>1,052,302</u>	<u>129,478</u>	<u>33,050</u>	<u>1,214,830</u>
Investment earnings/(loss)	1,290,666	42,265	15,252	1,348,183
Net additions	<u>2,342,968</u>	<u>171,743</u>	<u>48,302</u>	<u>2,563,013</u>
Deductions:				
Administrative expenses & quarterly fees	<u>(118,776)</u>	<u>(12,460)</u>	<u>(628)</u>	<u>(131,864)</u>
Subtotal deductions	<u>(118,776)</u>	<u>(12,460)</u>	<u>(628)</u>	<u>(131,864)</u>
Distributions paid out	<u>(553,418)</u>	<u>(48,395)</u>	<u>-</u>	<u>(601,813)</u>
Ending reconciled balance-Plan Net Position September 30, 2014	<u>\$ 11,941,618</u>	<u>\$ 529,501</u>	<u>\$ 157,281</u>	<u>\$ 12,628,400</u>

Town of Indian River Shores, Florida

SCHEDULE OF PROPERTY TAX VALUATIONS, LEVIES AND COLLECTIONS

Last Five Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate in Mils</u>	<u>Amount Levied</u>	<u>Amount Collected (*)</u>	<u>Percent Collected</u>
2011	\$ 2,455,523,093	1.4731	\$ 3,617,231	\$ 3,410,519	94%
2012	\$ 2,364,986,600	1.4731	\$ 3,483,862	\$ 3,486,300	100%
2013	\$ 2,352,573,108	1.4731	\$ 3,465,575	\$ 3,359,917	97%
2014	\$ 2,392,161,099	1.4731	\$ 3,523,893	\$ 3,401,078	97%
2015	\$ 2,450,139,839	1.6786	\$ 4,112,805	\$ 3,964,483	96%

\* Includes delinquent collections

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida ("Town"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 25, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of management findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness. [2015-001].



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of management recommendations. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 26, 2016  
Melbourne, Florida

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

## SCHEDULE OF FINDINGS

### Current Year Findings

#### 2015-001 GASB 68 implementation

##### *Material Weakness*

Condition: The Police Pension Plan's actuary used the measurement date of September 30, 2014 to calculate the GASB 68 requirements instead of the Town's selected measurement date of September 30, 2015. The Town used the incorrect actuary calculations based on a measurement date of September 30, 2014 to prepare the entries for the financial statements.

Criteria: Per GASB 68, the Town can use a measurement date the same as the fiscal year end date or one year prior in calculating the net pension liability.

Cause of Condition: The Town did not request a revised actuary report using the correct measurement date of September 30, 2015.

Effect: Deferred outflows, deferred inflows and the amount of the prior period adjustment was overstated by amounts that materially misstated the financial statements.

Recommendations: We recommend the Town obtain and use the appropriate actuarial report(s) for calculating the pension entries required by GASB 68.

Management's Response: Management concurs that there was a mistake with the actuary report; however, the Town used the incorrect implementation date rather than the measurement date. This error primarily occurred since the Town was required to implement GASB Statement No. 67 in fiscal year 2014 and the actuary issued GASB 68 reports alongside these reports. These reports led to confusion in which of the reports to use to record the prior period adjustment. GASB Statement No. 68 was a very tedious and confusing statement to implement, however, now that all parties are aware of the issues; this error will be resolved going forward.

## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the Town of Indian River Shores (the "Town"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 25, 2016.

### Auditor's Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 25, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report to correct remain uncorrected as noted under the heading Management Recommendations as 2014-001.

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Indian River Shores (the "Town") 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.

## **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

## **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

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

**Purpose of this Letter**

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

March 25, 2016  
Melbourne, Florida

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

## Management Recommendations

### Prior Year Management Recommendations - Repeated

#### 2014-001 Calculation of Permit Fees

Condition: During testing of permit invoices, several invoice amounts were improperly calculated based on the terms of the permit fee schedule.

Criteria: Permit fees are calculated based on terms of the fee schedule for proper revenue recognition and accuracy.

Cause of Condition: Permit fees were not adequately reviewed and calculated to have appropriate charges applied to invoices and appropriate revenues recognized.

Effect: Permit revenues are understated by the inappropriate application and calculation of permit fee schedules.

Recommendations: We recommend permit fee excel worksheet be implemented to accurately calculate permit fees based on the fee schedule and a proactive review process of the excel calculation be implemented to prevent miscalculations.

Status of Finding as of September 30, 2015: Repeated - during testing, eleven out of twenty permit fees were incorrectly calculated based on the terms of the permit fee schedule.

Management's Response: Management concurs that there were errors with building permit calculations. The excel schedule that was created was not put into use until July 2015; therefore, the building department was still manually calculating permit fees throughout most of the year. The Town is currently looking to purchase a new software package that will automatically calculate permit fees due to the Town and will remove manual calculations.

## INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

The Honorable Mayor and Town Council  
Town of Indian River Shores, Florida

We have examined the Town of Indian River Shores' compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for Town of Indian River Shores' compliance with those requirements. Our responsibility is to express an opinion on Town of Indian River Shores' compliance based on our examination.

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

In our opinion, Town of Indian River Shores complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Melbourne, Florida  
March 25, 2016

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