

**CITY OF
INDIAN HARBOUR
BEACH, FLORIDA**

**Basic Financial
Statements and
Supplementary Information**

September 30, 2022

City of Indian Harbour Beach, Florida

OFFICIAL DIRECTORY

September 30, 2022

ELECTED OFFICERS

MAYOR:	Scott Nickle
DEPUTY MAYOR:	David Panicola
COUNCIL MEMBERS:	Bob Sharek Jim H. Nolan, Sr. Frank Guertin

ADMINISTRATIVE

CITY MANAGER:	John Coffey
CITY ATTORNEY:	Karl Bohne
CITY CLERK:	Sue Frank
COMPTROLLER:	Julie Bradford

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Indian Harbour Beach
Indian Harbour Beach, Florida

Report on the Audit of the 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 City of Indian Harbour Beach, Florida (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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

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 City'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

June 19, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

City of Indian Harbour Beach, Brevard County, Florida

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2022

Management's Discussion and Analysis is intended to provide an objective analysis of the City of Indian Harbour Beach's (the "City") financial activities based on currently known facts, decisions, and conditions for the fiscal year ended September 30, 2022. This analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, identify changes in financial position, and identify material deviations from the approved budget.

This MD&A should be read in conjunction with the City's financial statements, footnotes, and the Required Supplementary Information that is included in the Annual Financial Report.

Financial Highlights

- Government-wide total net position on September 30, 2022, was \$28,955,177, which is an increase of approximately 7% or \$1,931,252. Of this amount, \$21,462,090 is invested in capital assets, \$442,017 is restricted for special revenue funds, and \$7,051,070 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- Government-wide total revenues were \$10,027,940, while government-wide total expenses were \$8,096,688. Total revenues increased by approximately 8% or \$796,352, while total expenses increased by 0.68% or \$54,748.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,672,631, which is a decrease of approximately 7% or \$795,687 over the previous fiscal year. Of this amount \$442,017 is restricted for special revenue funds, \$1,523,299 is committed by the Council, \$672,181 is assigned by the City Manager and \$8,024,159 is available for spending at the City's discretion (unassigned).
- The general fund and ARPA fund (the American Rescue Plan Act), are the City's major governmental funds. The general fund generated \$9,621,682 in revenue, \$5,376 in proceeds from capital asset sales, and had \$10,457,989 in expenditures creating a negative net change in fund balance of \$830,931. The ARPA fund generated \$191,947 in revenue, and had \$191,947 in expenditures.
- At the end of the current fiscal year, the City's Police Officers' Supplemental Pension Plan (POSPP) fiduciary fund had a net position of \$377,347 held in trust for supplemental police officer pension benefits. This net position is a decrease of 13.84% or \$60,589 over the previous year.
- As of September 30, 2022, the City had no general long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

Overview of the Financial Statements (continued)

Government-wide financial statements. The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between the sum of the assets and deferred outflows and the sum of the liabilities and deferred inflows is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other factors such as the condition of the City's capital assets (infrastructure, buildings, etc.) should also be considered to assess the City's financial health.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and ARPA fund, which are considered the major funds. Data from the other three governmental funds is combined into a single, aggregated presentation.

Overview of the Financial Statements (continued)

The City adopts an annual appropriated budget for its governmental funds. The budgetary comparison schedules have been provided for the general fund and ARPA fund on pages 65-66 of this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-19 of this report.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Indian Harbour Beach's own programs.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23-63 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison for the general fund, schedule of changes in total OPEB liability and related ratios, and the pension schedules. Also included in this report are supplementary combining fund financial statements for the non-major governmental funds.

The required supplementary information and notes to the required supplementary information can be found on pages 65-78 and the supplementary combining fund financial statements begin on page 81.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position totaled \$28,955,177 at the close of the most recent fiscal year. The largest portion of net position of \$21,462,090 reflects its net investment in capital assets (e.g. land, infrastructure, buildings, and equipment). The City uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

Approximately, 2%, or \$442,017, of the City's net position represents resources that are subject to external restrictions on how they may be used. Externally imposed restrictions may include things such as: law enforcement special revenue funds, stormwater assessment and grants. The remaining unrestricted net position of \$7,051,070 may be used to meet the City's ongoing operations.

Government-wide Financial Analysis (continued)

The following table provides Government-wide comparative data for fiscal years ending September 30, 2022 and 2021:

CITY OF INDIAN HARBOUR BEACH'S NET POSITION September 30,

	Governmental Activities		
	2022	2021	Variance
Current and other assets	\$ 15,020,046	\$ 14,331,614	\$ 688,432
Capital assets	21,462,090	19,456,082	2,006,008
Total assets	36,482,136	33,787,696	2,694,440
Deferred outflows of resources	1,676,014	2,034,228	(358,214)
Current liabilities	4,347,415	3,223,911	1,123,504
Long-term liabilities outstanding			
Compensated absences	662,089	360,616	301,473
Other post employment benefit obligations	348,548	408,813	(60,265)
Net pension liabilities	780,164	3,958,668	(3,178,504)
Total liabilities	6,138,216	7,952,008	(1,813,792)
Deferred inflows of resources	3,064,757	845,991	2,218,766
Net position			
Net investment in capital assets	21,462,090	19,456,082	2,006,008
Restricted			
Special revenue funds	442,017	406,773	35,244
Grants	-	231,747	(231,747)
Unrestricted	7,051,070	6,929,323	121,747
Total net position	\$ 28,955,177	\$ 27,023,925	\$ 1,931,252

During the current fiscal year, the City's net position increased over the previous fiscal year's net position by \$1,931,252 due to governmental activities including an increase in current and other assets of \$688,432 due to timing of cash flows and an increase in capital assets of \$2,006,008, which was primarily due to the construction of the new police headquarters. The City saw a significant increase in current liabilities caused by the receipt of the balance of the American Rescue Plan Coronavirus State and Local Fiscal Recovery (SLFRF) funding. Currently, this funding is recognized as unearned revenue and will be recognized as the funds are expended.

Government-wide Financial Analysis (continued)

The following table provides change in net position governmental activity comparative data for fiscal years ended September 30, 2022 and 2021:

CITY OF INDIAN HARBOUR BEACH'S CHANGE IN NET POSITION All Governmental Activities

	September 30,		
	2022	2021	Variance
<u>Revenues:</u>			
Program revenues:			
Charges for services	\$ 504,663	\$ 405,185	\$ 99,478
Operating grants and contributions	102,349	277,222	(174,873)
Capital grants and contributions	397,769	262,570	135,199
General revenues:			
Property taxes	5,884,324	5,466,021	418,303
Other taxes	1,310,669	1,252,592	58,077
State shared revenues	992,642	854,279	138,363
Franchise fees	738,459	637,938	100,521
Local shared revenues	6,915	8,323	(1,408)
Interest income	71,107	67,049	4,058
Other revenues	24,530	409	24,121
Loss on disposal of capital assets	(5,487)	-	(5,487)
Total revenues	<u>10,027,940</u>	<u>9,231,588</u>	<u>796,352</u>
<u>Expenses:</u>			
General government	4,478,765	1,670,502	2,808,263
Public safety	1,604,550	3,702,326	(2,097,776)
Transportation	1,198,570	1,668,433	(469,863)
Recreation	814,803	1,000,679	(185,876)
Total expenses	<u>8,096,688</u>	<u>8,041,940</u>	<u>54,748</u>
Change in net position	1,931,252	1,189,648	741,604
Net position, beginning	27,023,925	25,834,277	1,189,648
Net position, ending	<u>\$ 28,955,177</u>	<u>\$ 27,023,925</u>	<u>\$ 1,931,252</u>

Program revenues include the following significant changes in the current year: charges for services increased by \$99,478 due to a return to normal operating levels after COVID restrictions were lifted at the Recreation Center, and the \$135,199 total increase in capital grants and contributions is due to the recognition of additional ARPA funds. Operating grants and contributions decreased by \$174,873 primarily due to ARPA grant operating expenditures.

General revenues in FY22 increased by \$736,548. Major increases due to increased tax rates included property taxes by \$418,303, state shared revenues by \$138,363, and franchise fees by \$100,521. Other taxes increased by \$58,077 due to an increase in communications services tax revenue.

Total expenses during the fiscal year increased by \$54,748 when compared to the previous year, primarily due to increased consulting fees as the City explores the opportunity to develop the Algonquin Sports Complex utilizing ARPA funds.

Government Funds Financial Analysis

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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.

The following table provides information regarding the City's combined fund balances. Specific information for the general fund and the special revenue funds is found on page 16.

CITY OF INDIAN HARBOUR BEACH'S BALANCE SHEET September 30,

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 10,171,203	\$ 11,196,443	\$ (1,025,240)
Cash and cash equivalents - restricted	4,522,915	2,768,477	1,754,438
Receivables	314,957	307,526	7,431
Prepays	10,971	59,168	(48,197)
Total assets	<u>\$ 15,020,046</u>	<u>\$ 14,331,614</u>	<u>\$ 688,432</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 68,094	\$ 427,513	\$ (359,419)
Accrued wages payable	109,511	228,138	(118,627)
Unearned revenue	4,130,379	2,182,100	1,948,279
Other liabilities	39,431	25,545	13,886
Total liabilities	<u>4,347,415</u>	<u>2,863,296</u>	<u>1,484,119</u>
Fund balance			
Nonspendable for prepaids	10,971	59,168	(48,197)
Restricted			
Special revenue funds	442,017	406,773	35,244
Grants	-	231,747	(231,747)
Committed	1,523,299	196,722	1,326,577
Assigned	672,181	357,476	314,705
Unassigned	8,024,163	10,216,432	(2,192,269)
Total fund balances	<u>10,672,631</u>	<u>11,468,318</u>	<u>(795,687)</u>
Total liabilities and fund balances	<u>\$ 15,020,046</u>	<u>\$ 14,331,614</u>	<u>\$ 688,432</u>

Government Funds Financial Analysis (continued)

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,672,631, a decrease of \$795,687 in comparison with the prior year. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$9,665,445, while the total fund balance of the general fund was \$10,230,614.

The following table provides comparative information regarding the general fund's revenues, expenditures, and changes in fund balances. Additional information can be found on page 18.

CITY OF INDIAN HARBOUR BEACH'S GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Year ended September 30,

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 7,194,993	\$ 6,718,613	\$ 476,380
Permits, fees and special assessments	943,122	791,998	151,124
Intergovernmental	1,079,621	1,158,567	(78,946)
Charges for services	299,832	241,473	58,359
Judgments, fines and forfeits	8,721	19,978	(11,257)
Interest and other earnings	70,860	66,833	4,027
Miscellaneous	24,533	5,308	19,225
Total revenues	<u>9,621,682</u>	<u>9,002,770</u>	<u>618,912</u>
EXPENDITURES			
Current			
General government	4,719,060	1,357,100	3,361,960
Public safety	1,734,774	3,416,824	(1,682,050)
Transportation	667,985	1,162,055	(494,070)
Recreation	537,286	746,699	(209,413)
Capital outlay	<u>2,798,884</u>	<u>4,465,818</u>	<u>(1,666,934)</u>
Total expenditures	<u>10,457,989</u>	<u>11,148,496</u>	<u>(690,507)</u>
Excess (deficiency) of revenues over (under) expenditures	(836,307)	(2,145,726)	1,309,419
Other financing sources			
Proceeds from the sale of capital assets	5,376	12,473	(7,097)
Net change in fund balances	<u>(830,931)</u>	<u>(2,133,253)</u>	<u>1,302,322</u>
Fund balances, beginning	11,061,545	13,194,798	(2,133,253)
Fund balances, ending	<u>\$ 10,230,614</u>	<u>\$ 11,061,545</u>	<u>\$ (830,931)</u>

Government Funds Financial Analysis (continued)

Total revenues in the general fund were \$9,621,682 which represents an increase of \$618,912 from the prior year or approximately 6%. This increase was mainly due to increases in taxes and franchise fees, which are determined by the state. The general fund expenditures for the current fiscal year were \$10,457,989 which was a decrease of \$690,507, or approximately 7%. This decrease was due to the completion of the police headquarters in the previous fiscal year. The negative net change in the general fund balance was \$830,931.

General Fund and ARPA Fund Budgetary Highlights

A budget to actual statement is provided for the general fund and ARPA fund. A budget column for both the original budget adopted for fiscal year 2021/2022 as well as the final amended budget is presented. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and ARPA fund can be found on page 65-66.

Due to various anticipated revenue and expenditure events, trends, and other decreases, the City reallocated general fund revenues and the available prior year reserves during the year, which created a \$830,931 decrease in appropriations between the original and final amended budget.

At the end of the fiscal year, the City had an actual excess of expenditures over revenues of \$836,307 in the general fund. This excess of expenditures was anticipated as the City completed the construction of the new police headquarters building and the need for prior year income to complete the project.

Actual expenditures in the general fund were lower than final budgeted expenditures by \$339,990 or 3.15%. The majority of the decrease in expenditure variance was due to the following:

- Capital Outlay - Police headquarter construction and the paving and street projects completing lower than anticipated (\$105,612).
- Recreation - Delays in various maintenance projects (\$105,198).

Capital Assets and Debt Administration

Capital Assets. As of September 30, 2022, the City's capital assets total for its governmental activities was \$21,462,090 (net of depreciation). Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, improvements other than buildings, equipment, motor vehicles, and software. The total increase in the City's investment in capital assets for the current fiscal year was approximately 10.31%.

Capital Assets and Debt Administration (continued)

A comparative summary of net capital assets by category follows:

	Capital Assets at Year End (net of accumulated depreciation)		
	<u>2022</u>	<u>2021</u>	<u>Difference</u>
Land	\$ 3,050,325	\$ 3,050,325	\$ -
Construction in progress	43,000	3,975,705	(3,932,705)
Buildings and improvements	7,838,347	2,250,809	5,587,538
Improvements, other than building	2,319,705	2,015,115	304,590
Equipment	1,174,513	941,055	233,458
Motor vehicles	493,822	590,716	(96,894)
Software	125,013	81,931	43,082
Infrastructure	6,417,365	6,550,426	(133,061)
Total capital assets	<u>\$ 21,462,090</u>	<u>\$ 19,456,082</u>	<u>\$ 2,006,008</u>

During the fiscal year, the City continued working diligently to protect those quality services that afford our residents the quality of life they have come to expect from the City. Major capital asset events during the 2021/2022 fiscal year included:

- Buildings and improvements - the new police headquarters was completed which included the transfer of construction in progress costs to the building and improvements category;
- Improvements Other than Buildings - replacement of the Bicentennial Park boardwalk & pavilions;
- Equipment - Purchase of police department body cam, in-car camera, and radio system.

Long-term debt. At the end of the current fiscal year, the City, continuing its long-time practice, did not have any general long-term outstanding debt.

A Look Ahead to FY 2023

The City of Indian Harbour Beach considered national inflationary and interest rate trends as well as utility increases while preparing the FY23 budget.

The City will continue working on capital projects for the benefit of the citizens and visitors to the area including rebuilding Millennium Park boardwalks and pavilions and utilizing ARPA funds for the development of the Algonquin Sports complex, installation of a restroom building in Gleason Park, and renovation of the former police department building.

Requests for Information

This financial report is designed to provide a general overview of the City of Indian Harbour Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, City of Indian Harbour Beach, 2055 South Patrick Drive, Indian Harbour Beach, FL 32937.

BASIC FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

STATEMENT OF NET POSITION

September 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash, cash equivalents and investments - unrestricted	\$ 10,171,203
Cash, cash equivalents and investments - restricted	4,522,915
Receivables	314,957
Prepays	10,971
Total current assets	<u>15,020,046</u>
Noncurrent assets	
Capital assets, not being depreciated	
Land	3,050,325
Construction in progress	43,000
Capital assets, net of accumulated depreciation	
Buildings and improvements	7,838,347
Improvements, other than buildings	2,319,705
Equipment	1,174,513
Motor vehicles	493,822
Software	125,013
Infrastructure	6,417,365
Total capital assets	<u>21,462,090</u>
Total assets	<u>36,482,136</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and OPEB	<u>1,676,014</u>
LIABILITIES	
Current liabilities	
Accounts payable	68,094
Accrued wages payable	109,511
Unearned revenue	4,130,379
Other liabilities	39,431
Total current liabilities	<u>4,347,415</u>
Noncurrent liabilities	
Due in more than one year	
Compensated absences payable	662,089
Other post employment benefits payable	348,548
Net pension liabilities	780,164
Total noncurrent liabilities	<u>1,790,801</u>
Total liabilities	<u>6,138,216</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and OPEB	<u>3,064,757</u>
NET POSITION	
Net investment in capital assets	21,462,090
Restricted	
Special revenue funds	442,017
Unrestricted	7,051,070
Total net position	<u>\$ 28,955,177</u>

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

City of Indian Harbour Beach, Florida

STATEMENT OF ACTIVITIES

For the year ended September 30, 2022

<u>Function/Program</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 4,478,765	\$ 45,600	\$ 1,107	\$ 1,604	\$ (4,430,454)
Public safety	1,604,550	198,157	101,242	133,868	(1,171,283)
Transportation	1,198,570	16,325	-	219,297	(962,948)
Recreation	814,803	244,581	-	43,000	(527,222)
Total	<u>\$ 8,096,688</u>	<u>\$ 504,663</u>	<u>\$ 102,349</u>	<u>\$ 397,769</u>	<u>(7,091,907)</u>

General revenues:

Taxes:	
Property taxes	5,884,324
Local option, use and fuel taxes	366,467
Utility service taxes	584,279
Other general taxes	359,923
State shared revenues	992,642
Franchise fees	738,459
Local shared revenues	6,915
Interest income	71,107
Other revenues	24,530
Loss on disposal of capital assets	(5,487)
Total general revenues	<u>9,023,159</u>
Change in net position	1,931,252
Net position - beginning	<u>27,023,925</u>
Net position - ending	<u>\$ 28,955,177</u>

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

City of Indian Harbour Beach, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

	General Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 10,171,203	\$ -	\$ -	\$ 10,171,203
Cash and cash equivalents - restricted	-	4,080,918	441,997	4,522,915
Receivables	314,937	-	20	314,957
Prepays	10,971	-	-	10,971
Total assets	<u>\$ 10,497,111</u>	<u>\$ 4,080,918</u>	<u>\$ 442,017</u>	<u>\$ 15,020,046</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 68,094	\$ -	\$ -	\$ 68,094
Accrued wages payable	109,511	-	-	109,511
Unearned revenue	49,461	4,080,918	-	4,130,379
Other liabilities	39,431	-	-	39,431
Total liabilities	<u>266,497</u>	<u>4,080,918</u>	<u>-</u>	<u>4,347,415</u>
Fund balance				
Nonspendable for prepaids	10,971	-	-	10,971
Restricted				
Special revenue funds	-	-	442,017	442,017
Committed	1,523,299	-	-	1,523,299
Assigned	672,181	-	-	672,181
Unassigned	8,024,163	-	-	8,024,163
Total fund balances	<u>10,230,614</u>	<u>-</u>	<u>442,017</u>	<u>10,672,631</u>
Total liabilities and fund balances	<u>\$ 10,497,111</u>	<u>\$ 4,080,918</u>	<u>\$ 442,017</u>	<u>\$ 15,020,046</u>

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

City of Indian Harbour Beach, Florida

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

September 30, 2022

Fund balances - total governmental funds		\$ 10,672,631
The net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 3,050,325	
Construction in progress	43,000	
Buildings and improvements, net	7,838,347	
Improvements, other than buildings, net	2,319,705	
Equipment, net	1,174,513	
Motor vehicles, net	493,822	
Software, net	125,013	
Infrastructure, net	6,417,365	21,462,090
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences		(662,089)
Other post employment benefits payable		(348,548)
Net pension liabilities		(780,164)
Deferred amounts are reported in the statement of net position as deferred outflows or deferred inflows of resources but are not reported in the funds. Those deferred amounts consist of:		
Deferred outflows related to pensions and OPEB	1,676,014	
Deferred inflows related to pensions and OPEB	(3,064,757)	
Total deferred outflows (inflows)		(1,388,743)
Total net position of governmental activities		\$ 28,955,177

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

City of Indian Harbour Beach, Florida

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

For the year ended September 30, 2022

	General Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,194,993	\$ -	\$ -	\$ 7,194,993
American Rescue Plan Act grant	-	191,947	-	191,947
Permits, fees and special assessments	942,514	-	219,297	1,161,811
Intergovernmental	1,080,229	-	-	1,080,229
Charges for services	299,832	-	-	299,832
Judgments, fines and forfeits	8,721	-	257	8,978
Interest and other earnings	70,860	-	247	71,107
Miscellaneous	24,533	-	-	24,533
Total revenues	9,621,682	191,947	219,801	10,033,430
EXPENDITURES				
Current				
General government	1,948,966	13,475	9,010	1,971,451
Public safety	3,747,122	-	1,081	3,748,203
Transportation	1,155,015	-	-	1,155,015
Recreation	808,002	-	-	808,002
Capital outlay	2,798,884	178,472	174,466	3,151,822
Total expenditures	10,457,989	191,947	184,557	10,834,493
Excess (deficiency) of revenues over (under) expenditures	(836,307)	-	35,244	(801,063)
Other financing sources				
Proceeds from the sale of capital assets	5,376	-	-	5,376
Net change in fund balances	(830,931)	-	35,244	(795,687)
Fund balances - beginning	11,061,545	-	406,773	11,468,318
Fund balances - ending	\$ 10,230,614	\$ -	\$ 442,017	\$ 10,672,631

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

City of Indian Harbour Beach, Florida

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2022

Net change in fund balances - total governmental funds	\$	(795,687)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$	3,151,822
Less depreciation expense		<u>(1,134,948)</u>
		2,016,874
In the statement of activities, the loss on the sale of capital assets is reported. However, in the governmental funds, only the proceeds on the sale are reported.		
Proceeds from the sale of capital assets		(5,376)
Loss on disposal of capital assets		<u>(5,487)</u>
		(10,863)
Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences		59,136
Other post employment benefits payable		(4,005)
Pension expense		<u>665,797</u>
Change in net position of governmental activities	\$	<u><u>1,931,252</u></u>

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

City of Indian Harbour Beach, Florida

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2022

	<u>Police Supplemental Pension Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 377,347</u>
NET POSITION	
Restricted net position held in trust for supplemental pension benefits	<u>\$ 377,347</u>

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

City of Indian Harbour Beach, Florida

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

September 30, 2022

	<u>Police Supplemental Pension Fund</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO	
CONTRIBUTIONS	
Employer contributions	\$ 29,561
INVESTMENT INCOME	
Net reduction in fair value of investments	<u>(57,212)</u>
Total additions	<u>(27,651)</u>
DEDUCTIONS TO NET POSITION ATTRIBUTED TO	
Plan distributions	25,080
Administrative expenses	<u>7,858</u>
Total deductions	<u>32,938</u>
Change in net position	(60,589)
Net position - beginning	<u>437,936</u>
Net position - ending	<u><u>\$ 377,347</u></u>

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

NOTES TO FINANCIAL STATEMENTS

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Indian Harbour Beach, Florida (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

1. Reporting entity

The City of Indian Harbour Beach was incorporated in 1955 and recognized by a special act of the Florida legislature in 1963 as a municipality with a five member Council. The Council is elected by the registered voters of the City. The Mayor is selected by the Council from the Council Members. The City provides a wide range of services as directed by the City Charter, including general government, public safety, police, fire, public improvements, recreation, planning and zoning and other related general and administrative services for approximately 8,978 residents.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Codification Section 2100, *Defining the Financial Reporting Entity*. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the purpose and activities of the potential component unit benefit the government and/or its citizens, or whether they are conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria the following was determined:

During the year ended September 30, 2021, the City in accordance with GASB 84, determined that the City of Indian Harbour Beach Police Officer's Supplemental Pension Plan ("PSOPP") is considered a component unit fiduciary fund and is included in the reporting entity because the City is able to exert significant influence.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Excluded from the reporting entity:

The City of Indian Harbour Beach Volunteer Fire Department, Inc.

The City of Indian Harbour Beach Volunteer Fire Department, Inc. is a nonprofit organization separate from the City. This potential component unit is excluded from the reporting entity because the City does not exert significant influence or control over the organization, nor does it have a right to the organization's surplus.

The City of Indian Harbour Beach Municipal Police Officer's Retirement Fund

The City of Indian Harbour Beach Municipal Police Officer's Retirement Fund is an organization separate from the City. This potential component unit fiduciary fund is excluded from the reporting entity because the City does not exert significant influence.

2. Government-wide and fund financial statements

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

Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets. Unrestricted net position does not meet the definition of the other two components.

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements report detailed information about the City's governmental funds. The focus of governmental fund financial statements is on major funds. Therefore, major funds are reported as separate columns in the fund financial statements and non-major funds are aggregated and presented as a single column on each statement. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Basis of accounting, measurement focus and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of accounting, measurement focus and financial statement presentation (continued)

The City reports the following major governmental funds:

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

ARPA Fund - This fund is used to account for revenues obtained by the City through the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program established by the ARPA. The purpose of these funds is the recovery from the COVID-19 impact.

4. Budgets

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, as appropriations lapse at fiscal year-end. Unexpended items which are encumbered at year end are reappropriated in the subsequent year. The City had \$672,181 in encumbrances outstanding that was reported in its fund balances at September 30, 2022.

5. Cash, cash equivalents, and investments

Cash includes amounts in demand deposits and cash equivalents consist of investment pools as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments are stated at market value and income from investments is recorded in the respective fund when earned.

Dividend income is recognized based on the dividend date and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date.

6. Receivables

After reviewing the individual account balances, the City's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

7. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statement of net position. In the governmental funds statement of revenues, expenditures and changes in fund balances, prepaid items are included in expenditures for the current period when consumed.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Deferred outflows/inflows of resources

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

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

9. Capital assets

All capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings, equipment, motor vehicles, software, and infrastructure are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The City defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life of one year or greater.

Infrastructure assets consist of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems. Infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings and improvements	5 - 50 years
Improvements, other than buildings	5 - 50 years
Equipment	3 - 50 years
Motor vehicles	5 - 20 years
Software	5 - 60 years
Infrastructure	10 - 40 years

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Unearned revenue

Unearned revenues are reported in the governmental fund financial statements when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise in both government-wide and fund financial statements when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue will be recognized as revenue. As of September 30, 2022, the City reported \$4,130,379 of unearned revenue. The City’s unearned revenue consists mostly of \$4,080,918 of the ARPA funds received, but not expensed in 2022. The unearned revenue will be earned in the future periods as the eligible expenses will be incurred.

11. Compensated absences

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are granted to City employees. In the event of termination, an employee is reimbursed for accumulated vacation days up to the equivalent of three years' accumulated vacation. Employees are reimbursed for 50 percent of accumulated sick leave only upon retirement per state requirements. However, if an employee leaves in good standing and has had at least two years of service, they are eligible to receive 30 percent of accumulated sick leave.

The maximum number of sick hours that can be accumulated is 800 hours (100 working days). If an employee accumulates sick hours in excess of this maximum, 75 percent of the excess will be credited to additional vacation time. Compensated absences are expensed as earned by the employees in the government-wide financial statements. A liability is reported in the governmental funds only if they have matured.

12. Interfund transactions

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. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as an other financing use in the reimbursing fund and as an other financing source in the fund that is reimbursed. All interfund transactions are reported as transfers.

13. Income taxes

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, deferred outflows, liabilities, deferred inflows, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

15. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Balance - The difference between assets and all current operational commitments and liabilities reported in a governmental fund.

Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact (i.e. buildings, roads, equipment and other capital assets).

Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may only be removed or changed by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes that are neither considered restricted nor committed. The authority to assign fund balance lies with the City Manager.

Unassigned Fund Balance - The residual classification for the general fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

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

If it is determined that there is a surplus (surplus is defined as the amount of cash that exceeds the minimum acceptable level of Cash Reserve), the surplus funds may be designated or appropriated as presented by the City Manager and approved by the City Council, for the following purposes:

- One-time capital needs. Since a surplus may not represent a recurring source of revenue, it should not be used to fund a recurring expense; however, if a one-time capital expenditure requirement has been identified by the appropriate City Executive Leader and the City Manager has agreed, but not already funded through an appropriation, the surplus may be appropriated for this use as approved by the City Council.
- Applied to a renewal and replacement program. Surplus funds may be used to supplement or enhance a capital replacement program such as vehicle, heavy equipment replacement, or any other capital replacement program initiated by the City Manager and approved by the City Council.
- Reduction or avoidance of debt. If there is short-term debt within the fund, the surplus may be applied to reduce or eliminate the debt if financial analysis by the City Manager proves this to be advantageous for the City. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if the financial analysis by the City Manager proves this to be advantageous for the City.

In addition to the policy stated above regarding any fund surplus, the City Council approved a policy for a cash reserve fund of the unassigned fund balance of the General Fund as follows:

- In the general fund, there shall be created a Cash Reserve equal to a minimum of 33.33% of the current fiscal year operating expense portion of the budget for the general fund. For the purposes of this calculation, the current fiscal year operating budget shall be the budget as originally adopted by ordinance. This reserve shall be in addition to all other reserves as may be required to account for special revenue activity or other activity that may require a restriction of cash. In any fiscal year when the City is unable to create the Cash Reserve as required by this section, the City shall (a) not budget any amount of fund balance for the purpose of balancing the budget and (b) have its City Manager identify in a written plan to the City Council how to reach this minimum fund balance level within 24 months.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

- Emergency/Hurricane Recovery Fund - The City recognizes being a coastal community that it is subject to disasters that require significant recovery expenses that may or may not be reimbursed in part or in full from the State of Florida and/or the federal government. Such reimbursements, should they occur may take in excess of one year for payment to the City. Therefore, the Emergency/Hurricane Recovery Fund shall be created as a Cash Reserve equal to a minimum of 33.33% of the current fiscal year's operating and capital outlay budgets for the general fund. For the purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance. This reserve shall be in addition to all other reserves as may be required to account for special revenue activity or other activity that may require a restriction of cash. In any fiscal year when the City is unable to create the Cash Reserve as required by this section, the City shall (a) not budget any amount of fund balance for the purpose of balancing the budget and (b) have its City Manager identify in a written plan to the Council how to reach this minimum fund balance level within 24 months.

- Building Renewal, Replacement and Betterment Fund - The Building Renewal, Replacement and Betterment Fund (BRR&B) is created to appropriate a beginning balance that is rolled over and enhanced each year to construct new structures or enhance existing structures. It shall be the goal of the City to enhance the BRR&B Fund Balance with unexpended budget appropriations from the prior year's Capital Projects Fund. The balance as of September 30, 2022 is \$801,227.

For the year ending September 30, 2022, the breakout of the fund balances is shown below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for prepaids	\$ 10,971	\$ -	\$ 10,971
Restricted			
Law enforcement	-	442,017	442,017
Committed	1,523,299	-	1,523,299
Assigned			
Encumbrances	672,181	-	672,181
Unassigned	8,024,163	-	8,024,163
	<u>\$ 10,230,614</u>	<u>\$ 442,017</u>	<u>\$ 10,672,631</u>
Total fund balance	<u>\$ 10,230,614</u>	<u>\$ 442,017</u>	<u>\$ 10,672,631</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Fund balance classification (continued)

The \$1,523,299 committed balance is composed of \$807,426 for motor vehicles that have not been delivered due to continued COVID delays, \$317,116 for FY23 liability and workers' compensation, and \$266,145 for ARPA fund projects, including development of the Algonquin Sports Complex and playground equipment for various parks.

16. Accounting and financial reporting for pensions

The City's active pension employees are members of the Florida Retirement System, Health Insurance Subsidy, Municipal Police Officers' Retirement Trust Fund, and Police Officers' Supplemental Pension Plan and the primary activity associated with the pension arrangements are to be reflective for the year ended September 30, 2022 (Notes G through J).

17. Pensions and other postemployment benefits (OPEB)

For purposes of measuring the net pension and OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to and deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City's deposits and investments are insured by the Federal Depository Insurance Corporation ("FDIC") for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

The deposits with the State Board of Administration (the "SBA"), Florida Municipal Investment Trust ("FMIvT"), and with Florida Surplus Asset Fund Trust (the "Florida SAFE") are composed of local government surplus funds deposited therein by units of local government and are insured by the multiple financial institution collateral pool established by Florida Statutes. Section 218.407, Florida Statutes, governs the investing of public funds with the SBA.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

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

The Florida PRIME is operated as a “2a-7 like” money market fund. As of September 30, 2022, the City had \$276,912 in the Florida PRIME. As of September 30, 2022, there were no redemption fees, maximum transaction amounts, or any other requirements that would limit the City’s daily access to 100% of the City’s account value.

The FMIvT and the Florida SAFE are authorized investments under section 218.415, Florida Statutes as intergovernmental investment pools authorized pursuant to the “Florida Interlocal Cooperation Act” as provided in section 163.01, Florida Statutes. The investments consist largely of federal agency obligations, primary dealer repurchase agreements, and highly rated commercial paper.

The following deposit accounts were included in the various funds at September 30, 2022:

Deposits and insured investments	Balance	Duration	Rating
Cash	\$ 4,849,189	N/A	Not rated
Public funds now	29,431	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	276,912	21 days	AAAm (S&P)
Florida municipal investment trust	232,523	0.63 years	AAAf/S1 (Fitch)
Florida SAFE	9,306,063	< 60 days	AAAm (S&P)
Total cash, cash equivalents, and investments	\$ 14,694,118		
Defined benefit plan (fiduciary fund)			
Cash	\$ 3,773	N/A	Not rated
Bond fund	56,225	5.46 years	AAf/S4 (Fitch)
Fixed income fund	54,715	6.02 years	Not rated
Equity funds	262,634	N/A	Not rated
	\$ 377,347		

Total cash, cash equivalents, and investments were \$10,171,203 unrestricted and \$4,522,915 restricted.

Investment Policy, Interest Rate Risk, Credit Risk & Concentration Risk - The City’s adopted investment guidelines require that the investments of the City be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment account, securities and exchange commission money market funds which are required to have the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the United States Treasury.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

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

The City's investment policy does not further limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest nor does it further limit its investment choices to mitigate its exposure to credit risk.

The investments in the City's defined benefit plan are with an investment pool and not the individual securities that make up the pool.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the City reports its investments in Florida PRIME and Florida SAFE at amortized cost because Florida PRIME and Florida SAFE are external investment pools that report their investments at amortized cost. The City's Florida municipal investment trust (FMIvT) and defined benefit plan (fiduciary fund) are recorded at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The statement establishes a hierarchy of inputs to valuation techniques to measure fair value with three levels.

- > Level 1 inputs are the quoted price (unadjusted) in active markets for identical assets and liabilities;
- > Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- > Level 3 inputs are unobservable inputs, such as management's assumptions of the default rate among underlying mortgages of a mortgage-backed security.

The following table presents a summary of the City's Florida municipal investment trust (FMIvT) according to the fair value hierarchy as of September 30, 2022:

Description	Fair Value	Level 1	Level 2	Level 3
FMIvT 0-2 Year High Quality Bond	\$ 232,523	\$ -	\$ 232,523	\$ -

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

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

The following table presents a summary of the City's defined benefit plan (fiduciary fund) according to the fair value hierarchy as of September 30, 2022:

Description	Fair Value	Level 1	Level 2	Level 3
FMLvT Broad Market High Quality Bond	\$ 56,225	\$ -	\$ 56,225	\$ -
FMLvT Core Plus Fixed Income	54,715	-	-	54,715
FMLvT Large Cap Diversified Value	83,771	-	83,771	-
FMLvT Diversified Small to Mid Cap Equity	52,829	-	52,829	-
FMLvT International Equity	63,772	-	63,772	-
FMLvT Core Real Estate	62,262	-	-	62,262
Total	373,574	\$ -	\$ 256,597	\$ 116,977
Cash	3,773			
Total cash and cash equivalents	\$ 377,347			

NOTE C - RECEIVABLES

Receivables at September 30, 2022, consist of the following:

	General Fund	Other Governmental Funds
Taxes	\$ 48,487	\$ -
Franchise fees	175,307	-
Utilities	57,857	-
Other	33,286	20
Total	\$ 314,937	\$ 20

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,050,325	\$ -	\$ -	\$ -	\$ 3,050,325
Construction in progress	3,975,705	1,821,266	-	(5,753,971)	43,000
Total capital assets not being depreciated	<u>7,026,030</u>	<u>1,821,266</u>	<u>-</u>	<u>(5,753,971)</u>	<u>3,093,325</u>
Capital assets, being depreciated:					
Building and improvements	4,934,113	25,435	9,418	5,753,971	10,704,101
Improvements, other than buildings	3,403,915	488,073	45,006	-	3,846,982
Equipment	2,725,162	454,899	191,515	-	2,988,546
Motor vehicles	2,058,282	-	-	-	2,058,282
Software	225,987	57,512	-	-	283,499
Infrastructure	10,189,039	304,634	-	-	10,493,673
Total capital assets being depreciated	<u>23,536,498</u>	<u>1,330,553</u>	<u>245,939</u>	<u>5,753,971</u>	<u>30,375,083</u>
Less accumulated depreciation for:					
Building and improvements	2,683,304	191,868	9,418	-	2,865,754
Improvements, other than buildings	1,388,800	177,077	38,600	-	1,527,277
Equipment	1,784,107	216,984	187,058	-	1,814,033
Motor vehicles	1,467,566	96,894	-	-	1,564,460
Software	144,056	14,430	-	-	158,486
Infrastructure	3,638,613	437,695	-	-	4,076,308
Total accumulated depreciation	<u>11,106,446</u>	<u>1,134,948</u>	<u>235,076</u>	<u>-</u>	<u>12,006,318</u>
Total capital assets, being depreciated, net	<u>12,430,052</u>	<u>195,605</u>	<u>10,863</u>	<u>5,753,971</u>	<u>18,368,765</u>
Governmental activities capital assets, net	<u>\$ 19,456,082</u>	<u>\$ 2,016,871</u>	<u>\$ 10,863</u>	<u>\$ -</u>	<u>\$ 21,462,090</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE D - CAPITAL ASSETS (continued)

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

General government	\$ 65,773
Public safety	301,310
Transportation	505,364
Recreation	262,501
	<u>1,134,948</u>
	<u>\$ 1,134,948</u>

NOTE E - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2022:

Long-term liabilities	Balance at October 1, 2021	Increases	Decreases	Balance at September 30, 2022	Due within one year
Compensated absences	\$ 721,231	\$ 527,198	\$ 586,340	\$ 662,089	\$ 331,045
OPEB	408,813	-	60,265	348,548	-
Net pension liabilities	3,958,667	2,266,236	5,444,739	780,164	-
	<u>\$ 5,088,711</u>	<u>\$ 2,793,434</u>	<u>\$ 6,091,344</u>	<u>\$ 1,790,801</u>	<u>\$ 331,045</u>

Compensated absences in the governmental activities are classified as non-current liabilities and in the past have been paid out of the general fund.

NOTE F - UNEARNED REVENUE

Unearned revenue at September 30, 2022, consists of the following:

ARPA funds	\$ 4,080,918
Unearned business tax	27,917
Other unearned revenue	21,544
Total unearned revenue	<u>\$ 4,130,379</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER

Municipal Police Officers' Retirement Fund (MPORF)

1. Plan description

The MPORF is a single-employer, defined benefit pension plan, which covers all of the City's police officers. The MPORF was created by Section 13.36 of the City of Indian Harbour Beach, Florida, Municipal Code.

The MPORF is administered by a five member Board of Trustees. The Board of Trustee members are selected as follows: two members are City Council appointees who are City residents, two are elected by members of the police department, and one is appointed by the other four members and approved by the City Council.

All of the City's full-time police officers participate in the MPORF, which includes a deferred compensation MPORF. Current membership in the MPORF is comprised of the following:

<u>Group</u>	<u>Participants</u>
Actives	20
Service retirees	16
DROP retirees	0
Beneficiaries	0
Disability retirees	2
Terminated vested	2
Total	<u>40</u>

Employees who have attained the age of 52 and who have completed ten years or more of service are entitled to annual benefits equal to three percent of their Average Final Compensation times years of credited service. Average Final Compensation is the average compensation for the five final calendar years of employment.

Employees who have attained the age of 50 and who have completed at least ten years of service are eligible for early retirement. This entitles the employee to receive benefits computed similarly to normal retirement as described above, reduced three percent for each year that the early retirement precedes normal retirement.

Active employees who are determined to have a disability in service are entitled to receive benefits. The benefit amount is the greater of 50% of the regular base salary or the accrued benefit or 42% of Average Final Compensation for life and the life of the surviving beneficiary in the event of death with the first 120 payments guaranteed.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

1. Plan description (continued)

If a member dies and the death was service related, his or her surviving beneficiary receives annual benefits equal to 50 percent of the member's base pay on date of death, payable to the spouse until death or remarriage. If there is no spouse, or upon death or remarriage, then benefits are equal to 15 percent of the base pay, payable to each unmarried child until the age of 18 (or to age 22, if in school), with a maximum of 50 percent. If the death is non-service related then benefits are equal to 50 percent of base pay payable monthly for a period of one year. If death occurs and the member is eligible for retirement, the beneficiary receives the accrued benefit for ten years.

If an employee terminates his or her employment as a police officer and is not eligible for any other benefits under the MPORF, the employee is entitled to the following:

- > with less than ten years of continuous service, a refund of member contribution without interest.
- > with ten years or more of continuous service, accrued benefit payable at normal retirement date if member contributions left in fund, or a refund of contributions without interest.

The MPORF issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Indian Harbour Beach Municipal Police Officers' Retirement Fund, 1835 South Patrick Drive, Indian Harbour Beach, FL 32937.

2. Funding policy

The contribution requirements of the MPORF members and the City are established in a collective bargaining labor agreement.

Police officers are required to contribute 6.5 percent of their annual salary to the MPORF. During fiscal year 2022, the City received contributions of approximately 6 percent of the total annual payroll, from the State of Florida, which are credited towards part of the City's annual required contribution. (The state provided contributions do not meet the criteria for special funding situations under GASB 68.) The City is required to contribute the remaining amounts necessary to fund the MPORF, using the entry age normal actuarial method and the amortization of the accrued past service liability over 30 years. Administrative costs are financed through investment earnings.

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rate for normal cost is determined using the projected benefits actuarial funding method with proration based on service.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

2. Funding policy (continued)

The estimated contribution requirements for the year ended September 30, 2022, determined through an actuarial valuation as of October 1, 2020, that was rolled forward to September 30, 2021 (measurement date), consisted of the following: employees – estimated 6.5% of current year covered payroll and City and State – 37.3% of the projected current year covered payroll, both of which are normal costs. The City recognized \$531,008 of City and State contributions and \$83,901 of employee contributions during the fiscal year ended September 30, 2022.

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended September 30, 2022, the City reported the changes in net pension liability from the following sources:

Changes in net pension liability	Increase (Decrease)		
	Total pension liability (a)	Plan's fiduciary net position (b)	Net pension liability (a) - (b)
Beginning balances of:	\$ 13,108,728	\$ 11,949,582	\$ 1,159,146
Service cost	333,486	-	333,486
Interest on the total pension liability	947,786	-	947,786
Differences between expected and actual experience	140,688	-	140,688
Changes in assumptions	-	-	-
Contributions from the City	-	449,289	(449,289)
Contributions from the State (non-special funding)	-	81,719	(81,719)
Contributions from employees	-	83,901	(83,901)
Net investment income	-	2,353,434	(2,353,434)
Benefit payments	(738,613)	(738,613)	-
Plan administrative expense	-	(45,384)	45,384
Ending balances of:	<u>\$ 13,792,075</u>	<u>\$ 14,133,928</u>	<u>\$ (341,853)</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$102,819. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 170,018	\$ 136,851
Change in assumptions	-	129,582
Net difference between projected and actual earnings on pension plan investments	181,710	1,220,977
City pension plan contributions subsequent to the measurement date	496,603	-
Total	<u>\$ 848,331</u>	<u>\$ 1,487,410</u>

The deferred outflows of resources related to the pension plan, totaling \$496,603 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2023	\$ (246,537)
2024	(288,087)
2025	(330,552)
2026	(270,506)

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

4. Actuarial assumptions

The total pension liability in the October 1, 2020 actuarial valuation was determined using the following actuarial assumption:

Inflation	3.00%
Salary increases	Service based
Discount rate	7.25%
Investment rate of return	7.25%

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

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

Mortality Rate Disabled Lives:

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

Mortality rates were based on the above. The most recent actuarial experience study used to review the other significant assumptions was dated January 15, 2021. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the September 30, 2021 measurement date are below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	15%	6.50%
Fixed income	35%	1.25%
Convertible Securities	5%	3.75%
Total	<u>100%</u>	

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's net pension liability calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability	\$ 1,425,743	\$ (341,853)	\$ (1,796,642)

7. Pension plan fiduciary net position

Detailed information regarding the pension plan's fiduciary net position is available in the separately issued financial statements for the pension plan from the City.

8. Payables to the pension plan

At September 30, 2022, the City reported a payable in the amount of \$11,077 for outstanding contributions to the pension plan required for the fiscal year ended September 30, 2022.

9. Deferred retirement option plan

On August 23, 2011, the City Council approved ordinance 2011-1 "Deferred Retirement Option Plan" to establish a Deferred Retirement Option Plan ("DROP") for police officers. The DROP program was effective as of the date of approval by the City Council.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE G - EMPLOYEE RETIREMENT SYSTEMS SINGLE-EMPLOYER (continued)

Municipal Police Officers' Retirement Fund (MPORF) (continued)

9. Deferred retirement option plan (continued)

Once a police officer achieves normal retirement age under the City of Indian Harbour Beach's Police Officers' Retirement System, as described above, an officer may elect to enter the DROP program for a period of no less than twelve months and no more than thirty six months. During this time, the benefit that would have been received had the officer terminated employment will be deposited into a DROP account to accumulate interest and earnings. As of September 30, 2022, there were no City employees in the MPORF DROP program.

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER

Police Officers' Supplemental Pension Plan (POSPP)

1. Plan description

The POSPP is an agent multiple-employer, defined benefit pension plan, which covers all of the City's police officers. The POSPP was created by Ordinance 2010-19 of the City of Indian Harbour Beach, Florida.

If an employee terminates his or her employment as a police officer and is not eligible for any other benefits under the POSPP, the employee is entitled to the following:

- with less than ten years of continuous service, the member shall not be entitled to any benefits under the plan.
- with ten years or more of continuous service, the accrued retirement benefit to the date of termination, payable commencing at his or her normal retirement date of age 52, and provided survival to the normal retirement date.

Under Ordinance 2012-3 of the City, officers that qualify for early retirement will receive all of their benefits.

The number of covered individuals is 38 (17 inactive employees and beneficiaries currently receiving benefits; one inactive employee entitled to but not yet receiving benefits; and 20 active employees).

The Board of Trustees of the City of Indian Harbour Beach Police Officers' Supplemental Pension Plan is composed of three members of the City of Indian Harbour Beach's administration: City Manager, City Comptroller and City Clerk.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

2. Funding policy

The City will contribute the necessary amount to fund the POSPP, using the entry age normal actuarial cost method. No explicit administrative costs are assumed. The assumed interest rate is net of investment expenses and commissions.

All of the City's full-time police officers participate in the POSPP, which includes a deferred compensation POSPP. The City recognized \$42,114 of City contributions during the fiscal year ended September 30, 2022.

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended September 30, 2022, the City reported the changes in net pension liability from the following sources:

Changes in net pension liability	Increase (Decrease)		
	Total pension liability (a)	Plan's fiduciary net position (b)	Net pension liability (a) - (b)
Beginning balances of:	\$ 400,993	\$ 356,480	\$ 44,513
Service cost	9,252	-	9,252
Expected interest growth	27,874	25,397	2,477
Unexpected investment income	-	43,186	(43,186)
Changes in assumptions	(9,894)	-	(9,894)
Demographic experience	13,534	-	13,534
Contributions from the City	-	42,114	(42,114)
Benefit payments and refunds	(23,240)	(23,240)	-
Plan administrative expense	-	(6,001)	6,001
Ending balances of:	<u>\$ 418,519</u>	<u>\$ 437,936</u>	<u>\$ (19,417)</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$16,345. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,984	\$ 3,898
Change in assumptions	17,869	8,443
Net difference between projected and actual earnings on pension plan investments	2,702	34,839
City pension plan contributions subsequent to the measurement date	32,548	-
Total	<u>\$ 78,103</u>	<u>\$ 47,180</u>

The deferred outflows of resources related to the pension plan, totaling \$32,548 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2023	\$ 1,169
2024	959
2025	(1,463)
2026	(2,466)
2027	(84)
Thereafter	260

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

4. Actuarial assumptions

The total pension liability in the October 1, 2020, actuarial valuation was determined using the following actuarial assumptions, and rolled forward and applied to all periods included in the measurement:

Inflation	2.62%
Salary increases	4.00%
Discount rate	7.00%

The mortality basis utilized was the sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a weighted arithmetic average. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the September 30, 2021 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Long term Real Rate of Return</u>
Core bonds	15%	1.60%
Core plus	15%	2.10%
U.S. large cap equity	25%	4.60%
U.S. small cap equity	14%	5.50%
Non-U.S. equity	21%	6.70%
Core real estate	10%	5.00%
Total	<u>100%</u>	4.38%

(1) As outlined in the Pension Plan's investment policy

5. Discount rate

The discount rate used to measure the total pension liability was 7.00%. The fiduciary net position is projected to be sufficient to cover all future benefit payments when due. The plan requires only a 7.00% average investment return per year to avoid a crossover date. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE H - EMPLOYEE RETIREMENT SYSTEMS MULTI-EMPLOYER (continued)

Police Officers' Supplemental Pension Plan (POSPP) (continued)

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's net pension liability calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's total pension liability	\$ 462,467	\$ 418,519	\$ 381,614
Less fiduciary net position	437,936	437,936	437,936
City's net pension liability	<u>\$ 24,531</u>	<u>\$ (19,417)</u>	<u>\$ (56,322)</u>

7. Pension plan fiduciary net position

Detailed information regarding the pension plan's fiduciary net position is available in the fiduciary financial statements for the pension plan included in the City's financial statements.

8. Payables to the pension plan

At September 30, 2022, there were no outstanding contributions payable to the pension plan required for the fiscal year.

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING

Florida Retirement System

General Information - All of the City's employees other than police officers participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA").

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments ("COLA"), and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications.

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan for eligible employees.

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. For pension plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

1. Pension description (continued)

Elected Officers class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increases normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual COLA is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated COLA. The annual COLA is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

In addition to the above benefits, the Deferred Retirement Option Program ("DROP") allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

2. Funding policy

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows: Regular—10.82% and 11.91%; Special Risk Administrative Support—37.76% and 38.65%; Special Risk—25.89% and 27.83%; Senior Management Service—29.01% and 31.57%; Elected Officers—51.42% and 57.00%; and DROP participants—18.34% and 18.60%.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

These employer contribution rates include 1.66% HIS Plan subsidy for the period of October 1, 2021 through September 30, 2022.

The City recognized \$173,218 of FRS contributions during the fiscal year ended September 30, 2022.

At September 30, 2022, the City reported a liability of \$420,296 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-2021 plan year contributions relative to the 2020-2021 plan year contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.0047 percent, which was an increase of 0.0002 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$10,432. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,674	\$ -
Change in assumptions	230,240	-
Net difference between projected and actual earnings on Pension Plan investments	-	1,166,377
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	55,438	50,510
City Pension Plan contributions subsequent to the measurement date	173,073	-
Total	<u>\$ 516,425</u>	<u>\$ 1,216,887</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$173,073 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2023	\$ (144,683)
2024	(176,583)
2025	(245,835)
2026	(322,336)
2027	5,343
Thereafter	10,559

4. Actuarial assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018 tables.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

4. Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead was based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions and included an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash equivalent	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed Inflation - Mean			2.4%	1.2%

(1) As outlined in the Pension Plan's investment policy

5. Discount rate

The discount rate used to measure the total pension liability was 6.80%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate used in the calculation of the total pension liability is equal to the long-term expected rate of return.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE I - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's proportionate share of the net pension liability using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's proportionate share of the net pension liability	\$ 1,573,812	\$ 420,296	\$ (669,444)

7. Pension plan fiduciary net position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At September 30, 2022, the City reported a payable related to the Florida Retirement System and Health Insurance Subsidy in the amount of \$6,785 for outstanding contributions required for the fiscal year ended September 30, 2022.

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT

Health Insurance Supplement (HIS)

1. Plan description

The HIS plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

1. Plan description (continued)

For the fiscal year ended September 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

2. Funding policy

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2022, the HIS contribution was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City recognized \$33,569 of HIS contributions during the fiscal year ended September 30, 2022.

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At September 30, 2022, the City reported a liability of \$721,138 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-2021 plan year contributions relative to the 2020-2021 plan year contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.0058 percent, which was an decrease of 0.0001 percent from its proportionate share measured as of June 30, 2020.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$73,597. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,720	\$ 284
Change in assumptions	53,352	29,113
Net difference between projected and actual earnings on Pension Plan investments	700	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	18,168	23,147
City Pension Plan contributions subsequent to the measurement date	<u>29,677</u>	<u>-</u>
Total	<u>\$ 124,617</u>	<u>\$ 52,544</u>

The deferred outflows of resources related to the HIS plan, totaling \$29,677 resulting from City contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

3. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2023	\$ 15,621
2024	9,550
2025	10,190
2026	7,780
2027	1,780
Thereafter	(2,525)

4. Actuarial assumptions

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.16%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018 tables.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study of the FRS for the period July 1, 2013 through June 30, 2018.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE J - EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUPPLEMENT (continued)

Health Insurance Supplement (HIS) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index and changed from 2.21% to 2.16%.

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the City's proportionate share of the net pension liability using the discount rate of 2.21%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
City's proportionate share of the net pension liability	\$ 830,290	\$ 721,138	\$ 626,338

7. Pension plan fiduciary net position

Detailed information regarding the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

8. Payables to the pension plan

At September 30, 2022, the City reported a payable related to the Florida Retirement System and Health Insurance Subsidy in the amount of \$13,644 for outstanding contributions required for the fiscal year ended September 30, 2022.

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE K - OTHER POST EMPLOYMENT BENEFITS

1. Plan description

The City administers a single employer defined benefit employee group medical insurance plan (the "Plan") that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

2. Funding policy

Contribution rates for the Plan are established on an annual basis. Eligible retirees receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered to be an Other Post Employment Benefit (OPEB) obligation of the City. An implied monthly subsidy of \$450 for the retiree and \$525 for the retiree's spouse has been assumed at age 62 for the current fiscal year. At other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The Plan does not issue a publicly available financial report.

Retirement is assumed to occur at age 52 (for police officers), age 62 (for general employees hired prior to July 1, 2011), or age 65 (for general employees hired after June 30, 2011). Husbands are assumed to be three years older than wives, and retirees are not assumed to have any dependent children. No implied subsidy is assumed with respect to life insurance for retirees.

As of September 30, 2022, the following employees were covered by the City's Plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>54</u>
Total	<u><u>55</u></u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)

3. Actuarial assumptions and other inputs

The City's total OPEB liability of \$348,548 was measured as of September 30, 2022 and was determined by an actuarial valuation as of October 1, 2021, using the following actuarial assumptions and other inputs:

Salary increases	3% per annum
Discount rate	2.43% (based on 20-year municipal bond index as provided by the Asset Consulting Group)
Healthcare cost trend rates	7% for the current fiscal year decreasing by 0.50% per year to 5% for fiscal year 2024/2025 and later
Retirees' share of benefit-related costs	Retirees must contribute an amount determined periodically by the insurance carrier equal to 100% of applicable health insurance premium

The mortality table used was the RP-2000 Combined Mortality Table (for general employees) or the RP-2000 Blue Collar Mortality Table (for police officers) both with full generational improvements in mortality using Scale AA. No formal experience studies were conducted.

4. Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Balance as of October 1, 2021	\$ 408,814
Changes for the year:	
Service cost	27,560
Expected interest growth	10,423
Demographic experience	(12,034)
Benefit payments and refunds	(15,003)
Assumption changes	<u>(71,212)</u>
Balance as of September 30, 2022	<u>\$ 348,548</u>

5. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.43%) or one percentage point higher (3.43%) than the current rate.

	<u>1% Decrease (1.43%)</u>	<u>Discount Rate (2.43%)</u>	<u>1% Increase (3.43%)</u>
Total OPEB liability	<u>\$ 381,221</u>	<u>\$ 348,548</u>	<u>\$ 319,936</u>

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE K - OTHER POST EMPLOYMENT BENEFITS (continued)

6. Sensitivity of the total OPEB liability to changes in the healthcare trend rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6% decreasing to 4.00%) or one percentage point higher (8% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease	Current rate	1% Increase
	(6% decreasing to 4.00%)	(7% decreasing to 5.00%)	(8% decreasing to 6.00%)
Total OPEB liability	\$ 308,342	\$ 348,548	\$ 396,912

7. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$4,005.

As of September 30, 2022, the City reported (\$108,538) of deferred outflows related to demographic experience and \$260,736 of deferred inflows related to assumption changes.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2023	\$ (18,975)
2024	(18,975)
2025	(18,975)
2026	(18,975)
2027	(57,323)
Thereafter	(18,975)

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE L - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 that is administered by an agent of the National Association of Counties. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, all assets and income of the plan are held in trust for the exclusive benefit of the participants in the plan; therefore, assets of the plan are not reported in the accompanying financial statements.

NOTE M - PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2022, the City's millage rate was 5.6401 mills.

The tax levy of the City is established by the City Council prior to October 1 of each year and the Brevard County Property Appraiser incorporates the City millage into the total tax levy, which includes the County and the County School Board tax requirements among other overlapping governments. All property is reassessed according to its fair market value on January 1 of each year.

Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. The assessed value on January 1, 2021, upon which the 2021-2022 levy was based, was \$1,081,997,436.

All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 15 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes are paid in March without discount. Current tax collections, net of discounts taken, for the year ended September 30, 2022, were approximately 96.4% of the total tax levy.

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

City of Indian Harbour Beach, Florida

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2022

NOTE N - COMMITMENTS AND CONTINGENCIES

The City is party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the City's opinion that any ultimate liability is not expected to have a material adverse effect on the City's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

NOTE O - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the City is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Additionally, the City has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the City may be exposed to. Premiums paid by the City during the year totaled \$244,879. There have been no significant reductions in insurance coverages during fiscal year 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

NOTE P - SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 19, 2023, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Indian Harbour Beach, Florida

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

For the year ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,134,586	\$ 7,172,524	\$ 7,194,993	\$ 22,469
Permits, fees and special assessments	731,820	844,953	942,514	97,561
Intergovernmental	922,803	1,119,682	1,080,229	(39,453)
Charges for services	297,668	297,433	299,832	2,399
Judgments, fines and forfeits	6,370	8,856	8,721	(135)
Interest and other earnings	8,470	22,813	70,860	48,047
Miscellaneous	2,577,557	1,331,880	24,533	(1,307,347)
Total revenues	11,679,274	10,798,141	9,621,682	(1,176,459)
EXPENDITURES				
Current				
General government	1,909,776	1,978,408	1,948,966	29,442
Public safety	3,471,679	3,806,268	3,747,122	59,146
Transportation	1,325,815	1,195,769	1,155,015	40,754
Recreation	946,065	913,200	808,002	105,198
Capital outlay	4,025,939	2,904,496	2,798,884	105,612
Total expenditures	11,679,274	10,798,141	10,457,989	340,152
Excess (deficiency) of revenues over (under) expenditures	-	-	(836,307)	(836,307)
Other financing sources				
Proceeds from the sale of capital assets	-	-	5,376	5,376
Net change in fund balances	-	-	(830,931)	(830,931)
Excess of revenues and other financial uses over expenditures (GAAP basis)	-	-	(830,931)	(830,931)
Fund balances - beginning	11,061,545	11,061,545	11,061,545	-
Fund balances - ending	\$ 11,061,545	\$ 11,061,545	\$ 10,230,614	\$ (830,931)

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

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

For the year ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
American Rescue Plan Act grant	\$ -	\$ 2,142,903	\$ 191,947	\$ (1,950,956)
Total revenues	-	2,142,903	191,947	(1,950,956)
EXPENDITURES				
Current				
General government	1,854,518	1,823,100	13,475	1,809,625
Public safety	-	276	12,368	(12,092)
Capital outlay	-	319,527	178,472	141,055
Total expenditures	1,854,518	2,142,903	204,315	1,938,588
Excess (deficiency) of revenues over (under) expenditures	(1,854,518)	-	(12,368)	(12,368)
Other financing sources				
Prior Year Income	1,854,518	-	-	-
Net change in fund balances	1,854,518	-	(12,368)	(12,368)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 1,854,518	\$ -	\$ (12,368)	\$ (12,368)

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2022

Last 10 Fiscal Years*

Total OPEB Liability	2022	2021	2020	2019	2018
Service cost	\$ 27,561	\$ 44,385	\$ 23,626	\$ 27,900	\$ 32,320
Interest	10,423	8,211	16,384	16,288	11,812
Differences between expected and actual experience	(12,034)	(24,845)	(33,677)	115,237	-
Changes in assumptions or other inputs	(71,212)	48,731	(88,541)	(130,070)	-
Benefit payments	(15,003)	(13,912)	(11,055)	(18,676)	(9,640)
Net change in total OPEB liability	(60,265)	62,570	(93,263)	10,679	34,492
Total OPEB liability at beginning of year	408,813	346,243	439,506	428,827	394,335
Total OPEB liability at end of year	<u>\$ 348,548</u>	<u>\$ 408,813</u>	<u>\$ 346,243</u>	<u>\$ 439,506</u>	<u>\$ 428,827</u>
Covered payroll	<u>\$ 2,881,076</u>	<u>\$ 2,823,656</u>	<u>\$ 2,794,421</u>	<u>\$ 2,913,812</u>	<u>\$ 2,835,791</u>
Total OPEB liability as a percentage of covered payroll	12.10%	14.48%	12.39%	15.08%	15.12%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF NET PENSION LIABILITY -
FLORIDA MUNICIPAL POLICE OFFICERS' RETIREMENT FUND**

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's total pension liability	\$ 13,792,075	\$ 13,108,728	\$ 12,799,278	\$ 12,318,509	\$ 11,254,461	\$ 10,183,238	\$ 9,202,148	\$ 9,168,538	\$ 8,468,241
The plan's fiduciary net position	14,133,928	11,949,583	11,174,444	10,779,247	9,865,276	8,679,051	7,908,787	7,881,363	7,191,362
City's net pension (asset) liability	(341,853)	1,159,145	1,624,834	1,539,262	1,389,185	1,504,187	1,293,361	1,287,175	1,276,879
City's covered payroll	1,290,780	1,323,094	1,212,171	1,186,250	1,291,407	1,260,276	1,138,129	911,867	876,742
City's net pension liability as a percentage of its covered payroll	-26.48%	87.61%	134.04%	129.76%	107.57%	119.35%	113.64%	141.16%	145.64%
Plan fiduciary net position as a percentage of the total pension liability	102.48%	91.16%	87.31%	87.50%	87.66%	85.23%	85.95%	85.96%	84.92%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF NET PENSION LIABILITY -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN**

	Last 10 Fiscal Years*							
	2022	2021	2020	2019	2018	2017	2016	2015
City's total pension liability	\$ 418,519	\$ 400,993	\$ 381,715	\$ 284,958	\$ 272,779	\$ 256,798	\$ 251,963	\$ 198,315
The plan's fiduciary net position	437,936	356,480	313,387	272,803	243,683	202,859	173,381	120,128
City's net pension liability (asset)	(19,417)	44,513	68,328	12,155	29,096	53,939	78,582	78,187
City's covered payroll	947,794	1,068,248	983,938	889,552	875,892	830,401	929,086	1,005,543
City's net pension liability (asset) as a percentage of its covered payroll	-2.05%	4.17%	6.94%	1.37%	3.32%	6.50%	8.46%	7.78%
Plan fiduciary net position as a percentage of the total pension liability	104.64%	88.90%	82.10%	95.73%	89.33%	79.00%	68.81%	60.57%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.004658814%	0.004469541%	0.004529700%	0.004748103%	0.005002402%	0.004836289%	0.004479430%	0.004107691%
City's proportionate share of the net pension liability (asset)	\$ 420,296	\$ 2,024,795	\$ 1,658,772	\$ 1,498,862	\$ 1,546,156	\$ 1,235,263	\$ 570,844	\$ 236,188
City's covered payroll	2,391,812	2,058,224	2,011,649	1,921,445	1,860,042	1,836,270	1,708,020	1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.57%	98.38%	82.46%	78.01%	83.12%	67.27%	33.42%	15.80%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of the September 30 measurement date.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY**

	Last 10 Fiscal Years*							
	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.005760181%	0.005854837%	0.005755739%	0.005860840%	0.006036615%	0.005863185%	0.005463236%	0.004971806%
City's proportionate share of the net pension liability (asset)	\$ 721,138	\$ 730,214	\$ 657,749	\$ 634,522	\$ 661,100	\$ 694,196	\$ 566,352	\$ 465,504
City's covered payroll	2,391,812	2,058,224	2,011,649	1,921,445	1,860,042	1,836,270	1,708,020	1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	30.15%	35.48%	32.70%	33.02%	35.54%	37.80%	33.16%	31.13%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of the September 30 measurement date.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CONTRIBUTIONS -
FLORIDA MUNICIPAL POLICE OFFICERS' RETIREMENT FUND

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 518,894	\$ 644,347	\$ 590,327	\$ 551,607	\$ 521,728	\$ 563,344	\$ 545,405	\$ 438,982	\$ 361,218
Excess state money reserve	-	-	-	-	-	(40,320)	-	-	-
Contributions in relation to the contractually required contribution	(531,008)	(646,480)	(588,885)	(563,893)	(489,080)	(568,723)	(604,769)	(438,982)	(361,218)
Contribution deficiency (excess)	\$ (12,114)	\$ (2,133)	\$ 1,442	\$ (12,286)	\$ 32,648	\$ (45,699)	\$ (59,364)	\$ -	\$ -
Covered payroll	\$ 1,290,780	\$ 1,323,094	\$ 1,212,171	\$ 1,186,250	\$ 1,291,407	\$ 1,260,276	\$ 1,138,129	\$ 911,867	\$ 876,742
Contributions as a percentage of covered payroll	41.14%	48.86%	48.58%	47.54%	37.87%	45.13%	53.14%	48.14%	41.20%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CONTRIBUTIONS -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially required contribution	\$ 38,666	\$ 45,134	\$ 43,841	\$ 21,754	\$ 25,625	\$ 27,186	\$ 25,258	\$ 26,298	\$ 28,747
Contributions in relation to the contractually required contribution	(42,114)	(46,358)	(48,839)	(35,955)	(30,984)	(35,117)	(68,454)	(26,298)	(28,747)
Contribution deficiency (excess)	\$ (3,448)	\$ (1,224)	\$ (4,998)	\$ (14,201)	\$ (5,359)	\$ (7,931)	\$ (43,196)	\$ -	\$ -
Covered payroll	\$ 947,794	\$ 1,068,248	\$ 983,938	\$ 889,552	\$ 875,892	\$ 830,401	\$ 929,086	\$ 1,005,543	\$ 1,124,957
Contributions as a percentage of covered payroll	4.44%	4.34%	4.96%	4.04%	3.54%	4.23%	7.37%	2.62%	2.56%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM

	Last 10 Fiscal Years*								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 177,481	\$ 148,503	\$ 140,453	\$ 135,317	\$ 130,225	\$ 117,941	\$ 109,212	\$ 89,976	\$ 57,988
Contributions in relation to the contractually required contribution	(177,481)	(148,503)	(140,453)	(135,317)	(130,225)	(117,941)	(109,212)	(89,976)	(57,988)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,391,812	\$ 2,058,224	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194	\$ 1,538,303
Contributions as a percentage of covered payroll	7.42%	7.22%	6.98%	7.04%	7.00%	6.42%	6.39%	6.02%	3.77%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

**SCHEDULE OF CONTRIBUTIONS -
HEALTH INSURANCE SUPPLEMENT**

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 33,858	\$ 33,739	\$ 31,961	\$ 31,783	\$ 31,948	\$ 30,053	\$ 20,884	\$ 17,032	\$ 17,439
Contributions in relation to the contractually required contribution	(33,858)	(33,739)	(31,961)	(31,783)	(31,948)	(30,053)	(20,884)	(17,032)	(17,439)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,391,812	\$ 2,058,224	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194	\$ 1,538,303
Contributions as a percentage of covered payroll	1.42%	1.64%	1.59%	1.65%	1.72%	1.64%	1.22%	1.14%	1.13%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

SCHEDULE OF INVESTMENT RETURNS -
POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Annual money-weighted rate of return net of investment expense	7.20%	6.31%	6.96%	5.16%	7.58%	13.36%	7.91%	-1.37%	8.45%	

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the City will present information for only those years for which information is available.

* The amounts presented for each fiscal year were determined as of September 30.

See notes to required supplementary information.

City of Indian Harbour Beach, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2022

NOTE A - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Budgets may be amended by ordinance only. The budgets presented for fiscal year ended September 30, 2022, have been amended according to City procedures. All annual appropriations lapse at fiscal year-end.

On or before the first day of August of each year, the City Manager submits to the Council a budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Upon receipt of the budget from the City Manager, the Council shall have it published on the City bulletin board and in at least one local daily newspaper serving the City. The notice will show the times and place where copies of the budget will be available for inspection by the public and establish the time and place, not less than two weeks after publication, for a public hearing on the budget. Pursuant to Florida Statute 129.03, the tentative budget shall be posted on the official website of the City at least 2 days before the budget hearing to consider such budget. The final adopted budget shall be posted on the website within 30 days after adoption and any amendments to the adopted budget shall be posted on the website within 5 days after adoption.

After the public hearing, the Council may adopt the budget with or without amendments. In amending the budget, the Council may add, delete, increase or decrease any programs or amounts, other than expenditures required for debt service, provided that no amendment to the budget shall increase the authorized expenditure to an amount greater than the total of estimated income.

The budget shall be formally adopted no later than the twenty-seventh (27th) day of September of the ensuing year. Should the Council take no final action on or prior to that day, the budget, as submitted, shall be deemed to have been formerly adopted by the Council.

The Council may, by ordinance, transfer any unused and unencumbered appropriation or portion thereof between general classifications of expenditures within any office, department, or agency of the City, or may transfer any unused and unencumbered appropriation or portion thereof from any office, department, or agency to another.

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

All appropriations shall lapse at the end of the budget year to the extent that such appropriations have not been expended or encumbered, and any appropriation made in one budget year shall not be valid or effective during any subsequent budget year.

City of Indian Harbour Beach, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)

For the year ended September 30, 2022

NOTE B - SCHEDULE OF NET PENSION LIABILITY

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the Municipal Police Officers' Retirement Fund (MPORF) and Police Officers' Supplemental Pension (POSPP) plans.

2. Fiduciary net position

The MPORF plan's fiduciary net position as a percentage of the total pension liability is published in the City of Indian Harbour Beach, Municipal Police Officers' Retirement Fund financial statements.

The POSPP plan's fiduciary net position as a percentage of the total pension liability is disclosed on page 69.

NOTE C - SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Supplement (HIS) plans.

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See Note I for reference to FRS Annual Financial Report information).

NOTE D - SCHEDULE OF CONTRIBUTIONS

1. Ten year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the City is presenting information for only those years for which information is available for the Municipal Police Officers' Retirement Fund (MPORF), Police Officers' Supplemental Pension (POSPP), Florida Retirement System (FRS) and the Health Insurance Supplement (HIS) plans.

**SUPPLEMENTARY COMBINING FUND
FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

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

Impound Fund is used to account for revenues obtained by the City through seizure of money and property, related to illegal activities that are legally restricted for police expenditures.

Police Training Fund is used to account for revenues received by the City that are legally restricted for police training expenditures.

Stormwater Utility Fund is used to account for revenues received by the City that are legally restricted for drainage expenditures.

City of Indian Harbour Beach, Florida

NONMAJOR GOVERNMENTAL FUNDS -
COMBINING BALANCE SHEET

September 30, 2022

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Cash and cash equivalents - restricted	\$ 16,055	\$ 42	\$ 425,900	\$ 441,997
Receivables	-	5	15	20
Total assets	<u>\$ 16,055</u>	<u>\$ 47</u>	<u>\$ 425,915</u>	<u>\$ 442,017</u>
FUND BALANCE				
Restricted fund balance	<u>\$ 16,055</u>	<u>\$ 47</u>	<u>\$ 425,915</u>	<u>\$ 442,017</u>

See Independent Auditor's Report.

City of Indian Harbour Beach, Florida

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

For the year ended September 30, 2022

	<u>Impound Fund</u>	<u>Police Training Fund</u>	<u>Stormwater Utility Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Permits, fees and special assessments	\$ -	\$ -	\$ 219,297	\$ 219,297
Judgments, fines and forfeits	-	257	-	257
Interest and other earnings	-	-	247	247
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>257</u>	<u>219,544</u>	<u>219,801</u>
EXPENDITURES				
Current				
General government	-	-	9,010	9,010
Public safety	770	311	-	1,081
Capital outlay	-	-	174,466	174,466
Total expenditures	<u>770</u>	<u>311</u>	<u>183,476</u>	<u>184,557</u>
Net change in fund balances	<u>(770)</u>	<u>(54)</u>	<u>36,068</u>	<u>35,244</u>
Fund balances - beginning	<u>16,825</u>	<u>101</u>	<u>389,847</u>	<u>406,773</u>
Fund balances - ending	<u>\$ 16,055</u>	<u>\$ 47</u>	<u>\$ 425,915</u>	<u>\$ 442,017</u>

See Independent Auditor's Report.

City of Indian Harbour Beach, Florida

**NONMAJOR GOVERNMENTAL FUNDS -
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the year ended September 30, 2022

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Permits, fees and special assessments	\$ 219,165	\$ 219,297	\$ 132
Judgments, fines and forfeits	1,396	257	(1,139)
Interest and other earnings	216	247	31
Miscellaneous	1,500	-	(1,500)
Total revenues	<u>222,277</u>	<u>219,801</u>	<u>(2,476)</u>
EXPENDITURES			
Current			
General government	5,660	9,010	(3,350)
Public safety	3,019	1,081	1,938
Capital outlay	435,875	174,466	261,409
Total expenditures	<u>444,554</u>	<u>184,557</u>	<u>259,997</u>
Net change in fund balances	<u>(222,277)</u>	<u>35,244</u>	<u>257,521</u>
Fund balances - beginning	<u>406,773</u>	<u>406,773</u>	<u>-</u>
Fund balances - ending	<u>\$ 184,496</u>	<u>\$ 442,017</u>	<u>\$ 257,521</u>

See Independent Auditor's Report.

COMPLIANCE ITEMS

CITY OF INDIAN HARBOUR BEACH, FLORIDA

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



MANAGEMENT LETTER



INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

September 30, 2022



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

Honorable Mayor and City Council
City of Indian Harbour Beach
Indian Harbour Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 19, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Indian Harbour Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Indian Harbour Beach, Florida (the "City"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 19, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 19, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or associated recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority are disclosed in Note A-1 to the financial statements. There were no component units of the City to be disclosed in this report.

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 City of Indian Harbour Beach has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Indian Harbour Beach 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 City of Indian Harbour Beach. It is management's responsibility to monitor the City of Indian Harbour Beach's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

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

Purpose of this Letter

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

June 19, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

To the Honorable Mayor and City Council
City of Indian Harbour Beach
Indian Harbour Beach, Florida

We have examined the City of Indian Harbour Beach's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2022.

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

June 19, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP