

**TOWN OF INDIAN RIVER
SHORES, FLORIDA**

**Basic Financial Statements and
Supplemental Information**

Year ended September 30, 2021



The Town of Indian River Shores Community Center

TOWN OF INDIAN RIVER SHORES, FLORIDA

Official Directory

September 30, 2021

Town Council

Brian T. Foley
Mayor

Jesse L. "Sam" Carroll, Jr
Vice Mayor

Christian Hendricks
Councilmember

Robert F. Auwaerter
Councilmember

Mary Alice Smith
Councilmember

Administrative

Jim Harpring
Town Manager

Heather A. Christmas, CPA
Town Treasurer

Chester E. Clem
Town Attorney

Laura Aldrich
Town Clerk

Richard G. Rosell
Public Safety Director

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INDEPENDENT AUDITORS' 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 (the "Town"), as of and for the year ended September 30, 2021, 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.

Auditors' 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 auditors' 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, 2021, 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.

Change in Accounting Principle

As described in Note A to the financial statements, in 2021, the Town adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, changes in net other post-employment benefits liability, other post-employment benefits contributions, changes in net pension liability, pension contributions and investment returns on pages 4 – 12 and 71 - 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual comparative 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 comparative fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of property tax valuations, levies and collections has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Indian River Shores, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Indian River Shores, Florida's internal control over financial reporting and compliance.

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

Melbourne, Florida

June 15, 2022

**TOWN OF INDIAN RIVER SHORES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

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

FINANCIAL HIGHLIGHTS

- Total net position at September 30, 2021 was \$16,807,353. Of this amount, \$7,518,262 (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 \$7,062,524.
- The total revenue from all governmental fund sources (not including other financing sources) was \$7,109,356, an increase of \$124,888 or 1.8% from the prior year.
- The total expenditures for Town operations were \$7,398,946, an increase of \$136,032 or 1.9% from the prior fiscal year.
- By year end, the Town's total governmental funds net decrease in fund balance was \$238,552.
- The net increase in fund balance in the General Fund was \$265,528.
- In the General Fund, actual revenues were more than the final budgeted amounts by \$14,668 while final budgeted appropriations exceeded actual expenditures by \$355,816.
- The Town has implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation resulted in the reclassification of a previously reported agency fund to a liability of the Planning, Zoning & Building Fund of \$2,375. Amounts from the previous year have been restated in this report to reflect this change. See Note A-16 for further information on this implementation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The statement of net position presents information on all of the Town's assets and deferred outflows alongside the Town's liabilities and deferred inflows, with the difference reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).
- Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, certain fees and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs (business-type activities, such as utilities or a golf course). All Town activities are included as governmental activities for the fiscal year ended September 30, 2021.

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 and Planning, Zoning & Building Fund, both of which are considered to be major funds for the current fiscal year. Data from the other governmental funds are combined into a single aggregated presentation in compliance with the GASB 34 reporting model.

The Town of Indian River Shores adopted an annual appropriated budget for each of its major funds for the fiscal year ended September 30, 2021. Budgetary comparison schedules have been provided for these funds to demonstrate the level of compliance with these budgets.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Indian River Shores' own programs. These funds include one custodial fund and several employee benefit trust funds.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for fiscal years ending September 30, 2021 and 2020 are shown below.

TOWN OF INDIAN RIVER SHORES' NET POSITION September 30,

	Governmental Activities	
	2021	2020 (Restated)
Current assets	\$ 8,810,521	\$ 8,108,830
Capital assets, net of depreciation	8,414,305	8,002,734
Non-current assets	4,032,926	1,800,305
Total assets	<u>21,257,752</u>	<u>17,911,869</u>
Deferred outflows	<u>275,544</u>	<u>751,778</u>
Current liabilities	1,747,997	807,754
Non-current liabilities	210,946	203,863
Total liabilities	<u>1,958,943</u>	<u>1,011,617</u>
Deferred inflows	<u>2,767,000</u>	<u>1,544,118</u>
Net position:		
Net investment in capital assets	8,400,618	8,002,734
Restricted	888,473	1,321,781
Unrestricted	<u>7,518,262</u>	<u>6,783,397</u>
Total net position	<u><u>\$ 16,807,353</u></u>	<u><u>\$ 16,107,912</u></u>

The Statement of Net Position is a useful indicator of a governmental entity's financial health and stability over time. The Town of Indian River Shores experienced a net increase in the net position for fiscal year 2021 of \$699,441 and \$394,471 in fiscal year 2020.

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, 2021 increased by \$734,865 (11%) over fiscal year 2020. Restricted net position decreased during fiscal year 2021 by \$433,308 (33%). The Town's net investment in capital assets increased in fiscal year 2021 by \$397,884 (5%) over fiscal year 2020. The investment in capital assets comprised of 50% of the net position for fiscal years ending September 30, 2021 and 2020.

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 2021 and 2020, there was no debt associated with capital assets. The net investment in capital assets balances increased significantly from 2021 due to remodel of the Town Hall campus.

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 Offsite Drainage Fund while amounts restricted for building code enforcement are generated in the Planning, Zoning and Building Fund. Currently building permit collections are less than the department expenses to reduce the fund balance to approximately one years' worth of operating costs as required under Florida Statutes.

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

Fiscal year 2021 saw a decrease of \$476,234 in the deferred outflows of resources and an increase of 1,222,882 in deferred inflows of resources over 2020. These items were related to the amortization of the prior year gains/losses and deferral of gains over expectations in 2021 for the Town's three defined benefit plans under GASB 68 and GASB 75. See Notes H & I in the financial statements for further information regarding deferred inflows and outflows of resources.

Additionally, under GASB 68, the Town is required to report the net pension liability on the face of its financial statements. At September 30, 2021, the Town reported a net pension asset of \$2,884,791. This is an improvement of \$1,786,953 over the \$1,097,838 asset reported at September 30, 2020, primarily as a result of unexpected investment gains. See Note H in the financial statements for further information regarding the Town's two pension funds.

Finally, under GASB 75, the Town is required to report the net other post employment liability on the face of its financial statements. At September 30, 2021, the Town reported a net asset of \$1,148,135. This an increase of the 2020 asset by \$445,668 which is due primarily to the unexpected investment gains. See Note I in the financial statements for further information regarding the other post-employment benefits.

ANALYSIS OF TOWN'S OPERATIONS

The following table provides a summary of the Town's operations for the year ended September 30, 2021 and 2020.

TOWN OF INDIAN RIVER SHORES' CHANGES IN NET POSITION

All Governmental Activities

	2021	2020 (Restated)
Revenues:		
Program revenues:		
Charges for services	\$ 854,163	\$ 699,411
Operating grants and contributions	251,510	162,189
Capital grants and contributions	33,019	396,524
General revenues:		
Property taxes	4,485,329	4,314,204
Discretionary sales surtax	696,880	597,909
Half-cent sales tax	379,531	319,822
Communications services tax	288,358	289,044
Other taxes	7,674	9,825
State shared revenues	82,699	69,863
Interest income	20,648	91,392
Miscellaneous revenue	9,545	10,483
Gain on disposal of capital assets	29,362	8,208
Total revenues	7,138,718	6,968,874
Expenses:		
General government	1,868,760	1,729,013
Public safety	4,346,053	4,600,313
Physical environment	7,253	69,412
Transportation	178,039	131,678
Culture and recreation	39,172	43,987
Total expenses	6,439,277	6,574,403
Change in net position	699,441	394,471
Net position beginning of fiscal year	16,107,912	15,713,441
Net position end of fiscal year	\$ 16,807,353	\$ 16,107,912

2021 Revenues increased over 2020 by \$169,844 (2.4%). This was primarily due to the increased property values, federal grant, state shared revenues and permit fees. It was offset by decreased state grant and interest revenues.

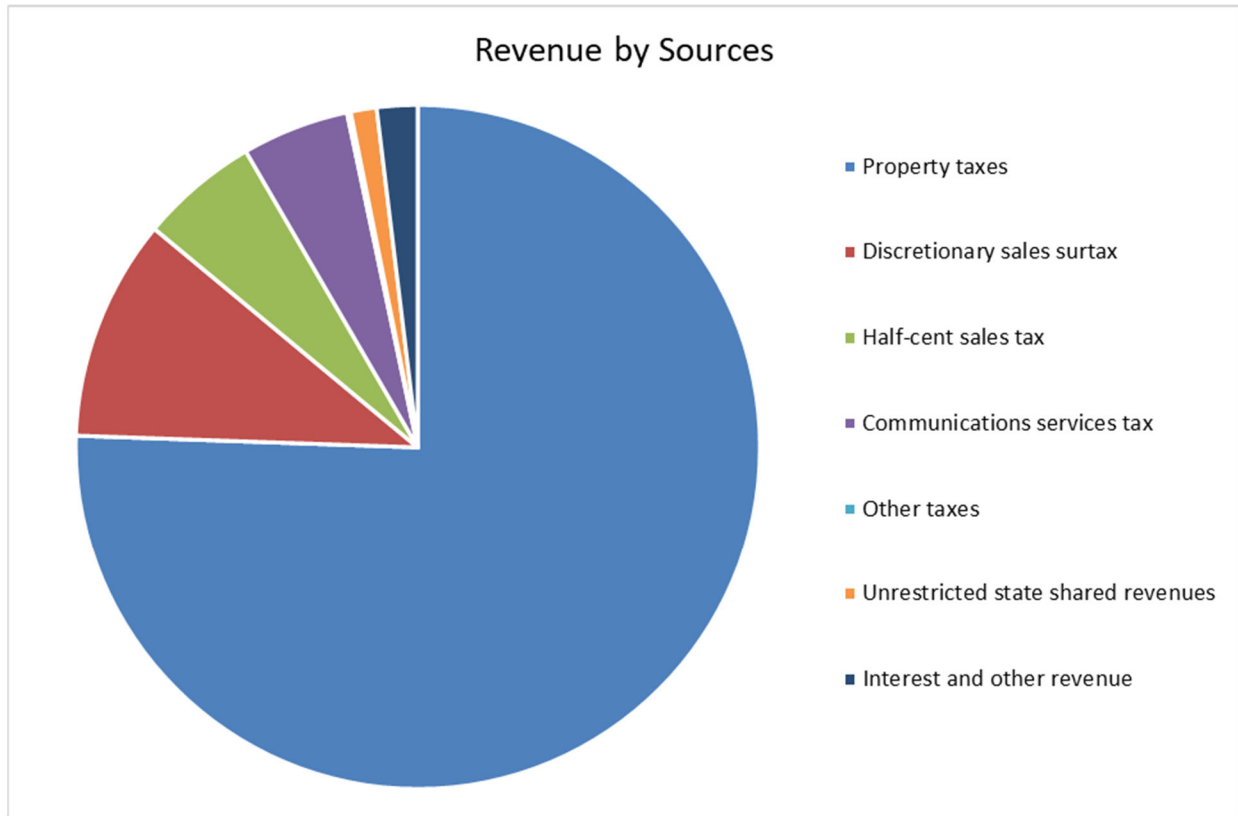
Expenses during fiscal year 2020 exceeded 2021 by \$135,126 (2%). The primary reason for this was due to the decreased spending on personnel in the public safety department. Two employees retired and several employees went to part-time status during the year.

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, 2021

	Revenues	Expenses	Net (Expenses) Revenues
Building department	\$ 461,031	\$ 570,063	\$ (109,032)
Cemetery	-	7,253	(7,253)
Community center	28,324	39,172	(10,848)
Engineering and planning services	-	116,182	(116,182)
Finance department	-	210,363	(210,363)
General administration	-	386,138	(386,138)
Information technology	12,017	128,903	(116,886)
Planning board	500	16,020	(15,520)
Postal center	193,797	227,510	(33,713)
Public safety department	155,196	3,775,990	(3,620,794)
Public works	11,250	263,764	(252,514)
Town attorney	-	141,861	(141,861)
Town clerk	-	190,945	(190,945)
Town council	-	21,731	(21,731)
Town manager	-	165,343	(165,343)
Transportation	276,577	178,039	98,538
	<u>\$ 1,138,692</u>	<u>\$ 6,439,277</u>	<u>\$ (5,300,585)</u>

Revenues for the Town, other than charges for services and grants shown on the previous page, are generated from several different sources and are, for the most part, dependent on different financial factors. The primary source for the Town funding comes from its property taxes (75% for fiscal year 2021). Another significant revenue source comes from other tax revenue (23% for fiscal year 2021). This relative mix of different revenue sources for fiscal year ended 2021 is illustrated on the chart on the following page.



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. 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, 2021, the Town of Indian River Shores' governmental funds reported combined fund balances of \$7,062,524.

The General Fund is the chief operating fund of the Town. At September 30, 2021, the total fund balance in the General Fund was \$6,235,960 (88% of the total governmental fund balance), of which 85% was unassigned, which is a measurement of the General Fund's liquidity. The General Fund's net increase in fund balance was \$265,528. This was primarily a result of the increase in revenues from property values and a decrease in spending from the Public Safety Department.

Special revenue funds are used to account for specific revenues and expenditures. The Planning, Zoning and Building Fund is a self-sustaining fund. The Town has analyzed future needs for this department and in previous years decreased permit costs accordingly. The total governmental fund balance of this fund at September 30, 2021 was \$659,611 (9% of the total governmental fund balance), a decrease of \$565,637 due to the reduced permit fees and remodel of the office space. Effective October 1, 2021, the Town raised its fees but it is the Town's intent to continue analyzing future needs for this department.

The other three special revenue funds are less significant with a positive fund balance of \$166,953 (2% of the total governmental fund balance).

BUDGETARY HIGHLIGHTS

Budget to actual schedules are provided in the required supplementary information for each of the major funds. A budget column for both the original budget adopted for fiscal year ended 2021, 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 \$332,701 and a decrease in appropriations by \$276,740.

Revenue changes were a result of an increase in state revenues due to the economy recovering after COVID-19. The changes in expenditures from the original budget are primarily due to the renovations of Town Hall that were not completed in fiscal year 2021. Additionally, there was a decrease in public safety personnel costs due to the retirement of two employees. Finally, these reductions were offset by an approved water feasibility study that would continue into 2022

The Town's actual revenues exceeded projected revenues by \$14,668. The primary reason for this difference is related to additional taxes paid later than expected.

Projected expenditures exceeded actual expenditures by \$355,816. This was due to a built-in contingency for the unknown nature of the litigation costs, the water feasibility study and town hall renovation not being completed, unknown public safety expenditures, and workers compensation audit to be received after fiscal year end.

CAPITAL ASSET ADMINISTRATION

The Town of Indian River Shores' investment in capital assets includes land, construction in progress, buildings, improvements other than buildings (which include infrastructure) and furniture, fixtures and equipment. The Town's capital assets as of September 30, 2021 reflect an investment of \$8,414,305 net of accumulated depreciation.

A comparative summary of net capital assets by category follows:

	Capital Assets at Year End (net of depreciation)		
	<u>2021</u>	<u>2020</u>	<u>Difference</u>
Land	\$ 1,303,482	\$ 1,303,482	\$ -
Construction in progress	779,454	30,671	748,783
Buildings	2,296,414	2,384,126	(87,712)
Improvements other than buildings	2,159,251	2,244,025	(84,774)
Furniture, fixtures and equipment	<u>1,875,704</u>	<u>2,040,430</u>	<u>(164,726)</u>
Total capital assets	<u>\$ 8,414,305</u>	<u>\$ 8,004,754</u>	<u>\$ 411,571</u>

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

- Town Hall Remodel CIP: \$749,000
- Purchase of public safety portable radios: \$30,000
- Purchased 2 vehicles with related equipment: \$81,000

- Dispatch reporting software: \$21,000
- Depreciation expense: \$609,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates and fees to be charged for certain activities. One of those factors is the local economy.

Property valuations for fiscal year 2021 show that there has been a continuing increase in real estate sale prices. The Town of Indian River Shores values increased from \$3,486,406,394 to \$3,629,402,655 or 4%.

The budget adopted for the General Fund for fiscal year 2022 increased noncapital appropriations by 2% from 2021 actual results. This is a result of anticipated payroll increases. Any differences that will be required will be paid from unassigned reserves. For fiscal year 2021, the Town Council voted to maintain the millage rate at 1.3349.

The Town's General Fund unassigned fund balance stands at \$5.3 million and should be adequate to cover unanticipated costs in the upcoming budget year. This balance will cover over 10 months of the General Fund's 2021 noncapital budgeted expenditures.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Town of Indian River Shores, Florida

STATEMENT OF NET POSITION

September 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents (Notes A-4, B)	\$ 4,290,299
Investments (Notes A-4, B)	4,083,964
Accounts receivable, net (Note A-5)	19,296
Due from other governments (Note A-5)	242,906
Due from pension fund	30,024
Inventory (Note A-6)	36,839
Prepaid expenses (Note A-6)	104,693
Other current assets	2,500
Total current assets	8,810,521
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,303,482
Construction in progress	779,454
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	2,296,414
Improvements other than buildings	2,159,251
Furniture, fixtures and equipment	1,875,704
Total capital assets	8,414,305
Noncurrent assets:	
Net other post employment benefit assets (Notes A-11, I)	1,148,135
Net pension assets (NPA) (Notes A-11, H)	2,884,791
Total assets	21,257,752
DEFERRED OUTFLOWS OF RESOURCES	
Deferred change in proportion (NPL), assumptions, contributions, and experience (Note A-10, H, I)	275,544
Total deferred outflow of resources	275,544
LIABILITIES	
Accounts payable	275,369
Retainage payable	13,687
Accrued liabilities	80,814
Due to other governments	78,858
Deposits	4,107
Unearned rent (Note G)	345,842
Unearned grant revenue	942,565
Other unearned revenues	6,755
Noncurrent liabilities:	
Due within one year	
Compensated absences (Notes A-8, E)	76,569
Termination benefits (Notes A-9, E)	15,000
Due in more than one year	
Compensated absences (Notes A-8, E)	74,377
Termination benefits (Notes A-9, E)	45,000
Total liabilities	1,958,943
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPA), contributions, experience and investments (Notes A-10, H, I)	2,767,000
Total deferred inflow of resources	2,767,000
NET POSITION	
Net investment in capital assets	8,400,618
Restricted for road construction and maintenance	148,671
Restricted for building code enforcement	659,611
Restricted for law enforcement	19
Restricted for capital outlay	80,172
Unrestricted	7,518,262
Total net position	\$ 16,807,353

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

Town of Indian River Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2021

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	\$ 21,731	-	\$ -	-	\$ (21,731)
Town manager	165,343	-	-	-	(165,343)
Finance department	210,363	-	-	-	(210,363)
Town clerk	190,945	-	-	-	(190,945)
Postal center	227,510	193,797	-	-	(33,713)
Public works	263,764	10,500	750	-	(252,514)
Town attorney	141,861	-	-	-	(141,861)
Planning board	16,020	500	-	-	(15,520)
Engineering and planning services	116,182	-	-	-	(116,182)
General administration	386,138	-	-	-	(386,138)
Information technology	128,903	-	307	11,710	(116,886)
Public safety:					
Public safety department	3,775,990	134,311	9,427	11,458	(3,620,794)
Building department	570,063	461,031	-	-	(109,032)
Physical environment:					
Cemetery	7,253	-	-	-	(7,253)
Transportation:					
Road and offsite drainage	178,039	25,700	241,026	9,851	98,538
Culture and recreation:					
Community center	39,172	28,324	-	-	(10,848)
Total	<u>\$ 6,439,277</u>	<u>\$ 854,163</u>	<u>\$ 251,510</u>	<u>\$ 33,019</u>	<u>(5,300,585)</u>

General revenues:

Taxes:

Property taxes (Note A-12)	4,485,329
Discretionary sales surtax	696,880
Half-cent sales tax	379,531
Communications services tax	288,358
Other taxes	7,674
State shared revenues	82,699
Interest income	20,648
Miscellaneous revenue	9,545
Gain on disposal of capital assets (Note C)	29,362
Total general revenues	<u>6,000,026</u>
Change in net position	699,441
Beginning net position	<u>16,107,912</u>
Ending net position	<u>\$ 16,807,353</u>

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

Town of Indian River Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	General	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents (Notes A-4, B)	\$ 3,400,400	\$ 736,256	\$ 153,643	\$ 4,290,299
Investments (Notes A-4, B)	4,083,964	-	-	4,083,964
Accounts receivable, net (Note A-5)	19,296	-	-	19,296
Due from other governments (Note A-5)	229,596	-	13,310	242,906
Due from pension fund	30,024	-	-	30,024
Inventory (Note A-6)	36,839	-	-	36,839
Prepaid expenses (Note A-6)	104,693	-	-	104,693
Other current assets	-	2,500	-	2,500
Total assets	\$ 7,904,812	\$ 738,756	\$ 166,953	\$ 8,810,521
LIABILITIES				
Liabilities:				
Accounts payable	\$ 275,369	\$ -	\$ -	\$ 275,369
Retainage payable	13,687	-	-	13,687
Accrued liabilities	80,814	-	-	80,814
Due to other governments	-	78,858	-	78,858
Deposits	3,820	287	-	4,107
Unearned rent (Note G)	345,842	-	-	345,842
Unearned grant revenue	942,565	-	-	942,565
Other unearned revenue	6,755	-	-	6,755
Total liabilities	1,668,852	79,145	-	1,747,997
FUND BALANCES (Notes A-13, F):				
Nonspendable:				
Prepays	104,693	-	-	104,693
Inventory	36,839	-	-	36,839
Restricted:				
Building code enforcement	-	659,611	-	659,611
Capital outlay	80,172	-	-	80,172
Law enforcement	-	-	19	19
Road construction and maintenance	-	-	148,671	148,671
Assigned:				
Cemetery maintenance	45,551	-	-	45,551
Bike path construction and maintenance	-	-	18,263	18,263
Unassigned:				
Celltower removal	101,495	-	-	101,495
Infrastructure replacement	235,641	-	-	235,641
Projected budget deficit	325,214	-	-	325,214
Unassigned				
Emergency funds	2,118,319	-	-	2,118,319
Unassigned	3,188,036	-	-	3,188,036
Total fund balances	6,235,960	659,611	166,953	7,062,524
Total liabilities and fund balances	\$ 7,904,812	\$ 738,756	\$ 166,953	\$ 8,810,521

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, 2021

Fund balances - total governmental funds \$ 7,062,524

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

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

Land	\$ 1,303,482	
Construction in progress	779,454	
Buildings, net	2,296,414	
Improvements other than buildings, net	2,159,251	
Furniture, fixtures and equipment, net	1,875,704	8,414,305

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

Net other post-employment benefit assets	1,148,135
Net pension assets	2,884,791

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

Deferred assumptions, contributions, change in proportion (NPL), and experience	275,544
Deferred change in proportion (NPL), contributions, experience, and investments	(2,767,000)

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	(150,946)
Termination benefits	(60,000)

Total net position of governmental activities	\$ 16,807,353
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The accompanying notes are an integral part of this financial statement.

Town of Indian River Shores, Florida

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

Year ended September 30, 2021

	General	Planning, Zoning and Building	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes (Note A-11)	\$ 4,485,329	\$ -	\$ -	\$ 4,485,329
State shared revenues	82,699	-	27,566	110,265
Discretionary sales surtax	696,880	-	-	696,880
Communication services tax	288,358	-	-	288,358
Intergovernmental	379,860	-	80,937	460,797
Federal grant revenue	27,299	-	137,025	164,324
State grant revenue	-	-	9,851	9,851
Licenses and permits	10,500	429,595	-	440,095
Fines and forfeitures	11,508	17,417	-	28,925
Impact fees	-	-	20,962	20,962
Other taxes	7,345	-	-	7,345
Post office fees	191,099	-	-	191,099
Ambulance service fees	121,955	-	-	121,955
Celltower fees and rents	6,553	-	-	6,553
Other fees and rents	33,059	648	-	33,707
Interest income	20,648	2,763	244	23,655
Miscellaneous revenue	8,647	10,609	-	19,256
Total revenues	<u>6,371,739</u>	<u>461,032</u>	<u>276,585</u>	<u>7,109,356</u>
EXPENDITURES				
Current				
General government	1,649,655	45,972	28,974	1,724,601
Public safety	3,848,941	606,956	-	4,455,897
Physical environment	7,139	-	-	7,139
Transportation	-	-	178,039	178,039
Culture and recreation	12,759	-	-	12,759
Capital outlay (Note C)	638,755	373,741	8,015	1,020,511
Total expenditures	<u>6,157,249</u>	<u>1,026,669</u>	<u>215,028</u>	<u>7,398,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>214,490</u>	<u>(565,637)</u>	<u>61,557</u>	<u>(289,590)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of surplus (Note C)	29,671	-	-	29,671
Insurance recoveries	21,367	-	-	21,367
Total other financing sources	<u>51,038</u>	<u>-</u>	<u>-</u>	<u>51,038</u>
Net change in fund balances	265,528	(565,637)	61,557	(238,552)
Fund balances, beginning of year	<u>5,970,432</u>	<u>1,225,248</u>	<u>105,396</u>	<u>7,301,076</u>
Fund balances, end of year	<u>\$ 6,235,960</u>	<u>\$ 659,611</u>	<u>\$ 166,953</u>	<u>\$ 7,062,524</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, 2021

Net change in fund balances - total governmental funds \$ (238,552)

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

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

Capital outlay expenditures which were capitalized	\$ 1,020,511	
Depreciation expense for governmental assets	<u>(608,631)</u>	411,880

In the statement of activities, only the net gain on the sale and trade
of capital assets is reported. However, in the governmental funds,
the proceeds from the sale increase financial resources.
Thus, the change in net position differs from the change in
fund balance. (309)

Some expenses reported in the statement of activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental funds. These
expenses are:

Net decrease in compensated absences	52,917
Net decrease in other post-employment benefit obligations	143,068
Net decrease in pension obligations	390,437
Net increase in termination benefits	(60,000)

Change in net position of governmental activities	<u><u>\$ 699,441</u></u>
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The accompanying notes are an integral part of this financial statement.

Town of Indian River Shores, Florida

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2021

	Pension Trust Funds	Custodial Funds
ASSETS		
Cash and investments in defined benefit plan - general employees (Notes A-4 and B)	\$ 1,530,370	\$ -
Cash and investments in defined benefit plan - public safety employees (Notes A-4 and B)	19,666,574	-
Cash and investments in other post employment benefit plan (Notes A-4 and B)	2,595,177	-
Cash and cash equivalents in custodial funds	-	-
Contribution receivable	6,677	-
Interest receivable	36,709	-
Total assets	23,835,507	-
LIABILITIES		
Accounts payable	32,093	-
Cash overdraft	4,243	-
Total liabilities	36,336	-
NET POSITION (Note H)		
Restricted for pension benefits and other purposes	23,799,171	-
Restricted for individuals, organizations, and other governments	-	-
Total net position	\$ 23,799,171	\$ -

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, 2021

	Pension Trust Funds	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 261,100	\$ -
Employee	102,967	-
State	195,339	-
Total contributions	559,406	-
Investment gain:		
Net increase in fair value of investments	3,286,498	-
Interests and dividends	422,860	-
Total investment gain	3,709,358	-
Total additions	4,268,764	-
DEDUCTIONS		
Distributions	2,127,490	-
Release of police evidence	-	149,900
Administrative expenses		
Trustee fees	6,901	-
Investment management fees	78,302	-
Attorney fees	27,371	-
Actuary fees	24,796	-
Other administrative fees	27,592	-
Total deductions	2,292,452	149,900
Change in net position	1,976,312	(149,900)
Plan net position at beginning of year	21,822,859	-
Prior period adjustment (Note A-16)	-	149,900
Plan net position at beginning of year, restated	21,822,859	149,900
Plan net position at end of year	\$ 23,799,171	\$ -

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

The Town was created and is governed by Special Act of the Legislature under Chapter 29.163, Laws 1953, as amended by Ordinance Numbers 1 through 551. 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, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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.

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

Additionally, the Town reports the following fund types:

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

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Custodial Fund - This fund is used to account for the holding of evidence on behalf of the public safety department. Custodial funds consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position and are similar in nature to Pension Trust Funds.

4. Cash, cash equivalents, and investments

Cash includes demand deposits, cash on hand, and short-term investments with a maturity date within three months of the date acquired by the Town. The Town manages a common cash and investment pool for each fund. Each fund's share in the pool is displayed in the accompanying financial statements as cash and investments. Interest is allocated to the various funds based on each fund's average cash and investment balance where it is legally required to do so. Investments are reported at fair value in accordance with *GASB Code Section 150: Investments* and changes in fair value are included in investment income.

5. Receivables

The Town's receivables consist of balances due from other government sources, businesses, and individuals. After reviewing the individual account balances, the Town's management has determined that 57% of accounts receivables are fully collectible. Therefore, an allowance for doubtful accounts of \$14,464 in ambulance receivables has been recorded as of September 30, 2021. All due from other governments and the local agency receivables are deemed collectible at year end.

6. 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

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

Capital assets are stated at cost or, if donated, at estimated fair value at the date of donation. Contributions of fixed assets received from local sources are recorded at acquisition value 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 - 40
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 the request of the employee.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Compensated absences (continued)

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

9. Termination benefits

The costs of termination payments are accrued when incurred and measurable in the government-wide and fiduciary funds financial statements. In governmental funds, the costs of termination payments are recorded as expenditures when payments are due and payable

10. Deferred outflows/inflows of resources

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

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

The Town has four types of transactions, related to the General Employee Defined Benefit Pension Plan, the Public Safety Officers & Firefighters Defined Benefit Pension Plan, the Other Post-Employment Benefit Plan and revenue that is not available to fund current operations, which qualify for reporting in these categories.

11. Pensions and other post-employment benefit plans

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Pensions and other post-employment benefit plans (continued)

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

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

12. Property tax

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of Indian River County Property Appraiser and Indian River County Tax Collector. The laws of the State of Florida regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2021, the Town's millage rate was 1.3349 mills. The tax levy of the Town is established by the Town Council prior to October 1st of each year and the Indian River County Property Appraiser incorporates the Town millages into the total tax levy, which includes Indian River County and the County School Board tax requirements among other overlapping governments.

All property is reassessed according to its fair market value on January 1st of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. The assessed value at January 1, 2020, upon which the 2020-2021 levy was based, was approximately \$3.5 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. Tax collections, net of discounts taken, for the year ended September 30, 2021 were approximately 96% of the total tax levy. On or prior to June 1st of each fiscal year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates are held by Indian River County.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Fund balance classification

The Town has adopted a Fund Balance Policy to comply with *GASB Code Section 1300: Fund Accounting*; 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.

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.

14. Use of estimates

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. 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.

16. New Governmental Accounting Standards Board (GASB) pronouncements

GASB Statement No. 84

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

The implementation of GASB 84 resulted in the reclassification of the Evidence Agency Fund to a custodial fund and the reclassification of the Permit Surcharge Agency Fund being reclassified as a liability with the Planning, Zoning and Building Fund. The implementation resulted in the Custodial Funds reporting a beginning fiduciary net position in the amount of \$149,900. The liability reclassified to the Planning, Zoning and Building Fund was \$2,375.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* (GASB 90). The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period. Implementation of this statement did not have a significant impact on the Town's financial statements for fiscal year ended September 30, 2021.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. GASB 93 is effective for the Town in fiscal year 2021 although paragraphs 11b, 13 and 14 are delayed into future years. Implementation of this statement did not have a significant impact on the Town's financial statements for fiscal year ended September 30, 2021.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. Implementation of this statement did not have a significant impact on the Town's financial statements for fiscal year ended September 30, 2021.

17. Impact of Future Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 is effective for the Town in fiscal year 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB 89 is effective for the Town in fiscal year 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 is effective for the Town in fiscal year 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 91). objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance however it did not impact the preparation of these financial statements. The remaining parts of GASB 92 are effective for the Town in fiscal year 2022.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Impact of Future Pronouncements (continued)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. GASB 94 is effective for the Town in fiscal year 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for the Town in fiscal year 2023.

In June 2020, GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 is effective for the Town in fiscal year 2022.

The Town will implement new GASB pronouncements no later than the required effective date. The Town is currently evaluating whether the above listed new GASB pronouncements will have a significant impact to the Town's financial statements.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town had the following cash and investments at September 30, 2021:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Governmental Funds			
Cash and cash equivalents	\$ 4,290,299	N/A	N/A
Local government pooled investment accounts:			
Florida PRIME	<u>4,083,964</u>	0.13	AAAm (S&P)
	<u>\$ 8,374,263</u>		
Pension trust funds			
Other Post-Employment Benefit Plan			
Florida Municipal Pension Trust Fund (FMPTF) – Other Post Employment Benefit 70/30 Allocation	<u>\$ 2,595,177</u>	*	Not Rated
	<u>2,595,177</u>		
General Employee Defined Benefit Plan			
Florida Municipal Pension Trust Fund (FMPTF) – Defined Benefit 70/30 Allocation Plan	<u>1,530,370</u>	*	Not Rated
	<u>1,530,370</u>		
Fire and Police Defined Benefit Plan			
Cash and cash equivalents	420,551	N/A	N/A
Equity			
Common stock	4,723,054	N/A	Not Rated
Mutual funds equity	6,258,466	N/A	Not Rated
International stocks	<u>1,294,167</u>	N/A	N/A
Total equity	<u>12,275,687</u>		
Fixed income			
U.S. government obligations	2,094,516	8.95	Aaa (Moody's)
Mortgage/asset backed securities	608,802	16.37	Aaa (Moody's)
Collateralized mortgage obligations	701,010	5.31	Aaa-Baa2 (Moody's)
Municipal obligation	434,442	7.20	Aaa-Aa3 (Moody's)
Corporate bonds	1,091,903	8.74	A1-Baa3 (Moody's)
Foreign bonds, notes and debentures	<u>74,702</u>	30.92	Baa3 (Moody's)
Total fixed income	<u>5,005,375</u>		
Real Estate Investment Trusts	<u>1,964,961</u>		
	<u>19,666,574</u>		
Total pension funds	<u>\$ 23,792,121</u>		

* Portions of the FMPTF are invested in debt instruments and mutual funds with a weighted average to maturity (WAM) of 6.22 years and 6.24 years, respectively.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

Deposits, FDIC and Qualified Public Depository

The Town's deposits and investments are insured by the Federal Depository Insurance Corporation for up to \$250,000. At September 30, 2021, the Town's cash and cash equivalent balances were fully insured. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

External Investment Pools (SBA and FMPTF)

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

Under *GASB Code Section 150: Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

External Investment Pool (SBA and FMPTF) (continued)

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

As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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

Real Estate Investment Trusts

The Real Estate Investment Trusts, included in the Town's Police and Fire Defined Benefit Plan, consists of two funds that are commingled in nature. Each are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments.

Investments

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

Investments (continued)

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

Rating	Collateralized mortgage obligations	Municipal obligations	Corporate bonds	Foreign bonds, notes and debentures	Totals
Aaa	\$ 571,035	\$ 95,187	\$ -	\$ -	\$ 666,222
Aa1	-	135,542	75,555	-	211,097
Aa2	-	49,932	-	-	49,932
Aa3	-	153,781	-	-	153,781
A1	-	-	48,615	-	48,615
A2	-	-	193,606	-	193,606
A3	-	-	166,965	-	166,965
Baa1	-	-	121,167	-	121,167
Baa2	129,975	-	235,336	-	365,311
Baa3	-	-	250,659	74,702	325,361
Total	\$ 701,010	\$ 434,442	\$ 1,091,903	\$ 74,702	\$ 2,302,057

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

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

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

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

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Town management's perceived risk of that investment.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

Investments (continued)

The Town's portfolio has the following recurring fair value measurements as of September 30, 2021:

Investments by fair value level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. government obligations	\$ 2,094,516	\$ 2,094,516	\$ -	\$ -
Mortgage/asset backed securities	608,802	-	608,802	-
Collateralized mortgage obligations	701,010	-	701,010	-
Municipal obligations	434,442	-	434,442	-
Corporate bonds	1,091,903	-	1,091,903	-
Foreign bonds, notes and debentures	74,702	-	74,702	-
Total fixed income securities	5,005,375	2,094,516	2,910,859	-
Equity securities				
Common stock	4,723,054	4,723,054	-	-
Mutual fund equity	6,258,466	6,258,466	-	-
International stocks	1,294,167	1,294,167	-	-
Total equity securities	12,275,687	12,275,687	-	-
Total investments by fair value level	17,281,062	\$ 14,370,203	\$ 2,910,859	\$ -
Investments measured at net asset value		Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Real Estate Investment Trusts	1,964,961	-	Monthly/ Quarterly	Once a month to once a quarter, with advance written notification
Florida Municipal Pension Trust Fund (FMPTF) – Other Post Employment Benefit 70/30 Allocation	2,595,177	-	Monthly	Once a month, with advance written notification
Florida Municipal Pension Trust Fund (FMPTF) – Defined Benefit 70/30 Allocation Plan	1,530,370	-	Monthly	Once a month, with advance written notification
Total investments measured at net asset value	6,090,508			
Total investments measured at fair value	\$ 23,371,570			

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,303,482	\$ -	\$ -	\$ 1,303,482
Construction in progress	30,671	748,783	-	779,454
Total capital assets not being depreciated	<u>1,334,153</u>	<u>\$ 748,783</u>	<u>\$ -</u>	<u>2,082,936</u>
Capital assets, being depreciated:				
Buildings	3,890,193	\$ 9,951	\$ -	3,900,144
Improvements other than buildings	2,586,583	3,631	-	2,590,214
Furniture, fixtures and equipment	4,511,401	258,146	290,836	4,478,711
Total capital assets being depreciated	<u>10,988,177</u>	<u>\$ 271,728</u>	<u>\$ 290,836</u>	<u>10,969,069</u>
Less accumulated depreciation for:				
Buildings	1,506,067	\$ 97,663	\$ -	1,603,730
Improvements other than buildings	342,558	88,405	-	430,963
Furniture, fixtures, and equipment	2,470,971	422,563	290,527	2,603,007
Total accumulated depreciation	<u>4,319,596</u>	<u>\$ 608,631</u>	<u>\$ 290,527</u>	<u>4,637,700</u>
Total capital assets being depreciated, net	<u>6,668,581</u>			<u>6,331,369</u>
Governmental activities capital assets, net	<u>\$ 8,002,734</u>			<u>\$ 8,414,305</u>

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

General government	\$ 169,512
Public safety	412,592
Culture and recreation	26,413
Physical environment	<u>114</u>
	<u>\$ 608,631</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. As of September 30, 2021, 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, 2021

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, 2021:

	Beginning Balance	Increase	Decrease	Ending Balance	Due within one year
Compensated absences	\$ 203,863	\$ 331,621	\$ 384,538	\$ 150,946	\$ 76,569
Termination benefit	-	75,000	15,000	60,000	15,000
	<u>\$ 203,863</u>	<u>\$ 406,621</u>	<u>\$ 399,538</u>	<u>\$ 210,946</u>	<u>\$ 91,569</u>

Compensated absences and termination benefits in the governmental activities are classified as non-current liabilities and are typically liquidated by the General and Planning, Zoning and Building funds.

Termination benefits

On March 26, 2021, the Town entered into an agreement with the former Town Manager to offer \$75,000, payable over five years, as part of his severance package. Amounts related to the agreement will be recognized as expenditures as described below:

<u>Year ended September 30,</u>	<u>Termination benefits</u>
2022	\$ 15,000
2023	15,000
2024	15,000
2025	15,000
	<u>\$ 60,000</u>

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 established the following restricted fund balances:

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE F - FUND EQUITY AND NET POSITION (continued)

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

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.

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

The Town has established the following committed fund balances:

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

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

The Town has established the following assigned fund balances:

Celltower removal– In 2019, \$100,000 of the prepaid rent received for the cell tower easement was set aside in case it was needed for the removal of the tower. Interest is accrued annually on this balance.

Infrastructure replacement– In 2021, as part of the budget the Town established the fund balance for the future replacement of the Town's infrastructure assets. Amounts allocated to the fund are determined as part of the budget. Funds are spent on feasibility and other studies as well as actual construction.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE F - FUND EQUITY AND NET POSITION (continued)

Projected budget deficit – GASB Code Section 1300: Fund Accounting, states that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Town approved a deficit in the 2022 general fund budget of \$325,214.

The activity in the restricted, committed and assigned fund balances during the year ended September 30, 2021 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Restricted:				
Building code enforcement	\$ 1,225,248	\$ 461,032	\$ 1,026,669	\$ 659,611
Capital outlay	-	720,049	639,877	80,172
Law enforcement	8,026	8	8,015	19
Road construction and maintenance	88,507	267,177	207,013	148,671
Committed:				
Cemetery maintenance	52,511	-	6,960	45,551
Bike path construction and maintenance	8,863	9,400	-	18,263
Assigned:				
Celltower removal	101,131	364	-	101,495
Infrastructure replacement	-	300,000	64,359	235,641
Projected budget deficit	531,919	325,214	531,919	325,214
	<u>\$ 2,016,205</u>	<u>\$ 2,083,244</u>	<u>\$ 2,484,812</u>	<u>\$ 1,614,637</u>

Fund equity compliance - 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, 2021, the Town has met the requirements of minimum funding. The ending unassigned fund balance in the General Fund was 83% of operating revenues.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE G - LESSOR LEASE

On October 31, 2016, the Town entered into an agreement to lease approximately 2,500 square feet of land to be utilized to construct and operate a wireless communication facility. The initial term of this lease was to be five years and was automatically renewed for up to ten additional terms of five years each unless notified prior to renewal. On July 11, 2019, the Town issued a new agreement with the lessee to assign an exclusive 55-year easement of land to be utilized to construct and operate the wireless tower. In return, the lessee would pay a lump sum of \$360,390.

In accordance with *GASB Code Section L20: Leases*, since this amount represents revenue that applies to future periods, the amount received will be recognized over the term of the agreement (55-years) as described below:

<u>Year ended September 30,</u>	<u>Rental Income</u>
2022	\$ 6,553
2023	6,553
2024	6,553
2025	6,553
2026	6,553
2027-2031	32,765
2032-2036	32,765
2037-2041	32,765
2042-2046	32,765
2047-2051	32,765
2052-2056	32,765
2057-2061	32,765
2062-2066	32,765
2067-2071	32,765
2072-2074	18,192
	<u>\$ 345,842</u>

For the year ended September 30, 2021, the Town received \$6,553 in rental fees under this lease.

NOTE H - 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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.

NOTE H - PENSION PLANS (continued)

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

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

Fiduciary Plan Net Position				
September 30, 2021				
	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post Employment Benefits Plan	Total Pension Trust Funds
ASSETS				
Cash and investments	\$ 19,666,574	\$ 1,530,370	\$ 2,595,177	\$ 23,792,121
Interest receivable	36,709	-	-	36,709
Contribution receivable	5,142	1,535	-	6,677
Total assets	19,708,425	1,531,905	2,595,177	23,835,507
LIABILITIES				
Accounts payable	16,868	775	14,450	32,093
Cash overdraft	4,243	-	-	4,243
Total liabilities	21,111	775	14,450	36,336
NET POSITION				
Restricted for pension benefits and other purposes	19,687,314	1,531,130	2,580,727	23,799,171
Total net position	\$ 19,687,314	\$ 1,531,130	\$ 2,580,727	\$ 23,799,171

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

**Changes in Fiduciary Plan Net Position
For the Year Ended September 30, 2021**

	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post Employment Benefits Plan	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 198,012	\$ 63,088	\$ -	\$ 261,100
Employee	89,216	13,751	-	102,967
State	195,339	-	-	195,339
Total contributions	<u>482,567</u>	<u>76,839</u>	<u>-</u>	<u>559,406</u>
Investment gain:				
Net increase in fair value of investments	2,539,396	277,941	469,161	3,286,498
Interests and dividends	422,860	-	-	422,860
Total investment gain	<u>2,962,256</u>	<u>277,941</u>	<u>469,161</u>	<u>3,709,358</u>
Total additions	<u>3,444,823</u>	<u>354,780</u>	<u>469,161</u>	<u>4,268,764</u>
DEDUCTIONS				
Distributions	2,028,360	69,106	30,024	2,127,490
Administrative expenses				
Trustee fees	6,901	-	-	6,901
Investment management fees	78,302	-	-	78,302
Attorney fees	27,371	-	-	27,371
Actuary fees	24,796	-	-	24,796
Other administrative fees	17,857	6,811	2,924	27,592
Total deductions	<u>2,183,587</u>	<u>75,917</u>	<u>32,948</u>	<u>2,292,452</u>
Change in net position	1,261,236	278,863	436,213	1,976,312
Plan net position at beginning of year	<u>18,426,078</u>	<u>1,252,267</u>	<u>2,144,514</u>	<u>21,822,859</u>
Plan net position at end of year	<u>\$ 19,687,314</u>	<u>\$ 1,531,130</u>	<u>\$ 2,580,727</u>	<u>\$ 23,799,171</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, 2021, membership in the plan consists of twelve active employees. The plan may be amended by ordinance of the Town Council. The Town does not issue a stand-alone plan financial report.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

Defined Contribution Funding Policy:

The plan specifies employer contributions as “matching”, meaning the Town will contribute up to 11% of each participating employee’s base compensation if the employee contributes up to 5%, (before taxes), of their base compensation to the 457(b) Deferred Compensation Plan. Employees may contribute less than 5% with a matching rate from the Town of 2%-8%. Employees may join the defined contribution plan only after completing 1,000 hours of service within a consecutive twelve-month period. Following completion of the required hours, employees may first become a member on the earlier of October 1 or April 1, whichever comes first. Participants become 20% vested in the values resulting from employer contributions plus earnings after 3 years of employment service. Vesting increases by 20% for each additional year of employment with participants becoming fully vested after 7 years. The Town’s current year contributions to the defined contribution plan totaled \$75,098.

The Town does not include the net position and changes in fiduciary net position for the Town’s Defined Contribution plan in its annual financial statements, as the funds held in the plan are held for the custody of the beneficiary and the Town has no fiduciary responsibility for the assets once the contributions have been remitted to the plan trustee.

Deferred Compensation Plan Description:

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

Deferred Compensation Funding Policy:

To be eligible for the Defined Contribution Plan, employee participants must contribute to the deferred compensation plan (up to 5%). Other employees’ contributions to this deferred compensation plan are discretionary, subject to federal limits. Employees may begin participating in this plan immediately upon hire and enrollment, with the required documents, but no later than entry date to the defined contribution plan, if eligible and participation is elected. Employee contributions totaled \$34,136 for the current year.

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan

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

Plan Description:

The General Employees Defined Benefit Plan is a single-employer defined benefit pension plan administered by the FMPTF. The Town Council for the Town of Indian River Shores serves as the Pension Board of the General Employees' Defined Benefit Plan. The General Employees Defined Benefit Plan covers all the Town's non-public safety full-time employees that have elected to participate in the plan. Membership in the plan consists of 2 active and 4 inactive employees receiving benefits at September 30, 2021.

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

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

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

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

Basic pension formula: 2.75% of average earnings x service

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

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

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

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

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

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

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

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

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

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

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

Funding Policy:

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

The Town's annual required contribution rate for the year ended September 30, 2021 was 40.91% of covered payroll. The Town contributed \$63,088 for the year ended September 30, 2021. Administrative costs are financed through investment earnings.

Net Pension Liability (Asset):

The components of the net pension liability (asset) at September 30, 2021 were as follows:

Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)	Funded Percentage
\$ 1,164,027	\$ (1,530,370)	\$ (366,343)	131.47%

The change in the net pension liability (asset) for the year ended September 30, 2021 were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balance as of September 30, 2020	\$ 1,101,522	\$ (1,251,548)	\$ (150,026)
Change due to:			
Service cost	33,566	-	33,566
Expected interest growth	82,635	(93,899)	(11,264)
Unexpected investment income	-	(184,042)	(184,042)
Demographic experience	19,207	-	19,207
Assumption changes	(3,797)	-	(3,797)
Employer contributions	-	(62,921)	(62,921)
Employee contributions	-	(13,702)	(13,702)
Benefit payments & refunds	(69,106)	69,106	-
Administrative expenses	-	6,636	6,636
Balance as of September 30, 2021	\$ 1,164,027	\$ (1,530,370)	\$ (366,343)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

Employer's reporting date: September 30, 2021

Measurement date: September 30, 2021

Actuarial valuation date: October 1, 2020

Actuarial assumptions:

Discount rate: 7.50% per annum (2.76% 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: Pre-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Employee Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year; post-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Healthy Retiree Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year.

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: \$6,000 per year

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

Changes: No assumptions were changed since prior measurement date.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2021 are summarized in the following table:

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	10.00%	1.60% per annum
Core plus	10.00%	2.10% per annum
U.S. large cap equity	30.00%	4.60% per annum
U.S. small cap equity	16.00%	5.50% per annum
Non-U.S. equity	24.00%	6.70% per annum
Core real estate	10.00%	5.00% per annum
Weighted arithmetic average	100.00%	4.74% per annum

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

Sensitivity of Net Pension Liability (Asset) Using Alternative Discount Rates:

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

	Discount Rate Minus 1.00%	7.50% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 1,285,460	\$ 1,164,027	\$ 1,060,099
Less fiduciary net position	(1,530,370)	(1,530,370)	(1,530,370)
Net pension liability (asset)	\$ (244,910)	\$ (366,343)	\$ (470,271)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Deferred Outflow and Inflow of Resources

On September 30, 2021, the Town reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	\$ 12,663	\$ 23,020
Changes of assumptions	47,428	23,058
Net difference between Projected and Actual Earnings on Pension Plan investments	11,414	150,105
Total	\$ 71,505	\$ 196,183

Changes to the deferred inflows and outflows for the year ended September 30, 2021 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2020		\$ 84,322	\$ 93,889
Change due to:			
Amortization payments	4 years	(32,024)	(85,545)
Investment gain/loss	5 years	-	184,042
Demographic gain/loss	4 years	19,207	3,797
Total change		(12,817)	102,294
Balance as of September 30, 2021		\$ 71,505	\$ 196,183

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

Net pension liability (asset) as of September 30, 2020	\$ (150,026)
Plus pension expense for the 2020/21 fiscal year	(38,285)
Minus employer contribution for the 2020/21 fiscal year	(62,921)
Plus change in balance of deferred outflows of resources	(12,817)
Minus change in balance of deferred inflows of resources	(102,294)
Net pension liability (asset) as of September 30, 2021	\$ (366,343)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

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

Year ended September 30,	Pension Expense
2022	\$ (39,622)
2023	(20,114)
2024	(28,132)
2025	(36,810)
	<u>\$ (124,678)</u>

Additional Information:

With the implementation of GASB Statement 68 in fiscal year 2015, pension accounting is no longer tied to the funding process. As stated by the GASB, "after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits." However, the Town believes that this amount is still important for the readers of the financial statements to know. The Town uses an actuarially determined unfunded liability to calculate its funding each year. The latest available actuarial valuation was at September 30, 2021 with an asset of \$161,900 or 112% funded. This balance was developed using a 5.9% investment rate, rather than the 7.5% investment rate used to estimate the Net Pension Liability as described above. Further information regarding the unfunded actuarial accrued liability and its calculations can be found in the latest actuarial valuation which can be obtained by a request to the Town.

3. Public Safety Officers & Firefighters Defined Benefit Plan

Plan Description:

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

The Plan covers all the Town's full-time public safety officers. Membership in the plan at September 30, 2021 is as follows:

15 active employees
15 service retirees
3 DROP retirees
1 disability retiree
<u>5</u> terminated vested employees
<u>39</u> total participants

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

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

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

Types of benefits offered:	Retirement, termination, disability and death benefits.
Basic pension formula:	2.75% (2.0% if hired after September 30, 2012) of Average Final Compensation (AFC) times Credited Service, limited to 100% of AFC.
Normal retirement age:	Age 50 with at least seven years of credited service.
Disability pension:	Larger of basic pension formula or 42% of average earnings (for service-connected disabilities). Larger of basic pension formula or 25% of average earnings (for non-service-connected disabilities if the participant has earned at least 10 years of service). Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other Town-provided disability compensation from exceeding average earnings.
Pre-retirement death benefit:	Accrued benefit payable at Normal Retirement. The benefit payable as a 10 Year Certain and Life for the Beneficiary (payable to the beneficiary of a vested participant). Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant).
Vesting requirement:	20% vesting for each year of service in excess of two years of service; 100% vesting at seven years of service.
Average earnings:	Average compensation for the best five (5) out of the last ten (10) years of Credited Service.
Cost-of-living adjustment:	No automatic cost-of-living adjustment is provided.
Deferred Retirement Option Plan:	Eligible upon satisfaction of Normal Retirement requirements. May participate up to 60 months, but not beyond 30 years of total service with the Town. The balance will earn at the actual net returns realized by the Plan as a whole.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

Funding Policy:

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

The Town's annual required contribution rate for the year ended September 30, 2021 was 12.72% of covered payroll. The Town contributed \$198,012 for the year ended September 30, 2021. Administrative costs are financed through investment earnings.

Net Pension Liability (Asset):

The components of the net pension liability (asset) at September 30, 2021 were as follows:

<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>	<u>Funded Percentage</u>
\$17,163,725	\$(19,682,173)	\$ (2,518,448)	114.67%

The changes in the net pension liability (asset) for the year ended September 30, 2021 were as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance as of September 30, 2020	\$17,471,996	\$(18,419,808)	\$ (947,812)
Change due to:			
Service cost	276,172	-	276,172
Interest	1,129,544	-	1,129,544
Share plan allocation	196,895	-	196,895
Differences between expected and actual experience	117,478	-	117,478
Changes in benefit terms	-	-	-
Assumption changes	-	-	-
Employer contributions	-	(196,311)	(196,311)
State contributions	-	(196,895)	(196,895)
Employee contributions	-	(89,204)	(89,204)
Net investment income	-	(2,877,930)	(2,877,930)
Benefit payments & refunds	(2,028,360)	2,028,360	-
Administrative expenses	-	69,615	69,615
Balance as of September 30, 2021	<u>\$17,163,725</u>	<u>\$(19,682,173)</u>	<u>\$ (2,518,448)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

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

Employer's reporting date: September 30, 2021
Measurement date: September 30, 2021
Actuarial valuation date: October 1, 2020

Actuarial assumptions:

Discount rate: 6.75% per annum; this rate was used to discount all future benefit payments.

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

Inflation: 2.00%

Salary increases: < 2 years – 15%
2-10 years – 6.0%
11+ years – 4.5%

Cost-of-living increases: None assumed

Mortality basis: *Healthy Active and Retiree Lives:* PubS.H-2010 (Below Median), set forward one year.

Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. *Male:* PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Disabled Lives: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

All rates are projected generationally with Mortality Improvement Scale MP-2018.

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

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

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

- Early Retirement: Removed with Ordinance No. 527.
- Termination Rate: 6.5% probability for less than 15 years' service and 0% thereafter.
- Other decrements: Disability ranging from 0.09% to 4.44% depending on age. In addition, 75% of disabilities (90% for Firefighters) are assumed to be service incurred.
- Future contributions: Contributions from the employer and employees are assumed to be made as legally required.

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2021 are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	60.00%	7.50%
Fixed income	25.00%	2.50%
Real estate	10.00%	4.50%
Alternative	5.00%	<u>5.87%</u>
Weighted arithmetic average	100.00%	6.75%

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

Sensitivity of Net Pension Liability (Asset) Using Alternative Discount Rates:

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

	Discount Rate Minus 1.00%	6.75% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	\$ 18,783,627	\$ 17,163,725	\$ 15,810,963
Less fiduciary net position	(19,682,173)	(19,682,173)	(19,682,173)
Net pension liability (asset)	<u>\$ (898,546)</u>	<u>\$ (2,518,448)</u>	<u>\$ (3,871,210)</u>

Deferred Outflow and Inflow of Resources

On September 30, 2021, the Town reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pension from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	\$ 197,931	\$ -
Changes of assumptions	-	521,404
Net difference between Projected and Actual Earnings on Pension Plan investments	-	1,082,589
Total	<u>\$ 197,931</u>	<u>\$ 1,603,993</u>

Changes to the deferred inflows and outflows for the year ended September 30, 2021 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2020		\$ 658,295	\$ 782,952
Change due to:			
Amortization payments		(577,842)	(868,077)
Investment gain/loss	5 years		1,689,118
Expected & actual experience	5 years	117,478	
Assumption changes	5 years		-
Total change		<u>(460,364)</u>	<u>821,041</u>
Balance as of September 30, 2021		<u>\$ 197,931</u>	<u>\$ 1,603,993</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

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

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

Net pension liability (asset) as of September 30, 2020	\$ (947,812)
Plus pension expense for the 2020/21 fiscal year	103,975
Minus employer/state contribution for the 2020/21 fiscal year	(393,206)
Plus change in balance of deferred outflows of resources	(460,364)
Minus change in balance of deferred inflows of resources	<u>(821,041)</u>
Net pension liability (asset) as of September 30, 2021	<u><u>\$ (2,518,448)</u></u>

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

Year ended September 30,	Pension Expense
2022	\$ (458,684)
2023	(411,490)
2024	(198,064)
2025	<u>(337,824)</u>
	<u><u>\$ (1,406,062)</u></u>

Additional Information:

With the implementation of GASB Statement 68 in fiscal year 2015, pension accounting is no longer tied to the funding process. As stated by the GASB, "after reexamining the prior standards for pensions, the GASB concluded that approaches to funding are not necessarily the best approach to accounting for and reporting pension benefits." However, the Town believes that this amount is still important for the readers of the financial statements to know. The Town uses an actuarially determined unfunded liability to calculate its funding each year. The latest balance is an asset of \$2,049,563 as of September 30, 2021. Further information regarding the unfunded actuarial accrued liability and its calculations can be found in the latest actuarial valuation which can be obtained by a request to the Town.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

4. Public Safety Officer Share Plan

Plan Description:

The Town's Public Safety Officer Share Plan was adopted to implement the provisions of Chapters 175 and 185, Florida Statutes, and to provide a mechanism to pay required "extra benefits" to the public safety officers based on the growth of insurance premium tax revenue pursuant to Chapters 175 and 185. The monies are to be an additional benefit to the public safety officers that are participants of the Town's defined benefit plan mentioned above; 21 employees at September 30, 2021. In accordance with provisions of Florida Statute 175 and 185, each participant is entitled to one share for each year of credited service as a public safety officer of the Town, measured from October 1, 2006.

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

At September 30, 2021, the balance of this plan was \$2,204,291.

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, 2021 totaled \$195,339.

5. Deferred Retirement Option Plan

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

At September 30, 2021, there were three participants in DROP with a deferred balance of \$356,566.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - PENSION PLANS (continued)

6. Partial Lump-Sum Option Payment

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

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

During year ended September 30, 2021, there were no elections of the PLOP.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

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

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

Additionally, pursuant to a policy adopted by the Town Council on September 26, 2002, eligible retirees receive insurance coverage at explicitly subsidized premium rates - rates that are lower than full blended rates charged by the insurance vendors. The amount of subsidy depends on years of 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 the retiree discontinues coverage under the Town sponsored plans, if earlier). Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. In 2014, the Town Council approved eliminating the explicit subsidy to all employees hired after February 2014.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

On January 24, 2020, the Town Council elected to allow a former Town Manager to continue his insurance at the current active employee rates until the age of 65 or upon new employment, at which time he would have six months to decide whether or not to stay on the Town’s health insurance or subscribe to the new employer’s plan. The current active employee subsidization is 100% for all employee insurances, 64% of dependent health insurance and 25% of dependent vision & dental. After the age of 65, this retiree will receive a subsidy as previously described.

As of September 30, 2021, the Town provides benefits for 34 active and 18 eligible inactive employees. Total premiums per month at September 30, 2021 ranged as follows:

Type	Single	With Spouse
Health	\$672	\$1,599
Dental	\$30	\$62
Vision	\$6	\$9
Life	\$3 - \$23	N/A

Funding Policy:

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

Contributions for the Plan are established on an annual basis. Eligible retirees and their covered dependents who are receiving benefits contribute 100% of their premium costs for medical insurance, except as noted above. The ability of retirees to obtain health and life insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees or an “implicit” subsidy. This implicit subsidy is considered to be an other post-employment benefit (OPEB) obligation of the Town.

The OPEB liability is currently funded with a combination of annual contributions to a professionally managed fund and Town premium payments on a pay-as-you-go basis. In 2021, the Town did not contribute to the OPEB trust fund run by the FMPTF and administered by the Florida League of Cities, and the Town was reimbursed \$30,024 from the plan for retiree premiums paid from its General Fund. Therefore, there was no contribution for the year.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

The Alternative Measurement Method involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that the determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

The components of the net OPEB liability (asset) at September 30, 2021 were as follows:

<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>	<u>Funded Percentage</u>
\$ 1,432,591	\$ (2,580,726)	\$ (1,148,135)	180.14%

The change in the net OPEB liability (asset) for the year ended September 30, 2021 were as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balance as of September 30, 2020	\$ 1,442,047	\$ (2,144,514)	\$ (702,467)
Change due to:			
Service cost	63,682	-	63,682
Expected interest growth	82,135	(119,809)	(37,674)
Unexpected investment loss	-	(349,352)	(349,352)
Assumption/demographic changes	(125,249)	-	(125,249)
Employer contributions	-	-	-
Benefit payments & refunds	(30,024)	30,024	-
Administrative expenses	-	2,925	2,925
Balance as of September 30, 2021	<u>\$ 1,432,591</u>	<u>\$ (2,580,726)</u>	<u>\$ (1,148,135)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Employer's reporting date:	September 30, 2021
Measurement date:	September 30, 2021
Valuation date:	October 1, 2020
Actuarial assumptions:	
Discount rate:	5.63% per annum
Asset method:	Fair Market Value, net of investment related expense
Inflation:	2.15%
Salary increases:	5.75%
Cost-of-living increases:	None assumed
Mortality basis:	Sex-distinct rates set forth in the RP-2014 Mortality Table for annuitants for small plans, with adjustments for mortality improvements based on Scale MP, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430.
Marital status:	Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.
Benefit payment dates:	Under the benefit terms, benefit payments begin when an active employee retires. The retirement rate is based upon pension plan retirement qualification, or if the employee has already qualified, one year later than the actuarial date. It is assumed that the retiree or spouse will leave the healthcare plan and accept Medicare at 65. In the case where the spouse is younger it is assumed that 5% of retirees will remain on until the spouse turns 65.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

Turnover: The probability that an active employee will remain employed until the assumed age at which employment-related eligibility criteria will be met was determined using gender-specific age-based turnover rates derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Healthcare cost trend rate: The expected rates of increase in healthcare costs are based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, in National Health Care Expenditures Projections: 2012–2028 (www.cms.hhs.gov). Healthcare costs are expected to increase as follows:

2022	4.30%
2023	4.40%
2024	4.30%
2025	5.00%
2026	4.90%
Ultimate	4.90%

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

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

Changes: There have been no changes since the prior measurement date of October 1, 2020.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	60.00%	3.99%
Fixed Income	30.00%	1.83%
Real Estate	10.00%	<u>3.18%</u>
Weighted arithmetic average	100.00%	3.48%
Inflation factor		<u>2.15%</u>
Long-term expected rate of return		5.63%

The projection of cash flows used to determine the discount rate assumes that Town contributions will be made at actuarially determined rates. Based on those assumptions, the OPEB net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

Sensitivity of Net OPEB Liability (Asset) Using Alternative Rates:

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

	Discount Rate Minus 1.00%	5.63% Discount Rate	Discount Rate Plus 1.00%
Total OPEB liability	\$ 1,552,350	\$ 1,432,591	\$ 1,327,768
Less fiduciary net position	(2,580,726)	(2,580,726)	(2,580,726)
Net OPEB liability (asset)	<u>\$ (1,028,376)</u>	<u>\$ (1,148,135)</u>	<u>\$ (1,252,958)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

	Healthcare Cost Trend Rate Minus 1.00%	Healthcare Cost Trend Rate	Healthcare Cost Trend Rate Plus 1.00%
Total OPEB liability	\$ 1,335,304	\$ 1,432,591	\$ 1,543,410
Less fiduciary net position	(2,580,726)	(2,580,726)	(2,580,726)
Net OPEB liability (asset)	<u>\$ (1,245,422)</u>	<u>\$ (1,148,135)</u>	<u>\$ (1,037,316)</u>

Deferred Outflow and Inflow of Resources

On September 30, 2021, the Town reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumption/demographic	\$ -	\$ 656,628
Net difference between Projected and Actual Earnings on OPEB investments	6,108	310,196
Total	<u>\$ 6,108</u>	<u>\$ 966,824</u>

Changes to the deferred inflows and outflows for the year ended September 30, 2021 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2020		\$ 9,161	\$ 667,277
Change due to:			
Amortization payments		(3,053)	(175,054)
Investment gain/loss	5 years	-	349,352
Assumption/demographic changes	12 years	-	125,249
Total change		<u>(3,053)</u>	<u>299,547</u>
Balance as of September 30, 2021		<u>\$ 6,108</u>	<u>\$ 966,824</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Net OPEB liability (asset) as of September 30, 2020	\$ (702,467)
Plus OPEB expense for the 2020/21 fiscal year	(143,068)
Minus employer contribution for the 2020/21 fiscal year	-
Plus change in balance of deferred outflows of resources	(3,053)
Minus change in balance of deferred inflows of resources	<u>(299,547)</u>
Net OPEB liability (asset) as of September 30, 2021	<u>\$ (1,148,135)</u>

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

Year ended September 30,	OPEB Expense
2022	\$ (164,760)
2023	(153,801)
2024	(156,855)
2025	(150,270)
2026	(80,400)
Thereafter	<u>(254,630)</u>
	<u>\$ (960,716)</u>

NOTE J - ICMA DEFERRED COMPENSATION PLAN

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

In fiscal year 2015, the Town Council passed a resolution acknowledging the Public Safety Director, upon hire, as a participant in the ICMA deferred compensation plan, in lieu of participation in either the Town's defined benefit or defined contribution plan choices. The amount contributed (11% of base compensation) on behalf of the Public Safety Director was \$14,206 for the year ended September 30, 2021.

In fiscal year 2020, the Town Council passed a resolution acknowledging the former Town Manager, upon hire, as a participant in the ICMA deferred compensation plan, in lieu of participation in either the Town's defined benefit or defined contribution plan choices. The amount contributed (11% of base compensation) on behalf of the former Town Manager was \$11,133 for the year ended September 30, 2021.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE J - ICMA DEFERRED COMPENSATION PLAN (continued)

In fiscal year 2021, the Town Council passed a resolution acknowledging the Town Manager, upon hire, as a participant in the ICMA deferred compensation plan, in lieu of participation in either the Town's defined benefit or defined contribution plan choices. The amount contributed (11% of base compensation) on behalf of the Town Manager was \$6,748 for the year ended September 30, 2021.

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 K - COMMITMENTS AND CONTINGENCIES

1. Litigation

City of Vero Beach Water Utility

During the year ended September 30, 2021, the Town began proceedings to file a lawsuit against the City of Vero Beach regarding the reuse rates charged by its Water Utility and in relation to the territorial agreement between the City and Indian River County. As of the date of this audit report, no rulings have been made in either issue. For the year ended September 30, 2021, the attorney and consulting fees related to these matters totaled \$75,857.

Other matters

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, except as described above, 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.

2. Construction commitments

As of September 30, 2021, major outstanding construction commitments were as follows:

	Committed	Spent	Remaining
Town Hall Renovation	\$ 739,365	\$ 686,300 *	\$ 53,065
	<u>\$ 739,365</u>	<u>\$ 686,300</u>	<u>\$ 53,065</u>

*Amount spent includes retainage payable at September 30, 2021.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

3. Grant awards

The Town participates in various federal and state grant programs, the principal of which are subject to program compliance audits. Accordingly, the Town's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, will be immaterial.

NOTE L - 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 \$225,131. There have been no significant reductions in insurance coverages during fiscal year 2021. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

NOTE M - SUBSEQUENT EVENT

1. Evaluating subsequent events

The Town has evaluated subsequent events through June 15, 2022, the date which the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Indian River Shores, Florida

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

Year ended September 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 4,431,746	\$ 4,457,746	\$ 4,485,329	\$ 27,583
State shared revenues	71,255	82,255	82,699	444
Discretionary sales surtax	545,099	700,000	696,880	(3,120)
Communication services tax	274,903	287,903	288,358	455
Intergovernmental	276,308	377,308	379,860	2,552
Federal grant revenue	1,000	26,800	27,299	499
Licenses and permits	6,000	10,000	10,500	500
Fines and forfeitures	7,600	11,600	11,508	(92)
Other taxes	12,000	8,000	7,345	(655)
Post office fees	199,300	191,300	191,099	(201)
Ambulance service fees	120,000	120,000	121,955	1,955
Celltower fees and rents	6,553	6,553	6,553	-
Other fees and rents	35,265	43,265	33,059	(10,206)
Interest income	30,000	21,000	20,648	(352)
Miscellaneous revenue	7,341	13,341	8,647	(4,694)
Total revenues	6,024,370	6,357,071	6,371,739	14,668
EXPENDITURES				
Current				
General government	1,528,006	1,701,576	1,649,655	51,921
Public safety	4,192,518	3,963,618	3,848,941	114,677
Physical environment	6,761	6,761	7,139	(378)
Culture and recreation	13,166	13,166	12,759	407
Capital outlay	1,049,354	827,944	638,755	189,189
Total expenditures	6,789,805	6,513,065	6,157,249	355,816
Excess (deficiency) of revenues over (under) expenditures	(765,435)	(155,994)	214,490	370,484
Other financing sources (uses)				
Proceeds from sale of surplus	23,000	23,000	29,671	6,671
Insurance recoveries	-	-	21,367	21,367
Total other financing sources	23,000	23,000	51,038	28,038
Net change in fund balances	(742,435)	(132,994)	265,528	398,522
Fund balances, beginning of year	5,970,432	5,970,432	5,970,432	-
Fund balances, end of year	\$ 5,227,997	\$ 5,837,438	\$ 6,235,960	\$ 398,522

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

Year ended September 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Licenses and permits	\$ 255,000	\$ 465,000	\$ 429,595	\$ (35,405)
Fines and forfeitures	3,014	3,014	17,417	14,403
Other fees and rents	1,500	1,500	648	(852)
Interest income	3,417	3,417	2,763	(654)
Miscellaneous revenue	3,200	3,200	10,609	7,409
Total revenues	<u>266,131</u>	<u>476,131</u>	<u>461,032</u>	<u>(15,099)</u>
EXPENDITURES				
Current				
General government	36,867	46,867	45,972	895
Public safety	631,797	634,297	606,956	27,341
Capital outlay	<u>202,000</u>	<u>380,614</u>	<u>373,741</u>	<u>6,873</u>
Total expenditures	<u>870,664</u>	<u>1,061,778</u>	<u>1,026,669</u>	<u>35,109</u>
Net change in fund balances	(604,533)	(585,647)	(565,637)	20,010
Fund balances, beginning of year	<u>1,225,248</u>	<u>1,225,248</u>	<u>1,225,248</u>	-
Fund balances, end of year	<u><u>\$ 620,715</u></u>	<u><u>\$ 639,601</u></u>	<u><u>\$ 659,611</u></u>	<u><u>\$ 20,010</u></u>

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY								
Service cost	\$ 33,566	\$ 29,630	\$ 68,894	\$ 68,840	\$ 70,056	\$ 63,621	\$ 46,763	\$ 46,940
Expected interest growth	82,635	83,913	80,066	73,286	64,651	48,718	62,578	50,578
Demographic experience	19,207	(65,439)	12,143	(3,419)	10,699	(276)	(12,452)	-
Changes of assumptions	(3,797)	-	-	-	19,293	142,282	(68,948)	-
Benefit payments, including refunds on member contributions	(69,106)	(69,106)	(60,476)	(48,395)	(48,395)	(48,395)	(47,674)	(47,742)
Net change in total pension liability	62,505	(21,002)	100,627	90,312	116,304	205,950	(19,733)	49,776
Total pension liability - beginning	1,101,522	1,122,524	1,021,897	931,585	815,281	609,331	629,064	579,288
Total pension liability - ending (a)	1,164,027	1,101,522	1,122,524	1,021,897	931,585	815,281	609,331	629,064
PLAN FIDUCIARY NET POSITION								
Contributions - employer	62,921	63,224	72,813	100,841	111,558	108,876	97,010	103,810
Contributions - member	13,702	13,218	18,326	24,092	23,447	23,640	22,115	21,529
Net investment income	277,941	82,468	61,278	86,348	120,559	54,062	(580)	42,265
Benefit payments, including refunds on member contributions	(69,106)	(69,106)	(60,476)	(48,395)	(48,395)	(48,395)	(48,395)	(48,395)
Administrative expenses	(6,636)	(6,108)	(6,292)	(5,824)	(5,471)	(5,730)	(5,521)	(15,548)
Net change in plan fiduciary net position	278,822	83,696	85,649	157,062	201,698	132,453	64,629	103,661
Plan fiduciary net position - beginning	1,251,548	1,167,852	1,082,203	925,141	723,443	590,990	526,361	422,700
Plan fiduciary net position - ending (b)	1,530,370	1,251,548	1,167,852	1,082,203	925,141	723,443	590,990	526,361
Net pension liability (asset) - ending (a) - (b)	\$ (366,343)	\$ (150,026)	\$ (45,328)	\$ (60,306)	\$ 6,444	\$ 91,838	\$ 18,341	\$ 102,703
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	131.47%	113.62%	104.04%	105.90%	99.31%	88.74%	96.99%	83.67%
Covered Payroll	\$ 154,205	\$ 137,478	\$ 281,080	\$ 273,554	\$ 275,802	\$ 258,006	\$ 251,169	\$ 221,719
Net Pension Liability (Asset) as a Percentage of the Covered Payroll	-237.57%	-109.13%	-16.13%	-22.05%	2.34%	35.60%	7.30%	46.32%

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

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

Year ended September 30,	Actuarially Determined Contributions (a)	Contribution in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency (a - b)	Covered Payroll (c)	Contribution in Percentage of Covered Payroll (b / c)
2021 ⁽¹⁾	\$ 62,921	\$ 62,921	\$ -	\$ 154,205	40.80%
2020	\$ 63,224	\$ 63,224	\$ -	\$ 137,478	45.99%
2019 ⁽²⁾	\$ 72,813	\$ 72,813	\$ -	\$ 281,080	25.90%
2018	\$ 100,841	\$ 100,841	\$ -	\$ 273,554	36.86%
2017 ⁽³⁾	\$ 111,558	\$ 111,558	\$ -	\$ 275,802	40.45%
2016	\$ 108,876	\$ 108,876	\$ -	\$ 258,006	42.20%
2015	\$ 97,010	\$ 97,010	\$ -	\$ 251,169	38.62%
2014 ⁽⁴⁾ ⁽⁵⁾	\$ 103,810	\$ 103,810	\$ -	\$ 221,719	46.82%
2013 ⁽⁶⁾	\$ 76,706	\$ 76,706	\$ -	\$ 92,719	82.73%
2012 ⁽⁷⁾ ⁽⁸⁾	\$ 47,940	\$ 47,940	\$ -	\$ 87,214	54.97%

See the notes to the Required Supplementary Information for significant assumptions used to compute the annual required contribution requirement for the year ended September 30, 2021.

- (1) Effective October 1, 2020, the mortality basis was changed from the RP-2000 Combined Mortality Table with generational improvements in mortality using Scale BB to selected PUB-2010 Mortality Tables with generational improvements in mortality using Scale MP-2018.
- (2) Effective October 1, 2018, the administrative expense assumption was increased from \$3,500 per year to \$6,000 per year.
- (3) Effective October 1, 2016, the mortality basis was changed from a 2015 projection of the RP-2000 Mortality Table for annuitants to a full generational projection using Scale BB of the RP-2000 Combined Mortality Table.
- (4) 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.
- (5) Effective October 1, 2013, the mortality basis was changed from the RP-2000 Mortality Table for annuitants, projected to 2007 by Scale AA, to the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA and set back two years. Additionally, the actuarial value of assets was changed from the market value adjusted to reflect a five-year phase-in of the net investments gains and losses to the unadjusted market value. Finally, the amortization period was shortened by one year.
- (6) Effective October 1, 2012, 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.
- (7) 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.
- (8) Effective October 1, 2011, the interest (or discount) rate was decreased from 7.75% per annum to 6.90% per annum.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
TOTAL PENSION LIABILITY								
Service cost	\$ 276,172	\$ 312,483	\$ 349,024	\$ 318,686	\$ 294,947	\$ 307,087	\$ 297,756	\$ 250,814
Expected interest growth	1,129,544	1,140,190	1,044,234	991,376	949,453	871,471	751,759	743,119
Share plan allocation	196,895	180,714	169,972	166,591	131,990	257,370	173,797	180,816
Changes in benefit terms		-	54	-	-	183,569	-	-
Differences between expected and actual experience	117,478	27,322	154,152	172,493	69,622	(5,073)	1,183,190	-
Changes of assumptions		(408,460)	(792,936)	-	-	473,212	-	317,720
Benefit payments, including refunds on member contributions	(2,028,360)	(718,944)	(688,949)	(978,674)	(619,281)	(669,162)	(698,859)	(553,418)
Net change in total pension liability	(308,271)	533,305	235,551	670,472	826,731	1,418,474	1,707,643	939,051
Total pension liability - beginning	17,471,996	16,938,691	16,703,140	16,032,668	15,205,937	13,787,463	12,079,820	11,140,769
Total pension liability - ending (a)	17,163,725	17,471,996	16,938,691	16,703,140	16,032,668	15,205,937	13,787,463	12,079,820
PLAN FIDUCIARY NET POSITION								
Contributions - employer	196,311	232,887	428,713	549,220	1,086,822	930,552	605,302	730,088
Contributions - state	196,895	180,714	169,972	166,591	131,990	257,370	173,797	180,816
Contributions - member	89,204	105,901	146,041	136,020	131,883	145,727	147,518	106,952
Net investment income	2,877,930	656,644	1,016,227	1,391,186	1,345,839	1,462,352	(330,943)	1,233,577
Benefit payments, including refunds on member contributions	(2,028,360)	(718,944)	(688,949)	(978,674)	(619,281)	(669,162)	(698,859)	(553,418)
Administrative expenses	(69,615)	(84,439)	(51,802)	(48,927)	(63,162)	(75,157)	(67,620)	(62,214)
Net change in plan fiduciary net position	1,262,365	372,763	1,020,202	1,215,416	2,014,091	2,051,682	(170,805)	1,635,801
Plan fiduciary net position - beginning	18,419,808	18,047,045	17,026,843	15,811,427	13,797,336	11,745,654	11,916,459	10,280,658
Plan fiduciary net position - ending (b)	19,682,173	18,419,808	18,047,045	17,026,843	15,811,427	13,797,336	11,745,654	11,916,459
Net pension liability (asset) - ending (a) - (b)	\$ (2,518,448)	\$ (947,812)	\$ (1,108,354)	\$ (323,703)	\$ 221,241	\$ 1,408,601	\$ 2,041,809	\$ 163,361
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	114.67%	105.42%	106.54%	101.94%	98.62%	90.74%	85.19%	98.65%
Covered Payroll	\$ 1,543,327	\$ 1,615,029	\$ 1,622,682	\$ 1,511,338	\$ 1,387,302	\$ 1,607,448	\$ 1,434,366	\$ 1,153,014
Net Pension Liability (Asset) as a Percentage of the Covered Payroll	-163.18%	-58.69%	-68.30%	-21.42%	15.95%	87.63%	142.35%	14.17%

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

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

Year ended September 30,	Actuarially Determined Contributions (a)	Contribution in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency (a - b)	Covered Payroll (c)	Contribution in Percentage of Covered Payroll (b / c)
2021	\$ 196,311	\$ 196,311	\$ -	\$ 1,543,327	12.72%
2020 (1)	\$ 232,887	\$ 232,887	\$ -	\$ 1,615,029	14.42%
2019 (2) (3)	\$ 428,713	\$ 428,713	\$ -	\$ 1,622,682	26.42%
2018	\$ 549,220	\$ 549,220	\$ -	\$ 1,511,338	36.34%
2017	\$ 806,439	\$ 1,086,822	\$ (280,383)	\$ 1,387,302	78.34%
2016 (4)	\$ 930,552	\$ 930,552	\$ -	\$ 1,607,448	57.89%
2015 (5) (6)	\$ 605,302	\$ 605,302	\$ -	\$ 1,434,366	42.20%
2014 (7)	\$ 700,688	\$ 730,088	\$ (29,400)	\$ 1,153,015	63.32%
2013	\$ 615,449	\$ 865,449	\$ (250,000)	\$ 1,154,255	74.98%
2012 (8) (9)	\$ 1,064,161	\$ 1,064,160	\$ 1	\$ 1,720,628	61.85%

See the notes to the Required Supplementary Information for significant assumptions uses to compute the annual required contribution requirement for the year ended September 30, 2021.

(1) As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

Additionally, the following assumption changes were made as a result of an experience study dated July 24, 2020:

(a) The salary increase assumption was changed from a flat 5.25% to be 15% for those with less than 2 years of service, 6.0% for those with 2-10 years of service, and 4.5% for those with 11 or more years of service.

(b) The termination rate assumption was changed, resulting in generally more withdrawals than previously assumed.

(2) Amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that, effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

(3) Increased the investment rate of return from 6.25% to 6.75% per year, compounded annually, net of investment related expenses

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

(a) A reduction in the Member Contribution rate for members hired after October 1, 2012.

(b) A reduction in the age for Normal Retirement eligibility and removal of the early retirement option.

(c) A DROP retirement option upon eligibility for Normal Retirement and addition of a partial lump sum option available to members not participating in the DROP. Ordinance No. 532, provided a 90 day window for retroactive DROP participation, back to the first eligibility for Normal Retirement, but not prior to October 1, 2015.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

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

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

SCHEDULE OF CHANGES IN NET OTHER POST EMPLOYMENT BENEFITS LIABILITY
OTHER POST-EMPLOYMENT BENEFITS DEFINED BENEFIT PLAN

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
TOTAL OPEB LIABILITY					
Service cost	\$ 63,682	\$ 67,404	\$ 82,872	\$ 83,758	\$ 99,983
Expected interest growth	82,135	80,907	89,700	89,639	96,165
Changes of assumptions & demographics	(125,249)	(99,327)	(298,858)	(156,427)	(247,671)
Benefit payments, including refunds on member contributions	(30,024)	(20,604)	(23,709)	(9,219)	(12,669)
Net change in total pension liability	(9,456)	28,380	(149,995)	7,751	(64,192)
Total OPEB liability - beginning	1,442,047	1,413,667	1,563,662	1,555,911	1,620,103
Total OPEB liability - ending (a)	1,432,591	1,442,047	1,413,667	1,563,662	1,555,911
PLAN FIDUCIARY NET POSITION					
Contributions - employer	-	20,604	23,709	9,219	1,264,623
Net investment income	469,161	145,538	92,284	153,761	96,222
Benefit payments, including refunds on member contributions	(30,024)	(20,604)	(23,709)	(9,219)	(12,669)
Administrative expenses	(2,925)	(2,471)	(2,383)	(1,876)	(1,349)
Net change in plan fiduciary net position	436,212	143,067	89,901	151,885	1,346,827
Plan fiduciary net position - beginning	2,144,514	2,001,447	1,911,546	1,759,661	412,834
Plan fiduciary net position - ending (b)	2,580,726	2,144,514	2,001,447	1,911,546	1,759,661
Net OPEB liability (asset) - ending (a) - (b)	\$ (1,148,135)	\$ (702,467)	\$ (587,780)	\$ (347,884)	\$ (203,750)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	180.14%	148.71%	141.58%	122.25%	113.10%
Covered Payroll	\$ 3,064,593	\$ 3,107,677	\$ 2,796,717	\$ 2,551,216	\$ 2,403,928
Net OPEB Liability (Asset) as a Percentage of the Covered Payroll	-37.46%	-22.60%	-21.02%	-13.64%	-8.48%

NOTE: Five years of data is available for GASB 74/75.

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

Year ended September 30,	Actuarially Determined Contributions (a)	Contribution in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency (Surplus) (a - b)	Covered Payroll (c)	Contribution in Percentage of Covered Payroll (b / c)
2021 (1)	\$ 4,416	\$ -	\$ 4,416	\$ 3,064,593	0.00%
2020 (2)	\$ 17,244	\$ 20,604	\$ (3,360)	\$ 3,107,677	0.66%
2019 (3)	\$ 55,270	\$ 23,709	\$ 31,561	\$ 2,796,717	0.85%
2018 (4)	\$ 69,856	\$ 9,219	\$ 60,637	\$ 2,551,216	0.36%
2017 (5)	\$ 209,699	\$ 1,264,623	\$ (1,054,924)	\$ 2,403,928	52.61%
2016 (6)	\$ 206,439	\$ 199,771	\$ 6,668	\$ 2,280,023	8.76%
2015 (7)	\$ 253,412	\$ 214,544	\$ 38,868	\$ 2,151,096	9.97%
2014 (8)	\$ 206,359	\$ 37,810	\$ 168,549	\$ 1,741,323	2.17%
2013 (9)	\$ 207,729	\$ 189,383	\$ 18,346	\$ 1,741,206	10.88%
2012	\$ 232,334	\$ 39,392	\$ 192,942	\$ 2,119,284	1.86%

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

See the notes to the Required Supplementary Information for significant assumptions uses to compute the annual required contribution requirement for the year ended September 30, 2021.

(1) Health cost trend assumptions changed from 3.0% - 5.00% to 4.30% - 5.00%.

(2) Health cost trend assumptions changed from 4.8% - 5.50% to 3.50% - 5.00%.

(3) The discount rate was decreased from 5.78% to 5.63%. Health cost trend assumptions changed from 4.0% - 5.20% to 4.80% - 5.50%.

(4) The discount rate was increased from 4.12% to 5.78% to comply with GASB 74/75. Health cost trend assumptions changed from 4.40% - 5.50% to 4.00% - 5.20%.

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

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

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

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

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

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

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

GENERAL EMPLOYEES DEFINED BENEFIT PLAN

Valuation Date	Annual Money - Weighted Rate of Return, Net of Investment Expense
September 30, 2021	22.20%
September 30, 2020	7.06%
September 30, 2019	5.60%
September 30, 2018	8.99%
September 30, 2017	13.96%
September 30, 2016	8.58%
September 30, 2015	-0.10%
September 30, 2014	9.32%

PUBLIC SAFETY OFFICERS & FIREFIGHTERS DEFINED BENEFIT PLAN

Valuation Date	Annual Money - Weighted Rate of Return, Net of Investment Expense
September 30, 2021	16.41%
September 30, 2020	3.68%
September 30, 2019	5.99%
September 30, 2018	8.84%
September 30, 2017	9.46%
September 30, 2016	12.18%
September 30, 2015	-2.76%
September 30, 2014	11.71%

OTHER POST-EMPLOYEMENT BENEFITS DEFINED BENEFIT PLAN

Valuation Date	Annual Money - Weighted Rate of Return, Net of Investment Expense
September 30, 2021	19.90%
September 30, 2020	6.82%
September 30, 2019	4.94%
September 30, 2018	8.38%
September 30, 2017	13.70%

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

See accompanying note to required supplementary information.

Town of Indian River Shores, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Budgets and budgetary accounting

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

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

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

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

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

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

Town of Indian River Shores, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2020

NOTE B - SIGNIFICANT METHODS AND ASSUMPTIONS

1. General Employees Defined Benefit Plan

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

Valuation Date	October 1, 2020
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Remaining Amortization Period	5 years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment rate of return	5.9% compounded annually
Projected salary increases	5.00% per year

2. Public Safety Officers & Firefighters Defined Benefit Plan

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

Valuation Date	October 1, 2020
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Amortization Period	10 years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment rate of return	6.75% compounded annually
Projected salary increases	< 2 years: 15%; 2-10 years: 6%; 11+ years: 4.5%

3. Other Post-Employment Benefits Defined Benefit Plan

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

Valuation Date	October 1, 2020
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage, closed
Amortization Period	10 years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment rate of return	5.63% compounded annually
Projected salary increases	5.75% per year

SUPPLEMENTAL COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

GENERAL FUND

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

Town of Indian River Shores, Florida

**GENERAL FUND
COMPARATIVE BALANCE SHEETS**

September 30,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,400,400	\$ 2,321,201
Investments	4,083,964	4,077,614
Accounts receivable, net	19,296	22,881
Due from other governments	229,596	221,701
Due from pension fund	30,024	-
Inventory	36,839	27,906
Prepaid expenses	104,693	103,300
Total assets	\$ 7,904,812	\$ 6,774,603
LIABILITIES		
Accounts payable	\$ 275,369	\$ 207,250
Retainage payable	13,687	-
Accrued liabilities	80,814	235,233
Deposits	3,820	3,820
Unearned rent	345,842	352,395
Unearned grant revenue	942,565	-
Other unearned revenue	6,755	5,473
Total liabilities	1,668,852	804,171
FUND BALANCE		
Nonspendable:		
Prepays	104,693	103,300
Inventory	36,839	27,906
Restricted:		
Capital outlay	80,172	-
Committed:		
Cemetery maintenance	45,551	52,511
Assigned:		
Celltower removal	101,495	101,131
Infrastructure replacement	235,641	-
Projected budget deficit	325,214	531,919
Unassigned:		
Emergency funds	2,118,319	2,110,720
Unassigned	3,188,036	3,042,945
Total fund balances	6,235,960	5,970,432
Total liabilities and fund balances	\$ 7,904,812	\$ 6,774,603

-

Town of Indian River Shores, Florida

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

Years ended September 30,

	2021	2020
REVENUES		
Property taxes	\$ 4,485,329	\$ 4,314,204
State shared revenues	82,699	69,863
Discretionary sales surtax	696,880	597,909
Communication services tax	288,358	289,044
Intergovernmental	379,860	342,833
Federal grant revenue	27,299	40,833
State grant revenue	-	2,714
Licenses and permits	10,500	8,375
Fines and forfeitures	11,508	2,344
Other taxes	7,345	9,496
Post office fees	191,099	174,936
Ambulance service fees	121,955	139,107
Celltower fees and rents	6,553	6,553
Other fees and rents	33,059	38,279
Interest income	20,648	91,392
Miscellaneous revenue	8,647	32,239
Total revenues	6,371,739	6,160,121
EXPENDITURES		
Current		
General government	1,649,655	1,584,215
Public safety	3,848,941	3,951,232
Physical environment	7,139	69,061
Culture and recreation	12,759	17,581
Capital outlay	638,755	842,865
Total expenditures	6,157,249	6,464,954
Excess (deficiency) of revenues over (under) expenditures	214,490	(304,833)
Other financing sources (uses)		
Proceeds from sale of surplus	29,671	11,627
Insurance recoveries	21,367	4,415
Total other financing sources	51,038	16,042
Net change in fund balances	265,528	(288,791)
Fund balances, beginning of year	5,970,432	6,259,223
Fund balances, end of year	\$ 6,235,960	\$ 5,970,432

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,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 736,256	\$ 1,223,956
Other current assets	2,500	2,500
Total assets	\$ 738,756	\$ 1,226,456
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -	\$ -
Due to other governments	78,858	-
Deposits	287	1,208
Total liabilities	79,145	1,208
Fund balances:		
Restricted:		
Building code enforcement	659,611	1,225,248
Total fund balances	659,611	1,225,248
Total liabilities and fund balances	\$ 738,756	\$ 1,226,456

Town of Indian River Shores, Florida

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

September 30,

	2021	2020
REVENUES		
Licenses and permits	\$ 429,595	\$ 281,151
Fines and forfeitures	17,417	9,999
Other fees and rents	648	651
Interest income	2,763	22,481
Miscellaneous revenue	10,609	6,486
Total revenues	461,032	320,768
EXPENDITURES		
Current		
General government	45,972	31,588
Public safety	606,956	518,267
Capital outlay	373,741	64,565
Total expenditures	1,026,669	614,420
Net change in fund balances	(565,637)	(293,652)
Fund balances, beginning of year	1,225,248	1,518,900
Fund balances, end of year	\$ 659,611	\$ 1,225,248

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.

Road and Offsite Drainage Fund – This 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.

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

Law Enforcement Forfeiture Fund – This fund to account for the receipt of revenues received by forfeiture under Florida Statutes 932.7055. Proceeds and interest earned therefrom in this fund shall be used for school resource officer, crime prevention, safe neighborhood, drug abuse education and prevention programs, or for other law enforcement purposes, which include defraying the cost of protracted or complex investigations, providing additional equipment or expertise, purchasing automated external defibrillators for use in law enforcement vehicles, and providing matching funds to obtain federal grants. The proceeds and interest may not be used to meet normal operating expenses of the law enforcement agency.

Town of Indian River Shores, Florida

NONMAJOR GOVERNMENTAL FUNDS
COMPARATIVE COMBINING BALANCE SHEETS

September 30,

	Road and Offsite Drainage Fund	Bike Path and Pedestrian Way Fund	Law Enforcement Forfeiture Fund	Totals	
				2021	2020
ASSETS					
Cash and cash equivalents	\$ 135,361	\$ 18,263	\$ 19	\$ 153,643	\$ 93,444
Due from other governments	13,310	-	-	13,310	11,952
Total assets	<u>\$ 148,671</u>	<u>\$ 18,263</u>	<u>\$ 19</u>	<u>\$ 166,953</u>	<u>\$ 105,396</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:					
Road construction and maintenance	148,671	-	-	148,671	88,507
Law enforcement	-	-	19	19	8,026
Committed:					
Bike path construction and maintenance	-	18,263	-	18,263	8,863
Total fund balances	<u>148,671</u>	<u>18,263</u>	<u>19</u>	<u>166,953</u>	<u>105,396</u>
Total liabilities and fund balances	<u>\$ 148,671</u>	<u>\$ 18,263</u>	<u>\$ 19</u>	<u>\$ 166,953</u>	<u>\$ 105,396</u>

Town of Indian River Shores, Florida

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

September 30,

	Road and Offsite Drainage Fund	Bike Path and Pedestrian Way Fund	Law Enforcement Forfeiture Fund	Totals	
				2021	2020
REVENUES					
State shared revenues	\$ 27,566	\$ -	\$ -	\$ 27,566	\$ 23,288
Intergovernmental	80,937	-	-	80,937	70,475
Federal grant revenue	137,025	-	-	137,025	-
State grant revenue	9,851	-	-	9,851	396,524
Impact fees	11,562	9,400	-	20,962	13,134
Interest income	236	-	8	244	158
	<u>267,177</u>	<u>9,400</u>	<u>8</u>	<u>276,585</u>	<u>503,579</u>
EXPENDITURES					
Current					
General government	28,974	-	-	28,974	26,479
Transportation	178,039	-	-	178,039	131,678
Capital outlay	-	-	8,015	8,015	25,383
	<u>207,013</u>	<u>-</u>	<u>8,015</u>	<u>215,028</u>	<u>183,540</u>
Net change in fund balances	60,164	9,400	(8,007)	61,557	320,039
Fund balances, beginning of year	<u>88,507</u>	<u>8,863</u>	<u>8,026</u>	<u>105,396</u>	<u>(214,643)</u>
Fund balances, end of year	<u>\$ 148,671</u>	<u>\$ 18,263</u>	<u>\$ 19</u>	<u>\$ 166,953</u>	<u>\$ 105,396</u>

FIDUCIARY FUNDS

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

Custodial Fund - This fund is used to account for monies collected as evidence.

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

CUSTODIAL FUNDS
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

September 30,

	<u>2021</u>	<u>2020</u> (As restated)
ASSETS		
Cash and cash equivalents	\$ -	\$ 149,900
Total assets	<u>\$ -</u>	<u>\$ 149,900</u>
NET POSITION		
Restricted for individuals, organizations, and other governments	\$ -	\$ 149,900
Total net position	<u>\$ -</u>	<u>\$ 149,900</u>

Town of Indian River Shores, Florida

**CUSTODIAL FUNDS
COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

Years ended September 30,

	<u>2021</u>	<u>2020 (Restated)</u>
ADDITIONS		
Total additions	\$ -	\$ -
DEDUCTIONS		
Release of police evidence	149,900	
Total deductions	149,900	-
Change in net position	(149,900)	-
Fiduciary net position at beginning of year	149,900	149,900
Fiduciary net position at end of year	<u>\$ -</u>	<u>\$ 149,900</u>

Town of Indian River Shores, Florida

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

September 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments in defined benefit plan - general employees	\$ 1,530,370	\$ 1,247,797
Cash and investments in defined benefit plan - public safety employees	19,666,574	18,409,786
Cash and investments in other post-employment benefit plan	2,595,177	2,144,514
Contribution receivable	6,677	11,733
Interest receivable	36,709	33,713
Due from brokers	-	103,045
Total assets	<u>23,835,507</u>	<u>21,950,588</u>
LIABILITIES		
Accounts payable	32,093	24,530
Cash overdraft	4,243	103,199
Total liabilities	<u>36,336</u>	<u>127,729</u>
NET POSITION		
Restricted for pension benefits and other purposes	<u>23,799,171</u>	<u>21,822,859</u>
Total net position	<u>\$ 23,799,171</u>	<u>\$ 21,822,859</u>

Town of Indian River Shores, Florida

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

Years ended September 30,

	2021	2020
ADDITIONS		
Contributions:		
Employer	\$ 261,100	\$ 292,501
Employee	102,967	122,375
State	195,339	180,714
Total contributions	559,406	595,590
Investment gain:		
Net increase in fair value of investments	3,286,498	511,038
Interests and dividends	422,860	474,434
Total investment gain	3,709,358	985,472
Total additions	4,268,764	1,581,062
DEDUCTIONS		
Distributions	2,127,490	788,050
Administrative expenses		
Trustee fees	6,901	6,562
Investment management fees	78,302	92,261
Attorney fees	27,371	34,428
Actuary fees	24,796	32,214
Other administrative fees	27,592	27,042
Total deductions	2,292,452	980,557
Change in net position	1,976,312	600,505
Plan net position at beginning of year	21,822,859	21,222,354
Plan net position at end of year	\$ 23,799,171	\$ 21,822,859

SUPPLEMENTAL INFORMATION

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2021

	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	OTHER POST EMPLOYMENT BENEFIT	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Position September 30, 2020	\$ 18,426,078	\$ 1,252,267	\$ 2,144,514	\$ 21,822,859
Additions:				
Employer contributions	198,012	63,088	-	261,100
Employee contributions	89,216	13,751	-	102,967
State share plan contributions	195,339	-	-	195,339
Subtotal contributions	<u>482,567</u>	<u>76,839</u>	<u>-</u>	<u>559,406</u>
Interest	122,442	-	-	122,442
Dividends	300,418	-	-	300,418
Net increase in investments	<u>2,539,396</u>	<u>277,941</u>	<u>469,161</u>	<u>3,286,498</u>
Net investment earnings	<u>2,962,256</u>	<u>277,941</u>	<u>469,161</u>	<u>3,709,358</u>
Net additions	<u>3,444,823</u>	<u>354,780</u>	<u>469,161</u>	<u>4,268,764</u>
Deductions:				
Trustee fees	(6,901)	-	-	(6,901)
Investment management fees	(78,302)	-	-	(78,302)
Attorney fees	(27,371)	-	-	(27,371)
Actuary fees	(24,796)	-	-	(24,796)
Other administrative fees	<u>(17,857)</u>	<u>(6,811)</u>	<u>(2,924)</u>	<u>(27,592)</u>
Subtotal deductions	<u>(155,227)</u>	<u>(6,811)</u>	<u>(2,924)</u>	<u>(164,962)</u>
Distributions paid out	<u>(2,028,360)</u>	<u>(69,106)</u>	<u>(30,024)</u>	<u>(2,127,490)</u>
Ending reconciled balance-Plan Net Position September 30, 2021	<u>\$ 19,687,314</u>	<u>\$ 1,531,130</u>	<u>\$ 2,580,727</u>	<u>\$ 23,799,171</u>

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2020

	DEFINED BENEFIT PUBLIC SAFETY & FIREFIGHTER EMPLOYEES	DEFINED BENEFIT GENERAL EMPLOYEES	OTHER POST EMPLOYMENT BENEFIT	TOTAL PENSION TRUST FUNDS
Beginning reconciled balance-Plan Net Position September 30, 2019	\$ 18,053,253	\$ 1,167,654	\$ 2,001,447	\$ 21,222,354
Additions:				
Employer contributions	228,588	63,913	-	292,501
Employee contributions	108,929	13,446	-	122,375
State share plan contributions	180,714	-	-	180,714
Subtotal contributions	<u>518,231</u>	<u>77,359</u>	<u>-</u>	<u>595,590</u>
Interest	196,885	-	-	196,885
Dividends	277,549	-	-	277,549
Net increase in investments	<u>283,032</u>	<u>82,468</u>	<u>145,538</u>	<u>511,038</u>
Net investment earnings	<u>757,466</u>	<u>82,468</u>	<u>145,538</u>	<u>985,472</u>
Net additions	<u>1,275,697</u>	<u>159,827</u>	<u>145,538</u>	<u>1,581,062</u>
Deductions:				
Trustee fees	(6,562)	-	-	(6,562)
Investment management fees	(92,261)	-	-	(92,261)
Attorney fees	(34,428)	-	-	(34,428)
Actuary fees	(32,214)	-	-	(32,214)
Other administrative fees	<u>(18,463)</u>	<u>(6,108)</u>	<u>(2,471)</u>	<u>(27,042)</u>
Subtotal deductions	<u>(183,928)</u>	<u>(6,108)</u>	<u>(2,471)</u>	<u>(192,507)</u>
Distributions paid out	<u>(718,944)</u>	<u>(69,106)</u>	<u>-</u>	<u>(788,050)</u>
Ending reconciled balance-Plan Net Position September 30, 2020	<u>\$ 18,426,078</u>	<u>\$ 1,252,267</u>	<u>\$ 2,144,514</u>	<u>\$ 21,822,859</u>

Town of Indian River Shores, Florida

SCHEDULE OF PROPERTY TAX VALUATIONS, LEVIES AND COLLECTIONS

**Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate in Mils</u>	<u>Amount Levied</u>	<u>Amount Collected (*)</u>	<u>Percent Collected</u>
2021	\$ 3,486,406,394	1.3349	\$ 4,654,004	\$ 4,485,329	96%
2020	\$ 3,351,246,516	1.3349	\$ 4,473,579	\$ 4,314,204	96%
2019	\$ 3,151,986,943	1.2890	\$ 4,062,911	\$ 3,926,011	97%
2018	\$ 2,936,506,599	1.3774	\$ 4,044,744	\$ 3,896,335	96%
2017	\$ 2,760,188,928	1.7186	\$ 4,743,661	\$ 4,576,979	96%
2016	\$ 2,595,827,089	1.6786	\$ 4,357,355	\$ 4,199,369	96%
2015	\$ 2,450,139,839	1.6786	\$ 4,112,805	\$ 3,964,483	96%
2014	\$ 2,392,161,099	1.4731	\$ 3,523,893	\$ 3,401,078	97%
2013	\$ 2,352,573,108	1.4731	\$ 3,465,575	\$ 3,359,917	97%
2012	\$ 2,364,986,600	1.4731	\$ 3,483,862	\$ 3,486,300	100%

* Includes delinquent collections

MAYOR
BRIAN T. FOLEY

VICE MAYOR
JESSE L. "SAM" CARROLL, JR.

COUNCIL:
BOB AUWAERTER
CHRISTIAN HENDRICKS
MARY ALICE SMITH



TOWN MANAGER
JAMES HARPRING

TOWN CLERK
LAURA ALDRICH

TOWN ATTORNEY
PETER J. SWEENEY, JR

6001 N. State Road A1A, Indian River Shores, FL 32963
(772) 231-1771 FAX (772) 231-4348

IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Heather Christmas, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of Town of Indian River Shores which is a local governmental entity of the State of Florida;
2. The governing body of the Town of Indian River has authorized and implemented impact fees; and
3. Town of Indian River Shores has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Heather A Christmas

Heather Christmas, Town Treasurer
Town of Indian River Shores

STATE OF FLORIDA
COUNTY OF INDIAN RIVER

SWORN TO AND SUBSCRIBED before me this 17TH day of March, 2022.



M. Pallo

NOTARY PUBLIC

Print Name Michelle Pallo

Personally known or produced identification _____

Type of identification produced: N/A

My Commission Expires: 5/6/2023

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian River Shores, Florida (the "Town"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Indian River Shores, Florida's basic financial statements, and have issued our report thereon dated June 15, 2022.

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) as a basis for designing 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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Indian River Shores, Florida's financial statements are free 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Melbourne, Florida

June 15, 2022

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Town of Indian River Shores, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 15, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 15, 2022, 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 financial audit report. There were no findings or recommendations in the preceding financial audit report.

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 legal authority of the Town of Indian River Shores, Florida is disclosed in Note A-1 of the financial statements. The Town of Indian River Shores, Florida does not have any component units.

Financial Condition and Management

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

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

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

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

Carr, Riggs & Ingram, LLC
Melbourne, Florida
June 15, 2022



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, FL 32940

321.255.0088
321.259.8648 (fax)
CRIcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT COMPLIANCE

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

We have examined the Town of Indian River Shores, Florida's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2021. Management of the Town of Indian River Shores, Florida is responsible for the Town of Indian River Shores, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Indian River Shores, Florida's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Indian River Shores, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Indian River Shores, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Town of Indian River Shores, Florida's compliance with specified requirements.

In our opinion, the Town of Indian River Shores, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2021.

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

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

Carr, Riggs & Ingram, LLC
Melbourne, Florida
June 15, 2022