

**TOWN OF INDIAN RIVER
SHORES, FLORIDA**

**Basic Financial Statements and
Supplemental Information**

Year ended September 30, 2022



TOWN OF INDIAN RIVER SHORES, FLORIDA

Official Directory

September 30, 2022

Town Council

Brian T. Foley
Mayor

Jesse L. "Sam" Carroll, Jr
Vice Mayor

Robert F. Auwaerter
Councilmember

Mary Alice Smith
Councilmember

Administration

James Harpring
Town Manager

Heather A. Christmas, CPA
Town Treasurer

Peter J. Sweeney, Jr.
Town Attorney

Janice Rutan
Town Clerk

Richard G. Rosell
Public Safety Director

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INDEPENDENT AUDITORS' REPORT

To the City 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Indian River Shores, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note A-18 to the financial statements, in fiscal year 2022, the Town adopted new accounting guidance, GASB Statement No. 87 *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Indian River Shores, Florida's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Indian River Shores, Florida's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Indian River Shores, Florida's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Property Tax Valuations, Levies and Collection and the Impact Fee Affidavit, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, 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.

Carr, Riggs & Ingram, LLC
Melbourne, Florida
March 21, 2023

**TOWN OF INDIAN RIVER SHORES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

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.

FINANCIAL HIGHLIGHTS

- Total net position at September 30, 2022 was \$16,883,354. Of this amount, \$7,023,773 (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 \$7,011,499.
- The total revenues from all governmental fund sources were \$8,411,585, an increase of \$1,302,229 or 18.3% from the prior year.
- The total expenditures for Town operations were \$8,645,949, an increase of \$1,247,003 or 16.9% from the prior fiscal year.
- By year end, the Town's total governmental funds net decrease in fund balance was \$51,025.
- The net increase in fund balance in the General Fund was \$51,836.
- In the General Fund, budgeted revenues were more than the final actual amounts by \$14,468 while final budgeted appropriations exceeded actual expenditures by \$86,062.
- The Town has implemented GASB Statement No. 87, *Leases*. The implementation resulted in the reclassification of the Town's prepaid celltower lease from liabilities to deferred inflow of resources. Amounts from the previous year have been restated in this report to reflect this change. See Note A-18 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, 2022.

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 six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and ARPA 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.

The Town of Indian River Shores adopted an annual appropriated budget for each of its major funds for the fiscal year ended September 30, 2022. 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 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, 2022 and 2021 are shown below.

TOWN OF INDIAN RIVER SHORES' NET POSITION September 30,

	Governmental Activities	
	2022	2021 (Restated)
Current assets	\$ 9,436,180	\$ 8,810,521
Capital assets, net of depreciation	8,794,314	8,414,305
Non-current assets	611,573	4,032,926
Total assets	<u>18,842,067</u>	<u>21,257,752</u>
Deferred outflows	<u>3,447,099</u>	<u>275,544</u>
Current liabilities	2,071,531	1,402,155
Non-current liabilities	1,831,769	210,946
Total liabilities	<u>3,903,300</u>	<u>1,613,101</u>
Deferred inflows	<u>1,502,512</u>	<u>3,112,842</u>
Net position:		
Investment in capital assets, net of related debt	8,618,403	8,400,618
Restricted	1,241,178	888,473
Unrestricted	<u>7,023,773</u>	<u>7,518,262</u>
Total net position	<u>\$ 16,883,354</u>	<u>\$ 16,807,353</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 2022 of \$76,001.

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, 2022 decreased by \$494,489 (7%) over fiscal year 2021. Restricted net position increased during fiscal year 2022 by \$352,705 (40%). The Town's net investment in capital assets increased in fiscal year 2022 by \$217,785 (3%) over fiscal year 2021. The investment in capital assets comprised of 51% of the net position for fiscal years ending September 30, 2022.

Capital and leased 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 2022, there was \$115,067 in capital lease obligations associated with capital assets. The net investment in capital assets balances increased significantly in 2022 due to the completion of the remodel of Town Hall and new roadwork projects.

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 year's worth of operating costs as required under Florida Statutes. Finally, the Town received revenue for the one-cent, voter-approved local government infrastructure surtax which may only be used for specific capital related expenditures.

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

Fiscal year 2022 saw an increase of \$3,171,555 in the deferred outflows of resources and a decrease of \$1,610,330 in deferred inflows of resources over 2021. These items were related to the amortization of the prior year gains/losses and deferral of gains over expectations in 2022 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, 2022, the Town reported a net pension asset for the General Employee Defined Benefit Plan of \$82,068 and a net pension liability for the Public Safety Officers and Firefighters Defined Benefit Plan of \$1,559,904. This is a loss of \$4,362,627 over the combined net pension asset of \$2,884,791 reported at September 30, 2021, primarily as a result of investment losses and lump sum distributions for retirees. 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, 2022, the Town reported a net asset of \$529,505. This a decrease of the 2021 asset by \$618,630 which is due primarily to the distributions and investment losses. 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, 2022 and 2021.

TOWN OF INDIAN RIVER SHORES' CHANGES IN NET POSITION

All Governmental Activities

	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 948,623	\$ 854,163
Operating grants and contributions	575,042	251,510
Capital grants and contributions	512,596	33,019
General revenues:		
Property taxes	4,682,153	4,485,329
Discretionary sales surtax	802,313	696,880
Half-cent sales tax	410,078	379,531
Communications services tax	311,027	288,358
Other taxes	7,215	7,674
State shared revenues	106,737	82,699
Interest income	58,185	20,648
Miscellaneous revenue	13,876	9,545
Gain on disposal of capital assets	2,604	29,362
Total revenues	<u>8,430,449</u>	<u>7,138,718</u>
Expenses:		
General government	2,497,977	1,868,760
Public safety	5,336,907	4,346,053
Physical environment	5,818	7,253
Transportation	431,514	178,039
Culture and recreation	82,232	39,172
Total expenses	<u>8,354,448</u>	<u>6,439,277</u>
Change in net position	76,001	699,441
Net position beginning of fiscal year	<u>16,807,353</u>	<u>16,107,912</u>
Net position end of fiscal year	<u>\$ 16,883,354</u>	<u>\$ 16,807,353</u>

2022 revenues increased over 2021 by \$1,291,731 (1.8%). This was primarily due to the increased property values, federal and state grants, state shared revenues and permit fees.

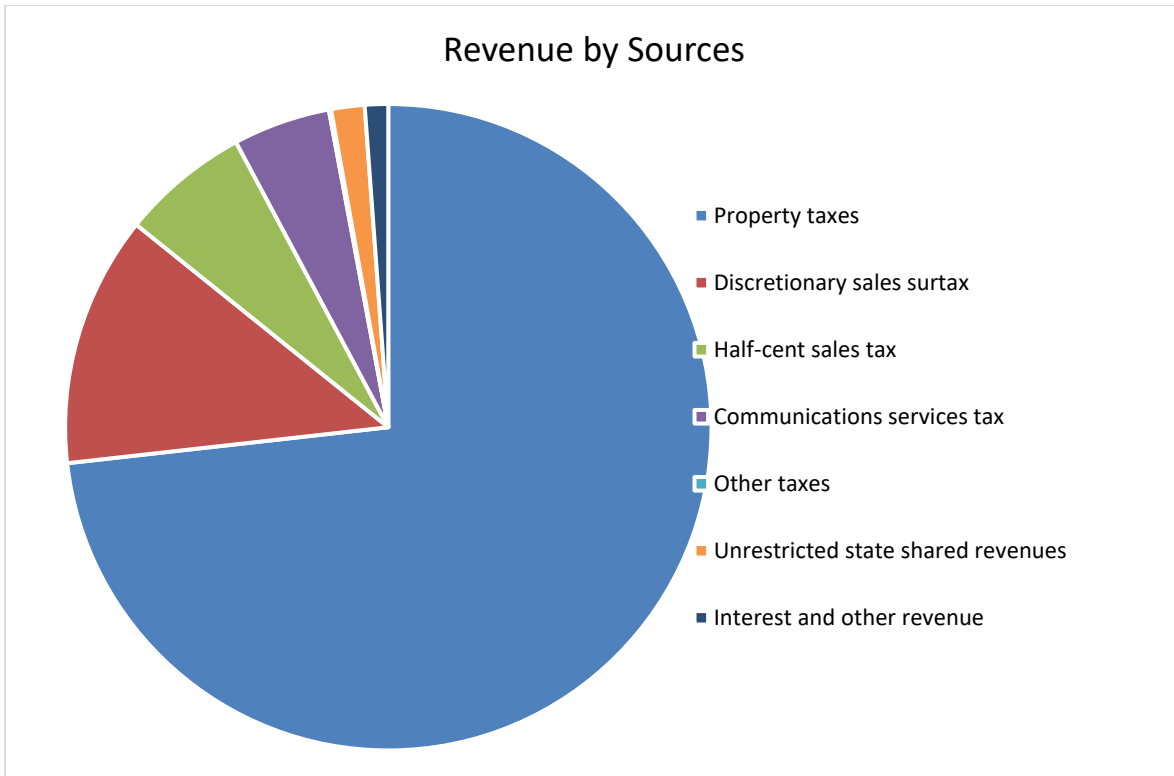
Expenses during fiscal year 2022 exceeded 2021 by \$1,915,171 (29.7%). The primary reason for this was due to increased attorney fees (see note for K for more information) and the loss in the Public Safety Officers and Firefighters Defined Benefit Pension Fund (see Note H for more information).

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

Expenses and Program Revenues-Governmental Activities			
Fiscal year ended September 30, 2022			
	Revenues	Expenses	Net (Expenses) Revenues
General government:			
Town council	\$ -	\$ 40,339	\$ (40,339)
Town manager	-	187,667	(187,667)
Finance department	-	282,548	(282,548)
Town clerk	-	100,642	(100,642)
Postal center	197,684	225,899	(28,215)
Public works	13,000	298,939	(285,939)
Town attorney	-	762,937	(762,937)
Planning board	-	13,650	(13,650)
Engineering and planning services	15,000	98,606	(83,606)
General administration	55,770	329,161	(273,391)
Information technology	-	157,589	(157,589)
Public safety:			
Public safety department	170,149	4,670,696	(4,500,547)
Building department	541,311	666,211	(124,900)
Physical environment			
Cemetery	225	5,818	(5,593)
Transportation			
Road and offsite drainage	970,994	431,514	539,480
Culture and recreation			
Community center	72,128	82,232	(10,104)
	<u>\$ 2,036,261</u>	<u>\$ 8,354,448</u>	<u>\$ (6,318,187)</u>

Revenues for the Town, other than charges for services and grants shown above, 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 (56% for fiscal year 2022). Another significant revenue source comes from other tax revenue (18% for fiscal year 2022). For 2022, the Town also utilized federal and state grant revenues (11% of total revenues for 2022) to complete several projects during the year. This relative mix of different revenue sources for fiscal year ended 2022 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, 2022, the Town of Indian River Shores' governmental funds reported combined fund balances of \$7,011,499.

The General Fund is the chief operating fund of the Town. At September 30, 2022, the total fund balance in the General Fund was \$6,287,796 (90% of the total governmental fund balance), of which 72% was unassigned, which is a measurement of the General Fund's liquidity. The General Fund's net increase in fund balance was \$51,836. This was primarily a result of an increase in the capital reserves from the previous year but was offset by increased attorney fees.

Special revenue funds are used to account for specific revenues and expenditures. The ARPA Fund, a major fund, was created solely to account for the revenues and expenditures of the American Rescue Plan Act grant. Revenues and expenditures will agree, and no fund balance is carried in this fund.

The other four special revenue funds are less significant with a positive fund balance of \$723,703 (10% 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 2022, 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 \$399,000 and an increase in appropriations by \$743,799.

Revenue changes were a result of an increase in state revenues due to the economy recovering after COVID-19 and additional grant revenue recognition. The changes in expenditures from the original budget are primarily due to the attorney fees for litigation (see Note K for more information).

The Town's budgeted revenues exceeded actual revenues by \$14,668. The primary reason for this difference is related to timing on grant revenues not received until December.

Projected expenditures exceeded actual expenditures by \$86,062. This was due to a built-in contingency for the unknown nature of the litigation costs and unknown departmental expenditures to be received after fiscal year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town of Indian River Shores' investment in capital assets includes land, construction in progress, buildings, improvements other than buildings (which include infrastructure), furniture, fixtures and equipment and assets under capital lease. The Town's capital assets as of September 30, 2022 reflect an investment of \$8,794,314 net of accumulated depreciation.

A comparative summary of net capital assets by category follows:

Capital Assets at Year End (net of depreciation)			
	<u>2022</u>	<u>2021</u>	<u>Difference</u>
Land	\$ 1,303,482	\$ 1,303,482	\$ -
Construction in progress	502,157	779,454	(277,297)
Buildings	3,054,174	2,296,414	757,760
Improvements other than buildings	2,073,096	2,159,251	(86,155)
Furniture, fixtures and equipment	1,730,963	1,875,704	(144,741)
Furniture, fixtures and equipment under capital leases	<u>130,442</u>	<u>-</u>	<u>130,442</u>
Total capital assets	<u>\$ 8,794,314</u>	<u>\$ 8,414,305</u>	<u>\$ 380,009</u>

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

- Indian/Seminole Lane CIP: \$422,000
- Town Hall remodel completion: \$61,000

- Sidewalk/dumpster enclosure CIP: \$56,000
- Council chamber presentation equipment: \$47,000
- Purchased 2 vehicles with related equipment: \$92,000
- Body cameras (leased): \$77,000
- In-car cameras (leased): \$70,000
- Depreciation/amortization expense: \$621,000

Additional information on the Town's capital assets can be found in Note C.

Long-term Debt: At the end of the fiscal year 2022, the Town had capital lease obligations of \$115,067. This was the first year of the lease and no amounts were reported at the end of fiscal year 2021. Additional information on the Town's capital assets can be found in Note E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates and fees to be charged for certain activities. One of those factors is the local economy.

Property valuations for fiscal year 2023 budget show that there has been a continuing increase in real estate sale prices. The Town of Indian River Shores values increased from \$3,639,692,883 to \$4,100,377,364 or 13%. The budget adopted for the General Fund for fiscal year 2023 increased noncapital appropriations by 6% from 2022 actual results. This is a result of anticipated litigation and payroll increases. Any differences that will be required will be paid from unassigned reserves. For fiscal year 2023, the Town Council voted to maintain the millage rate at 1.3349.

The Town's General Fund unassigned fund balance stands at \$4.5 million and should be adequate to cover unanticipated costs in the upcoming budget year. This balance will cover over 8 months of the General Fund's 2023 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, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents (Notes A-4, B)	\$ 1,145,629
Investments (Notes A-4, B)	7,633,435
Accounts receivable, net (Note A-5)	33,983
Due from other governments (Note A-5)	402,192
Inventory (Note A-6)	39,393
Prepaid expenses (Note A-6)	179,048
Other current assets	2,500
Total current assets	9,436,180
Capital assets, not being depreciated (Notes A-7, C):	
Land	1,303,482
Construction in progress	502,157
Capital assets, net of accumulated depreciation (Notes A-7, C):	
Buildings	3,054,174
Improvements other than buildings	2,073,096
Furniture, fixtures and equipment	1,730,963
Furniture, fixtures and equipment under capital leases	130,442
Total capital assets	8,794,314
Noncurrent assets:	
Net other post employment benefit assets (Notes A-13, I)	529,505
Net pension assets (NPA) (Notes A-13, H)	82,068
Total assets	18,842,067
DEFERRED OUTFLOWS OF RESOURCES	
Deferred change in proportion (NPA/NPL), assumptions, contributions, and experience (Note A-11, H, I)	3,447,099
Total deferred outflow of resources	3,447,099
LIABILITIES	
Accounts payable	595,037
Retainage payable	60,844
Accrued liabilities	96,947
Accrued interest payable	2,400
Due to other governments	12,212
Deposits	7,250
Unearned grant revenue	1,293,071
Other unearned revenues	3,770
Noncurrent liabilities:	
Due within one year	
Compensated absences (Notes A-9, E)	79,390
Capital lease obligation	27,178
Due in more than one year	
Compensated absences (Notes A-9, E)	77,408
Net pension liabilities (NPL) (Notes A-13, H)	1,559,904
Capital lease obligation	87,889
Total liabilities	3,903,300
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPA/NPL), contributions, experience and investments (Notes A-11, H, I)	1,163,223
Prepaid celltower lease (Note G)	339,289
Total deferred inflow of resources	1,502,512
NET POSITION	
Investment in capital assets, net of related debt	8,618,403
Restricted for road construction and maintenance	211,717
Restricted for building code enforcement	486,504
Restricted for law enforcement	19
Restricted for capital outlay	542,938
Unrestricted	7,023,773
Total net position	\$ 16,883,354

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

Town of Indian River Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2022

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	\$ 40,339	-	\$ -	-	\$ (40,339)
Town manager	187,667	-	-	-	(187,667)
Finance department	282,548	-	-	-	(282,548)
Town clerk	100,642	-	-	-	(100,642)
Postal center	225,899	197,684	-	-	(28,215)
Public works	298,939	13,000	-	-	(285,939)
Town attorney	762,937	-	-	-	(762,937)
Planning board	13,650	-	-	-	(13,650)
Engineering and planning services	98,606	-	15,000	-	(83,606)
General administration	329,161	-	-	55,770	(273,391)
Information technology	157,589	-	-	-	(157,589)
Public safety:					
Public safety department	4,670,696	139,351	12,159	18,639	(4,500,547)
Building department	666,211	541,311	-	-	(124,900)
Physical environment	5,818	225	-	-	(5,593)
Transportation	431,514	21,271	511,536	438,187	539,480
Culture and recreation	82,232	35,781	36,347	-	(10,104)
Total	\$ 8,354,448	\$ 948,623	\$ 575,042	\$ 512,596	(6,318,187)

General revenues:

Taxes:

Property taxes (Note A-14)	4,682,153
Discretionary sales surtax	802,313
Half-cent sales tax	410,078
Communications services tax	311,027
Other taxes	7,215
State shared revenues	106,737
Interest income	58,185
Miscellaneous revenue	13,876
Gain on disposal of capital assets (Note C)	2,604
Total general revenues	6,394,188
Change in net position	76,001
Beginning net position	16,807,353
Ending net position	\$ 16,883,354

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

Town of Indian River Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

	General	ARPA	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents (Notes A-4, B)	\$ 543,897	\$ 10,728	\$ 591,004	\$ 1,145,629
Investments (Notes A-4, B)	6,290,248	1,343,187	-	7,633,435
Accounts receivable, net (Note A-5)	33,983	-	-	33,983
Due from other governments (Note A-5)	259,351	-	142,841	402,192
Inventory (Note A-6)	39,393	-	-	39,393
Prepaid expenses (Note A-6)	179,048	-	-	179,048
Other current assets	-	-	2,500	2,500
Total assets	<u>\$ 7,345,920</u>	<u>\$ 1,353,915</u>	<u>\$ 736,345</u>	<u>\$ 9,436,180</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 595,037	\$ -	\$ -	\$ 595,037
Retainage payable	-	60,844	-	60,844
Accrued liabilities	96,947	-	-	96,947
Due to other governments	-	-	12,212	12,212
Deposits	6,820	-	430	7,250
Unearned grant revenue	-	1,293,071	-	1,293,071
Other unearned revenue	3,770	-	-	3,770
Total liabilities	<u>702,574</u>	<u>1,353,915</u>	<u>12,642</u>	<u>2,069,131</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid celltower lease (Note G)	339,289	-	-	339,289
Unavailable revenue	16,261	-	-	16,261
Total deferred inflows of resources	<u>355,550</u>	<u>-</u>	<u>-</u>	<u>355,550</u>
FUND BALANCES (Notes A-15, F):				
Nonspendable:				
Prepays	179,048	-	-	179,048
Inventory	39,393	-	-	39,393
Restricted:				
Building code enforcement	-	-	486,504	486,504
Capital outlay	542,938	-	-	542,938
Law enforcement	-	-	19	19
Road construction and maintenance	-	-	211,717	211,717
Committed:				
Cemetery maintenance	40,248	-	-	40,248
Bike path construction and maintenance	-	-	25,463	25,463
Assigned:				
Celltower removal	102,145	-	-	102,145
Infrastructure replacement	493,291	-	-	493,291
Projected budget deficit	363,393	-	-	363,393
Unassigned				
Emergency funds	2,131,876	-	-	2,131,876
Unassigned funds	2,395,464	-	-	2,395,464
Total fund balances	<u>6,287,796</u>	<u>-</u>	<u>723,703</u>	<u>7,011,499</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 7,345,920</u>	<u>\$ 1,353,915</u>	<u>\$ 736,345</u>	<u>\$ 9,436,180</u>

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

Town of Indian River Shores, Florida

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2022

Fund balances - total governmental funds		\$ 7,011,499
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The net position reported for governmental activities in the statement of net position is different because:

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

Land	\$ 1,303,482	
Construction in progress	502,157	
Buildings, net	3,054,174	
Improvements other than buildings, net	2,073,096	
Furniture, fixtures and equipment, net	1,730,963	
Furniture, fixtures and equipment under capital leases, net	130,442	8,794,314

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		529,505
Net pension assets		82,068
Net pension liabilities		(1,559,904)

Some items are recorded as revenues and expenditures in the fund statement when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.

Deferred inflows for ambulance receivable	5,055	
Deferred inflows for grant revenues	11,206	16,261

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		3,447,099
Deferred change in proportion (NPL), contributions, experience, and investments		(1,163,223)

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		(156,798)
Capital lease obligation		(115,067)
Accrued interest payable		(2,400)

Total net position of governmental activities		\$ 16,883,354
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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, 2022

	General	ARPA	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes (Note A-11)	\$ 4,682,153	\$ -	\$ -	\$ 4,682,153
State shared revenues	106,737	-	35,579	142,316
Discretionary sales surtax	802,313	-	-	802,313
Communication services tax	311,027	-	-	311,027
Intergovernmental	410,407	-	79,634	490,041
Federal grant revenue	-	729,085	-	729,085
State grant revenue	-	-	234,818	234,818
Licenses and permits	13,000	-	508,235	521,235
Fines and forfeitures	3,420	-	15,900	19,320
Impact fees	-	-	16,056	16,056
Other taxes	6,886	-	-	6,886
Post office fees	195,044	-	-	195,044
Ambulance service fees	119,726	-	-	119,726
Celltower fees and rents	6,553	-	-	6,553
Other fees and rents	49,915	-	395	50,310
Interest income	58,185	-	4,552	62,737
Miscellaneous revenue	9,157	-	12,808	21,965
Total revenues	<u>6,774,523</u>	<u>729,085</u>	<u>907,977</u>	<u>8,411,585</u>
EXPENDITURES				
Current				
General government	2,316,392	15,000	78,620	2,410,012
Public safety	4,047,606	-	652,017	4,699,623
Physical environment	5,818	-	-	5,818
Transportation	-	271,198	160,316	431,514
Culture and recreation	18,496	36,347	-	54,843
Capital outlay (Note C)	486,164	406,540	119,885	1,012,589
Debt service:				
Principal	31,550	-	-	31,550
Total expenditures	<u>6,906,026</u>	<u>729,085</u>	<u>1,010,838</u>	<u>8,645,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,503)</u>	<u>-</u>	<u>(102,861)</u>	<u>(234,364)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease obligations	146,617	-	-	146,617
Proceeds from sale of surplus (Note C)	13,725	-	-	13,725
Insurance recoveries	22,997	-	-	22,997
Total other financing sources	<u>183,339</u>	<u>-</u>	<u>-</u>	<u>183,339</u>
Net change in fund balances	51,836	-	(102,861)	(51,025)
Fund balances, beginning of year	<u>6,235,960</u>	<u>-</u>	<u>826,564</u>	<u>7,062,524</u>
Fund balances, end of year	<u>\$ 6,287,796</u>	<u>\$ -</u>	<u>\$ 723,703</u>	<u>\$ 7,011,499</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, 2022

Net change in fund balances - total governmental funds \$ (51,025)

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	\$ 1,012,589	
Depreciation expense for governmental assets	<u>(621,458)</u>	391,131

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. (11,122)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of capital lease obligation		(146,617)
Principal payments on capital lease obligations		31,550

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 change in accrued interest on capital lease obligations		(2,400)
Net change in compensated absences		(5,852)
Net change in other post-employment benefit obligations		73,587
Net change in pension obligations		(279,512)
Net change in termination benefits		60,000

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of various types of revenue differ between the two statements. This amount represents the net change in deferred revenue. 16,261

Change in net position of governmental activities		<u>\$ 76,001</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, 2022

	<u>Pension Trust Funds</u>
ASSETS	
Cash and investments in defined benefit plan - general employees (Notes A-4 and B)	\$ 1,298,082
Cash and investments in defined benefit plan - public safety employees (Notes A-4 and B)	16,112,728
Cash and investments in other post employment benefit plan (Notes A-4 and B)	2,093,824
Contribution receivable	17,373
Interest receivable	32,511
	<hr/>
Total assets	19,554,518
LIABILITIES	
Accounts payable	9,625
	<hr/>
Total liabilities	9,625
NET POSITION (Note H)	
Restricted for pension benefits and other purposes	19,544,893
	<hr/>
Total net position	\$ 19,544,893
	<hr/> <hr/>

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, 2022

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 224,216
Employee	98,299
State	<u>144,476</u>
Total contributions	<u>466,991</u>
Investment loss:	
Net change in fair value of investments	(3,689,214)
Interests and dividends	<u>709,841</u>
Total investment loss	<u>(2,979,373)</u>
Total additions	<u>(2,512,382)</u>
DEDUCTIONS	
Distributions	1,558,237
Administrative expenses	
Trustee fees	6,790
Investment management fees	102,127
Attorney fees	16,398
Actuary fees	20,239
Other administrative fees	<u>38,105</u>
Total deductions	<u>1,741,896</u>
Change in net position	(4,254,278)
Plan net position at beginning of year	<u>23,799,171</u>
Plan net position at end of year	<u><u>\$ 19,544,893</u></u>

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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 552. 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, 2022

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, 2022

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.

ARPA Fund – The fund was established by Resolution 22-01 for the period of the grant for accounting of monies received from the American Rescue Plan Act and the expenditure of the monies in accordance with the grant.

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, 2022

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.

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 62% of account receivables are fully collectible. Therefore, an allowance for doubtful accounts of \$20,726 in ambulance receivables has been recorded as of September 30, 2022. 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, 2022

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:

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

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

The Town has recorded capital lease assets. The capital assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The capital lease assets are amortized on a straight-line basis over the life of the related lease.

8. Leases

The Town determines if an arrangement is a lease at inception. Leases are included in furniture, fixtures and equipment under capital leases and capital lease obligations in the Statement of Net Position. Leased assets represent the Town's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Leased assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Leased assets are amortized in a systematic and rational manner over the short of the lease term of the useful life of the underlying asset.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Leases (continued)

Lease liabilities represent the Town's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain the Town will exercise that option.

Short-term leases with a lease term of 12 months or less are recognized as expenses as incurred, and these leases are not included as lease liabilities or right-to-use leases assets.

The individual leases contract do not provide information about the discount rate implicit in the lease. Therefore, the Town has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

The Town is a lessee for two noncancellable leases for body and in-car cameras.

9. 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.

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.

10. 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. 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.

12. Unearned revenues

Unearned revenues are a liability and represent items for which the Town has not met all eligibility requirements imposed by the provider to allow for revenue recognition at year end. Unearned revenues are reported in both the government-wide and the fund financial statements.

13. 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.

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

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

14. 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, 2022, 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, 2021, upon which the 2021-2022 levy was based, was approximately \$3.6 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, 2022 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, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. 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.

16. 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, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. 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.

18. New Governmental Accounting Standards Board (GASB) pronouncements

GASB Statement No. 87

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.

The implementation of GASB 87 resulted in the reclassification of the prepaid celltower rent (\$345,842 at September 30, 2021) from liabilities to deferred inflows of resources.

GASB Statement No. 89

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. Implementation of this statement did not have an impact on the Town's financial statements for fiscal year ended September 30, 2022.

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 91). The primary 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. Implementation of this statement did not impact the Town's financial statements for fiscal year ended September 30, 2022.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

GASB Statement No. 97

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. Implementation of this statement did not impact the Town's financial statements for fiscal year ended September 30, 2022.

