

**TOWN OF INDIAN RIVER
SHORES, FLORIDA**

**Basic Financial Statements and
Supplemental Information**

Year ended September 30, 2014



TOWN OF INDIAN RIVER SHORES, FLORIDA

Official Directory

September 30, 2014

Town Council

Brian M. Barefoot
Mayor

Gerard A. Weick
Vice Mayor

Thomas F. Slater
Councilmember

Thomas W. Cadden
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

Captain Mike Jacobs
Acting 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, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida, as of September 30, 2014, 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 - No. 15 to the financial statements, in 2014, the Town adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*. Our opinion is not modified to this matter.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Indian River Shores, Florida's basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 May 15, 2015, 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.

May 15, 2015
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, 2014**

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. 67 during the current fiscal year. This statement amends the accounting and financial reporting guidance for pension plans administered through trusts. The statement requires additional disclosures in the notes to the financial statements and required supplementary information.

FINANCIAL HIGHLIGHTS

- Total net position at September 30, 2014 was \$8,436,910. Of this amount, \$1,845,853 (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 \$3,930,326.
- The total revenue from all governmental fund sources (including sale of capital assets) was \$6,201,116, an increase of 23% from the prior year.
- The total expenditures for Town operations was \$6,141,389, a 28% increase from the prior fiscal year.
- By year end, the Town's total governmental funds net change in fund balance was \$59,727.
- The net decrease in fund balance in the General Fund was \$67,523.
- In the General Fund, actual revenues were \$12,378 more than budgeted while budgeted appropriations exceeded actual expenditures by \$8,120.

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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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, 2014.

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, 2014. 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, 2014 and 2013 are shown below.

TOWN OF INDIAN RIVER SHORES' NET POSITION September 30,

	Governmental Activities	
	2014	2013
Current and other assets	\$ 4,219,409	\$ 4,723,184
Capital assets	5,300,405	4,252,549
Total assets	9,519,814	8,975,733
Long-term liabilities	794,394	646,833
Other liabilities	288,510	847,730
Total liabilities	1,082,904	1,494,563
Net position:		
Net investment in capital assets	5,300,405	4,252,549
Restricted	1,290,652	1,165,602
Unrestricted	1,845,853	2,063,019
Total net position	\$ 8,436,910	\$ 7,481,170

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 2014 of \$955,740 and a net increase in the net position for fiscal year 2013 of \$106,183.

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, 2014 decreased by \$217,166 (11%) over fiscal year 2013. Restricted net position increased during fiscal year 2014 by \$125,050 (11%). The Town's net investment in capital assets increased by \$1,047,856 (25%) over fiscal year 2013 due to the purchase of two new fire apparatus. The investment in capital assets consists of 63% of the net position for fiscal year ending September 30, 2014 and 57% for fiscal year ending 2013.

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 2014 and 2013, 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 11% from 2013 to 2014 primarily due to an increase in permit revenues collected and the lack of road projects completed in 2014.

The unrestricted net position represents resources that may be used to meet the Town's ongoing obligations to citizens and creditors. The unrestricted net position decreased primarily due to the increase in the other-post employment benefit liability. The remaining difference was the use of unrestricted resources to assist in purchasing the two fire apparatus.

ANALYSIS OF TOWN'S OPERATIONS

The following table provides a summary of the Town's operations for the year ended September 30, 2014 and 2013.

TOWN OF INDIAN RIVER SHORES' CHANGES IN NET POSITION		
All Governmental Activities		
	2014	2013
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 814,148	\$ 767,537
Operating grants and contributions	74,986	74,657
Capital grants and contributions	16,107	995
General revenues:		
Property taxes	3,402,531	3,360,076
Discretionary sales surtax	1,200,849	165,080
Half-cent sales tax	262,123	249,541
Communications services tax	275,534	293,375
Other taxes	12,019	12,447
State shared revenues	58,475	54,286
Interest	16,406	15,645
Miscellaneous revenue	7,222	6,213
Gain (loss) on disposal of capital assets	7,307	(36,466)
Total revenues	<u>6,147,707</u>	<u>4,963,386</u>
<u>Expenses:</u>		
General government	1,433,062	1,145,302
Public safety	3,691,635	3,679,115
Cemetery	26,113	7,411
Transportation	24,341	10,815
Culture and recreation	16,816	14,560
Total expenses	<u>5,191,967</u>	<u>4,857,203</u>
Change in net position	955,740	106,183
Net position beginning of fiscal year	<u>7,481,170</u>	<u>7,374,987</u>
Net position end of fiscal year	<u>\$ 8,436,910</u>	<u>\$ 7,481,170</u>

2014 revenues increased over 2013 revenues by \$1,184,321 (24%) due primarily to the recognition of the discretionary sales surtax revenues used for the purchase of the new fire apparatus of \$1,035,769.

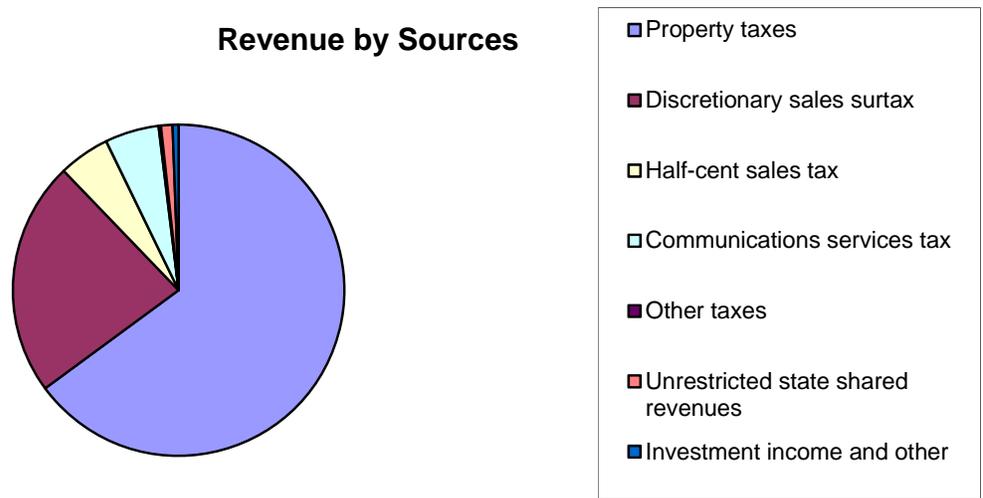
Expenses during fiscal year 2014 exceeded 2013 by \$334,764 (7%) primarily due to hiring an attorney to initiate proceedings against the City of Vero in regards to electric rates. For the year ended September 30, 2014, the costs related to this litigation totaled \$265,906.

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, 2014

	Revenues	Expenses	Net (Expenses) Revenues
Postal center	\$ 223,978	\$ 246,837	\$ (22,859)
Public safety	134,690	3,356,137	(3,221,447)
Building department	446,063	335,498	110,565
Cemetery	3,950	26,113	(22,163)
Transportation	75,706	24,341	51,365
Community center	20,854	16,816	4,038
	<u>\$ 905,241</u>	<u>\$ 4,005,742</u>	<u>\$ (3,100,501)</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 2014 is illustrated in the chart below.



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, 2014, the Town of Indian River Shores' governmental funds reported combined fund balances of \$3,930,326.

The General Fund is the chief operating fund of the Town. At September 30, 2014 the total fund balance in the General Fund was \$2,634,373 (67% of the total fund balance), of which 86% was unassigned, which is a measurement of the General Fund's liquidity.

The General Fund's expenditures for the fiscal year exceeded revenues by \$123,957. The main reason for the deficiency was due to the fact that capital purchases exceeded restricted revenues by approximately \$140,000.

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, 2014 was \$619,750 (16% of the total fund balance), an increase of \$15,644.

The Planning, Zoning and Building Fund is still a self-sustaining fund, showing continuing upturn in net revenues in fiscal year 2013-2014, compared to several years prior. The total fund balance of this fund at year ending September 30, 2014 was \$670,902 (17% of the total fund balance), an increase of \$109,406 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 \$5,301 (less than .1% of the total fund balance).

BUDGETARY HIGHLIGHTS

Budget to actual schedules are provided in the required supplemental information for each of the major funds. A budget column for both the original budget adopted for fiscal year ended 2014, 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 \$53,394 and appropriations of \$412,207. Revenue increases were a result of a state grant not previously anticipated, and increased collections of property taxes and discretionary sales surtax.

The change in expenditures from the original budget is due to the following decisions:

- Budgeted an additional \$250,000 for attorney fees related to the electric litigation.
- Allocated an additional \$175,000 to hire additional public safety officers.

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, buildings, improvements other than buildings, including infrastructure, furniture, fixtures and equipment. The Town's capital assets as of September 30, 2014 reflect an investment of \$5,300,405 net of accumulated depreciation. A comparative summary of net capital assets by category follows:

Capital Assets at Year End (net of depreciation)

	2014	2013	Difference
Land	\$ 1,428,482	\$ 1,428,482	\$ -
Buildings	1,737,900	1,806,324	(68,424)
Improvements other than buildings	337,531	342,541	(5,010)
Furniture, fixtures and equipment	1,796,492	675,202	1,121,290
Total capital assets	<u>\$ 5,300,405</u>	<u>\$ 4,252,549</u>	<u>\$ 1,047,856</u>

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

- 2 Fire Apparatus: \$1,092,000
- Public Safety bunker gear and fire masks: \$36,000
- Public Safety and Town Manager vehicles: \$180,000
- Radios, Computers, and Public Safety equipment: \$33,000
- Depreciation expense: \$275,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2015 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 2015 show that there has been a turnaround in the economy. The Town of Indian River Shores values increased modestly from \$2,352,573,108 in 2013 to \$2,392,161,099 in 2014 or 1.7% and continued to increase in 2015 to \$2,450,139,839 or 2.4%.
- 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 final budget adopted for the General Fund for fiscal year 2015 decreased by 5.4% from actual results for the General Fund for fiscal year 2014, however operating expenditures increased by 30% due to the increased staffing in the public safety department and anticipation of the legal fees for the mediation sessions with the City of Vero Beach. These increased expenditures will be paid from unrestricted sources therefore the Town Council has elected to increase the millage rate for fiscal year 2015 to 1.6786.

The Town's unassigned fund balance stands at \$2.27 million and should be adequate to cover unanticipated costs in the upcoming budget year. This balance will cover approximately 5 months of the General Fund's 2015 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 North A-1-A, Indian River Shores, Florida, 32963-1014, or irsta@irshores.com.

BASIC FINANCIAL STATEMENTS

Town of Indian River Shores, Florida

STATEMENT OF NET POSITION

September 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Notes A-4, B)	\$ 3,971,775
Accounts receivable, net (Note A-5)	23,886
Due from other governments	90,709
Inventory (Note A-13)	45,404
Prepaid expenses (Notes A-13)	<u>87,635</u>
Total current assets	<u>4,219,409</u>
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,428,482
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	1,737,900
Improvements other than buildings	337,531
Furniture, fixtures and equipment	<u>1,796,492</u>
Total capital assets	<u>5,300,405</u>
Total assets	<u>9,519,814</u>
LIABILITIES	
Accounts payable	153,744
Accrued liabilities	118,578
Due to other governments	2,948
Deposits	3,073
Unearned revenue (Notes A-9)	10,167
Noncurrent liabilities:	
Due within one year	
Compensated absences (Notes A-8, E)	91,514
Other post employment benefits (Notes E, H)	15,000
Due in more than one year	
Other post employment benefits (Notes E, H)	<u>687,880</u>
Total liabilities	<u>1,082,904</u>
NET POSITION	
Net investment in capital assets	5,300,405
Restricted for road construction and maintenance	619,750
Restricted for building code enforcement	670,902
Unrestricted	<u>1,845,853</u>
Total net position	<u>\$ 8,436,910</u>

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

Town of Indian River Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2014

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	\$ 9,324	\$ -	\$ -	\$ -	\$ (9,324)
Town manager	197,807	-	-	-	(197,807)
Finance department	169,288	-	-	-	(169,288)
Town clerk	113,648	-	-	-	(113,648)
Postal center	246,837	223,978	-	-	(22,859)
Public works	81,104	-	-	-	(81,104)
Town attorney (Note J)	344,483	-	-	-	(344,483)
Planning board	29,314	-	-	-	(29,314)
Engineering and planning services	3,452	-	-	-	(3,452)
General administration	237,805	-	-	-	(237,805)
Public safety:					
Public safety department	3,356,137	117,464	1,119	16,107	(3,221,447)
Building department	335,498	446,063	-	-	110,565
Physical environment:					
Cemetery	26,113	3,950	-	-	(22,163)
Transportation:					
Road and offsite drainage	24,341	1,839	73,867	-	51,365
Culture and recreation:					
Community center	16,816	20,854	-	-	4,038
Total	<u>\$ 5,191,967</u>	<u>\$ 814,148</u>	<u>\$ 74,986</u>	<u>\$ 16,107</u>	<u>(4,286,726)</u>

General revenues:

Taxes:

Property taxes (Note A-10)	3,402,531
Discretionary sales surtax	1,200,849
Half-cent sales tax	262,123
Communications services tax	275,534
Other taxes	12,019
State shared revenues	58,475
Interest income	16,406
Miscellaneous revenue	7,222
Gain (loss) on disposal of capital assets	7,307

Total general revenues 5,242,466

Change in net position 955,740

Beginning net position 7,481,170

Ending net position \$ 8,436,910

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

Town of Indian River Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2014

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Notes A-4, B)	\$ 2,665,662	\$ 617,020	\$ 680,794	\$ 8,299	\$ 3,971,775
Accounts receivable, net (Note A-5)	23,886	-	-	-	23,886
Due from other governments	86,279	4,430	-	-	90,709
Inventory (Note A-13)	45,404	-	-	-	45,404
Prepaid expenses (Notes A-13)	87,635	-	-	-	87,635
Total assets	\$ 2,908,866	\$ 621,450	\$ 680,794	\$ 8,299	\$ 4,219,409
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 148,609	\$ 1,700	\$ 3,385	\$ 50	\$ 153,744
Accrued liabilities	112,071	-	6,507	-	118,578
Due to other governments	-	-	-	2,948	2,948
Deposits	3,073	-	-	-	3,073
Unearned revenue (Notes A-9)	10,740	-	-	-	10,740
Total liabilities	274,493	1,700	9,892	2,998	289,083
Fund balances (Notes A-11, F):					
Nonspendable:					
Prepays	87,635	-	-	-	87,635
Inventory	45,405	-	-	-	45,405
Restricted:					
Building code enforcement	-	-	670,902	-	670,902
Road construction and maintenance	-	619,750	-	-	619,750
Committed:					
Cemetery maintenance	133,103	-	-	-	133,103
Bike path construction and maintenance	-	-	-	5,301	5,301
Assigned:					
Other post-employment benefits	100,947	-	-	-	100,947
Unassigned					
General fund	293,833	-	-	-	293,833
Emergency funds	1,973,450	-	-	-	1,973,450
Total fund balances	2,634,373	619,750	670,902	5,301	3,930,326
Total liabilities and fund balances	\$ 2,908,866	\$ 621,450	\$ 680,794	\$ 8,299	\$ 4,219,409

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, 2014

Fund balances - total governmental funds \$ 3,930,326

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

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

Land	\$ 1,428,482	
Buildings, net	1,737,900	
Improvements other than buildings, net	337,531	
Furniture, fixtures and equipment, net	<u>1,796,492</u>	5,300,405

Unearned revenue in the governmental funds is susceptible to
full accrual on the entity-wide statements 573

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	(91,514)
Other post employment benefits	<u>(702,880)</u>

