

TOWN OF INDIAN SHORES, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



**TOWN OF INDIAN SHORES, FLORIDA
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinions

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 Shores, Florida (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity 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 (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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.

Responsibilities of Management for the Financial Statements

The Town's 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'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 GAAS 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 GAAS, 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 City'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 City'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.

Other Matters

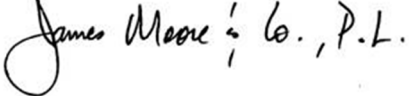
Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Daytona Beach, Florida
December 6, 2022

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Indian Shores' management's discussion and analysis is designed to:

- (a) Assist the reader in focusing on the financial issues
- (b) Provide an overview of the Town's financial activity
- (c) Identify changes in the Town's financial position
- (d) Identify any material deviations from the financial plan (the approved budget)
- (e) Identify individual fund issues or concerns for the fiscal year ended September 30, 2021.

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2021 the Town's assets exceeded its liabilities, resulting in *net* position of \$9,258,488. Of this amount, the *unrestricted net position* of \$3,734,777 can be used for any purpose that is approved by the Town Council.
- On September 30, 2021, the Town's governmental funds reported an ending fund balance of \$4,134,303 which is a *decrease* of (\$42,479) in comparison with the prior year.
- During the year, the Town's governmental activities program revenues were \$873,645 compared to expenses of \$4,470,175 which means that **only 19.54% of expenses were paid for with program revenues**. The percentage is less than the prior year by nearly 5 points.
- On September 30, 2021, unassigned fund balance for the General Fund was \$1,787,471.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the *Statement of Net Position* and the *Statement of Activities* which presents information on how the Town's net position changed during the fiscal year; (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds; and (3) Notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, using the *accrual basis of accounting*, which is similar to a private-sector business. There are two types of government-wide financial statements:

1. The *Statement of Net Position* presents information on all the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
2. The *Statement of Activities* presents information showing how the government's net position changed during fiscal year 2021. 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, parking, and culture and recreation. Property Taxes, utility services taxes, gas taxes, and sales taxes, finance the majority of these services.

The government-wide financial statements include the Town itself (known as the primary government) and all activities of the governing agency.

The government-wide financial statements can be found on pages 14 – 15 of this report.

FUND FINANCIAL STATEMENTS

The accounts of the Town are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriated. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Town's funds are presented in separate fund financial statements. These funds are presented on a governmental fund financial statement. The Town's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set-forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements.

GOVERNMENTAL FUNDS

Governmental fund financial statements are prepared on the modified accrual basis using current financial resources measurement focus. Under modified accrual basis, revenues are recognized when they become measurable and available as net current assets. The governmental fund statements provide a detailed short-term view of the Town general government operations, and the information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's program.

The Town adopts an annual budget for all funds and a budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

Proprietary funds financial statements are used to report the same functions presented as business-like activities in the government-wide financial statements on a full accrual basis and provide both long- and short-term financial information. The Town does not maintain a separate enterprise fund (one type of proprietary fund).

A *Fiduciary fund* is *not* included in the government-wide financial statements because the resources of those funds are not available to finance the Town's operation. The accounting used for fiduciary fund is similar to proprietary funds.

The basic fiduciary fund financial statement can be found on pages 20 and 21 of this report.

NOTES TO 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. The notes to the financial statements can be found on pages 22 – 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including progress of funding pensions and other postemployment benefits (OPEB) to its employees. This includes the general fund original budget and final budget in comparison to actual expenses.

CAPITAL ASSETS

The capital assets of the Town are those assets that are used in the performance of Town functions. The Town continues to follow GASB Statement 34. Historically, a government's largest group of assets which includes land, building, improvements, machinery and equipment and infrastructure – i.e. roads, bridges, sidewalks curbs, and underground pipes - unless associated with a utility, have not been reported or depreciated in the Town's financial statements. The new statement requires that these assets be valued and recorded within the governmental columns of the Governmental-wide Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, total assets exceeded total liabilities by \$9,258,488 at the close of fiscal year ended September 30, 2021. The Town uses capital assets to provide services to citizens; therefore, these assets are not available for future spending, because the Town has no intention of selling these assets to generate spendable assets (i.e., cash). The following table reflects the condensed Statement of Net Position.

| Table 1 | | |
|--|---------------------------|--------------------|
| Town of Indian Shores Florida | | |
| Condensed Statement of Net Position | | |
| As of September 30 | | |
| | Total | |
| | Primary Government | |
| | 2021 | 2020 |
| Current and other Assets | \$5,992,191 | \$5,223,498 |
| Capital assets (net of Allowance) | 8,096,334 | 8,700,745 |
| Total Assets | 14,088,525 | 13,924,243 |
| Deferred Outflows of Resources | 98,793 | 137,482 |
| Current and other Liabilities | 561,035 | 100,976 |
| Compensated Absences | 33,868 | 80,433 |
| Long-Term Liabilities Outstanding: | | |
| Due within one year | 461,523 | 446,504 |
| Due in more than one year | 3,176,455 | 3,690,501 |
| Total Liabilities | 4,232,881 | 4,318,414 |
| Deferred Inflows of Resources | 695,949 | 563,767 |
| Net Position: | | |
| Net investment in capital assets | 4,613,738 | 4,559,717 |
| Restricted: | | |
| Pensions | 726,740 | - |
| Law Enforcement | 18,210 | 7,241 |
| Capital Projects | 165,023 | - |
| Unrestricted | 3,734,777 | 4,580,113 |
| Total Net Position | \$9,258,488 | \$9,147,071 |

For more detailed information, see Statement of Net Position on Page 14.

Of the Town's total net position, 40.3% represents resources that are unrestricted on how they may be used with 9.8% being subject to external restrictions.

The remaining portion of the Town's net position, or 49.8%, represents its investment in capital assets (e. g. land, building, improvements, and equipment), less any related outstanding debt used to acquire those assets. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position \$3,734,777 may be used to meet the government's ongoing obligations to citizens and creditors.

STATEMENT OF ACTIVITIES

The following table represents the revenues and expenses for the last two fiscal years:

| <i>Table 2</i> | | |
|--|--------------------------------|--------------------|
| Town of Indian Shores Florida | | |
| Changes in Net Position | | |
| For the Fiscal Year Ended September 30, | | |
| | Governmental Activities | |
| | <u>2021</u> | <u>2020</u> |
| REVENUES | | |
| Program Revenues: | | |
| Charge for Services | \$873,645 | \$860,589 |
| Operating Grants & Contributions | 81,014 | 89,628 |
| Total Program Revenues | 954,659 | 934,889 |
| General Revenues: | | |
| Property Taxes | 1,953,786 | 1,849,645 |
| Infrastructure Surtax | 193,782 | 154,655 |
| Communications Service Tax | 93,852 | 102,225 |
| Public Service Taxes | 449,976 | 423,736 |
| Franchise Fees | 287,488 | 269,874 |
| State Revenue Sharing | 502,287 | 294,029 |
| Investment Income | 2,541 | 58,326 |
| Miscellaneous | 143,221 | 76,351 |
| Total General Revenues | 3,626,933 | 3,228,841 |
| EXPENSES | | |
| General Government | 1,717,191 | 1,406,085 |
| Public Safety | 1,602,226 | 1,692,530 |
| Physical Environment | 453,253 | 446,279 |
| Transportation | 103,084 | 108,884 |
| Culture and Recreation | 449,558 | 29,542 |
| Interest on Long-Term Debt | 144,863 | 150,358 |
| Total Expenses | 4,470,175 | 3,833,678 |
| CHANGE IN NET POSITION | 111,417 | 330,052 |
| Net Position - Beginning of year | 9,147,071 | 8,817,019 |
| Net Position - End of year | \$9,258,488 | \$9,147,071 |

GOVERNMENTAL ACTIVITIES

Governmental Activities increased the Town's net position by \$111,417. Key elements of this change are as follows:

- Actual property tax revenue increased by \$104,141 or 5.3% compared to the prior year. A 6.97% increase in the existing property values and a millage rate of 1.8700 that was 6.10% above the Rolled-Back Rate of 1.7625.
- Governmental fund overall revenues increased over fiscal year 2020 with a reported increase of \$398,092 or 11%.
 - Ad Valorem increased by \$104,141 or 5.3%
 - Infrastructure Surtax increased by \$39,127 or 20.2%
 - Communications Service Taxes decreased by \$(8,373) or (8.9%)
 - Public Service Taxes increased by \$26,240 or 5.8%
 - Franchise Fees increased by \$17,614 or 6.1%
 - State Revenue Sharing increased by \$208,258 or 41.5%
 - Fines, Interest & Miscellaneous Revenues increased by \$11,085 or 7.6%
- Program revenues increased \$19,770 primarily due to a small increase in fines assessed by the Town and an increase in charges for Police services.
- **Overall revenues increased 11% or \$398,092** in comparison with the prior year along with an **increase of 14.2% or \$636,497 in program expenditures** in comparison with the prior year.

| <u>Function/Program Activities</u> | <u>2021</u> | <u>2020</u> | <u>Inc (Dec)</u> | <u>%</u> |
|------------------------------------|---------------------------|---------------------------|-------------------------|----------|
| General Government | \$1,717,191 | \$1,406,085 | \$311,106 | 18.1% |
| Public Safety | 1,602,226 | 1,692,530 | -90,304 | -5.6% |
| Physical Environment | 453,253 | 446,279 | 6,974 | 1.5% |
| Transportation | 103,084 | 108,884 | -5,800 | -5.6% |
| Culture and Recreation | 449,558 | 29,542 | 420,016 | 93.4% |
| Interest on Long-Term Debt | 144,863 | 150,358 | -5,495 | -3.8% |
| Total Governmental Activities | <u>\$4,470,175</u> | <u>\$3,833,678</u> | <u>\$636,497</u> | 14.2% |

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the Town’s governmental fund is to provide a detailed short-term view of the Town’s general government operations. The information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s program. Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2021, the Town’s governmental funds reported ending fund balances of \$4,134,303 which is a *decrease* of \$(42,479) in comparison with the prior year. There was an increase in revenue of \$469,160 compared to the previous year and expenditures increased by \$4,280,756 offset by net increase of Other Financing Sources and Uses of \$3,769,117.

| <u>INTERGOVERNMENTAL REVENUES</u> | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Half-Cent Sales Tax | \$107,399 | \$91,466 | \$96,717 | \$95,879 | \$90,267 | \$89,354 |
| State Revenue Sharing | \$502,287 | \$32,705 | \$34,700 | \$33,655 | \$32,859 | \$31,827 |
| Local Option Gas Tax | \$20,646 | \$16,870 | \$20,300 | \$21,518 | \$24,943 | \$24,731 |
| 1 Cent Surtax - LOST | \$193,782 | \$154,655 | \$199,799 | \$190,354 | \$178,788 | \$174,366 |

100% of Utility taxes and 2.5% of the Communications Services Tax are utilized to fund the long-term debt payments for the undergrounding of utilities on Gulf Boulevard.

The Assigned fund balance for designated projects is \$2,058,444 and the Unassigned fund balance is \$1,787,471 both of which are available for spending at the Town’s discretion.

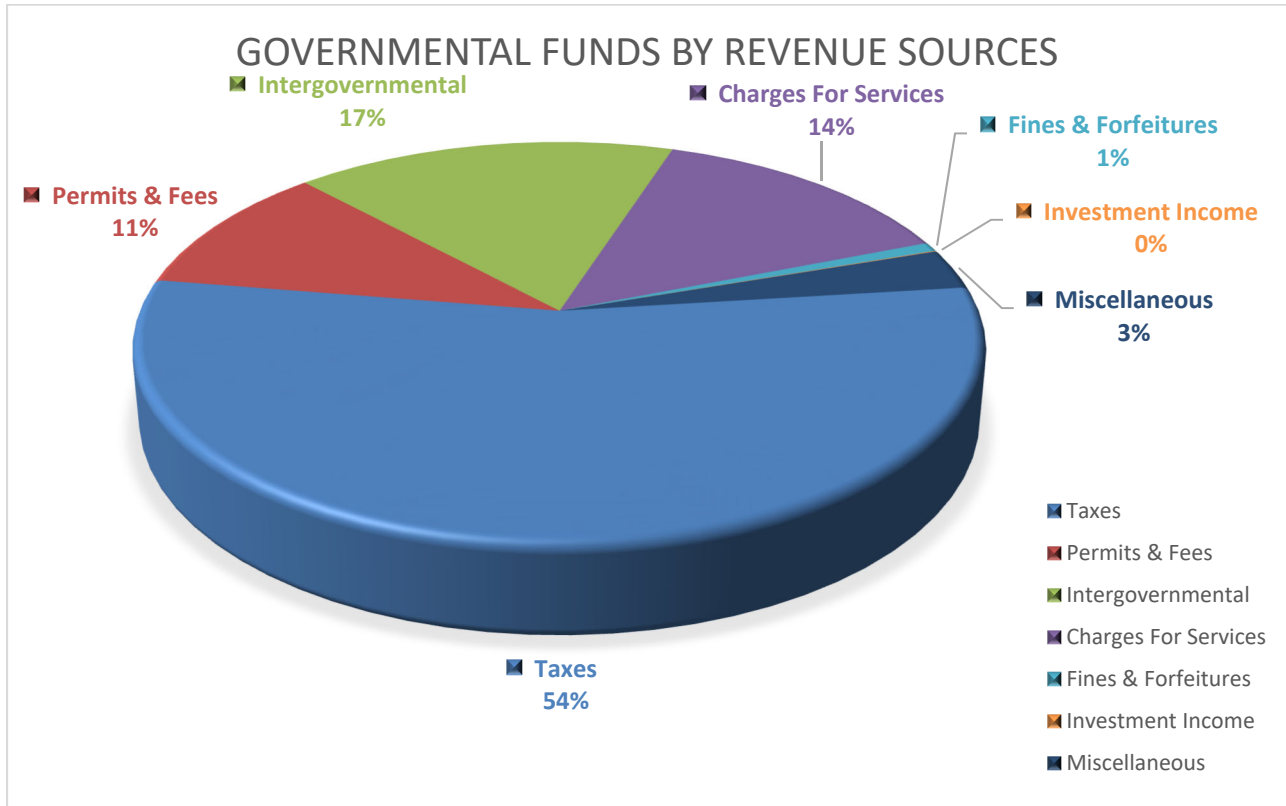
The remainder of the fund balance \$288,388 is non-spendable, restricted, or committed fund balance is not available for new spending and is detailed in the balance sheet on page 16.

CALCULATION OF ALLOWABLE MAXIMUM MILLAGE

The rolled back rate is the rate that would generate approximately the same tax dollars as the previous year with the same properties (1.7625). During 2021 the Town was required to calculate and disclose the allowable Maximum Millage Levy Calculation. The current year rolled-back rate is allowed to be adjusted by the growth or loss in per capita Florida personal income that is certified by the Department of Revenue which was 1.0443%. The **majority vote** maximum millage rate allowed for the Town of Indian Shores was 2.2137. With a **two-thirds vote** the maximum millage rate allowed would have been 2.4351. **The Town Council approved a rate of 1.8700** (which has been the millage rate since FY12-13) **per \$1,000 of valuation** which was 6.10% **more than** the rolled back rate of 1.7625.

For the Fiscal 2020/2021 year the maximum millage rate that can be levied will be calculated much the same as in FY 2019/2020 subject to any legislative changes.

The following chart shows the major sources of revenue by percentage. Most of the tax sources are not controllable by the Town, because State Statutes set the tax levies, but the Town has maintained a property tax millage well below the maximum 10 mill statutory rate.



GOVERNMENTAL FUNDS - BUDGETARY HIGHLIGHTS

There were two amendments to the original budget as follows:

Budget Amendment #1 was authorized by Resolution No. 06-2021

- Finance - Refunding Debt, additional principal payment and fees \$110,016

Budget Amendment #2 was authorized by Resolution No. 07-2021

- Administration - IT Expenses, Incode Upgrade \$25,000
- Police – Other Equipment, Tasers, Bolo Wraps, Stop Sticks \$43,422
- Public Services – Nature Park Parking Meter \$7,000

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS - GOVERNMENTAL FUNDS

The Town's investment in capital assets for its governmental activities as of September 30, 2021, amounts to \$8,096,334 net of accumulated depreciation. This investment in capital assets includes land, building, improvements other than buildings, and equipment.

| Town of Indian Shores, Florida | | |
|---------------------------------------|--------------------------------|---------------------------|
| Capital Assets | | |
| (Net of Accumulated Depreciation) | | |
| As of September 30 | | |
| | <u>Governmental Activities</u> | |
| | 2021 | 2020 |
| Land | \$777,823 | \$777,823 |
| Buildings | 5,544,473 | 5,521,271 |
| Improvements other than Buildings | 9,692,197 | 9,692,197 |
| Equipment | 734,656 | 714,832 |
| Construction in progress | - | - |
| | <hr/> | <hr/> |
| Less Accumulated Depreciation | (8,652,815) | (8,005,378) |
| Totals | <u>\$8,096,334</u> | <u>\$8,700,745</u> |

Additional information on the Town's capital assets can be found on page 32 of this report.

LONG-TERM DEBT

At the end of Fiscal Year 2021, the Town had no outstanding general obligation bonds.

On December 8, 2020, the Council passed Resolution No. 19-2020 authorizing the issuance of the Refunding Revenue Note, Series 2020 (Note) in the amount of \$3,677,126. The purpose of this debt is to repay the Series 2012 Revenue Note and the Series 2015 Revenue Note.

| | |
|---------------------------|--------------------------------|
| | <u>Governmental Activities</u> |
| Revenue Bonds - Principal | <u>\$ 3,352,428</u> |

During Fiscal Year 2020/2021 the Town paid \$608,611 which included an additional principal payment of \$250,000 and three months of regular payments to the 2015 Revenue Note towards retirement of the principal and \$37,608 for the retirement of interest and refunding fees. Debt payments are paid semi-annually in February and August and there is no pre-payment penalty after five-years from the date of issue.

The Town has recorded a liability for compensated absences in the amount of \$33,868.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the County on September 30, 2021, was 3.5 percent which represents a decrease of 2.2 percent from the prior year. The State rate of unemployment was 3.9 percent as of September 30, 2021.
- The Town of Indian Shores is primarily a residential community with less than 16 percent of properties currently claiming Homestead Exemption. Latest report shows 441 out of 2821 parcels.
- The Town of Indian Shores witnessed new construction costs estimated value of \$1,950,000 for the fiscal year ended September 2021. Permit Fees totaled over \$25,554 during this time. Due to new construction and increasing values, the Town is in good condition to raise sufficient tax revenue in FY21-22 to meet projected expenditures without utilizing reserves. With new construction and increased issuances of Certificates of Occupancy and assessed values of real property continuing to increase well into 2022, the Town's ability to provide salary and benefit increases is likely.
 - This financial report is designed to present users with a general overview of the Town's finances to all those interested in the government finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Town's Finance Officer
19305 Gulf Boulevard
Indian Shores, Florida 33785
email: sscrogham@myindiashores.com

TOWN OF INDIAN SHORES, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Equity in pooled cash and cash equivalents | \$ 1,059,931 |
| Investments | 3,452,422 |
| Receivables, net | 79,820 |
| Due from other governments | 67,634 |
| Prepays | 8,488 |
| Restricted assets: | |
| Net pension asset | 1,323,896 |
| Capital assets: | |
| Capital assets, not being depreciated | 777,823 |
| Other capital assets, net of depreciation | 7,318,511 |
| Total assets | \$ 14,088,525 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | \$ 98,793 |
| Total deferred outflows | \$ 98,793 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 165,365 |
| Customer deposits | 1,000 |
| Unearned revenue | 367,627 |
| Accrued interest payable | 27,043 |
| Noncurrent liabilities: | |
| Due within one year: | |
| Bonds and notes payable | 421,924 |
| Capital leases | 39,599 |
| Compensated absences | 33,868 |
| Due in more than one year: | |
| Bonds and notes payable | 2,930,504 |
| Capital leases | 90,569 |
| Compensated absences | 91,568 |
| Total OPEB liability | 63,814 |
| Total liabilities | \$ 4,232,881 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | \$ 695,949 |
| Total deferred inflows of resources | \$ 695,949 |
| NET POSITION | |
| Net investment in capital assets | \$ 4,613,738 |
| Restricted for: | |
| Pensions | 726,740 |
| Law enforcement | 18,210 |
| Capital projects | 165,023 |
| Unrestricted | 3,734,777 |
| Total net position | \$ 9,258,488 |

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

**TOWN OF INDIAN SHORES, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|----------------------------------|---------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental activities: | | | | | |
| General government | \$ 1,717,191 | \$ 73,136 | \$ - | \$ - | \$ (1,644,055) |
| Public safety | 1,602,226 | 669,360 | - | - | (932,866) |
| Physical environment | 453,253 | 121,001 | 1,406 | - | (330,846) |
| Transportation | 103,084 | 10,148 | 78,468 | - | (14,468) |
| Culture and recreation | 449,558 | - | 1,140 | - | (448,418) |
| Interest on long-term debt | 144,863 | - | - | - | (144,863) |
| Total primary government | <u>\$ 4,470,175</u> | <u>\$ 873,645</u> | <u>\$ 81,014</u> | <u>\$ -</u> | <u>(3,515,516)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 1,953,786 |
| Infrastructure surtax | | | | | 193,782 |
| Communications service tax | | | | | 93,852 |
| Public service taxes | | | | | 449,976 |
| Franchise fees | | | | | 287,488 |
| State revenue sharing | | | | | 502,287 |
| Investment earnings | | | | | 2,541 |
| Miscellaneous revenues | | | | | 143,221 |
| Total general revenues | | | | | <u>3,626,933</u> |
| Change in net position | | | | | 111,417 |
| Net position - beginning of year | | | | | 9,147,071 |
| Net position - ending of year | | | | | <u>\$ 9,258,488</u> |

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

**TOWN OF INDIAN SHORES, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

| | <u>General</u> | <u>Capital Improvements</u> | <u>Nonmajor Fund Road and Bridge</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------|--|---|
| ASSETS | | | | |
| Equity in pooled cash and cash equivalents | \$ 322,279 | \$ 571,263 | \$ 166,389 | \$ 1,059,931 |
| Investments | 3,452,422 | - | - | 3,452,422 |
| Receivables, net | 79,820 | - | - | 79,820 |
| Due from other governments | 32,534 | 31,936 | 3,164 | 67,634 |
| Prepaid items | 8,488 | - | - | 8,488 |
| Total assets | <u>\$ 3,895,543</u> | <u>\$ 603,199</u> | <u>\$ 169,553</u> | <u>\$ 4,668,295</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 83,355 | \$ 78,480 | \$ 4,530 | \$ 166,365 |
| Unearned revenue | 367,627 | - | - | 367,627 |
| Total liabilities | <u>450,982</u> | <u>78,480</u> | <u>4,530</u> | <u>533,992</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | 8,488 | - | - | 8,488 |
| Restricted for: | | | | |
| Police education | 831 | - | - | 831 |
| Police forfeiture | 17,379 | - | - | 17,379 |
| Capital projects | - | - | 165,023 | 165,023 |
| Committed to: | | | | |
| Insurance deductible | 31,500 | - | - | 31,500 |
| Beautification | 40,326 | - | - | 40,326 |
| Public works equipment | 2,841 | - | - | 2,841 |
| Beach cleanup | 22,000 | - | - | 22,000 |
| Assigned to: | | | | |
| Building facilities | 711,573 | - | - | 711,573 |
| Park facilities | 101,200 | - | - | 101,200 |
| Nature park, beach access | 55,000 | - | - | 55,000 |
| Public services equipment | 85,119 | - | - | 85,119 |
| Signage | 80,833 | - | - | 80,833 |
| Street/parking lot maintenance | 200,000 | - | - | 200,000 |
| Emergency management recovery | 125,000 | - | - | 125,000 |
| Debt reduction | 175,000 | - | - | 175,000 |
| Capital projects | - | 524,719 | - | 524,719 |
| Unassigned | 1,787,471 | - | - | 1,787,471 |
| Total fund balances | <u>3,444,561</u> | <u>524,719</u> | <u>165,023</u> | <u>4,134,303</u> |
| Total liabilities and fund balances | <u>\$ 3,895,543</u> | <u>\$ 603,199</u> | <u>\$ 169,553</u> | <u>\$ 4,668,295</u> |

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

TOWN OF INDIAN SHORES, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

| | | |
|---|--------------------|----------------------------|
| Fund balances - total governmental funds | | \$ 4,134,303 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p> | | |
| Total governmental capital assets | 16,749,149 | |
| Less: accumulated depreciation | <u>(8,652,815)</u> | 8,096,334 |
| <p>On the governmental fund statements, a net pension liability (asset) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.</p> | | |
| Net pension asset | 1,323,896 | |
| Deferred outflows related to pensions | 98,793 | |
| Deferred inflows related to pensions | <u>(695,949)</u> | 726,740 |
| <p>On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability.</p> | | |
| | | (63,814) |
| <p>Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:</p> | | |
| Bonds and notes payable | (3,352,428) | |
| Capital leases | (130,168) | |
| Accrued interest payable | (27,043) | |
| Compensated absences | <u>(125,436)</u> | (3,635,075) |
| Net position of governmental activities | | <u><u>\$ 9,258,488</u></u> |

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

TOWN OF INDIAN SHORES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | <u>General</u> | <u>Capital Improvements</u> | <u>Nonmajor Fund Road and Bridge</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------|--|---|
| Revenues | | | | |
| Taxes | \$ 2,497,614 | \$ - | \$ - | \$ 2,497,614 |
| Permits and fees | 482,021 | - | - | 482,021 |
| Intergovernmental | 198,183 | 499,292 | 78,468 | 775,943 |
| Charges for services | 640,784 | - | - | 640,784 |
| Fines and forfeitures | 34,026 | - | - | 34,026 |
| Investment income | 2,541 | - | - | 2,541 |
| Miscellaneous | 148,663 | - | - | 148,663 |
| Total revenues | <u>4,003,832</u> | <u>499,292</u> | <u>78,468</u> | <u>4,581,592</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,077,067 | 179,275 | - | 1,256,342 |
| Public safety | 1,718,003 | 65,592 | - | 1,783,595 |
| Physical environment | 324,972 | - | 103,084 | 428,056 |
| Culture and recreation | 2,382 | 388,751 | - | 391,133 |
| Capital outlay | - | 77,224 | - | 77,224 |
| Debt service: | | | | |
| Principal retirement | - | 391,332 | - | 391,332 |
| Interest and fiscal charges | - | 41,239 | - | 41,239 |
| Deposit with bond refunding agent | - | 3,879,351 | - | 3,879,351 |
| Bond issuance costs | - | 52,925 | - | 52,925 |
| Total expenditures | <u>3,122,424</u> | <u>5,075,689</u> | <u>103,084</u> | <u>8,301,197</u> |
| Excess (deficiency) of revenues over expenditures | <u>881,408</u> | <u>(4,576,397)</u> | <u>(24,616)</u> | <u>(3,719,605)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 830,130 | 36,829 | 866,959 |
| Transfers out | (866,959) | - | - | (866,959) |
| Refunding bonds issued | - | 3,677,126 | - | 3,677,126 |
| Total other financing sources (uses) | <u>(866,959)</u> | <u>4,507,256</u> | <u>36,829</u> | <u>3,677,126</u> |
| Net change in fund balances | <u>14,449</u> | <u>(69,141)</u> | <u>12,213</u> | <u>(42,479)</u> |
| Fund balances, beginning of year | 3,430,112 | 593,860 | 152,810 | 4,176,782 |
| Fund balances, end of year | <u>\$ 3,444,561</u> | <u>\$ 524,719</u> | <u>\$ 165,023</u> | <u>\$ 4,134,303</u> |

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

**TOWN OF INDIAN SHORES, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| | | |
|--|-----------|----------------|
| Net change in fund balances - total governmental funds | \$ | (42,479) |
| Differences in amounts reported for governmental activities in the statement of activities are: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. | | |
| Capital outlay expenditures | | 77,224 |
| Depreciation expense | | (681,635) |
| Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows: | | |
| Principal repayment of general long-term debt | | 4,227,454 |
| Issuance of governmental long-term debt | | (3,677,126) |
| Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized. | | |
| Change in net pension liability (asset) and deferred inflows/outflows related to pensions | | 300,618 |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows: | | |
| Change in accrued interest on long-term debt | | (7,470) |
| Change in compensated absences liability | | (76,249) |
| Change in total OPEB liability | | (8,920) |
| Change in net position of governmental activities | \$ | 111,417 |

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

TOWN OF INDIAN SHORES, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

| | Pension Trust Fund |
|--|-----------------------------------|
| | |
| ASSETS | |
| Cash and cash equivalents with trustee | \$ 314,655 |
| Total cash and cash equivalents | 314,655 |
| Receivables | |
| State contributions receivable | 34,585 |
| Interest and dividends receivable | 5,756 |
| Total receivables | 40,341 |
| Investments, at fair value | |
| Corporate debt obligations | 926,099 |
| Foreign debt obligations | 49,664 |
| Municipal debt obligations | 34,007 |
| Corporate equity securities | 2,938,144 |
| Foreign equity securities | 217,131 |
| Total investments | 4,165,045 |
| Total assets | \$ 4,520,041 |
| NET POSITION | |
| Restricted for pensions | \$ 4,520,041 |

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

TOWN OF INDIAN SHORES, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Pension Trust Funds |
|--|------------------------------------|
| | |
| Additions | |
| Contributions: | |
| Employer | \$ 60,653 |
| Plan members | 34,696 |
| State - insurance premium taxes | 34,585 |
| Total contributions | 129,934 |
| Investment earnings: | |
| Net appreciation (depreciation) in fair value of investments | 575,421 |
| Interest and dividends | 71,492 |
| Total investment earnings | 646,913 |
| Less: investment expense | (28,109) |
| Net investment income (loss) | 618,804 |
| Total additions | 748,738 |
| Deductions | |
| Benefit payments and refunds | 210,370 |
| Administrative expenses | 16,405 |
| Total deductions | 226,775 |
| Change in net position | 521,963 |
| Net position restricted for pensions, beginning of year | 3,998,078 |
| Net position restricted for pensions, end of year | \$ 4,520,041 |

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

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:**

The financial statements of the Town of Indian Shores, Florida (the Town), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the Town has adopted the GASB Codification. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**— The Town of Indian Shores, Florida, is incorporated under the provisions of the State of Florida and operates under a Council-Manager form of government. The Town is a full-service municipality which provides its citizens with full municipal services except for fire protection.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds. The Town had no business-type activities in the current fiscal year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(c) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets, less current liabilities) or economic resources (all assets and liabilities).

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

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.

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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the Town which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town are financed through revenues received by the General Fund.

Capital Improvements Fund—the Capital Improvements Fund accounts for the capital projects funded by infrastructure sales surtax.

The Town reports the following nonmajor governmental fund:

Road and Bridge Fund – the Road and Bridge Fund is a special revenue fund that accounts for repair and maintenance projects funded by the County.

Additionally, the Town reports the following fund types:

Pension Trust Fund—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the Town’s police officers in the Police Pension Fund.

As a general rule, the effect of the Town’s interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town’s water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(d) **Budgets and budgetary accounting**—Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. On or before September 15th, the Town Finance Director submits a preliminary budget to the Town Council for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the Town Council, as needed.
- iii. A general summary of the budget and notice of public hearing is made available to the public.
- iv. Prior to October 1st, the budget is legally enacted through passage of a resolution.
- v. The Town Council, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.
- vi. The Town Council must approve all inter-departmental budget amendments and/or appropriations transfers.
- vii. Budgetary control is exercised at the fund level.
- viii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the Town Council were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The general, capital improvements, and road and bridge funds have legally adopted budgets.

(e) **Deposits and investments**—The Town's cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The Town has adopted the reporting required by Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments including investments in the Town's fiduciary funds are recorded at fair value based on quoted market values.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

(g) **Inventories and prepaid items**—The cost of inventory is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost, which approximates market, by using the weighted average valuation method. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value. No required minimum levels of inventory are maintained.

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.

(h) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the government as assets with an initial threshold of \$5,000 and an estimated useful life of greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|------------------------------|---------|
| Buildings | 45 – 55 |
| Improvements | 20 – 30 |
| Public domain infrastructure | 45 – 55 |
| Machinery and equipment | 5 – 15 |

(i) **Compensated absences**—The Town reports compensated absences in the applicable governmental activity columns in the governmental-wide financial statements. The portion of employee payroll costs paid subsequent to year-end attributable to services performed prior to year-end and accumulated unpaid vacation, sick-leave, and personal leave is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Long-term obligations**—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net position. Original issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the Town Council through ordinance.

Assigned – amounts the Town intends to use for a specific purpose. Intent can be expressed by Town Council or by an official or body which the Town Council delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available; the Town considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has deferred outflows related to pensions which qualify for reporting in this category and are discussed further in Note (11).

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Town has deferred inflows related to pensions which qualify for reporting in this category and are discussed further in Note (11).

(m) **Property taxes**— Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

| | |
|--------------------|---------------------|
| Lien date | January 1 |
| Levy date | October 1 |
| Discount periods | November – February |
| No discount period | March |
| Delinquent date | April 1 |

(n) **Net position flow assumption**—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(o) **Impact fees**—No authorized impact fees in accordance with Section 163.31801, Florida Statutes were in effect for fiscal year 2021.

(p) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Deposits and Investments:**

The Town’s investment policies are governed by Chapter 280 and 218, Florida Statutes. For all investments authorized by statute the Town applies the “Prudent Person” standard when developing investment strategies. The basic allowable investment instruments are as follows:

The Local Government Surplus Trust Funds or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

Securities and Exchange Council registered 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 as defined in Chapter 280, Florida Statutes.

Direct obligations of the United States Treasury.

Deposits include cash on hand and amounts held in the Town’s demand accounts. At September 30, 2021, the carrying amount of the Town’s deposits was \$1,059,931. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the Town’s custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) **Deposits and Investments:** (Continued)

The Town measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines, which recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

As of September 30, 2021, the Town’s governmental investment portfolio was composed of the following investments:

| <u>Investment Type</u> | <u>Credit Quality Rating (S&P)</u> | <u>Carrying Value</u> | <u>Weighted Average Investment Maturities (in Years)</u> | | <u>Fair Value Hierarchy</u> |
|------------------------------------|--|-----------------------|--|--------------|-----------------------------|
| | | | <u>Less Than 1</u> | <u>1 – 5</u> | <u>Classification</u> |
| FMIT 0-2 Yr High Quality Bond Fund | AAAf/S1 | \$ 1,631,083 | \$ 1,631,083 | - | Level 2 |
| FLCLASS General Fund | AAAm | 1,821,339 | 1,821,339 | - | N/A |
| Total Portfolio | | <u>\$ 3,452,422</u> | <u>\$ 3,452,422</u> | <u>\$ -</u> | |

Interest Rate Risk: The Town’s fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town’s pension funds limit their risk by averaging investment maturities at approximately seven to ten years.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Town’s portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: The pension funds’ investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 3% of the trust fund shall be invested in any one issuer.

Custodial Credit Risk—Investments: In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town generally utilizes third party custodians to help manage custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy does not permit general obligations issued by a foreign government and is, therefore, not exposed to foreign currency risk.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) **Deposits and Investments:** (Continued)

Pension Plan Investments

The Town's Pension plans have adopted investment policies which authorizes the pension managers to invest in the following:

Police Plan—Bank deposits and money market accounts, US government and agency obligations, mortgage-backed securities, guaranteed investment contracts, treasury inflation indexed securities (TIPS), equities listed on a national stock exchange (5% issuer limitation), private real estate trusts with quarterly liquidity and valuations, and exchange-traded funds (ETF) or similar index funds.

The pension plans measure and record investments using fair value measurement guidelines utilizing the same three-tiered fair value hierarchy as the Town.

The following is a description of the valuation techniques used for assets measured at fair value:

Corporate, Municipal and Foreign Debt Obligations—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Corporate and Foreign Equity Securities—Valued at fair value based on quoted market prices at year end.

A summary of investments held at fair value as of September 30, 2021, is as follows:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------------|---------------------|---------------------|---------------------|----------------|
| Investments, at fair value | | | | |
| Corporate debt obligations | \$ 926,099 | - | \$ 926,099 | - |
| Foreign debt obligations | 49,664 | - | 49,664 | - |
| Municipal debt obligations | 34,007 | - | 34,007 | - |
| Corporate equity securities | 2,938,144 | 2,938,144 | - | - |
| Foreign equity securities | 217,131 | 217,131 | - | - |
| Total investments | <u>\$ 4,165,045</u> | <u>\$ 3,155,275</u> | <u>\$ 1,009,770</u> | <u>\$ -</u> |

The pension plans also held a total of \$314,655 of cash and cash equivalents held in the pension trust funds.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The Town does not have a policy regarding interest rate risk.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies and credit rating limitations are in place through the plan investment policies. All investments rated within the investment policy guidelines at September 30, 2021.

Concentration of Credit Risk: The Town's pension plans have varying limitations on investment in single-issuers as discussed in the authorized investments note. At September 30, 2021, the investment portfolios met the single issuer limitations.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) **Deposits and Investments:** (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that the Town may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to 20-25% percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2021, the investment portfolios met the foreign securities limitations.

(4) **Accounts Receivable:**

The Town's receivables consisted of the following at September 30, 2021:

| | Gross Receivable | Allowance for Doubtful Accounts | Net Receivable |
|---------------------------------|-----------------------------|--|---------------------------|
| Governmental Activities: | | | |
| General Fund | \$ 79,820 | \$ - | \$ 79,820 |
| Total – Governmental Activities | 79,820 | - | 79,820 |
| Totals | \$ 79,820 | \$ - | \$ 79,820 |

(5) **Interfund Loans and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2021, the Town did not have individual fund interfund receivables and payables for the primary government.

Transfers are used to move unrestricted revenues to finance various programs that the Town accounts for in other funds in accordance with budgetary authorizations.

For the year ended September 30, 2021, individual fund transfers to and from other funds for the primary government were comprised of the following:

| | Transfer From | Transfer To |
|----------------------------|----------------------|--------------------|
| Government Activities: | | |
| General Fund | | |
| Road & Bridge Fund | \$ - | \$ 36,829 |
| Capital Improvements Fund | - | 830,130 |
| Road & Bridge: | | |
| General Fund | 36,829 | - |
| Capital Improvements Fund: | | |
| General Fund | 830,130 | - |
| Totals – All Funds | \$ 866,959 | \$ 866,959 |

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) Capital Assets:

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

Governmental activities:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---------------------|---------------------|-----------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 777,823 | \$ - | \$ - | \$ 777,823 |
| Total assets not being depreciated | <u>777,823</u> | <u>-</u> | <u>-</u> | <u>777,823</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 5,521,271 | 23,202 | - | 5,544,473 |
| Infrastructure | 9,692,197 | - | - | 9,692,197 |
| Equipment & Furniture | 714,832 | 54,022 | (34,198) | 734,656 |
| Total assets being depreciated | <u>15,928,300</u> | <u>77,224</u> | <u>(34,198)</u> | <u>15,971,326</u> |
| Less: accumulated depreciation | <u>(8,005,378)</u> | <u>(681,635)</u> | <u>34,198</u> | <u>(8,652,815)</u> |
| Total capital assets being depreciated, net | <u>7,922,922</u> | <u>(604,411)</u> | <u>-</u> | <u>7,318,511</u> |
| Governmental activities capital assets, net | <u>\$ 8,700,745</u> | <u>\$ (604,411)</u> | <u>\$ -</u> | <u>\$ 8,096,334</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| General government | \$ 122,732 |
| Public safety | 112,735 |
| Public works | 391,547 |
| Culture and recreation | 54,621 |
| Total depreciation expense - governmental activities | <u>\$ 681,635</u> |

(7) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2021, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|--------------------------|---------------------|-----------------------|-----------------------|----------------------------|
| Governmental activities: | | | | | |
| Bonds and notes payable | \$ 3,870,035 | \$ 3,677,126 | \$ (4,194,733) | \$ 3,352,428 | \$ 421,924 |
| Capital leases | 162,889 | - | (32,721) | 130,168 | 39,599 |
| Compensated absences | 108,903 | 143,934 | (127,401) | 125,436 | 33,868 |
| Total long-term liabilities | <u>\$ 4,141,827</u> | <u>\$ 3,821,060</u> | <u>\$ (4,354,855)</u> | <u>\$ 3,608,032</u> | <u>\$ 495,391</u> |

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) **Long-Term Liabilities:** (Continued)

Bonds and notes payable in the Town’s governmental activities at September 30, 2021, were comprised of the following obligations:

Sales Tax Revenue Refunding Bonds, Series 2020, issued to (1) refund the Town’s outstanding sales tax revenue refunding bonds, series 2012 and 2015, (2) fund a required deposit to the reserve account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2020 bonds are payable solely from and secure by an irrevocable pledge of the Town’s half-cent sales tax revenues. The bonds are for 100% governmental type activities. The interest rate is 1.21% and the bonds mature February 2030. Bonds are due in payments semi-annually of principal and interest in February and interest only in August. The outstanding balance at September 30, 2021, was \$3,352,428.

In June 2018, the Town entered into a capital lease with the Bancorp Bank for six police vehicles, with payments due annually for each vehicle. The outstanding balance at September 30, 2021, was \$130,168.

Annual debt service requirements to maturity for the Town’s governmental activities bonds and notes payable and capital leases are as follows:

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | | |
|--------------------------------------|--------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ 461,523 | \$ 44,768 | \$ 506,291 |
| 2023 | 458,962 | 37,557 | 496,519 |
| 2024 | 470,899 | 30,229 | 501,128 |
| 2025 | 421,241 | 22,755 | 443,996 |
| 2026 | 352,804 | 18,072 | 370,876 |
| 2027-2030 | <u>1,317,167</u> | <u>32,116</u> | <u>1,349,283</u> |
| Total | <u>\$ 3,482,596</u> | <u>\$ 185,497</u> | <u>\$ 3,668,093</u> |

(8) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. The outcomes of established claims are included in these financial statements. In the opinion of the Town’s legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(9) **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; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(10) Other Postemployment Benefits (OPEB):

Plan Description—Town of Indian Shores, Florida, Retiree Health Care Plan (Plan) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the Town. The Plan, which is administered by the Town, allows employees who retire and meet retirement eligibility requirements under the applicable retirement plan to continue medical insurance coverage as a participant in the Town’s plan. For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust.

Funding Policy— The numbers shown in the OPEB report reflect a decision not to fund the program. Therefore, the contributions made to the program are assumed to be the benefits paid to retirees and administrative expenses.

Benefits Provided— A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility for retirements under the applicable Plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents. Upon reaching age 65, Medicare is assumed to become primary.

Plan Membership—At September 30, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

| | |
|--------------------|----|
| Active Employees | 23 |
| Covered Spouses | 0 |
| Inactive Employees | 0 |
| | 23 |
| | 23 |

Total OPEB Liability—The Town’s total OPEB liability of \$63,814 was measured as of September 30, 2021, and was determined by an actuarial valuation as of September 30, 2019, utilizing the alternative measurement method.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

| | |
|-------------------------------|-------|
| Inflation | 2.50% |
| Salary increases | 2.50% |
| Discount rate | 2.43% |
| Healthcare cost trend rate | 7.5% |
| Ultimate rate reached in 2076 | 4.0% |

For general employees, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019. For police employees, mortality rates were PubS- 2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(10) **Other Postemployment Benefits (OPEB):** (Continued)

For the fiscal year ended September 30, 2021, changes in the total OPEB liability were as follows:

| | | |
|--|----|---------|
| Balance at September 30, 2020 | \$ | 54,894 |
| Changes for a year: | | |
| Service cost | | 11,186 |
| Interest | | 1,398 |
| Changes of assumptions | | (2,164) |
| Benefit payments – implicit rate subsidy | | (1,500) |
| Net changes | | 8,920 |
| Balance at September 30, 2021 | \$ | 63,814 |

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the Town calculated using the discount rate of 2.43%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|-------------|--------------------------|-------------|
| Total OPEB Liability | \$ 71,754 | \$ 63,814 | \$ 57,114 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the Town as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.00%-6.50%) or 1% higher (5.00%-8.50%) than the current healthcare cost trend rates (4.00%-7.50%):

| | 1% Decrease | Current Trend Rates | 1% Increase |
|----------------------|-------------|------------------------|-------------|
| Total OPEB Liability | \$ 55,036 | \$ 63,814 | \$ 74,550 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the Town recognized OPEB expense of \$12,070. At September 30, 2021, the Town reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(11) **Employee Retirement Systems and Pension Funds:**

Defined Benefit Plans

The Town's pension plans are established by various Town ordinances. The Town maintains a single employer benefit pension plans which covers police officers. The Town's ordinances governing the police officers' plans were written in compliance with the provisions of Florida Statutes, Chapter 185.

Plan Description and Administration

The Town's pension plan is a single employer defined benefit pension plans administered by a board of trustees. The board of trustees for each pension plan consists of two Town residents appointed by the Council, two members of the plan elected by the plan membership, and one member elected by the other four members and appointed by the Council.

No standalone financial reports exist for the pension plans. All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The Town's independent custodian and the individual money managers price each instrument (using various third-party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the Town's asset valuation are based on the custodian's determination of value.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. The Plan has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2020:

| | Police Plan |
|--|--------------------|
| Inactive plan members or beneficiaries receiving benefits | 6 |
| Inactive plan members entitled to but not yet receiving benefits | 2 |
| Active participants | 11 |
| Total current membership | 19 |

**TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

A summary of the benefits provided under the Plan is as follows:

Police Officers Plan

- Normal Retirement Benefits: 2.5% of average final compensation times credited service
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service or 2) age 52 and 25 years of credited service Early
- Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement
- Early Retirement Age: Age 50 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-contributions without interest

Contributions

Members contribute five percent of their pretax earnings. The Town contributes the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over thirty years. The State of Florida contributes any monies received by reason of the laws of the State for the purpose of funding and paying for retirement benefits.

For the year ended September 30, 2021, contributions to the police pension plan were as follows:

| | | |
|------------------------|----|---------|
| Employee contributions | \$ | 34,696 |
| Town contributions | | 60,653 |
| State contributions | | 34,585 |
| Total contributions | \$ | 129,934 |

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2021:

| Asset Class | Police Plan |
|--------------|-------------|
| Equities | 65% |
| Fixed income | 35% |

**TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

Net Pension Liability

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

| | Police Plan |
|---|--------------------|
| Total pension liability | \$ 3,196,145 |
| Plan fiduciary net position | (4,520,041) |
| Net pension liability (asset) | \$ (1,323,896) |
| Plan fiduciary net position as percentage of total pension liability (asset) | 141.42% |

The total pension liability was determined by an actuarial valuation as of October 1, 2019, and measurement date of September 30, 2021, using the following actuarial assumptions to all measurement periods.

| | Police Plan |
|---------------------------|-----------------------|
| Inflation | 2.50% |
| Salary increases | 5.0% |
| Investment rate of return | 6.5% |
| Mortality table | MP-2018, projected |

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.

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

| Asset Class | Police Plan |
|--------------------|--------------------|
| Equities | 5.51% |
| Fixed income | 0.53% |

Discount rate:

A discount rate of 6.5% was used to measure the TPL. This discount rate was based on the expected rate of return on Fund investments of 6.5%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on these assumptions, the Fund's fiduciary net position was projected to be available to make all projected future expected benefit payments of current Fund members. Therefore, the long-term expected rate of return on Fund investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

Changes in net pension liability:

Changes in the plan's net pension liability were as follows:

| | Police Plan | | |
|--|--|--|--|
| | Total Pension Liability | Fund Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a-b) |
| Beginning Balance | \$ 3,113,198 | \$ 3,998,078 | \$ (884,880) |
| Changes for year: | | | |
| Service cost | 91,827 | - | 91,827 |
| Interest | 201,490 | - | 201,490 |
| Differences between expected/actual experience | - | - | - |
| Changes of assumptions | - | - | - |
| Contributions - town and state | - | 98,199 | (98,199) |
| Contributions - member | - | 34,696 | (34,696) |
| Net investment income | - | 615,843 | (615,843) |
| Benefit payments, including refunds | (210,370) | (210,370) | - |
| Administrative expenses | - | (16,405) | 16,405 |
| | <u>82,947</u> | <u>521,963</u> | <u>(439,016)</u> |
| | <u>\$ 3,196,145</u> | <u>\$ 4,520,041</u> | <u>\$ (1,323,896)</u> |

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Town calculated using the selected discount rates, as well as what the Town's net pension liability (net pension asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| Plan | Current Discount Rate | NPL (NPA) with 1% Decrease | NPL (NPA) at Current Discount Rate | NPL (NPA) with 1% Increase |
|-------------|----------------------------------|---|---|---|
| Police | 6.50% | \$ (935,867) | \$ (1,323,896) | \$ (1,645,654) |

For the year ended September 30, 2021, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

| | Police Plan |
|--------------------------------------|--------------------|
| Annual money-weighted rate of return | 15.65% |

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the Town recognized pension expense of \$(202,413) in the police pension plan.

At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Police Plan | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 251,124 |
| Changes of assumptions | 98,793 | 58,463 |
| Net difference between projected and actual investment earnings | - | 386,362 |
| | \$ 98,793 | \$ 695,949 |

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

| | Police Plan |
|------------|--------------------|
| 2022 | \$ (185,199) |
| 2023 | (152,964) |
| 2024 | (149,292) |
| 2025 | (109,701) |
| 2026 | - |
| Thereafter | - |

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates, as adjusted based on the impacts of GASB Statement No. 95, effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF INDIAN SHORES, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 2,435,171 | \$ 2,435,171 | \$ 2,497,614 | \$ 62,443 |
| Permits and fees | 357,849 | 357,849 | 482,021 | 124,172 |
| Intergovernmental | 109,216 | 109,216 | 198,183 | 88,967 |
| Charges for services | 606,384 | 606,383 | 640,784 | 34,401 |
| Fines and forfeitures | 18,310 | 18,310 | 34,026 | 15,716 |
| Investment income | 30,000 | 30,000 | 2,541 | (27,459) |
| Miscellaneous | 58,745 | 58,746 | 148,663 | 89,917 |
| Total revenues | <u>3,615,675</u> | <u>3,615,675</u> | <u>4,003,832</u> | <u>388,157</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,153,232 | 1,153,232 | 1,077,067 | 76,165 |
| Planning and code enforcement | 1,752,906 | 1,752,906 | 1,718,003 | 34,903 |
| Public safety | 329,643 | 329,643 | 324,972 | 4,671 |
| Culture and recreation | 6,500 | 6,500 | 2,382 | 4,118 |
| Total expenditures | <u>3,242,281</u> | <u>3,242,281</u> | <u>3,122,424</u> | <u>119,857</u> |
| Excess (deficiency) of revenues over expenditures | <u>373,394</u> | <u>373,394</u> | <u>881,408</u> | <u>508,014</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (373,394) | (373,394) | (866,959) | (493,565) |
| Net change in fund balances | <u>-</u> | <u>-</u> | <u>14,449</u> | <u>14,449</u> |
| Fund balances, beginning of year | 3,430,112 | 3,430,112 | 3,430,112 | - |
| Fund balances, end of year | <u>\$ 3,430,112</u> | <u>\$ 3,430,112</u> | <u>\$ 3,444,561</u> | <u>\$ 14,449</u> |

TOWN OF INDIAN SHORES, FLORIDA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:**

Budgets—Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting.

TOWN OF INDIAN SHORES, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|------------------|------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 11,186 | \$ 10,136 | \$ 5,897 | \$ 6,206 |
| Interest | 1,398 | 1,849 | 2,887 | 2,443 |
| Difference between expected and actual experience | - | (33,240) | - | - |
| Changes of assumptions | (2,164) | 2,212 | 4,816 | (4,057) |
| Benefit payments | (1,500) | (1,627) | (2,407) | (2,218) |
| Net change in total OPEB liability | 8,920 | (20,670) | 11,193 | 2,374 |
| Total OPEB liability - beginning of year | 54,894 | 75,564 | 64,371 | 61,997 |
| Total OPEB liability - end of year | <u>\$ 63,814</u> | <u>\$ 54,894</u> | <u>\$ 75,564</u> | <u>\$ 64,371</u> |
| | | | | |
| Covered payroll | \$ 1,160,351 | \$ 1,132,050 | \$ 1,062,431 | \$ 1,036,518 |
| Total OPEB liability as a percentage of covered payroll | 5.50% | 4.85% | 7.11% | 6.21% |

Notes to Schedule:

| | | | | |
|-------------------|-----------|-----------|-----------|-----------|
| Valuation date: | 10/1/2019 | 10/1/2019 | 10/1/2017 | 10/1/2017 |
| Measurement date: | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | | | |
|-------|-------|-------|-------|
| 2.43% | 2.14% | 3.58% | 4.18% |
|-------|-------|-------|-------|

*10 years of data will be presented as it becomes available.

TOWN OF INDIAN SHORES, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

| Fiscal Year Ending September 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 91,827 | \$ 86,223 | \$ 87,098 | \$ 99,744 | \$ 92,570 | \$ 102,476 | \$ 95,105 | \$ 84,581 |
| Interest | 201,490 | 196,103 | 199,766 | 232,433 | 217,283 | 195,271 | 180,970 | 167,384 |
| Changes in benefit terms | - | - | - | - | - | - | - | - |
| Difference between actual and expected experience | - | (43,748) | (347,315) | - | (173,473) | - | 5,375 | - |
| Changes of assumptions | - | (90,943) | 147,832 | - | - | 113,266 | - | - |
| Benefit payments including refunds of contributions | (210,370) | (199,763) | (215,532) | (135,494) | (102,117) | (85,922) | (68,394) | (68,394) |
| Net change in total pension liability | 82,947 | (52,128) | (128,151) | 196,683 | 34,263 | 325,091 | 213,056 | 183,571 |
| Total pension liability - beginning | 3,113,198 | 3,165,326 | 3,293,477 | 3,096,794 | 3,062,531 | 2,737,440 | 2,524,384 | 2,340,813 |
| Total pension liability - ending (a) | <u>\$ 3,196,145</u> | <u>\$ 3,113,198</u> | <u>\$ 3,165,326</u> | <u>\$ 3,293,477</u> | <u>\$ 3,096,794</u> | <u>\$ 3,062,531</u> | <u>\$ 2,737,440</u> | <u>\$ 2,524,384</u> |
| Total Fund Fiduciary Net Position | | | | | | | | |
| Contributions - town and state | \$ 98,199 | \$ 107,863 | \$ 131,464 | \$ 79,852 | \$ 111,328 | \$ 98,980 | \$ 156,264 | \$ 143,711 |
| Contributions - member | 34,696 | 33,544 | 32,006 | 36,131 | 32,715 | 31,776 | 31,632 | 29,009 |
| Net investment income | 615,843 | 359,809 | 247,244 | 367,644 | 379,669 | 348,353 | (172,176) | 257,445 |
| Benefit payments, including refunds of contributions | (210,370) | (199,763) | (215,532) | (135,494) | (102,117) | (85,922) | (68,394) | (68,394) |
| Administrative expense | (16,405) | (28,586) | (34,571) | (17,610) | (11,473) | (15,086) | (5,212) | (8,366) |
| Net change in plan fiduciary net position | 521,963 | 272,867 | 160,611 | 330,523 | 410,122 | 378,101 | (57,886) | 353,405 |
| Plan fiduciary net position - beginning | 3,998,078 | 3,725,211 | 3,564,600 | 3,234,077 | 2,823,955 | 2,445,854 | 2,503,740 | 2,150,335 |
| Plan fiduciary net position - ending (b) | <u>\$ 4,520,041</u> | <u>\$ 3,998,078</u> | <u>\$ 3,725,211</u> | <u>\$ 3,564,600</u> | <u>\$ 3,234,077</u> | <u>\$ 2,823,955</u> | <u>\$ 2,445,854</u> | <u>\$ 2,503,740</u> |
| Net pension liability (asset) - ending (a) - (b) | <u>\$ (1,323,896)</u> | <u>\$ (884,880)</u> | <u>\$ (559,885)</u> | <u>\$ (271,123)</u> | <u>\$ (137,283)</u> | <u>\$ 238,576</u> | <u>\$ 291,586</u> | <u>\$ 20,644</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 141.42% | 128.42% | 117.69% | 108.23% | 104.43% | 92.21% | 89.35% | 99.18% |
| Covered payroll | \$ 693,912 | \$ 670,880 | \$ 640,129 | \$ 722,605 | \$ 654,300 | \$ 635,520 | \$ 632,640 | \$ 580,180 |
| Net pension liability as a percentage of covered payroll | -190.79% | -131.90% | -87.46% | -37.52% | -20.98% | 37.54% | 46.09% | 3.56% |

*10 years of data will be presented as it becomes available.

**TOWN OF INDIAN SHORES, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)**

| Fiscal Year | Actuarially Determined Contribution (ADC) | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Employee Payroll |
|-------------|--|------------------------|--|--------------------|--|
| 2021 | \$ 1,187 | \$ 98,199 | \$ (97,012) | \$ 693,912 | 14.15% |
| 2020 | 103,316 | 107,863 | (4,547) | 670,880 | 16.08% |
| 2019 | 98,580 | 131,464 | (32,884) | 640,129 | 20.54% |
| 2018 | 99,048 | 118,059 | (19,011) | 722,605 | 16.34% |
| 2017 | 78,516 | 111,328 | (32,812) | 654,300 | 17.01% |
| 2016 | 80,521 | 98,980 | (18,459) | 635,520 | 15.57% |
| 2015 | 88,153 | 156,264 | (68,111) | 632,640 | 24.70% |
| 2014 | 143,304 | 143,711 | (407) | 580,180 | 24.77% |

Notes to Schedule:

Valuation Date: 10/1/2019
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Aggregate
Amortization Method: N/A
Asset Valuation Method: Market value
Inflation: 2.50%
Salary Increases: 5.0% (Projected Salary in the year of retirement increased 12% for those hired before July 1, 2015)
Investment Rate of Return: 6.5% (net of investment related expenses)
Mortality: For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018
For healthy participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.
For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, without projected mortality improvements.
Retirement Age: Varies by Age and Service
Disability Rate Table:

| Age | % Becoming Disabled During the Year |
|-----|---|
| 20 | 0.03% |
| 30 | 0.04% |
| 40 | 0.07% |
| 50 | 0.18% |

Employee Withdrawal Rates

| Years of Service | Withdrawal Rate |
|---------------------|--------------------|
| 0-3 | 25.00% |
| 4 | 15.00% |
| 5+ | 7.50% |

Retirement Rates

| Age | Retirement Rate |
|-------|--------------------|
| 50-54 | 5.00% |
| 55-61 | 10.00% |
| 62+ | 50.00% |

*10 years of data will be presented as it becomes available.

**TOWN OF INDIAN SHORES, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2021**

| For the Year Ending September 30, | Police Plan |
|--|--------------------|
| 2021 | 15.65% |
| 2020 | 9.84% |
| 2019 | 6.79% |
| 2018 | 9.95% |
| 2017 | 13.37% |
| 2016 | 14.16% |
| 2015 | -6.72% |
| 2014 | 111.71% |

*10 years of data will be presented as it becomes available.

OTHER REPORTS



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 Mayor and Town Council,
Town of Indian Shores, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Shores, Florida (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 6, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the following paragraphs as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

2021-001 – Audit Adjustments and Preparation of Financial Statements

Various audit adjustments were required to correct account balances for proper year-end cutoff, most notably related to corrections to the final classification of two uncommon transactions which took place in the current year related to a debt refunding and an advance payment of ARPA grant funding. The Town's controls should provide for the proper cutoff of all balances year-end, as well as the ability to accurately prepare the year-end financial statements. We recommend the Town increase its review of such transactions for proper cutoff at the fiscal year-end, and ensure any unusual or complex transactions are researched in advance, to help ensure completeness and accuracy of all financial reporting.

2021-002 – Journal Entry Segregation of Duties

We noted the required review process whereby all journal entries are reviewed by a second individual other than the preparer has not been consistently performed. Without complete separation of duties, particularly between the approval and recording of adjusting journal entries, improper transactions may be inaccurately recorded in the general ledger through a journal entry and errors not be detected. To reduce the risk of misstatement whether due to error or fraud, we recommend all adjusting journal entries be reviewed and approved by an individual other than the preparer.

2021-003 – Police Pension Plan Oversight

During our testing of benefit payment testing for the police pension plan, we noted one recipient who was not eligible to receive benefits and received pension benefits for a total of 12 months prior to being noticed that the trustee was making payments out of the police pension plan's account for a retiree from another jurisdiction. Notwithstanding the fiduciary responsibility of the plan's governance and administration, since the plan is ultimately the financial responsibility of the Town, we recommend the Town perform a monthly review of all benefit payments and other plan disbursements to ensure only appropriate expenditures are being charged to the plan.

Compliance and Other Matters

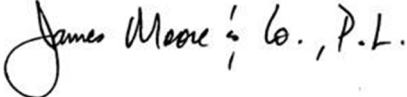
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Management's Response to Findings

The Town's response to the findings identified in our audit is outlined as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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



Daytona Beach, Florida
December 6, 2022



**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

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

Report on the Financial Statements

We have audited the basic financial statements of Town of Indian Shores, Florida (the Town), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated December 6, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of 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 December 6, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following is a summary of prior year recommendations:

2020-1 GASB Statement No. 95 – Corrective action taken.

2019-1 GASB Statement No. 87 – Corrective action taken.

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 for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Town, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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 have the following recommendation:

2021-004 Budgetary Compliance and Transfers

We noted two transfers were only included in half of the impacted funds in the adopted budget, specifically transfers that were budgeted as transfers in for the capital improvements and road and bridge funds, but for which the matching transfer out in the general fund budget was not provided for. To ensure transfers comply with all statutory rules related to the Town's budget, we recommend both sides of all transfers be recorded in the respective funds' budget.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we noted no special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

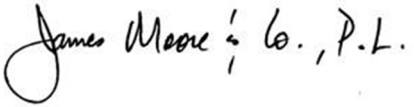
Town's Response to Recommendations

The Town's responses to the recommendations identified in our audit are described in the management's response as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

Daytona Beach, Florida
December 6, 2022

A handwritten signature in black ink that reads "James Moore, Esq., P.L." The signature is written in a cursive style with a large initial 'J'.



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the Town of Indian Shores, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2021. Management is responsible for the Town's compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluate the Town's compliance with the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance for evaluating the Town's compliance with the Statute, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the Town's compliance with the Statute. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the Town was not in compliance with the Statutes in all material respects, 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 engagement.

In our opinion, the Town of Indian Shores, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

Daytona Beach, Florida
December 6, 2022

A handwritten signature in black ink that reads 'James Moore & Co., P.L.' The signature is written in a cursive, flowing style.

Management's Responses to Findings

2021-001 – Audit Adjustments and Preparation of Financial Statements

The Town agrees with this comment and notes the major debt and grant transactions, coupled with a change in audit firms during the year created a complex and unusual accounting situation that will be able to be addressed in a timelier fashion moving forward.

2021-002 – Journal Entry Segregation of Duties

The Town plans to modify its process surrounding journal entries to ensure all entries are reviewed by someone other than the preparer.

2021-003 – Police Pension Plan Oversight

In addition to the oversight performed by the pension plan's board and administration, the Town will implement certain additional internal monitoring activities.

2021-004 Budgetary Compliance and Transfers

The Town will ensure that both sides of all transfers are budgeted in the corresponding funds moving forward.