19. Impact of Future Pronouncements

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 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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Impact of Future Pronouncements (continued)

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance however it did not impact the preparation of these financial statements. The requirements related to leases, PPPs, and SBITAs are effective for the Town in fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Town in fiscal year 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62* (GASB 100). The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 is effective for the Town in fiscal year 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB 101 is effective for the Town in fiscal year 2025.

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, 2022

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town had the following cash and investments at September 30, 2022:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Governmental Funds			
Cash and cash equivalents	\$ 1,145,629	N/A	N/A
Local government pooled investment accounts:			
Florida PRIME	<u>7,633,435</u>	0.06	AAAm (S&P)
	<u>\$ 8,779,064</u>		
Pension trust funds			
Other Post-Employment Benefit Plan			
Florida Municipal Pension Trust Fund (FMPTF) –			
Other Post Employment Benefit 70/30 Allocation	<u>\$ 2,093,824</u>	*	Not Rated
	<u>2,093,824</u>		
General Employee Defined Benefit Plan			
Florida Municipal Pension Trust Fund (FMPTF) –			
Defined Benefit 70/30 Allocation Plan	<u>1,298,082</u>	*	Not Rated
	<u>1,298,082</u>		
Fire and Police Defined Benefit Plan			
Cash and cash equivalents	510,389	N/A	N/A
Equity			
Common stock	3,738,364	N/A	Not Rated
Mutual funds equity	1,329,980	N/A	Not Rated
International stocks	<u>4,037,193</u>	N/A	N/A
Total equity	<u>9,105,537</u>		
Fixed income			
U.S. government obligations	1,353,726	6.04	Aaa (Moody's)
Mortgage/asset backed securities	542,728	22.63	Aaa (Moody's)
Collateralized mortgage obligations	302,471	6.75	Aaa-Baa2 (Moody's)
Municipal obligations	293,684	6.18	Aaa-Aa3 (Moody's)
Corporate bonds	713,720	5.33	A1-Baa3 (Moody's)
Mutual funds fixed income	<u>892,872</u>	N/A	Not Rated
Total fixed income	<u>4,099,201</u>		
Real Estate Investment Trusts	<u>2,397,601</u>		
	<u>16,112,728</u>		
Total pension funds	<u>\$ 19,504,634</u>		

* Portions of the FMPTF are invested in debt instruments and mutual funds with a weighted average to maturity (WAM) of 6.7 years and 8.92 years, respectively.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022, 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, 2022

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, 2022, 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, 2022

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	Totals
Aaa	\$ 192,263	\$ 61,077	\$ -	\$ 253,340
Aa1	-	121,148	-	121,148
Aa2	-	43,459	-	43,459
Aa3	-	68,000	-	68,000
A1	-	-	111,027	111,027
A2	-	-	181,923	181,923
A3	-	-	118,061	118,061
Baa1	-	-	86,859	86,859
Baa2	110,208	-	44,391	154,599
Baa3	-	-	171,459	171,459
Total	\$ 302,471	\$ 293,684	\$ 713,720	\$ 1,309,875

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, 2022

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, 2022:

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	\$ 1,353,726	\$ 1,353,726	\$ -	\$ -
Mortgage/asset backed securities	542,728	-	542,728	-
Collateralized mortgage obligations	302,471	-	302,471	-
Municipal obligations	293,684	-	293,684	-
Corporate bonds	713,720	-	713,720	-
Mutual funds fixed income	892,872	-	892,872	-
Total fixed income securities	4,099,201	1,353,726	2,745,475	-
Equity securities				
Common stock	3,738,364	3,738,364	-	-
Mutual fund equity	1,329,980	1,329,980	-	-
International stocks	4,037,193	4,037,193	-	-
Total equity securities	9,105,537	9,105,537	-	-
Total investments by fair value level	13,204,738	\$ 10,459,263	\$ 2,745,475	\$ -
Investments measured at net asset value				
		Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Real Estate Investment Trusts	2,397,601	-	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	2,093,824	-	Monthly	Once a month, with advance written notification
Florida Municipal Pension Trust Fund (FMPTF) – Defined Benefit 70/30 Allocation Plan	1,298,082	-	Monthly	Once a month, with advance written notification
Total investments measured at net asset value	5,789,507			
Total investments measured at fair value	\$ 18,994,245			

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, 2022

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 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	779,454	563,235	840,532	502,157
Total capital assets not being depreciated	2,082,936	\$ 563,235	\$ 840,532	1,805,639
Capital assets, being depreciated:				
Buildings	3,900,144	\$ 852,401	\$ 12,332	4,740,213
Improvements other than buildings	2,590,214	3,542	1,070	2,592,686
Furniture, fixtures and equipment	4,478,711	287,327	125,966	4,640,072
Furniture, fixtures and equipment capital leases	-	146,616	-	146,616
Total capital assets being depreciated	10,969,069	\$ 1,289,886	\$ 139,368	12,119,587
Less accumulated depreciation for:				
Buildings	1,603,730	\$ 94,635	\$ 12,326	1,686,039
Improvements other than buildings	430,963	88,686	59	519,590
Furniture, fixtures, and equipment	2,603,007	421,963	115,861	2,909,109
Furniture, fixtures and equipment capital leases	-	16,174	-	16,174
Total accumulated depreciation	4,637,700	\$ 621,458	\$ 128,246	5,130,912
Total capital assets being depreciated, net	6,331,369			6,988,675
Governmental activities capital assets, net	\$ 8,414,305			\$ 8,794,314

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

General government	\$ 176,619
Public safety	417,450
Culture and recreation	27,389
	\$ 621,458

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, 2022, 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, 2022

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, 2022:

	Beginning Balance	Increase	Decrease	Ending Balance	Due within one year
Compensated absences	\$ 150,946	\$ 341,007	\$ 335,155	\$ 156,798	\$ 79,390
Capital lease obligations	-	146,617	31,550	115,067	27,178
Termination benefit	60,000	-	60,000	-	-
Public safety officers & firefighters defined benefit plan net pension liability (Note H-3)	(2,518,448)	4,488,390	410,038	1,559,904	-
	<u>\$ (2,307,502)</u>	<u>\$ 4,976,014</u>	<u>\$ 836,743</u>	<u>\$ 1,831,769</u>	<u>\$ 106,568</u>

Compensated absences

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

Capital leases

During fiscal year 2022, the Town acquired body and in-car cameras carried at \$146,616 with \$16,174 in accumulated amortization, in governmental activities under financed purchase arrangements. The Town is obligated under various financed purchases to make the following aggregate annual payments:

The leases have no stated interest rates, so the Town is using an incremental borrowing rate of 3.80%. The Town financed purchases during the fiscal year ended September 30, 2022 and made principal payments of \$31,550. \$2,400, which includes the accrued interest payable, has been included as a direct expense to the public safety function in the governmental activities.

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 27,178	\$ 4,372	\$ 31,550
2024	28,211	3,339	31,550
2025	29,283	2,267	31,550
2026	30,395	1,155	31,550
	<u>\$ 115,067</u>	<u>\$ 11,133</u>	<u>\$ 126,200</u>

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. Due to his death during the year ended September 30, 2022; the remaining amount was paid out to his estate. This amount was historically liquidated within by the General Fund.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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.

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.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE F - FUND EQUITY AND NET POSITION (continued)

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.

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 2023 general fund budget of \$363,393.

The activity in the restricted, committed and assigned fund balances during the year ended September 30, 2022 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Restricted:				
Building code enforcement	\$ 659,611	\$ 541,311	\$ 714,418	\$ 486,504
Capital outlay	80,172	948,928	486,162	542,938
Law enforcement	19	-	-	19
Road construction and maintenance	148,671	359,466	296,420	211,717
Committed:				
Cemetery maintenance	45,551	516	5,819	40,248
Bike path construction and maintenance	18,263	7,200	-	25,463
Assigned:				
Celltower removal	101,495	650	-	102,145
Infrastructure replacement	235,641	300,000	42,350	493,291
Projected budget deficit	325,214	363,393	325,214	363,393
	<u>\$ 1,614,637</u>	<u>\$ 2,521,464</u>	<u>\$ 1,870,383</u>	<u>\$ 2,265,718</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE F - FUND EQUITY AND NET POSITION (continued)

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, 2022, the Town has met the requirements of minimum funding. The ending unassigned fund balance in the General Fund was 67% of operating revenues.

NOTE G - PREPAID CELLTOWER 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 is recorded as a deferred inflow of resources and is recognized over the term of the agreement (55-years) as follows:

<u>Year ended September 30,</u>	<u>Rental Income</u>
2023	\$ 6,553
2024	6,553
2025	6,553
2026	6,553
2027	6,553
2028-2032	32,765
2033-2037	32,765
2038-2042	32,765
2043-2047	32,765
2048-2052	32,765
2053-2057	32,765
2058-2062	32,765
2063-2067	32,765
2068-2072	32,765
2073-2074	11,639
	<u>\$ 339,289</u>

For the year ended September 30, 2022, the Town recognized \$6,553 in rental fees under this lease.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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.

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

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

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

**Fiduciary Plan Net Position
September 30, 2022**

	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	\$ 16,112,728	\$ 1,298,082	\$ 2,093,824	\$ 19,504,634
Interest receivable	32,511	-	-	32,511
Contribution receivable	15,962	1,411	-	17,373
Total assets	<u>16,161,201</u>	<u>1,299,493</u>	<u>2,093,824</u>	<u>19,554,518</u>
LIABILITIES				
Accounts payable	8,945	680	-	9,625
Total liabilities	<u>8,945</u>	<u>680</u>	<u>-</u>	<u>9,625</u>
NET POSITION				
Restricted for pension benefits and other purposes	<u>16,152,256</u>	<u>1,298,813</u>	<u>2,093,824</u>	<u>19,544,893</u>
Total net position	<u>\$ 16,152,256</u>	<u>\$ 1,298,813</u>	<u>\$ 2,093,824</u>	<u>\$ 19,544,893</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE H - PENSION PLANS (continued)

**Changes in Fiduciary Plan Net Position
For the Year Ended September 30, 2022**

	Public Safety Officers & Firefighters Defined Benefit Plan	General Employees Defined Benefit Plan	Other Post Employment Benefits Plan	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 183,770	\$ 40,446	\$ -	\$ 224,216
Employee	83,478	14,821	-	98,299
State	144,476	-	-	144,476
Total contributions	<u>411,724</u>	<u>55,267</u>	<u>-</u>	<u>466,991</u>
Investment loss:				
Net change in fair value of investments	(3,116,498)	(209,693)	(363,023)	(3,689,214)
Interests and dividends	709,841	-	-	709,841
Total investment loss	<u>(2,406,657)</u>	<u>(209,693)</u>	<u>(363,023)</u>	<u>(2,979,373)</u>
Total additions	<u>(1,994,933)</u>	<u>(154,426)</u>	<u>(363,023)</u>	<u>(2,512,382)</u>
DEDUCTIONS				
Distributions	1,368,298	69,106	120,833	1,558,237
Administrative expenses				
Trustee fees	6,790	-	-	6,790
Investment management fees	102,127	-	-	102,127
Attorney fees	16,398	-	-	16,398
Actuary fees	20,239	-	-	20,239
Other administrative fees	26,273	8,785	3,047	38,105
Total deductions	<u>1,540,125</u>	<u>77,891</u>	<u>123,880</u>	<u>1,741,896</u>
Change in net position	<u>(3,535,058)</u>	<u>(232,317)</u>	<u>(486,903)</u>	<u>(4,254,278)</u>
Plan net position at beginning of year	<u>19,687,314</u>	<u>1,531,130</u>	<u>2,580,727</u>	<u>23,799,171</u>
Plan net position at end of year	<u>\$ 16,152,256</u>	<u>\$ 1,298,813</u>	<u>\$ 2,093,824</u>	<u>\$ 19,544,893</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, 2022, membership in the plan consists of ten 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, 2022

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 \$78,752.

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 \$35,796 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, 2022

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, 2022.

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, 2022

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, 2022

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, 2022 was 24.86% of covered payroll. The Town contributed \$40,466 for the year ended September 30, 2022. Administrative costs are financed through investment earnings.

Net Pension Liability (Asset):

The components of the net pension liability (asset) at September 30, 2022 were as follows:

<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>	<u>Funded Percentage</u>
\$ 1,216,014	\$ (1,298,082)	\$ (82,068)	106.75%

The changes in the net pension liability (asset) for the year ended September 30, 2022 were as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance as of September 30, 2021	\$ 1,164,027	\$ (1,530,370)	\$ (366,343)
Change due to:			
Service cost	33,947	-	33,947
Expected interest growth	87,357	(113,946)	(26,589)
Unexpected investment income	-	323,638	323,638
Demographic experience	(211)	-	(211)
Employer contributions	-	(40,668)	(40,668)
Employee contributions	-	(14,723)	(14,723)
Benefit payments & refunds	(69,106)	69,106	-
Administrative expenses	-	8,881	8,881
Balance as of September 30, 2022	<u>\$ 1,216,014</u>	<u>\$ (1,298,082)</u>	<u>\$ (82,068)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022

Measurement date: September 30, 2022

Actuarial valuation date: October 1, 2021

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, 2022

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, 2022 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	\$ 1,342,461	\$ 1,216,014	\$ 1,107,615
Less fiduciary net position	(1,298,082)	(1,298,082)	(1,298,082)
Net pension liability (asset)	<u>\$ 44,379</u>	<u>\$ (82,068)</u>	<u>\$ (190,467)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE H - PENSION PLANS (continued)

2. General Employees Defined Benefit Plan (continued)

Deferred Outflow and Inflow of Resources

On September 30, 2022, 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	\$ 4,819	\$ 2,678
Changes of assumptions	31,619	14,741
Net difference between Projected and Actual Earnings on Pension Plan investments	265,134	110,426
Total	\$ 301,572	\$ 127,845

Changes to the deferred inflows and outflows for the year ended September 30, 2022 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2021		\$ 71,505	\$ 196,183
Change due to:			
Amortization payments		(93,571)	(68,549)
Investment gain/loss	5 years	323,638	-
Demographic gain/loss	3 years		211
Total change		230,067	(68,338)
Balance as of September 30, 2022		\$ 301,572	\$ 127,845

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, 2021	\$ (366,343)
Plus pension expense for the 2021/22 fiscal year	26,538
Minus employer contribution for the 2021/22 fiscal year	(40,668)
Plus change in balance of deferred outflows of resources	230,067
Minus change in balance of deferred inflows of resources	68,338
Net pension liability (asset) as of September 30, 2022	\$ (82,068)

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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:

<u>Year ended September 30,</u>	<u>Pension Expense</u>
2023	\$ 44,530
2024	36,553
2025	27,918
2026	64,726
	<u>\$ 173,727</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, 2022 with a liability of \$139,105 or 90% 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, 2022 is as follows:

18 active employees
16 service retirees
2 DROP retirees
1 disability retiree
1 vested (deferred annuity)
<u>4</u> vested (due refund)
<u>42</u> total participants

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022

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, 2022 was 12.57% of covered payroll. The Town contributed \$183,770 for the year ended September 30, 2022. Administrative costs are financed through investment earnings.

Net Pension Liability (Asset):

The components of the net pension liability (asset) at September 30, 2022 were as follows:

<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>	<u>Funded Percentage</u>
\$17,699,472	\$(16,139,568)	\$ 1,559,904	91.19%

The changes in the net pension liability (asset) for the year ended September 30, 2022 were as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance as of September 30, 2021	\$17,163,725	\$(19,682,173)	\$ (2,518,448)
Change due to:			
Service cost	220,875	-	220,875
Interest	1,127,028	-	1,127,028
Share plan allocation	144,476	-	144,476
Differences between expected and actual experience	419,151	-	419,151
Employer contributions	-	(182,610)	(182,610)
State contributions	-	(144,476)	(144,476)
Employee contributions	-	(82,952)	(82,952)
Net investment income	-	2,514,394	2,514,394
Benefit payments & refunds	(1,375,783)	1,375,783	-
Administrative expenses	-	62,466	62,466
Balance as of September 30, 2022	<u>\$17,699,472</u>	<u>\$(16,139,568)</u>	<u>\$ 1,559,904</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022
Measurement date: September 30, 2022
Actuarial valuation date: October 1, 2021

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, 2022

NOTE H - PENSION PLANS (continued)

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

- 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, 2022 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, 2022

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	\$ 19,343,973	\$ 17,699,472	\$ 16,324,954
Less fiduciary net position	(16,139,568)	(16,139,568)	(16,139,568)
Net pension liability (asset)	\$ 3,204,405	\$ 1,559,904	\$ 185,386

Deferred Outflow and Inflow of Resources

On September 30, 2022, 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	\$ 375,835	\$ -
Changes of assumptions	-	260,702
Net difference between Projected and Actual Earnings on Pension Plan investments	2,263,515	-
Total	\$ 2,639,350	\$ 260,702

Changes to the deferred inflows and outflows for the year ended September 30, 2022 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2021		\$ 197,931	\$ 1,603,993
Change due to:			
Amortization payments		(1,785,971)	(1,343,291)
Investment gain/loss	5 years	3,808,239	-
Expected & actual experience	3 years	419,151	-
Total change		2,441,419	(1,343,291)
Balance as of September 30, 2022		\$ 2,639,350	\$ 260,702

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2021	\$ (2,518,448)
Plus pension expense for the 2021/22 fiscal year	620,728
Minus employer/state contribution for the 2021/22 fiscal year	(327,086)
Plus change in balance of deferred outflows of resources	2,441,419
Minus change in balance of deferred inflows of resources	<u>1,343,291</u>
Net pension liability (asset) as of September 30, 2022	<u>\$ 1,559,904</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
2023	\$ 489,875
2024	703,301
2025	423,824
2026	761,648
	<u>\$ 2,378,648</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 a liability of \$1,308,677 as of September 30, 2022. 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, 2022

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, 2022. 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, 2022, the balance of this plan was \$1,709,037.

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, 2022 totaled \$144,476.

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, 2022, there were three participants in DROP with a deferred balance of \$319,799.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022, 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, 2022

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, 2022, the Town provides benefits for 35 active and 19 eligible inactive employees. Total premiums per month at September 30, 2022 ranged as follows:

Type	Single	With Spouse
Health	\$708	\$1,615
Dental	\$30	\$62
Vision	\$6	\$10
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 August 2021, the Town issued resolution 20-04 which established a funding and payment policy for the plan. Under this policy upon completion of the annual OPEB liability calculation, if the percentage funded is greater than 110%, the current fiscal year OPEB expenditures will be paid from the OPEB Trust. If the percentage funded is less than 90%, the Town will make the calculated annual required contribution to the Trust. This resolution does not limit the Town from making additional contributions. In 2022, the Town did not contribute to the OPEB trust fund run by the FMPTF and administered by the Florida League of Cities.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022 were as follows:

<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>	<u>Funded Percentage</u>
\$ 1,564,319	\$ (2,093,824)	\$ (529,505)	133.85%

The changes in the net OPEB liability (asset) for the year ended September 30, 2022 were as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balance as of September 30, 2021	\$ 1,432,591	\$ (2,580,726)	\$ (1,148,135)
Change due to:			
Service cost	60,988	-	60,988
Expected interest growth	73,079	(131,229)	(58,150)
Unexpected investment loss	-	494,252	494,252
Assumption/demographic changes	118,494	-	118,494
Benefit payments & refunds	(120,833)	120,833	-
Administrative expenses	-	3,046	3,046
Balance as of September 30, 2022	<u>\$ 1,564,319</u>	<u>\$ (2,093,824)</u>	<u>\$ (529,505)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022
Measurement date:	September 30, 2022
Valuation date:	October 1, 2021
Actuarial assumptions:	
Discount rate:	5.21% per annum
Asset method:	Fair Market Value, net of investment related expense
Inflation:	2.72%
Salary increases:	5.00%
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, 2022

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: 2014–2030 (www.cms.hhs.gov). Healthcare costs are expected to increase as follows:

2023	7.90%
2024	6.00%
2025	4.80%
2026	4.30%
2027	4.10%
Ultimate	4.47%

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: The following changes have been made since the prior measurement date of October 1, 2021. The discount rate has been decreased from 5.63% to 5.21%. The inflation rate has been increased from 2.15% to 2.72%. The projected salary increases have decreased from 5.75% to 5.00%

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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	70.00%	3.19%
Fixed Income	20.00%	0.04%
Real Estate	10.00%	<u>2.45%</u>
Weighted arithmetic average	100.00%	2.49%
Inflation factor		<u>2.72%</u>
Long-term expected rate of return		5.21%

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%	5.21% Discount Rate	Discount Rate Plus 1.00%
Total OPEB liability	\$ 1,708,385	\$ 1,564,319	\$ 1,438,649
Less fiduciary net position	(2,093,824)	(2,093,824)	(2,093,824)
Net OPEB liability (asset)	<u>\$ (385,439)</u>	<u>\$ (529,505)</u>	<u>\$ (655,175)</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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	\$ 1,450,157	\$ 1,564,319	\$ 1,695,217
Less fiduciary net position	(2,093,824)	(2,093,824)	(2,093,824)
Net OPEB liability (asset)	<u>\$ (643,667)</u>	<u>\$ (529,505)</u>	<u>\$ (398,607)</u>

Deferred Outflow and Inflow of Resources

On September 30, 2022, 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	\$ 107,722	\$ 575,185
Net difference between Projected and Actual Earnings on OPEB investments	398,455	199,491
Total	<u>\$ 506,177</u>	<u>\$ 774,676</u>

Changes to the deferred inflows and outflows for the year ended September 30, 2022 are as follows:

	Amortization period	Deferred outflows of resources	Deferred inflows of resources
Balance as of September 30, 2021		\$ 6,108	\$ 966,824
Change due to:			
Amortization payments		(112,677)	(192,148)
Investment loss	5 years	494,252	-
Assumption/demographic changes	11 years	118,494	-
Total change		<u>500,069</u>	<u>(192,148)</u>
Balance as of September 30, 2022		<u>\$ 506,177</u>	<u>\$ 774,676</u>

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2021	\$ (1,148,135)
Plus OPEB expense for the 2021/22 fiscal year	(73,587)
Plus change in balance of deferred outflows of resources	500,069
Minus change in balance of deferred inflows of resources	<u>192,148</u>
Net OPEB liability (asset) as of September 30, 2022	<u>\$ (529,505)</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:

<u>Year ended September 30,</u>	<u>OPEB Expense</u>
2023	\$ (68,513)
2024	(71,567)
2025	28,179
2026	28,179
2027	(70,671)
Thereafter	<u>(114,106)</u>
	<u>\$ (268,499)</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 \$14,849 for the year ended September 30, 2022.

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 \$17,041 for the year ended September 30, 2022.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE J - ICMA DEFERRED COMPENSATION PLAN (continued)

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, 2022, the attorney and consulting fees related to these matters totaled \$608,749. The total cost of these matters since fiscal year 2021 is \$684,606.

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, 2022, major outstanding construction commitments were as follows:

	<u>Committed</u>	<u>Spent*</u>	<u>Remaining</u>	<u>Retainage</u>
CC, Sidewalk & Dumpster Project	\$ 98,920	\$ 82,255	\$ 16,665	\$ 3,564
Indian/Seminole Lane Canal Maintenance	368,638	368,638	-	36,863
Indian/Seminole Lane Stormwater Retrofit	408,340	408,340	-	20,417
	<u>\$ 875,898</u>	<u>\$ 859,233</u>	<u>\$ 16,665</u>	<u>\$ 60,844</u>

*Amount spent includes retainage payable at September 30, 2022.

Town of Indian River Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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 \$220,642. There have been no significant reductions in insurance coverages during fiscal year 2022. 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

Evaluating subsequent events

The Town has evaluated subsequent events through March 21, 2023, 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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 4,654,094	\$ 4,682,094	\$ 4,682,153	\$ 59
State shared revenues	83,042	106,042	106,737	695
Discretionary sales surtax	620,878	804,878	802,313	(2,565)
Communication services tax	284,687	310,687	311,027	340
Intergovernmental	344,786	411,786	410,407	(1,379)
Federal grant revenue	1,000	11,000	-	(11,000)
Licenses and permits	7,000	13,000	13,000	-
Fines and forfeitures	5,600	4,600	3,420	(1,180)
Other taxes	7,500	7,500	6,886	(614)
Post office fees	205,300	196,300	195,044	(1,256)
Ambulance service fees	109,885	117,885	119,726	1,841
Celltower fees and rents	6,553	6,553	6,553	-
Other fees and rents	32,325	49,325	49,915	590
Interest income	20,000	59,000	58,185	(815)
Miscellaneous revenue	7,341	8,341	9,157	816
Total revenues	6,389,991	6,788,991	6,774,523	(14,468)
EXPENDITURES				
Current				
General government	1,627,937	2,385,437	2,316,392	69,045
Public safety	4,112,222	4,054,722	4,047,606	7,116
Physical environment	7,031	7,031	5,818	1,213
Culture and recreation	15,330	20,330	18,496	1,834
Capital outlay	485,768	492,568	486,164	6,404
Debt service:				
Principal	-	32,000	31,550	450
Total expenditures	6,248,289	6,992,088	6,906,026	86,062
Excess (deficiency) of revenues	141,702	(203,097)	(131,503)	71,594
Other financing sources (uses)				
Proceeds from capital lease obligations	-	147,000	146,617	(383)
Proceeds from sale of surplus	-	13,000	13,725	725
Insurance recoveries	-	22,000	22,997	997
Total other financing sources	-	182,000	183,339	1,339
Net change in fund balances	141,702	(21,097)	51,836	72,933
Fund balances, beginning of year	6,235,960	6,235,960	6,235,960	-
Fund balances, end of year	\$ 6,377,662	\$ 6,214,863	\$ 6,287,796	\$ 72,933

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 - ARPA FUND**

Year ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Federal grant revenue	\$ -	\$ 729,328	\$ 729,085	\$ (243)
Total revenues	-	729,328	729,085	(243)
EXPENDITURES				
Current				
General government	-	15,000	15,000	-
Transportation	-	271,236	271,198	38
Culture and recreation	-	36,400	36,347	53
Capital outlay	-	406,692	406,540	152
Total expenditures	-	729,328	729,085	243
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

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

	9/30/2022	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	\$ 33,947	\$ 33,566	\$ 29,630	\$ 68,894	\$ 68,840	\$ 70,056	\$ 63,621	\$ 46,763	\$ 46,940
Expected interest growth	87,357	82,635	83,913	80,066	73,286	64,651	48,718	62,578	50,578
Demographic experience	(211)	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)	(69,106)	(60,476)	(48,395)	(48,395)	(48,395)	(47,674)	(47,742)
Net change in total pension liability	51,987	62,505	(21,002)	100,627	90,312	116,304	205,950	(19,733)	49,776
Total pension liability - beginning	1,164,027	1,101,522	1,122,524	1,021,897	931,585	815,281	609,331	629,064	579,288
Total pension liability - ending (a)	1,216,014	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	40,668	62,921	63,224	72,813	100,841	111,558	108,876	97,010	103,810
Contributions - member	14,723	13,702	13,218	18,326	24,092	23,447	23,640	22,115	21,529
Net investment income	(209,692)	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)	(69,106)	(60,476)	(48,395)	(48,395)	(48,395)	(48,395)	(48,395)
Administrative expenses	(8,881)	(6,636)	(6,108)	(6,292)	(5,824)	(5,471)	(5,730)	(5,521)	(15,548)
Net change in plan fiduciary net position	(232,288)	278,822	83,696	85,649	157,062	201,698	132,453	64,629	103,661
Plan fiduciary net position - beginning	1,530,370	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)	1,298,082	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)	\$ (82,068)	\$ (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)	106.75%	131.47%	113.62%	104.04%	105.90%	99.31%	88.74%	96.99%	83.67%
Covered Payroll	\$ 159,855	\$ 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	-51.34%	-237.57%	-109.13%	-16.13%	-22.05%	2.34%	35.60%	7.30%	46.32%

NOTE: Nine 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)
2022	\$ 40,668	\$ 40,668	\$ -	\$ 159,855	25.44%
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%

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, 2022.

(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.

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**

	9/30/2022	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	\$ 220,875	\$ 276,172	\$ 312,483	\$ 349,024	\$ 318,686	\$ 294,947	\$ 307,087	\$ 297,756	\$ 250,814
Expected interest growth	1,127,028	1,129,544	1,140,190	1,044,234	991,376	949,453	871,471	751,759	743,119
Share plan allocation	144,476	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	419,151	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	(1,375,783)	(2,028,360)	(718,944)	(688,949)	(978,674)	(619,281)	(669,162)	(698,859)	(553,418)
Net change in total pension liability	535,747	(308,271)	533,305	235,551	670,472	826,731	1,418,474	1,707,643	939,051
Total pension liability - beginning	17,163,725	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)	17,699,472	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	182,610	196,311	232,887	428,713	549,220	1,086,822	930,552	605,302	730,088
Contributions - state	144,476	196,895	180,714	169,972	166,591	131,990	257,370	173,797	180,816
Contributions - member	82,952	89,204	105,901	146,041	136,020	131,883	145,727	147,518	106,952
Net investment income	(2,514,394)	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	(1,375,783)	(2,028,360)	(718,944)	(688,949)	(978,674)	(619,281)	(669,162)	(698,859)	(553,418)
Administrative expenses	(62,466)	(69,615)	(84,439)	(51,802)	(48,927)	(63,162)	(75,157)	(67,620)	(62,214)
Net change in plan fiduciary net position	(3,542,605)	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	19,682,173	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)	16,139,568	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)	\$ 1,559,904	\$ (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)	91.19%	114.67%	105.42%	106.54%	101.94%	98.62%	90.74%	85.19%	98.65%
Covered Payroll	\$ 1,452,742	\$ 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	107.38%	-163.18%	-58.69%	-68.30%	-21.42%	15.95%	87.63%	142.35%	14.17%

NOTE: Nine 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)
2022	\$ 182,610	\$ 182,610	\$ -	\$ 1,452,742	12.57%
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%

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, 2022.

(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.

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

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
TOTAL OPEB LIABILITY						
Service cost	\$ 60,988	\$ 63,682	\$ 67,404	\$ 82,872	\$ 83,758	\$ 99,983
Expected interest growth	73,079	82,135	80,907	89,700	89,639	96,165
Changes of assumptions & demographics	118,494	(125,249)	(99,327)	(298,858)	(156,427)	(247,671)
Benefit payments, including refunds on member contributions	(120,833)	(30,024)	(20,604)	(23,709)	(9,219)	(12,669)
Net change in total pension liability	131,728	(9,456)	28,380	(149,995)	7,751	(64,192)
Total OPEB liability - beginning	1,432,591	1,442,047	1,413,667	1,563,662	1,555,911	1,620,103
Total OPEB liability - ending (a)	1,564,319	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	(363,023)	469,161	145,538	92,284	153,761	96,222
Benefit payments, including refunds on member contributions	(120,833)	(30,024)	(20,604)	(23,709)	(9,219)	(12,669)
Administrative expenses	(3,046)	(2,925)	(2,471)	(2,383)	(1,876)	(1,349)
Net change in plan fiduciary net position	(486,902)	436,212	143,067	89,901	151,885	1,346,827
Plan fiduciary net position - beginning	2,580,726	2,144,514	2,001,447	1,911,546	1,759,661	412,834
Plan fiduciary net position - ending (b)	2,093,824	2,580,726	2,144,514	2,001,447	1,911,546	1,759,661
Net OPEB liability (asset) - ending (a) - (b)	\$ (529,505)	\$ (1,148,135)	\$ (702,467)	\$ (587,780)	\$ (347,884)	\$ (203,750)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	133.85%	180.14%	148.71%	141.58%	122.25%	113.10%
Covered Payroll	\$ 2,989,906	\$ 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	-17.71%	-37.46%	-22.60%	-21.02%	-13.64%	-8.48%

NOTE: Six 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)
2022 (1)	\$ -	\$ -	\$ -	\$ 2,989,906	0.00%
2021 (2)	\$ 4,416	\$ -	\$ 4,416	\$ 3,064,593	0.00%
2020 (3)	\$ 17,244	\$ 20,604	\$ (3,360)	\$ 3,107,677	0.66%
2019 (4)	\$ 55,270	\$ 23,709	\$ 31,561	\$ 2,796,717	0.85%
2018 (5)	\$ 69,856	\$ 9,219	\$ 60,637	\$ 2,551,216	0.36%
2017 (6)	\$ 209,699	\$ 1,264,623	\$ (1,054,924)	\$ 2,403,928	52.61%
2016 (7)	\$ 206,439	\$ 199,771	\$ 6,668	\$ 2,280,023	8.76%
2015 (8)	\$ 253,412	\$ 214,544	\$ 38,868	\$ 2,151,096	9.97%
2014 (9)	\$ 206,359	\$ 37,810	\$ 168,549	\$ 1,741,323	2.17%
2013 (10)	\$ 207,729	\$ 189,383	\$ 18,346	\$ 1,741,206	10.88%

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, 2022.

(1) The discount rate was decreased from 5.63% to 5.21%. Health cost trend assumptions changed from 4.30% - 5.00% to 4.10% - 7.90%. The payroll growth rate assumption was decreased from 5.75% to 5.00% based on an analysis of current salary trends.

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

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

(4) 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%.

(5) 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%.

(6) 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.

(7) 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.

(8) 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%.

(9) 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.

(10) 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, 2022	-13.80%
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, 2022	-13.10%
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, 2022	-14.46%
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: Nine years of data was available for GASB 67/68, which was adopted in fiscal year 2014. Six 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, 2021
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level-dollar, closed
Amortization Period	5 years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment rate of return	5.90% compounded annually
Projected salary increases	5.00% per year

2. Public Safety Officers & Firefighters Defined Benefit Plan

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

Valuation Date	October 1, 2021
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, 2021
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	5.21% compounded annually
Projected salary increases	5.00% 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,

	2022	2021 (Restated)
ASSETS		
Cash and cash equivalents	\$ 543,897	\$ 3,400,400
Investments	6,290,248	4,083,964
Accounts receivable, net	33,983	19,296
Due from other governments	259,351	229,596
Due from pension fund	-	30,024
Inventory	39,393	36,839
Prepaid expenses	179,048	104,693
Total assets	\$ 7,345,920	\$ 7,904,812
LIABILITIES		
Accounts payable	\$ 595,037	\$ 275,369
Retainage payable	-	13,687
Accrued liabilities	96,947	80,814
Deposits	6,820	3,820
Unearned grant revenue	-	942,565
Other unearned revenue	3,770	6,755
Total liabilities	702,574	1,323,010
DEFERRED INFLOWS OF RESOURCES		
Prepaid celltower lease	339,289	345,842
Unavailable revenue	16,261	-
Total deferred inflows of resources	355,550	345,842
FUND BALANCE		
Nonspendable:		
Prepays	179,048	104,693
Inventory	39,393	36,839
Restricted:		
Capital outlay	542,938	80,172
Committed:		
Cemetery maintenance	40,248	45,551
Assigned:		
Celltower removal	102,145	101,495
Infrastructure replacement	493,291	235,641
Projected budget deficit	363,393	325,214
Unassigned:		
Emergency funds	2,131,876	2,118,319
Unassigned funds	2,395,464	3,188,036
Total fund balances	6,287,796	6,235,960
Total liabilities, deferred inflow of resources and fund balances	\$ 7,345,920	\$ 7,904,812

Town of Indian River Shores, Florida

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

Years ended September 30,

	2022	2021
REVENUES		
Property taxes	\$ 4,682,153	\$ 4,485,329
State shared revenues	106,737	82,699
Discretionary sales surtax	802,313	696,880
Communication services tax	311,027	288,358
Intergovernmental	410,407	379,860
Federal grant revenue	-	27,299
Licenses and permits	13,000	10,500
Fines and forfeitures	3,420	11,508
Other taxes	6,886	7,345
Post office fees	195,044	191,099
Ambulance service fees	119,726	121,955
Celltower fees and rents	6,553	6,553
Other fees and rents	49,915	33,059
Interest income	58,185	20,648
Miscellaneous revenue	9,157	8,647
Total revenues	6,774,523	6,371,739
EXPENDITURES		
Current		
General government	2,316,392	1,649,655
Public safety	4,047,606	3,848,941
Physical environment	5,818	7,139
Culture and recreation	18,496	12,759
Capital outlay	486,164	638,755
Debt service:		
Principal	31,550	-
Total expenditures	6,906,026	6,157,249
Excess (deficiency) of revenues over (under) expenditures	(131,503)	214,490
Other financing sources (uses)		
Proceeds from capital lease obligations	146,617	-
Proceeds from sale of surplus	13,725	29,671
Insurance recoveries	22,997	21,367
Total other financing sources	183,339	51,038
Net change in fund balances	51,836	265,528
Fund balances, beginning of year	6,235,960	5,970,432
Fund balances, end of year	\$ 6,287,796	\$ 6,235,960

ARPA FUND

The ARPA Fund was established by Resolution 22-01 for the period of the grant for accounting of monies received from the American Rescue Plan Act and the expenditure of the monies in accordance with the grant.

Town of Indian River Shores, Florida

**ARPA FUND
COMPARATIVE BALANCE SHEETS**

September 30,

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 10,728	
Investments	1,343,187	\$ -
Total assets	\$ 1,353,915	\$ -
 LIABILITIES		
Retainage payable	60,844	-
Unearned grant revenue	1,293,071	-
Total liabilities	1,353,915	-
 FUND BALANCE		
Unassigned	-	-
Total fund balances	-	-
Total liabilities and fund balances	\$ 1,353,915	\$ -

Town of Indian River Shores, Florida

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

Years ended September 30,

	2022	2021
REVENUES		
Federal grant revenue	\$ 729,085	\$ -
Total revenues	729,085	-
EXPENDITURES		
Current		
General government	15,000	-
Transportation	271,198	-
Culture and recreation	36,347	-
Capital outlay	406,540	-
Total expenditures	729,085	-
Net change in fund balances	-	-
Fund balances, beginning of year	-	-
Fund balances, end of year	\$ -	\$ -

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.

The Planning, Zoning and Building Fund – This fund was 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.

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	Planning, Zoning and Building Fund	Bike Path and Pedestrian Way Fund	Law Enforcement Forfeiture Fund	Totals	
					2022	2021
ASSETS						
Cash and cash equivalents	\$ 68,876	\$ 496,646	\$ 25,463	\$ 19	\$ 591,004	\$ 889,899
Due from other governments	142,841	-	-	-	142,841	13,310
Other current assets	-	2,500	-	-	2,500	2,500
Total assets	<u>\$ 211,717</u>	<u>\$ 499,146</u>	<u>\$ 25,463</u>	<u>\$ 19</u>	<u>\$ 736,345</u>	<u>\$ 905,709</u>
LIABILITIES						
Due to other governments	\$ -	\$ 12,212	\$ -	\$ -	\$ 12,212	\$ 78,858
Deposits	-	430	-	-	430	287
Total liabilities	<u>-</u>	<u>12,642</u>	<u>-</u>	<u>-</u>	<u>12,642</u>	<u>79,145</u>
FUND BALANCE						
Restricted:						
Road construction and maintenance	211,717	-	-	-	211,717	148,671
Building code enforcement	-	486,504	-	-	486,504	659,611
Law enforcement	-	-	-	19	19	19
Committed:						
Bike path construction and maintenance	-	-	25,463	-	25,463	18,263
Total fund balances	<u>211,717</u>	<u>486,504</u>	<u>25,463</u>	<u>19</u>	<u>723,703</u>	<u>826,564</u>
Total liabilities and fund balances	<u>\$ 211,717</u>	<u>\$ 499,146</u>	<u>\$ 25,463</u>	<u>\$ 19</u>	<u>\$ 736,345</u>	<u>\$ 905,709</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	Planning, Zoning and Building Fund	Bike Path and Pedestrian Way Fund	Law Enforcement Forfeiture Fund	Totals	
					2022	2021
REVENUES						
State shared revenues	\$ 35,579	\$ -	\$ -	\$ -	\$ 35,579	\$ 27,566
Intergovernmental	79,634	-	-	-	79,634	80,937
Federal grant revenue	-	-	-	-	-	137,025
State grant revenue	234,818	-	-	-	234,818	9,851
Licenses and permits	-	508,235	-	-	508,235	429,595
Impact fees	8,856	-	7,200	-	16,056	20,962
Fines and forfeitures	-	15,900	-	-	15,900	17,417
Other fees and rents	-	395	-	-	395	648
Interest income	579	3,973	-	-	4,552	3,007
Miscellaneous revenue	-	12,808	-	-	12,808	10,609
	<u>359,466</u>	<u>541,311</u>	<u>7,200</u>	<u>-</u>	<u>907,977</u>	<u>737,617</u>
EXPENDITURES						
Current						
General government	31,048	47,572	-	-	78,620	74,946
Public safety	-	652,017	-	-	652,017	606,956
Transportation	160,316	-	-	-	160,316	178,039
Capital outlay	105,056	14,829	-	-	119,885	381,756
	<u>296,420</u>	<u>714,418</u>	<u>-</u>	<u>-</u>	<u>1,010,838</u>	<u>1,241,697</u>
Net change in fund balances	63,046	(173,107)	7,200	-	(102,861)	(504,080)
Fund balances, beginning of year	<u>148,671</u>	<u>659,611</u>	<u>18,263</u>	<u>19</u>	<u>826,564</u>	<u>1,330,644</u>
Fund balances, end of year	<u>\$ 211,717</u>	<u>\$ 486,504</u>	<u>\$ 25,463</u>	<u>\$ 19</u>	<u>\$ 723,703</u>	<u>\$ 826,564</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.

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

Town of Indian River Shores, Florida

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

September 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and investments in defined benefit plan - general employees	\$ 1,298,082	\$ 1,530,370
Cash and investments in defined benefit plan - public safety employees	16,112,728	19,666,574
Cash and investments in other post-employment benefit plan	2,093,824	2,595,177
Contribution receivable	17,373	6,677
Interest receivable	<u>32,511</u>	<u>36,709</u>
Total assets	<u>19,554,518</u>	<u>23,835,507</u>
LIABILITIES		
Accounts payable	9,625	32,093
Cash overdraft	-	<u>4,243</u>
Total liabilities	<u>9,625</u>	<u>36,336</u>
NET POSITION		
Restricted for pension benefits and other purposes	<u>19,544,893</u>	<u>23,799,171</u>
Total net position	<u><u>\$ 19,544,893</u></u>	<u><u>\$ 23,799,171</u></u>

Town of Indian River Shores, Florida

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

Years ended September 30,

	2022	2021
ADDITIONS		
Contributions:		
Employer	\$ 224,216	\$ 261,100
Employee	98,299	102,967
State	144,476	195,339
Total contributions	466,991	559,406
Investment gain:		
Net change in fair value of investments	(3,689,214)	3,286,498
Interests and dividends	709,841	422,860
Total investment gain	(2,979,373)	3,709,358
Total additions	(2,512,382)	4,268,764
DEDUCTIONS		
Distributions	1,558,237	2,127,490
Administrative expenses		
Trustee fees	6,790	6,901
Investment management fees	102,127	78,302
Attorney fees	16,398	27,371
Actuary fees	20,239	24,796
Other administrative fees	38,105	27,592
Total deductions	1,741,896	2,292,452
Change in net position	(4,254,278)	1,976,312
Plan net position at beginning of year	23,799,171	21,822,859
Plan net position at end of year	\$ 19,544,893	\$ 23,799,171

Town of Indian River Shores, Florida

COMBINING STATEMENT OF PLAN NET POSITION & CHANGES IN NET POSITION

Year ended September 30, 2022

	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, 2021	\$ 19,687,314	\$ 1,531,130	\$ 2,580,727	\$ 23,799,171
Additions:				
Employer contributions	183,770	40,446	-	224,216
Employee contributions	83,478	14,821	-	98,299
State share plan contributions	144,476	-	-	144,476
Subtotal contributions	<u>411,724</u>	<u>55,267</u>	<u>-</u>	<u>466,991</u>
Interest	116,867	-	-	116,867
Dividends	592,974	-	-	592,974
Net change in fair value of investments	<u>(3,116,498)</u>	<u>(209,693)</u>	<u>(363,023)</u>	<u>(3,689,214)</u>
Net investment earnings	<u>(2,406,657)</u>	<u>(209,693)</u>	<u>(363,023)</u>	<u>(2,979,373)</u>
Net additions	<u>(1,994,933)</u>	<u>(154,426)</u>	<u>(363,023)</u>	<u>(2,512,382)</u>
Deductions:				
Trustee fees	(6,790)	-	-	(6,790)
Investment management fees	(102,127)	-	-	(102,127)
Attorney fees	(16,398)	-	-	(16,398)
Actuary fees	(20,239)	-	-	(20,239)
Other administrative fees	(26,273)	(8,785)	(3,047)	(38,105)
Subtotal deductions	<u>(171,827)</u>	<u>(8,785)</u>	<u>(3,047)</u>	<u>(183,659)</u>
Distributions paid out	<u>(1,368,298)</u>	<u>(69,106)</u>	<u>(120,833)</u>	<u>(1,558,237)</u>
Ending reconciled balance-Plan Net Position September 30, 2022	<u>\$ 16,152,256</u>	<u>\$ 1,298,813</u>	<u>\$ 2,093,824</u>	<u>\$ 19,544,893</u>

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 change in fair value of 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>

OTHER INFORMATION AND REPORTS

Town of Indian River Shores, Florida

SCHEDULE OF PROPERTY TAX VALUATIONS, LEVIES AND COLLECTIONS

**Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate in Mills</u>	<u>Amount Levied</u>	<u>Amount Collected (*)</u>	<u>Percent Collected</u>
2022	\$ 3,639,692,883	1.3349	\$ 4,858,626	\$ 4,682,153	96%
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%

* Includes delinquent collections

MAYOR
BRIAN T. FOLEY
VICE MAYOR
JESSE L. "SAM" CARROLL, JR.
COUNCIL:
JAMES M. ALTIERI
BOB AUWAERTER
MARY ALICE SMITH



TOWN MANAGER
JAMES HARPRING
TOWN CLERK
JANICE RUTAN
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.

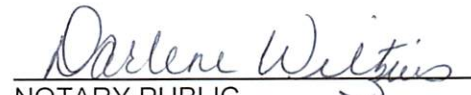
FURTHER AFFIANT SAYETH NAUGHT.



Heather Christmas, Town Treasurer
Town of Indian River Shores

STATE OF FLORIDA
COUNTY OF INDIAN RIVER

SWORN TO AND SUBSCRIBED before me this 21ST day of February, 2023.



NOTARY PUBLIC
Print Name Darlene Wiltzius

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires: 3/30/2024



DARLENE WILTZIUS
Commission # GG 963512
Expires March 30, 2024
Bonded Thru Budget Notary Services

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, 2022, 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 March 21, 2023.

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.

Report on 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.

Carr, Riggs & Ingram, LLC
Melbourne, Florida
March 21, 2023



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

321.255.0088
386.336.4189 (fax)
CRLcpa.com

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, 2022, and have issued our report thereon dated March 21, 2023.

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 March 21, 2023, 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 recommendations.

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
March 21, 2023



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

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386.336.4189 (fax)
CRlcpa.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, 2022. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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, 2022.

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
March 21, 2023