Total net position of governmental activities \$ 8,436,910

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, 2014

	General	Road and Bridge	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes (Note A-10)	\$ 3,402,531	\$ -	\$ -	\$ -	\$ 3,402,531
State shared revenues	58,475	20,051	-	-	78,526
Discretionary sales surtax	1,200,849	-	-	-	1,200,849
Communication services tax	275,534	-	-	-	275,534
Intergovernmental	262,452	53,816	-	-	316,268
Federal grant revenue	1,119	-	-	-	1,119
State grant revenue	16,107	-	-	-	16,107
Licenses and permits	-	-	436,611	-	436,611
Fines and forfeitures	2,737	-	1,314	-	4,051
Impact fees	-	2,214	-	2,200	4,414
Sale of burial rights	3,950	-	-	-	3,950
Other taxes	11,690	-	-	-	11,690
Post office fees	223,978	-	-	-	223,978
Ambulance service fees	105,876	-	-	-	105,876
Other fees and rents	34,550	-	1,348	-	35,898
Interest income	16,406	2,783	2,859	-	22,048
Investment gain (loss)	-	(5,358)	-	-	(5,358)
Miscellaneous revenue	6,660	-	3,930	-	10,590
Total revenues	<u>5,622,914</u>	<u>73,506</u>	<u>446,062</u>	<u>2,200</u>	<u>6,144,682</u>
EXPENDITURES					
Current					
General government	1,330,293	26,295	24,954	-	1,381,542
Public safety	3,023,375	-	304,448	-	3,327,823
Physical environment	25,860	-	-	-	25,860
Transportation	-	23,794	-	-	23,794
Culture and recreation	9,895	-	-	-	9,895
Capital outlay (Note C)	1,357,448	7,773	7,254	-	1,372,475
Total expenditures	<u>5,746,871</u>	<u>57,862</u>	<u>336,656</u>	<u>-</u>	<u>6,141,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(123,957)</u>	<u>15,644</u>	<u>109,406</u>	<u>2,200</u>	<u>3,293</u>
OTHER FINANCING SOURCES					
Proceeds from sale of capital assets	56,434	-	-	-	56,434
Total other financing sources	<u>56,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,434</u>
Net change in fund balances	<u>(67,523)</u>	<u>15,644</u>	<u>109,406</u>	<u>2,200</u>	<u>59,727</u>
Fund balances, beginning of year	<u>2,701,896</u>	<u>604,106</u>	<u>561,496</u>	<u>3,101</u>	<u>3,870,599</u>
Fund balances, end of year	<u>\$ 2,634,373</u>	<u>\$ 619,750</u>	<u>\$ 670,902</u>	<u>\$ 5,301</u>	<u>\$ 3,930,326</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, 2014

Net change in fund balances - total governmental funds		\$	59,727
The change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.			
Total capital outlay	\$	1,372,475	
Less depreciation		<u>(275,492)</u>	1,096,983
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.			
			(49,127)
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.			
			(4,282)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses are:			
Net increase in compensated absences			(7,473)
Net increase in other post employment benefits			<u>(140,088)</u>
Change in net position of governmental activities		\$	<u>955,740</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, 2014

	<u>Pension Trust Funds</u>
ASSETS	
Cash and investments in defined benefit plan - general employees (Note A-4 and B)	\$ 526,361
Cash and investments in defined benefit plan - public safety employees (Note A-4 and B)	11,868,521
Cash and investments in defined contribution plan (Note A-4 and B)	155,965
Contribution receivable	<u>87,838</u>
Total assets	<u>12,638,685</u>
LIABILITIES	
Accounts payable	<u>10,285</u>
Total liabilities	<u>10,285</u>
NET POSITION (Note G)	
Restricted for pension benefits and other purposes	<u>12,628,400</u>
Total net position	<u><u>\$ 12,628,400</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, 2014

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 900,062
Employee	133,951
State	<u>180,817</u>
Total contributions	<u>1,214,830</u>
Investment gain:	
Net increase in fair value of investments	950,517
Interests and dividends	<u>397,666</u>
Total investment gain	<u>1,348,183</u>
Total additions	<u>2,563,013</u>
DEDUCTIONS	
Distributions	601,813
Administrative expenses	<u>131,864</u>
Total deductions	<u>733,677</u>
Change in net position	1,829,336
Plan net position at beginning of year	<u>10,799,064</u>
Plan net position at end of year	<u><u>\$ 12,628,400</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, 2014

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 512. 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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Town's net position, the difference between assets and liabilities, 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, 2014

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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 64% of ambulance receivables are fully collectible. Therefore, an allowance for doubtful accounts of \$9,957 has been recorded as of September 30, 2014.

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, 2014

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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Unearned revenue

Unearned revenues are reported in the governmental fund financial statements when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise in both government-wide and fund financial statements when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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 mils. For the year ended September 30, 2014, the Town’s millage rate was 1.4731 mils. The tax levy of the Town is established by the Town Council prior to October 1st of each year and the Indian River County Property Appraiser incorporates the Town millages into the total tax levy, which includes Indian River County and the County School Board tax requirements among other overlapping governments.

All property is reassessed according to its fair market value on January 1st of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. The assessed value at January 1, 2014, upon which the 2013-2014 levy was based, was approximately \$2.4 billion.

All taxes are due and payable on November 1st (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 15 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes paid in March are paid without discount. Current tax collections, net of discounts taken, for the year ended September 30, 2014 were approximately 97% of the total tax levy.

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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, 2014

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, 2014, 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

15. Effects of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 67 - For fiscal year ending September 30, 2014, the Town implemented GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*. This statement amends the accounting and financial reporting guidance for pension plans administered through trusts. The statement requires additional disclosures in the notes to the financial statements and required supplementary information.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Effects of Governmental Accounting Standards Board (GASB) Pronouncements (continued)

GASB Statement No. 68 - In April 2013, GASB issued 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). This statement is effective fiscal year 2015. The Town is currently evaluating the impact that this statement will have on its financial statements and if early implemented for fiscal year ended September 30, 2014, the net pension liability would be \$266,064 and a prior period adjustment of \$1,016,699 would be required.

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town had the following cash and investments at September 30, 2014:

	Fair Value	Weighted Average Maturity	Rating
Primary Government			
Cash	\$ 3,054,777	N/A	N/A
Money market account	756,258	N/A	N/A
Local government pooled investment accounts:			
Florida PRIME	59,793	0.12	AAAm (S&P)
FMIvT Intermediate HQ Bond Fund	50,172	3.96	AAA/V3 (Fitch)
FMIvT Large Cap Diversified Value	50,775	N/A	Not Rated
	<u>\$ 3,971,775</u>		
Pension Funds			
General Employee Defined Contribution Plan 401A			
Cash and cash equivalents	\$ 5,695	N/A	N/A
Equity funds	40,079	N/A	Not Rated
Fixed income funds	110,191	7.76	Not Rated
	<u>155,965</u>		

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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	5,264	N/A	N/A
Equity funds	363,189	N/A	Not Rated
Fixed income funds			
FMLvT Core Plus Fixed Income	96,324	6.52	Not Rated
FMLvT Broad Market High Quality Bond	61,584	6.47	AA/V4 (Fitch)
	<u>526,361</u>		
Fire and Police Defined Benefit Plan			
Cash and cash equivalents	620,158	N/A	N/A
Equity			
Common stock	6,642,728	N/A	Not Rated
International stocks	181,957	N/A	Not Rated
Total equity	<u>6,824,685</u>		
Fixed income			
U.S. government obligations	544,917	1.93	AA+ (S&P)
Mortgage/asset backed securities	1,447,016	22.88	AA+ (S&P)
Corporate bonds	2,431,745	5.62	AA+ - BBB- (S&P)
Total fixed income	<u>4,423,678</u>		
	<u>11,868,521</u>		
Total pension funds	<u>\$ 12,550,847</u>		

The Town's deposits and investments are insured by the Federal Depository Insurance Corporation for up to \$250,000. At September 30, 2014, 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") and Florida Municipal Investment Trust ("FMLvT") 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 FMLvT is authorized investments under section 218.415, Florida Statutes as intergovernmental investment pools authorized pursuant to the "Florida Interlocal Cooperation Act" as provided in section 163.01, Florida Statute.

The investments with the SBA and FMLvT 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, 2014

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

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

Interest rate risk - The interest rate risk is the risk that the value of investments will decrease as a result of a 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, 2014, the FMIvT Large Cap Diversified Value was not rated by a nationally recognized rating agency; however, Florida PRIME was rated by S&P and FMIvT Intermediate HQ Bond Fund was rated by Fitch 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 type is as follows:

<u>Rating</u>	<u>Corporate bonds</u>
AA+	\$ 91,678
A+	174,365
A	362,241
A-	546,186
BBB+	508,850
BBB	488,327
BBB-	260,098
Total	<u>\$ 2,431,745</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,428,482	\$ -	\$ -	\$ 1,428,482
Capital assets, being depreciated:				
Buildings	3,172,530	3,685	3,781	3,172,434
Improvements other than buildings	470,514	7,773	-	478,287
Furniture, fixtures and equipment	2,194,062	1,361,017	672,197	2,882,882
Total capital assets being depreciated	<u>5,837,106</u>	<u>\$1,372,475</u>	<u>\$ 675,978</u>	<u>6,533,603</u>
Less accumulated depreciation for:				
Buildings	1,366,206	\$ 70,366	\$ 2,038	1,434,534
Improvements other than buildings	127,973	12,783	-	140,756
Furniture, fixtures, and equipment	1,518,860	192,343	624,813	1,086,390
Total accumulated depreciation	<u>3,013,039</u>	<u>\$ 275,492</u>	<u>\$ 626,851</u>	<u>2,661,680</u>
Total capital assets, being depreciated, net	<u>2,824,067</u>			<u>3,871,923</u>
Governmental activities capital assets, net	<u>\$ 4,252,549</u>			<u>\$ 5,300,405</u>

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

General government	\$ 52,250
Public safety	216,574
Culture and recreation	<u>6,668</u>
	<u>\$ 275,492</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 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.

The line of credit expires in December 2014 and it is management's intention to renew the line of credit. As of September 30, 2014, 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, 2014

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, 2014:

	Balance at October 1, 2013	Increase	Decrease	Balance at September 30, 2014	Due within one year
Accrued compensated absences (Note A-8)	\$ 84,040	\$ 202,374	\$ 194,900	\$ 91,514	\$ 91,514
Other post employment benefits	562,793	177,898	37,811	702,880	15,000
	<u>\$ 646,833</u>	<u>\$ 380,272</u>	<u>\$ 232,711</u>	<u>\$ 794,394</u>	<u>\$ 106,514</u>

Compensated absences 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 and Bridge Fund:

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, 2014

NOTE F - FUND EQUITY AND NET POSITION (continued)

Planning, Zoning and Building Fund:

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. Funds shall be utilized as directed by the Town Council consistent with the purpose for which each fund was established.

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.

The activity in the restricted, committed and assigned fund balances during the year ended September 30, 2014 are as follows:

	Balance at October 1, 2013	Increases	Decreases	Balance at September 30, 2014
Restricted:				
Building code enforcement	\$ 561,496	\$ 446,062	\$ 336,656	\$ 670,902
Road construction and maintenance	604,106	73,506	57,862	619,750
Committed:				
Cemetery maintenance	154,242	4,722	25,861	133,103
Bike path construction and maintenance	3,101	2,200	-	5,301
Assigned:				
Other post-employment benefits	-	100,947	-	100,947
	<u>\$ 1,322,945</u>	<u>\$ 627,437</u>	<u>\$ 420,379</u>	<u>\$ 1,530,003</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - PENSION PLANS

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

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

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

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

**Fiduciary Plan Net Position
September 30, 2014**

	Defined Contribution Plan	General Employees Defined Benefit Plan	Public Safety Officers & Firefighters Defined Benefit Plan	Total Pension Trust Funds
ASSETS				
Cash and investments (Note B)	\$ 155,965	\$ 526,361	\$ 11,868,521	\$12,550,847
Contribution receivable	1,316	4,140	82,382	87,838
Total assets	<u>157,281</u>	<u>530,501</u>	<u>11,950,903</u>	<u>12,638,685</u>
LIABILITIES				
Accounts payable	-	1,000	9,285	10,285
Total liabilities	<u>-</u>	<u>1,000</u>	<u>9,285</u>	<u>10,285</u>
NET POSITION				
Restricted for pension benefits and other purposes	<u>157,281</u>	<u>529,501</u>	<u>11,941,618</u>	<u>12,628,400</u>
Total net position	<u>\$ 157,281</u>	<u>\$ 529,501</u>	<u>\$ 11,941,618</u>	<u>\$12,628,400</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - PENSION PLANS (continued)

**Changes in Fiduciary Plan Net Position
For the Year Ended September 30, 2014**

	Defined Contribution Plan	General Employees Defined Benefit Plan	Public Safety Officers & Firefighters Defined Benefit Plan	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 33,050	\$ 107,230	\$ 759,782	\$ 900,062
Employee	-	22,248	111,703	133,951
State	-	-	180,817	180,817
Total contributions	<u>33,050</u>	<u>129,478</u>	<u>1,052,302</u>	<u>1,214,830</u>
Investment gain:				
Net increase in fair value of investments	12,725	42,265	895,527	950,517
Interests and dividends	<u>2,527</u>	-	<u>395,139</u>	<u>397,666</u>
Total investment gain	<u>15,252</u>	<u>42,265</u>	<u>1,290,666</u>	<u>1,348,183</u>
Total additions	<u>48,302</u>	<u>171,743</u>	<u>2,342,968</u>	<u>2,563,013</u>
DEDUCTIONS				
Distributions	-	48,395	553,418	601,813
Administrative expenses	<u>628</u>	<u>12,460</u>	<u>118,776</u>	<u>131,864</u>
Total deductions	<u>628</u>	<u>60,855</u>	<u>672,194</u>	<u>733,677</u>
Change in net position	<u>47,674</u>	<u>110,888</u>	<u>1,670,774</u>	<u>1,829,336</u>
Plan net position at beginning of year	<u>109,607</u>	<u>418,613</u>	<u>10,270,844</u>	<u>10,799,064</u>
Plan net position at end of year	<u>\$ 157,281</u>	<u>\$ 529,501</u>	<u>\$ 11,941,618</u>	<u>\$12,628,400</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, 2014, membership in the plan consists of seven active employees. The Town does not issue a stand-alone plan financial report.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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 11% of each participating employee’s base compensation only if the employee contributes 5%, or more (before taxes), of their base compensation to the 457(b) Deferred Compensation Plan. Employees may join the defined contribution plan only after completing 1,000 hours of service within a consecutive twelve month period. Following completion of the required hours, employees may first become a member on the earlier of October 1 or April 1, whichever comes first. 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 \$33,050.

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 a minimum of 5% of compensation, net of overtime, to the deferred compensation plan. 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 \$14,452 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 Retirement 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 retired employees at September 30, 2014.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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. 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.

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 required contribution for the year ended September 30, 2014 was \$94,946 or 42.82% of covered payroll. Administrative costs are financed through investment earnings.

Annual Pension Cost and Net Pension Obligation:

The annual required contribution for the year ended September 30, 2014 was determined as part of the actuarial valuation dated October 1, 2013 using the entry age normal actuarial cost method.

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

Valuation Date	October 1, 2013
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage, closed
Remaining Amortization Period	10 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	5.90% compounded annually
Projected salary increases	5.00% per year

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

The following is a schedule of the Town's contributions to the General Employees Defined Benefit Plan for September 30, 2014 and the preceding two years:

Year ended September 30,	Actual Contributions	Annual required contributions	Percent contributed	Annual Pension Cost	Percent contributed	Net Pension Obligation (Asset)
2014	\$ 103,810	\$ 94,946	109%	\$ 96,069	108%	(24,086)
2013	\$ 76,076	\$ 63,366	120%	\$ 63,736	119%	(16,345)
2012	\$ 47,940	\$ 47,347	101%	\$ 47,612	101%	(3,375)

The funded status of the General Employees Defined Benefit Plan as of October 1, 2014, the date of the latest actuarial valuations, 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]
10/1/2014	\$ 526,361	\$ 787,978	\$ 261,617	66.80%	\$ 251,169	104.16%

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

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

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, 2014

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Net Pension Liability:

The components of the net pension liability at September 30, 2014 were as follows:

Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Funded Percentage
\$629,064	\$ 526,361	\$ 102,703	83.67%

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

Employer's reporting date: September 30, 2014
 Measurement date: October 1, 2013
 Actuarial valuation date: October 1, 2013

Updated procedures were used to roll forward the total pension liability to the plan's fiscal year end.

Actuarial assumptions:

Discount rate: 8.39% per annum (3.59% 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

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

Changes: The actuarial assumptions did not change from the prior measurement date since GASB 67 is first effective for this measurement period.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	12.00%	2.29% per annum
Multi-sector	18.00%	2.78% per annum
U.S. large cap equity	47.00%	5.68% per annum
U.S. small cap equity	13.00%	6.24% per annum
Non-U.S. equity	10.00%	5.44% per annum
Weighted arithmetic average	100.00%	4.80% per annum

Comparison of Net Pension Liability Using Alternative Discount Rates:

	Discount Rate Minus 1.00%	8.39% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 691,660	\$ 629,064	\$ 575,375
Less fiduciary net position	(526,361)	(526,361)	(526,361)
Net pension liability	<u>\$ 165,299</u>	<u>\$ 102,703</u>	<u>\$ 49,014</u>

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. During the year ended September 30, 2014, the administration of the plan changed from FMPTF to 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.

The Plan covers all the Town's full-time public safety officers. Membership in the plan consists of 22 active employees, 9 retirees, 1 beneficiary and 1 terminated vested at September 30, 2014.

The defined benefit plan provides retirement and death benefits to plan members and beneficiaries. 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.

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, 2014

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 required contribution for the year ended September 30, 2014 was \$700,688 or 60.77% of covered payroll. Administrative costs are financed through investment earnings.

Annual Pension Cost and Net Pension Obligation:

The annual required contribution for the year ended September 30, 2014 was determined as part of the actuarial valuation dated October 1, 2013 using the entry age normal actuarial cost method.

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

Valuation Date	October 1, 2013
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Amortization Period	10 years
Asset Valuation Method	Five year smoothed market
Actuarial Assumptions:	
Investment rate of return	6.50% compounded annually
Projected salary increases	2%-10% per year*
*Includes inflation at 2%	

The following is a schedule of the Town's contributions to the Public Safety Officers & Firefighters Defined Benefit Plan for September 30, 2014 and the preceding two years:

<u>Year ended</u> <u>September 30,</u>	<u>Actual</u> <u>Contributions</u>	<u>Annual</u> <u>required</u> <u>contributions</u>	<u>Percent</u> <u>contributed</u>	<u>Annual</u> <u>Pension Cost</u>	<u>Percent</u> <u>contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(Asset)</u>
2014	\$ 730,088	\$ 700,688	104%	\$ 737,128	99%	(548,321)
2013	\$ 865,449	\$ 615,449	141%	\$ 636,892	136%	(555,361)
2012	\$ 1,064,160	\$ 1,064,161	100%	\$ 1,087,110	98%	(326,804)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - PENSION PLANS (continued)

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

The funded status of the Public Safety Officers & Firefighters Defined Benefit Plan as of October 1, 2014, the date of the latest actuarial 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]
10/1/2014	\$11,916,458	\$ 13,233,119	\$1,316,661	90.05%	\$1,537,287	85.65%

Significant actuarial assumptions used to compute the funded status 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

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.

Net Pension Liability:

The components of the net pension liability at September 30, 2014 were as follows:

Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Funded Percentage
\$12,079,820	\$11,916,459	\$ 163,361	98.65%

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

Employer's reporting date:	September 30, 2014
Measurement date:	October 1, 2013
Actuarial valuation date:	October 1, 2013

Updated procedures were used to roll forward the total pension liability to the plan's fiscal year end.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G - PENSION PLANS (continued)

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

Actuarial assumptions:

Discount rate:	6.25% per annum; this rate was used to discount all future benefit payments.
Inflation:	2.00%
Salary increases:	2.00% - 10.00% per annum
Cost-of-living increases:	None assumed
Mortality basis:	Sex-distinct rates set forth in the RP-2000 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; Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
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:	The actuarial assumptions did not change from the prior measurement date since GASB 67 is first effective for this measurement period.

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

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

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	\$ 13,284,755	\$ 12,079,820	\$ 10,928,888
Less fiduciary net position	(11,916,459)	(11,916,459)	(11,916,459)
Net pension liability	<u>\$ 1,368,296</u>	<u>\$ 163,361</u>	<u>\$ (987,571)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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, 2014. 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. During the year ended September 30, 2014, the administration of the plan changed from FMPTF to Foster & Foster. The activity of the plan is included with the Public Safety Officers & Firefighters Defined Benefit Plan.

At September 30, 2014, the balance of this plan was \$1,230,186.

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, 2014 totaled \$180,817.

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. As of September 30, 2014, no trust has been established for the Town; therefore all activity is reported in the government-wide statements of the Town.

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, 2014

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. During the fiscal year, 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.

Total premiums per month for the year ended September 30, 2014 ranged as follows:

Type	Single	With Spouse
Health	\$484 - \$589	\$1,036 - \$1,403
Dental	\$21 - \$24	\$44 - \$51
Vision	\$6	\$14
Life	\$3 - \$23	N/A

Funding Policy:

Contribution rates for the Plan are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance, 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 Town is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. For the year ended September 30, 2014, the Town paid \$9,210 of insurance costs for its retirees.

Additionally, during the year ended September 30, 2014, in order to reduce the unfunded actuarial accrued liability, the Town elected to "buy out" the health insurance for current retirees. One (1) retiree took this option and the Town paid out a total of \$28,600. Upon acceptance, the retiree left the Town's health insurance plan and will not be allowed to return.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation:

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

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

Valuation Date	September 30, 2013
Actuarial Cost Method	Entry age cost method
Amortization Method	Level percentage, closed
Remaining Amortization Period	12 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment rate of return	3.50% compounded annually
Projected salary increases	3.00% per year
Healthcare cost trend	
2014	-9.14%
2015	6.30%
2016	6.60%
2017	5.40%
2018	5.20%
Ultimate	6.07%

The investment rate of return was based upon the 20-year Daily Treasury Long Term Rate Data from the U.S. Department of the Treasury. The healthcare cost trend for fiscal year 2015 was based upon the new health plan premiums. Subsequent increases come from the Centers for Medicare & Medicaid Services, Office of the Actuary report on National Health Expenditure Projections 2011-2021.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

The Town has elected to use the tables provided under GASB 45 to calculate turnover rates and retiree cost rates. The CDC/NCHS, National Vital Statistics System United States Life Tables, 2008 Mortality tables were used.

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
Public safety officers	80%	50%	40%	70%
General employees	57%	43%	29%	71%

The following is a schedule of the Town's contributions to the Other Post Employment Benefit Plan for September 30, 2014 and the preceding two years:

Year ended September 30,	Annual required contributions	Percent contributed	Actual Contributions	Net Obligation
2012	\$ 232,334	17%	\$ 39,392	\$ 569,611
2013*	\$ 207,729	91%	\$ 189,383	\$ 562,792
2014*	\$ 206,359	18%	\$ 37,810	\$ 702,880

* The 2013 & 2014 contribution includes amounts paid for retiree insurance and the buyout previously disclosed.

The table on the following page 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

Schedule of annual cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$ 206,359
Interest on net OPEB Obligation	19,698
Adjustment to annual required contribution	<u>(48,159)</u>
Annual OPEB cost (expense)	177,898
Contributions made	(37,810)
Interest on employer contribution	<u>-</u>
Increase in net OPEB obligation	140,088
Net OPEB obligation - beginning of year	<u>562,792</u>
Net OPEB obligation - end of year	<u><u>\$ 702,880</u></u>

The funded status of the plan as of October 1, 2014, 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]
10/01/14	\$ -	\$ 1,534,772	\$1,534,772	0.0%	\$1,741,323	88.1%

Of the \$1,534,772 unfunded actuarial accrued liability, it is estimated that \$1,230,131 (80%) is related to the "implicit" cost to retirees while the remaining \$304,641 (20%) relates to the "explicit" subsidy provided to retirees.

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

Valuation Date	October 1, 2014
Actuarial Cost Method	Entry age cost method
Amortization Method	Level percentage, closed
Remaining Amortization Period	10 years
Asset Valuation Method	N/A

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H - OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions:

Investment rate of return	3.51% compounded annually
Projected salary increases	5.00% per year
Healthcare cost trend	
2016	6.90%
2017	5.00%
2018	4.80%
2019	5.20%
2020	6.20%
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 come from the Centers for Medicare & Medicaid Services, Office of the Actuary report on National Health Expenditure Projections 2013-2023.

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, 2014

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.

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, 2014, the attorney and consulting fees related to this litigation totaled \$265,906.

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program.

Additionally, the Town has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks to which the Town may be exposed to. Premiums paid by the Town during the year totaled \$168,180. There have been no significant reductions in insurance coverages during fiscal year 2014. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE L - SUBSEQUENT EVENT

1. Other Post-Employment Trust Establishment and Plan Assumption Changes

On January 22, 2015, the Town Council approved Ordinance 519 which established an other post-employment benefit trust plan. Further, on February 26, 2015, the Council approved the transfer of approximately \$200,000 to fund future other post-employment benefits. Finally, at the April 23, 2015 meeting, the Town approved changes in the assumptions and methods to value the liabilities as follow:

- Health Insurance Acceptance: Assumption for the acceptance of health insurance by employees who do not receive the explicit subsidy was decreased by 5% to 75% and 52% for public safety officers and general employees, respectively.
- Salary Increase: Change from 3% per year to 5% per year
- Assumed Investment Rate: Increased from 3.5% to 3.51% to match the High Grade 20 year Municipal Bond Rate.
- Health Cost Trend: Changed from 5.40% - 6.60% to 4.80% - 6.90%.
- Mortality Table: Changed from the CDC/NCHS, National Vital Statistics System United States Life Tables, 2008 Mortality tables to RP2014 Sex-Distinct White Collar mortality tables.

These changes will be reflected in the actuarial valuation to determine the contribution for the 2014/2015 fiscal year.

2. Public Safety Officers & Firefighters Defined Benefit Plan Assumption Changes

On December 18, 2014, the Board of Trustees adopted changes in the assumptions to value the plan's liabilities and benefits as follows:

- 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.
- Granted plan entry equal to employment date for three plan members previously listed as October 1, 2006.
- Assumed Investment Rate: Change from 6.50% to 6.25%.
- Salary: Changed the individual salary increase from a services based table to a flat 5.25% per year.
- Actuarial Valuation Method: Change from an actuarial smoothing method to the actual market value method.

These changes will be reflected in the actuarial valuation to determine the contribution for the 2014/2015 fiscal year.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE L - SUBSEQUENT EVENT (continued)

3. Line of Credit

Subsequent to year end, the Town renewed its line of credit until December 31, 2015. As of the audit report, there has been no activity nor are there balances outstanding on the line.

4. Evaluating subsequent events

The Town has evaluated subsequent events through May 15, 2015, the date which the financial statements were issued.

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REQUIRED SUPPLEMENTAL INFORMATION

Town of Indian River Shores, Florida

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

Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 3,390,340	\$ 3,402,531	\$ 3,402,531	\$ -
State revenue sharing	52,008	58,475	58,475	-
Discretionary sales surtax	1,166,663	1,198,071	1,200,849	2,778
Communication services tax	283,936	275,534	275,534	-
Intergovernmental	266,405	262,452	262,452	-
Federal grant revenue	-	1,119	1,119	-
State grant revenue	1,000	16,107	16,107	-
Fines and forfeitures	3,000	2,737	2,737	-
Sale of burial rights	2,500	3,950	3,950	-
Other taxes	12,000	11,690	11,690	-
Post office fees	220,640	223,978	223,978	-
Ambulance service fees	100,000	101,959	105,876	3,917
Other fees and rents	36,150	34,550	34,550	-
Interest income	17,000	16,406	16,406	-
Miscellaneous revenue	5,500	977	6,660	5,683
Total revenues	<u>5,557,142</u>	<u>5,610,536</u>	<u>5,622,914</u>	<u>12,378</u>
EXPENDITURES				
Current				
General government	1,067,652	1,322,859	1,330,293	(7,434)
Public safety	2,950,962	3,038,613	3,023,375	15,238
Physical environment	7,362	25,860	25,860	-
Culture and recreation	12,456	9,895	9,895	-
Capital outlay	1,304,352	1,357,764	1,357,448	316
Total expenditures	<u>5,342,784</u>	<u>5,754,991</u>	<u>5,746,871</u>	<u>8,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>214,358</u>	<u>(144,455)</u>	<u>(123,957)</u>	<u>20,498</u>
Other financing sources				
Proceeds from sale of capital assets	10,000	56,434	56,434	-
Total other financing sources	<u>10,000</u>	<u>56,434</u>	<u>56,434</u>	<u>-</u>
Net change in fund balances	<u>224,358</u>	<u>(88,021)</u>	<u>(67,523)</u>	<u>20,498</u>
Fund balances, beginning of year	<u>2,701,896</u>	<u>2,701,896</u>	<u>2,701,896</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,926,254</u>	<u>\$ 2,613,875</u>	<u>\$ 2,634,373</u>	<u>\$ 20,498</u>

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
State revenue sharing	\$ 20,322	\$ 20,051	\$ 20,051	-
Intergovernmental	52,757	53,816	53,816	-
Impact fees	2,500	2,214	2,214	-
Interest income	1,900	2,785	2,783	2
Investment gain	2,000	(5,358)	(5,358)	-
Total revenues	79,479	73,508	73,506	2
EXPENDITURES				
Current				
General government	21,485	26,295	26,295	-
Transportation	27,211	23,143	23,794	(651)
Capital outlay	-	7,773	7,773	-
Total expenditures	48,696	57,211	57,862	(651)
Net change in fund balances	30,783	16,297	15,644	(653)
Fund balances, beginning of year	604,106	604,106	604,106	-
Fund balances, end of year	\$ 634,889	\$ 620,403	\$ 619,750	\$ (653)

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 375,000	\$ 436,611	\$ 436,611	\$ -
Fines and forfeitures	2,000	1,314	1,314	-
Other fees and rents	1,200	1,349	1,348	(1)
Interest income	2,000	2,859	2,859	-
Miscellaneous revenue	-	3,931	3,930	(1)
Total revenues	<u>380,200</u>	<u>446,064</u>	<u>446,062</u>	<u>(2)</u>
EXPENDITURES				
Current				
General government	22,889	24,954	24,954	-
Public safety	311,118	304,340	304,448	(108)
Capital outlay	9,310	7,254	7,254	-
Total expenditures	<u>343,317</u>	<u>336,548</u>	<u>336,656</u>	<u>(108)</u>
Net change in fund balances	36,883	109,516	109,406	(110)
Fund balances, beginning of year	<u>561,496</u>	<u>561,496</u>	<u>561,496</u>	-
Fund balances, end of year	<u>\$ 598,379</u>	<u>\$ 671,012</u>	<u>\$ 670,902</u>	<u>\$ (110)</u>

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

**SCHEDULES OF FUNDING PROGRESS AND EMPLOYERS CONTRIBUTIONS -
GENERAL EMPLOYEES DEFINED BENEFIT PLAN**

Year ended September 30, 2014

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, 2007	\$ 365,780	\$ 495,294	\$ 129,514	73.85%	\$ 39,640	326.73%
October 1, 2008	\$ 286,072	\$ 509,083	\$ 223,011	56.19%	\$ 57,547	387.53%
October 1, 2009 ⁽⁶⁾	\$ 285,177	\$ 506,002	\$ 220,825	56.36%	\$ 81,471	271.05%
October 1, 2011 ⁽⁴⁾⁽⁵⁾	\$ 274,505	\$ 569,864	\$ 295,359	48.17%	\$ 87,214	338.66%
October 1, 2012 ⁽³⁾	\$ 286,905	\$ 659,936	\$ 373,031	43.47%	\$ 92,719	402.32%
October 1, 2013 ^{(1) (2)}	\$ 422,700	\$ 738,908	\$ 316,208	57.21%	\$ 221,719	142.62%
October 1, 2014	\$ 526,361	\$ 787,978	\$ 261,617	66.80%	\$ 251,169	104.16%

(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%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended September 30,	Actual Contributions	Annual required contributions	Percent contributed	Annual Pension Cost	Percent Contributed
2008	\$ 17,930	\$ 11,953	150%	\$ 11,953	150%
2009	\$ 12,177	\$ 23,836	51%	\$ 23,663	51%
2010	\$ 42,621	\$ 34,289	124%	\$ 34,128	125%
2011	\$ 34,961	\$ 34,778	101%	\$ 34,877	100%
2012	\$ 47,940	\$ 47,347	101%	\$ 47,612	101%
2013	\$ 76,076	\$ 63,366	120%	\$ 63,736	119%
2014	\$ 103,810	\$ 94,946	109%	\$ 96,069	108%

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

**SCHEDULES OF FUNDING PROGRESS AND EMPLOYERS CONTRIBUTIONS -
PUBLIC SAFETY OFFICERS FIREFIGHTERS DEFINED BENEFIT PLAN**

Year ended September 30, 2014

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, 2007	\$ 3,738,714	\$ 5,967,948	\$ 2,229,234	62.65%	\$1,092,936	203.97%
October 1, 2008	\$ 3,912,239	\$ 7,183,983	\$ 3,271,744	54.46%	\$1,058,282	309.16%
October 1, 2009 ⁽⁶⁾	\$ 4,757,086	\$ 7,325,908	\$ 2,568,822	64.94%	\$1,671,450	153.69%
October 1, 2011 ⁽⁴⁾⁽⁵⁾	\$ 5,879,338	\$ 9,610,570	\$ 3,731,232	61.18%	\$1,720,628	216.85%
October 1, 2013 ⁽³⁾	\$ 9,521,552	\$ 11,173,751	\$ 1,652,199	85.21%	\$1,126,935	146.61%
October 1, 2014 ^{(1) (2)}	\$11,916,458	\$ 13,233,119	\$ 1,316,661	90.05%	\$1,537,287	85.65%

(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%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended September 30,	Actual Contributions	Annual required contributions	Percent contributed	Annual Pension Cost	Percent Contributed
2008	\$ 651,687	\$ 458,163	142%	\$ 448,714	145%
2009	\$ 465,246	\$ 589,079	79%	\$ 573,313	81%
2010	\$ 575,942	\$ 581,174	99%	\$ 607,029	95%
2011	\$ 569,908	\$ 591,975	96%	\$ 625,395	91%
2012	\$ 1,064,160	\$ 1,064,161	100%	\$ 1,087,110	98%
2013	\$ 865,449	\$ 615,449	141%	\$ 636,892	136%
2014	\$ 730,088	\$ 700,688	104%	\$ 737,128	99%

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2014

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]
September 30, 2010	\$ -	\$ 1,815,609	\$ 1,815,609	0.0%	\$ 2,119,284	85.7%
September 30, 2013 ⁽²⁾	\$ -	\$ 1,495,773	\$ 1,495,773	0.0%	\$ 1,741,206	85.9%
October 1, 2014 ⁽¹⁾	\$ -	\$ 1,534,772	\$ 1,534,772	0.0%	\$ 1,741,323	88.1%

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

(1) 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.

(2) 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
2010*	\$ 34,465	\$ 225,984	15%	\$ 225,984	15%
2011	\$ 43,727	\$ 228,877	19%	\$ 228,877	19%
2012	\$ 39,392	\$ 232,334	17%	\$ 232,334	17%
2013	\$ 189,383	\$ 207,729	91%	\$ 182,564	104%
2014	\$ 37,810	\$ 206,359	18%	\$ 177,898	21%

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

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

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

	9/30/2014
TOTAL PENSION LIABILITY	
Service cost	\$ 46,940
Interest	50,578
Benefit payments, including refunds on member contributions	(47,742)
Net change in total pension liability	49,776
Total pension liability - beginning	579,288
Total pension liability - ending (a)	629,064
 PLAN FIDUCIARY NET POSITION	
Contributions - employer	103,810
Contributions - member	21,529
Net investment income	42,265
Benefit payments, including refunds on member contributions	(48,395)
Administrative expenses	(15,548)
Net change in plan fiduciary net position	103,661
Plan fiduciary net position - beginning	422,700
Plan fiduciary net position - ending (b)	526,361
Net pension liability - ending (a) - (b)	\$ 102,703
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.67%
 Covered Employee Payroll	221,719
 Net Pension Liability as a Percentage of the Covered Employee Payroll	46.32%

NOTE: One year of data was available for GASB 67, which was adopted in fiscal year 2014.

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

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

	9/30/2014
TOTAL PENSION LIABILITY	
Service cost	\$ 250,814
Interest	743,119
Share plan allocation	180,816
Changes of assumptions	317,720
Benefit payments, including refunds on member contributions	(553,418)
Net change in total pension liability	939,051
Total pension liability - beginning	11,140,769
Total pension liability - ending (a)	12,079,820
 PLAN FIDUCIARY NET POSITION	
Contributions - employer	730,088
Contributions - state	180,816
Contributions - member	106,952
Net investment income	1,233,577
Benefit payments, including refunds on member contributions	(553,418)
Administrative expenses	(62,214)
Net change in plan fiduciary net position	1,635,801
Plan fiduciary net position - beginning	10,280,658
Plan fiduciary net position - ending (b)	11,916,459
Net pension liability - ending (a) - (b)	\$ 163,361
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.65%
 Covered Employee Payroll	1,153,015
 Net Pension Liability as a Percentage of the Covered Employee Payroll	14.17%

NOTE: One year of data was available for GASB 67, which was adopted in fiscal year 2014.

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

**SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS**

GENERAL EMPLOYEES DEFINED BENEFIT PLAN

	Actuarially Determined Contributions	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)
<u>Fiscal Year End</u>	<u>(a)</u>	<u>Contributions (b)</u>	<u>(a - b)</u>	<u>(c)</u>	<u>(b / c)</u>
September 30, 2014	\$ 103,810	\$ 103,810	\$ -	\$ 221,719	46.82%

PUBLIC SAFETY OFFICERS & FIREFIGHTERS DEFINED BENEFIT PLAN

	Actuarially Determined Contributions	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)
<u>Fiscal Year End</u>	<u>(a)</u>	<u>Contributions (b)</u>	<u>(a - b)</u>	<u>(c)</u>	<u>(b / c)</u>
September 30, 2014	\$ 700,688	\$ 730,088	\$ (29,400)	\$ 1,153,015	63.32%

For actuarial methods and assumptions, see the notes to the financial statements.

NOTE: One year of data was available for GASB 67, which was adopted in fiscal year 2014.

See accompanying note to required supplemental 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, 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, 2014	11.71%

NOTE: One year of data was available for GASB 67, which was adopted in fiscal year 2014.

See accompanying note to required supplemental information.

Town of Indian River Shores, Florida

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Budgets and budgetary accounting

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

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

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

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

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

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

2. Comparison of expenditures to appropriations

Expenditure exceeded appropriations in the Road & Bridge Fund and Planning, Zoning & Building Fund by \$651 and \$108, respectively for expenditures recorded subsequent to year for which funds were available.

SUPPLEMENTAL COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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GENERAL FUND

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

Town of Indian River Shores, Florida

**GENERAL FUND
COMPARATIVE BALANCE SHEETS**

September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 2,665,662	\$ 2,235,927
Accounts receivable, net	23,886	21,262
Due from other governments	86,279	82,210
Inventory	45,404	56,453
Prepaid expenses	87,635	1,149,741
Total assets	\$ 2,908,866	\$ 3,545,593
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 148,609	\$ 42,877
Accrued liabilities	112,071	70,893
Deposits	3,073	2,473
Unearned revenue	10,740	727,454
Total liabilities	274,493	843,697
Fund balances:		
Nonspendable:		
Prepays	87,635	1,149,741
Inventory	45,405	56,453
Committed:		
Cemetery maintenance	133,103	154,242
Assigned:		
Other post-employment benefits	100,947	-
Unassigned		
General fund	293,833	-
Emergency disasters	1,973,450	1,341,460
Total fund balances	2,634,373	2,701,896
Total liabilities and fund balances	\$ 2,908,866	\$ 3,545,593

Town of Indian River Shores, Florida

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

Years ended September 30,

	2014	2013
REVENUES		
Property taxes	\$ 3,402,531	\$ 3,360,076
State revenue sharing	58,475	54,286
Discretionary sales surtax	1,200,849	165,080
Communication services tax	275,534	293,375
Intergovernmental	262,452	252,320
Federal grant revenue	1,119	995
State grant revenue	16,107	-
Fines and forfeitures	2,737	3,067
Sale of burial rights	3,950	6,075
Other taxes	11,690	12,118
Post office fees	223,978	219,993
Ambulance service fees	105,876	117,653
Other fees and rents	34,550	34,057
Interest income	16,406	15,645
Miscellaneous revenue	6,660	6,061
Total revenues	5,622,914	4,540,801
EXPENDITURES		
Current		
General government	1,330,293	1,198,500
Public safety	3,023,375	3,029,339
Physical environment	25,860	7,411
Culture and recreation	9,895	7,424
Capital outlay	1,357,448	173,865
Total expenditures	5,746,871	4,416,539
Excess (deficiency) of revenues over (under) expenditures	(123,957)	124,262
Other financing sources (uses)		
Proceeds from sale of capital assets	56,434	2,200
Total other financing sources (uses)	56,434	2,200
Net change in fund balances	(67,523)	126,462
Fund balances, beginning of year	2,701,896	2,575,434
Fund balances, end of year	\$ 2,634,373	\$ 2,701,896

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ROAD AND BRIDGE FUND

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

Town of Indian River Shores, Florida

**ROAD AND BRIDGE FUND
COMPARATIVE BALANCE SHEETS**

September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 617,020	\$ 551,496
Investments	-	45,761
Due from other governments	4,430	7,286
Total assets	\$ 621,450	\$ 604,543
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 1,700	\$ 437
Total liabilities	1,700	437
Fund balances:		
Restricted:		
Road construction and maintenance	619,750	604,106
Total liabilities and fund balances	\$ 621,450	\$ 604,543

Town of Indian River Shores, Florida

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

Years ended September 30,

	2014	2013
REVENUES		
State revenue sharing	\$ 20,051	\$ 19,465
Intergovernmental	53,816	52,396
Impact fees	2,214	2,460
Interest income	2,783	2,047
Investment gain	(5,358)	9,862
Total revenues	73,506	86,230
EXPENDITURES		
Current		
General government	26,295	40,493
Transportation	23,794	10,815
Capital outlay	7,773	-
Total expenditures	57,862	51,308
Net change in fund balances	15,644	34,922
Fund balances, beginning of year	604,106	569,184
Fund balances, end of year	\$ 619,750	\$ 604,106

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PLANNING, ZONING AND BUILDING FUND

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

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

September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 680,794	\$ 566,735
Total assets	\$ 680,794	\$ 566,735
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 3,385	\$ 567
Accrued liabilities	6,507	4,672
Total liabilities	9,892	5,239
Fund balances:		
Restricted:		
Building code enforcement	670,902	561,496
Total fund balances	670,902	561,496
Total liabilities and fund balances	\$ 680,794	\$ 566,735

Town of Indian River Shores, Florida

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

September 30,

	2014	2013
REVENUES		
Licenses and permits	\$ 436,611	\$ 377,562
Fines and forfeitures	1,314	1,460
Other fees and rents	1,348	1,237
Interest income	2,859	2,168
Miscellaneous revenue	3,930	4,278
Total revenues	446,062	386,705
EXPENDITURES		
Current		
General government	24,954	20,177
Public safety	304,448	282,896
Capital outlay	7,254	39,815
Total expenditures	336,656	342,888
Excess (deficiency) of revenues over (under) expenditures	109,406	43,817
Other financing source		
Proceeds from sale of capital assets	-	10,000
Total other financing sources	-	10,000
Net change in fund balances	109,406	53,817
Fund balances, beginning of year	561,496	507,679
Fund balances, end of year	\$ 670,902	\$ 561,496

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NONMAJOR GOVERNMENTAL FUNDS

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

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

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.

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	
			2014	2013
ASSETS				
Cash and cash equivalents	\$ 5,301	\$ 2,998	\$ 8,299	\$ 6,313
Total assets	<u>\$ 5,301</u>	<u>\$ 2,998</u>	<u>\$ 8,299</u>	<u>\$ 6,313</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 50	\$ 50	\$ -
Due to other governments	-	2,948	2,948	3,212
Total liabilities	<u>\$ -</u>	<u>\$ 2,998</u>	<u>\$ 2,998</u>	<u>\$ 3,212</u>
Fund balances:				
Committed:				
Bike path construction and maintenance	5,301	-	5,301	3,101
Total fund balances	<u>5,301</u>	<u>-</u>	<u>5,301</u>	<u>3,101</u>
Total liabilities and fund balances	<u>\$ 5,301</u>	<u>\$ 2,998</u>	<u>\$ 8,299</u>	<u>\$ 6,313</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	
			2014	2013
REVENUES				
Impact fees	\$ 2,200	\$ -	\$ 2,200	\$ 2,001
	<u>2,200</u>	<u>-</u>	<u>2,200</u>	<u>2,001</u>
EXPENDITURES				
Current				
General government	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,200</u>	<u>-</u>	<u>2,200</u>	<u>2,001</u>
Fund balances, beginning of year	<u>3,101</u>	<u>-</u>	<u>3,101</u>	<u>1,100</u>
Fund balances, end of year	<u>\$ 5,301</u>	<u>\$ -</u>	<u>\$ 5,301</u>	<u>\$ 3,101</u>

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PENSION TRUST FUNDS

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.

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

Town of Indian River Shores, Florida

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

September 30,

	2014	2013
ASSETS		
Cash and investments in defined benefit plan - general employees	\$ 526,361	\$ 390,892
Cash and investments in defined benefit plan - public safety employees	11,868,521	10,233,959
Cash and investments in defined contribution plan	155,965	119,230
Contribution receivable	87,838	78,507
Total assets	12,638,685	10,822,588
LIABILITIES		
Accounts payable	10,285	23,524
Total liabilities	10,285	23,524
NET POSITION		
Restricted for pension benefits and other purpose	12,628,400	10,799,064
Total net position	\$ 12,628,400	\$ 10,799,064

Town of Indian River Shores, Florida

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

Years ended September 30,

	2014	2013
ADDITIONS		
Contributions:		
Employer	\$ 900,062	\$ 942,155
Employee	133,951	140,979
State	180,817	176,731
Total contributions	1,214,830	1,259,865
Investment gain:		
Net increase in fair value of investments	950,517	905,918
Interests and dividends	397,666	97,147
Total investment gain	1,348,183	1,003,065
Total additions	2,563,013	2,262,930
DEDUCTIONS		
Distributions	601,813	1,134,417
Administrative expenses	131,864	58,686
Total deductions	733,677	1,193,103
Change in net position	1,829,336	1,069,827
Plan net position at beginning of year	10,799,064	9,729,237
Plan net position at end of year	\$ 12,628,400	\$ 10,799,064

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SUPPLEMENTAL INFORMATION

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2014

	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	DEFINED CONTRIBUTION	TOTAL PENSION TRUST FUNDS
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)	<u>1,290,666</u>	<u>42,265</u>	<u>15,252</u>	<u>1,348,183</u>
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

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2013

	PUBLIC SAFETY OFFICERS STATE SHARE ACCOUNT	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	DEFINED CONTRIBUTION	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Position September 30, 2012	\$ 684,187	\$ 8,171,174	\$ 339,952	\$ 533,924	\$ 9,729,237
Reclass assets	(684,187)	684,187	-	-	-
Beginning restated balance-Plan Net Position September 30, 2012	-	8,855,361	339,952	533,924	9,729,237
Additions:					
Employer contributions	-	865,449	76,706	-	942,155
Employee contributions	-	105,628	12,716	22,635	140,979
State share plan contributions	-	176,731	-	-	176,731
Subtotal contributions	-	1,147,808	89,422	22,635	1,259,865
Investment earnings/(loss)	-	912,826	43,434	46,805	1,003,065
Net additions	-	2,060,634	132,856	69,440	2,262,930
Deductions:					
Administrative expenses & quarterly fees	-	(51,223)	(5,800)	(1,663)	(58,686)
Subtotal deductions	-	(51,223)	(5,800)	(1,663)	(58,686)
Distributions paid out	-	(593,928)	(48,395)	(492,094)	(1,134,417)
Ending reconciled balance-Plan Net Position September 30, 2013	\$ -	\$ 10,270,844	\$ 418,613	\$ 109,607	\$ 10,799,064

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>
2010	\$ 2,505,058,154	1.3923	\$ 3,487,792	\$ 3,384,579	97%
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%

* 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 (the "Town"), Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 15, 2015.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies described as 2014 - 001.

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 of Indian River Shores, Florida's Response to Finding

The Town of Indian River Shores, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings. 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 15, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

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

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, 2014, and have issued our report thereon dated May 15, 2015.

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.

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 May 15, 2015, 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. There were no findings or recommendations made in the preceding annual financial audit report to correct.

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, 2014, 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, 2014. 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.

May 15, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management Recommendations

Current Year Comments

2014-001 Calculation of Permit Fees

Significant Deficiency

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 the 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.

Management's Response: We have reviewed the underlining transactions of this comment and determined that human error was the cause of the discrepancies. The Town Treasurer, in conjunction with Building Department employees, is in the process of developing worksheets and forms to automate the process of permit fee calculations.

Prior Year Comments

For the year ended September 30, 2013, there are no management comments or recommendations.

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, 2014. Management is responsible for the Town of Indian River Shores' compliance with those requirements. Our responsibility is to express an opinion on the 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 the 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 the Town of Indian River Shores' compliance with specified requirements.

In our opinion, the Town of Indian River Shores complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the 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
May 15, 2015

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP