

**TOWN OF INDIALANTIC,
FLORIDA**

Financial Statements

Year Ended September 30, 2009

TOWN OF INDIALANTIC, FLORIDA

Table of Contents

Year Ended September 30, 2009

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents	1
Town Officials	2
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets - Pension Trust Funds	27
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	28
Notes to Financial Statements	29
Required Supplementary Information:	
Required Supplementary Pension Information - Schedules of Funding Progress (Unaudited)	49
Required Supplementary Pension Information - Schedules of Contributions from the Employer and Other Contributing Entities (Unaudited)	50
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	51
Notes to Required Supplementary Information	53
<u>REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditors' Management Letter	59

TOWN OF INDIALANTIC, FLORIDA

Town Officials

As of September 30, 2009

Dave Berkman
Mayor

Vincent Benevente
Deputy Mayor

Mike Borysiewicz
Loren Goldfarb
Lori Halbert
Council Members

Paul R. Gougelman, III
Town Attorney

Christopher W. Chinault
Town Manager

Laura Eaton
Town Clerk/Finance Director



Hoyman Dobson

Independent Auditors' Report

The Honorable Mayor and Members of the Town Council
of the Town of Indialantic, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Indialantic, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Indialantic, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Indialantic, Florida, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

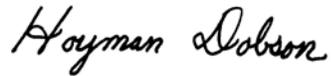
In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2010, on our consideration of the Town of Indialantic, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
www.hoyman.com

The Honorable Mayor and Members of the Town Council
of the Town of Indialantic, Florida
Page Two

Management's discussion and analysis (pages 5 through 13) and the required supplementary information (pages 51 through 53) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Hoyman Dobson".

Hoyman Dobson
Melbourne, Florida
May 20, 2010

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

As management of the Town of Indialantic, Florida, we offer readers of the Town of Indialantic, Florida's financial statements this narrative overview and analysis of the financial activities of the Town of Indialantic, Florida for the fiscal year ended September 30, 2009.

Financial Highlights

- The assets of the Town of Indialantic, Florida exceeded its liabilities at the close of the most recent fiscal year by \$2,544,259 (net assets). Of this amount, \$251,363 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$49,352 mainly due to increases in revenue collected from grants in both the governmental activities and business-type activities.
- As of the close of the current fiscal year, the Town of Indialantic, Florida's governmental funds reported combined ending fund balances of \$167,143, an increase of \$29,821 over the prior year. Approximately 96% of this total amount, \$160,562 is available for spending at the government's discretion (unreserved fund balance), and represents 5% of total governmental fund expenditures.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the Town of Indialantic, Florida's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Indialantic, Florida is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town of Indialantic, Florida that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Indialantic, Florida include general government, public safety, recreation, and physical environment. The business-type activities of the Town of Indialantic, Florida include Wavecrest Park and Indialantic (Nance) Park.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

The government-wide financial statements can be found on pages 17-19 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 Town of Indialantic, Florida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Indialantic, Florida can be divided into three categories: governmental funds, proprietary 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, as well as on 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 Town of Indialantic, Florida maintains two 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, which is considered to be a major fund. Data from the other governmental fund is presented as a non-major fund.

The basic governmental fund financial statements can be found on pages 20-22 of this report.

Proprietary funds. The Town of Indialantic, Florida maintains two different types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town of Indialantic, Florida uses enterprise funds to account for its Wavecrest Park and for its Indialantic (Nance) Park.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Wavecrest Park and Indialantic (Nance) Park, which are both considered to be major funds of the Town of Indialantic, Florida.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary funds. 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 the Town of Indialantic, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

The basic fiduciary fund financial statements can be found on pages 27-28 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 29-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Indialantic, Florida's budgetary compliance and pension obligations. The Town of Indialantic, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Required supplementary information can be found on pages 49-53 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Indialantic, Florida, assets exceeded liabilities by \$2,544,259 at the close of the most recent fiscal year.

The following table reflects the condensed statement of net assets:

	Governmental Activities		Business-type Activities		Total	
	2009	2008*	2009	2008*	2009	2008*
Current assets	\$ 372,437	\$ 516,095	\$ 230,943	\$ 263,219	\$ 603,380	\$ 779,314
Capital assets	2,104,157	2,183,763	255,158	183,892	2,359,315	2,367,655
Total assets	2,476,594	2,699,858	486,101	447,111	2,962,695	3,146,969
Noncurrent liabilities	237,862	308,036	6,171	-	244,033	308,036
Other liabilities	170,326	331,372	4,077	12,654	174,403	344,026
Total liabilities	408,188	639,408	10,248	12,654	418,436	652,062
Net assets:						
Invested in capital assets, net of related debt	2,031,157	2,050,355	255,158	183,892	2,286,315	2,234,247
Restricted	6,581	5,473	-	-	6,581	5,473
Unrestricted	30,668	4,622	220,695	250,565	251,363	255,187
Total net assets	\$ 2,068,406	\$ 2,060,450	\$ 475,853	\$ 434,457	\$ 2,544,259	\$ 2,494,907

*As restated

By far the largest portion of the Town of Indialantic, Florida's net assets (90%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Indialantic, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Indialantic, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

An additional portion of the Town of Indialantic, Florida's net assets, \$6,581 (< 1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$251,363 and \$255,187 at September 30, 2009 and 2008, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Indialantic, Florida is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The following table shows condensed revenue and expense data:

Town of Indialantic, Florida's Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 111,141	\$ 120,018	\$ 353,638	\$ 364,632	\$ 464,779	\$ 484,650
Operating grants and contributions	65,676	45,034	-	-	65,676	45,034
Capital grants and contributions	95,818	139,834	93,425	40,522	189,243	180,356
General revenues	2,935,817	2,907,855	11,797	11,318	2,947,614	2,919,173
Total revenues	<u>3,208,452</u>	<u>3,212,741</u>	<u>458,860</u>	<u>416,472</u>	<u>3,667,312</u>	<u>3,629,213</u>
Expenses:						
General government	502,594	468,784	-	-	502,594	468,784
Public safety	2,274,833	2,251,636	-	-	2,274,833	2,251,636
Recreation	24,132	18,007	-	-	24,132	18,007
Physical environment	396,243	391,994	-	-	396,243	391,994
Interest on long term debt	2,694	8,988	-	-	2,694	8,988
Wavecrest	-	-	307,434	295,514	307,434	295,514
Nance	-	-	110,030	118,603	110,030	118,603
Total expenses	<u>3,200,496</u>	<u>3,139,409</u>	<u>417,464</u>	<u>414,117</u>	<u>3,617,960</u>	<u>3,553,526</u>
Increase (decrease) in net assets	<u>7,956</u>	<u>73,332</u>	<u>41,396</u>	<u>2,355</u>	<u>49,352</u>	<u>75,687</u>
Net assets - beginning as previously stated	2,177,814	2,104,482	351,132	348,777	2,528,946	2,453,259
Restatement	<u>(117,364)</u>	<u>-</u>	<u>83,325</u>	<u>-</u>	<u>(34,039)</u>	<u>-</u>
Net assets - beginning as restated	2,060,450	2,104,482	434,457	348,777	2,494,907	2,453,259
Net assets - ending	<u>\$ 2,068,406</u>	<u>\$ 2,177,814</u>	<u>\$ 475,853</u>	<u>\$ 351,132</u>	<u>\$ 2,544,259</u>	<u>\$ 2,528,946</u>

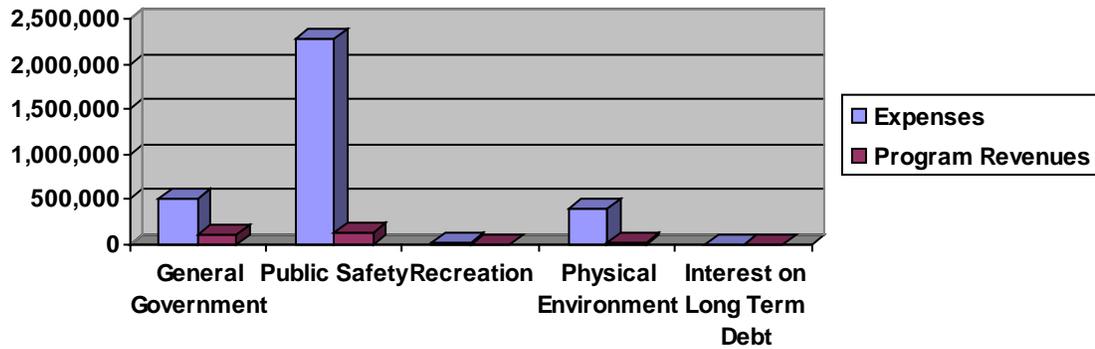
Governmental activities. Governmental activities increased the Town's net assets by \$7,956, thereby accounting for 16% of the total increase in the net assets of the Town of Indialantic, Florida. General government expenditures increased \$33,810 in the current year, due primarily to increased depreciation expense. Public safety expenditures increased \$23,197 in the current year related to increases in salaries and overtime due to merit and cost of living increases in the current year.

TOWN OF INDIALANTIC, FLORIDA

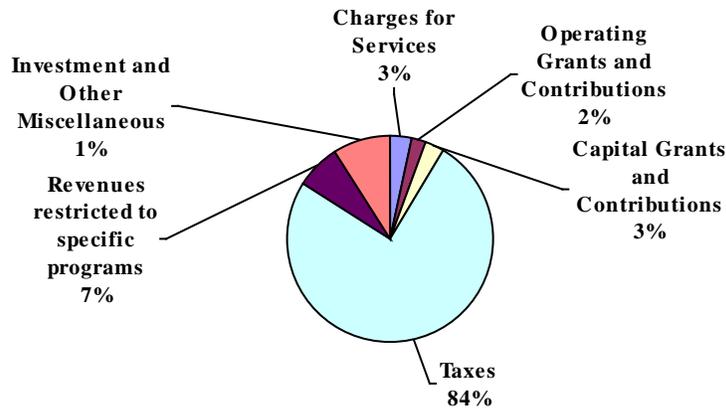
Management's Discussion and Analysis

September 30, 2009

Expenses and Program Revenues – Governmental Activities



2009 Revenues by Source – Governmental Activities



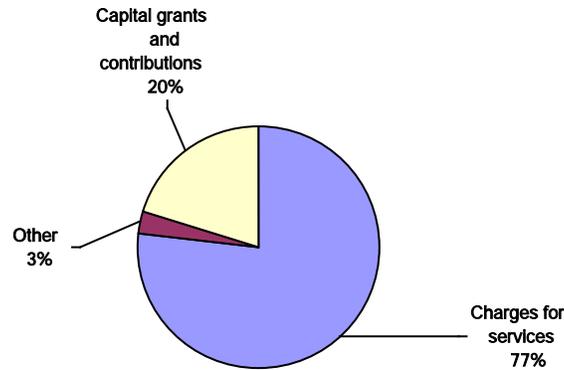
Business-type activities. Business-type activities increased the Town of Indialantic, Florida's net assets by \$41,396 accounting for 84% of the total increase in the government's net assets. A key element of this increase is related to a small increase in operating expenses (approximately \$3,000) and a large increase in operating revenues (approximately \$42,000).

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

2009 Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Indialantic, Florida's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Indialantic, Florida's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Indialantic, Florida's governmental funds reported combined ending fund balances of \$167,143, an increase of \$29,821 in comparison with the prior year as restated. Approximately 96% of this total amount (\$160,562) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$6,581) is reserved to indicate that it is not available for new spending because it has already been committed to law enforcement related activities.

The General fund is the chief operating fund of the Town of Indialantic, Florida. At the end of the current fiscal year, unreserved and total fund balance of the General fund was \$160,562. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Fund balance represents 5.0% of total General fund expenditures.

The fund balance of the Town of Indialantic, Florida's General fund increased by \$28,713 during the current fiscal year, compared to a \$23,279 decrease in the prior year. This increase was the result of more grant revenue being received in the current year than in the prior year.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

Proprietary funds. The Town of Indialantic, Florida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Wavecrest Park fund at the end of the year amounted to \$477,345. The total net assets of this fund increased \$72,085 in the current year. Key factors included in this increase was an increase in intergovernmental revenue (approximately \$93,000), which was partially offset by a decrease in parking fine revenue (approximately \$12,000) and an increases in operating expenses for supplies (approximately \$10,000).

Unrestricted net assets of the Indialantic (Nance) Park fund at the end of the year amounted to a deficit of \$256,650. The total net assets of this fund decreased \$30,689 in the current year. A key factor included in this decrease was a decrease in operating revenues as a result of nonrecurring grants received in the prior year.

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget were insignificant with a decrease of \$54,358 for both total revenues and total expenditures.

The Town's actual revenues were \$28,595 more than budgeted revenues mainly because of an increase in intergovernmental revenues of approximately \$36,000 which was partially offset by a reduction in revenue from fines and forfeitures of approximately \$3,500.

The Town's revenue increases were offset by increases in total expenditures of approximately \$37,000 due to capital outlay and other miscellaneous expenditures not budgeted for in the current year.

Capital Asset and Debt Administration

Capital assets. The Town of Indialantic, Florida's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounted to \$2,359,315 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, fixtures, and other infrastructure items. The total increase in the Town of Indialantic, Florida's investment in capital assets for the current fiscal year was <1%.

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

- The purchase of a telephone system for the Town Hall.
- The purchase of hurricane shutters for the Town Hall.
- The purchase of an exhaust removal system for the fire department.
- The purchase of an air pack for the fire department.
- The purchase of an in-car camera for the police department.
- The purchase and installation of bollard lights along the beach.

These increases were offset by depreciation expense (\$180,692 for governmental activities and \$27,290 for business-type activities). In addition, the Town disposed of certain fully depreciated assets (\$45,842 for governmental activities and \$4,022 for business-type activities).

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

Town of Indialantic, Florida's Capital Assets

	Governmental Activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 929,482	\$ 929,482	\$ -	\$ -	\$ 929,482	\$ 929,482
Buildings	487,926	512,401	-	-	487,926	512,401
Improvements other than buildings	299,977	257,900	229,845	81,586	529,822	339,486
Equipment	357,535	518,332	4,544	699	362,079	519,031
Furniture and fixtures	736	810	20,769	18,282	21,505	19,092
Infrastructure	28,501	29,750	-	-	28,501	29,750
Total	<u>\$ 2,104,157</u>	<u>\$ 2,248,675</u>	<u>\$ 255,158</u>	<u>\$ 100,567</u>	<u>\$ 2,359,315</u>	<u>\$ 2,349,242</u>

Additional information on the Town of Indialantic, Florida's capital assets can be found in Note III.C. on pages 38-39 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Indialantic, Florida had total bonded debt outstanding of \$73,000, which represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Town of Indialantic, Florida's Outstanding Debt

	2009	2008	2009	2008	2009	2008
Revenue bonds	\$ 73,000	\$ 109,500	\$ -	\$ -	\$ 73,000	\$ 109,500
Capital leases	-	23,908	-	-	-	23,908
Total	<u>\$ 73,000</u>	<u>\$ 133,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ 133,408</u>

The Town of Indialantic, Florida's total debt decreased by \$60,408 (45%) during the current fiscal year. The key factors in this decrease were scheduled payments on the revenue bonds of \$36,500 and the final payment on the capital lease of \$23,908.

The governing body of every municipality may borrow money, contract loans, and issue bonds, as defined in Florida State Statute 166.101, from time to time to finance the undertaking of any capital or any other project for the purpose permitted by the State Constitution and may pledge of the funds, credit, property and taxing power of the municipality for the payment of such debts and bonds. Florida has no legal debt limit.

The Town entered into no new financing agreements in either 2009 or 2008.

Additional information on the Town of Indialantic, Florida's long-term debt can be found in Note III.D and E. on pages 39-40 of this report.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2009

Economic Factors and Next Year's Budgets and Rates

- The Town of Indialantic has grown over the years in number of residences, residential structures, and commercial establishments. Most of the construction activity today involves the redevelopment of residential or commercial properties. The rate of growth has fluctuated based on County economic conditions. The 2009 taxable value is reflected as \$330,670,199.
- The Town currently has 1,467 housing units with one 24 unit condominium project site plan approved but waiting for improvements in the economy. Most single family residences damaged by hurricanes Frances and Jeanne in late 2004 have been repaired. One residence damaged during these events was demolished and is being replaced with a new structure.
- The April, 2009, population as estimated by the Bureau of Economic and Business Research for the University of Florida was placed at 3,003.
- The Town's millage rate has remained below 5 mills for at least the last 19 years except for 2 years in which it was set at 5.0089 mills. This increase was supported by Town voters for the purpose of upgrading rescue services from a Basic Life Support (BLS) operation to one offering an Advanced Life Support (ALS) operation for the Fire/Rescue Department. The FY-09 millage was set at 4.9810. The FY-10 millage is 5.5374 which is below the rolled back rate.

Requests for Information

This financial report is designed to provide a general overview of the Town of Indialantic, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 216 Fifth Avenue, Indialantic, Florida, 32903.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

TOWN OF INDIALANTIC, FLORIDA
Basic Financial Statements

THIS PAGE IS INTENTIONALLY LEFT BLANK

TOWN OF INDIALANTIC, FLORIDA

Statement of Net Assets

September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 125,903	\$ 185,617	\$ 311,520
Investments	-	2,982	2,982
Receivables, net	105,271	50,238	155,509
Internal balance	8,060	(8,060)	-
Due from other governments	109,150	-	109,150
Net pension asset	24,053	-	24,053
Prepaid items	-	166	166
Capital assets (net of accumulated depreciation):			
Land	929,482	-	929,482
Buildings	487,926	-	487,926
Improvements other than buildings	299,977	229,845	529,822
Machinery and equipment	357,535	4,544	362,079
Furniture and fixtures	736	20,769	21,505
Infrastructure	28,501	-	28,501
Total assets	<u>2,476,594</u>	<u>486,101</u>	<u>2,962,695</u>
LIABILITIES			
Accounts payable	9,932	765	10,697
Accrued payroll and related liabilities	40,032	1,436	41,468
Due to pension trust funds	92,384	1,876	94,260
Unearned revenue	20,743	-	20,743
Other liabilities	7,235	-	7,235
Noncurrent liabilities:			
Due within one year	108,734	6,171	114,905
Due in more than one year	129,128	-	129,128
Total liabilities	<u>408,188</u>	<u>10,248</u>	<u>418,436</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,031,157	255,158	2,286,315
Restricted for:			
Law Enforcement	6,581	-	6,581
Unrestricted	30,668	220,695	251,363
Total net assets	<u>\$ 2,068,406</u>	<u>\$ 475,853</u>	<u>\$ 2,544,259</u>

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

TOWN OF INDIALANTIC, FLORIDA

Statement of Activities

Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 502,594	\$ 57,236	\$ 61,945	\$ -
Public safety	2,274,833	53,905	3,731	68,218
Recreational	24,132	-	-	-
Physical environment	396,243	-	-	27,600
Interest on long term debt	2,694	-	-	-
Total governmental activities	<u>3,200,496</u>	<u>111,141</u>	<u>65,676</u>	<u>95,818</u>
Business-type activities:				
Wavecrest Park	307,434	284,537	-	93,094
Indialantic (Nance) Park	110,030	69,101	-	331
Total business-type activities	<u>417,464</u>	<u>353,638</u>	<u>-</u>	<u>93,425</u>
Total primary government	<u>\$ 3,617,960</u>	<u>\$ 464,779</u>	<u>\$ 65,676</u>	<u>\$ 189,243</u>

General revenues:

Property taxes

Public utility taxes

Franchise taxes

Shared revenues restricted for specific programs

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning, as previously reported

Restatement (See Note IV)

Net assets - beginning, as restated

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (383,413)	\$ -	\$ (383,413)
(2,148,979)	-	(2,148,979)
(24,132)	-	(24,132)
(368,643)	-	(368,643)
(2,694)	-	(2,694)
<u>(2,927,861)</u>	<u>-</u>	<u>(2,927,861)</u>
-	70,197	70,197
<u>-</u>	<u>(40,598)</u>	<u>(40,598)</u>
<u>-</u>	<u>29,599</u>	<u>29,599</u>
<u>(2,927,861)</u>	<u>29,599</u>	<u>(2,898,262)</u>
1,758,803	-	1,758,803
672,953	-	672,953
248,820	-	248,820
208,367	-	208,367
706	369	1,075
46,168	11,428	57,596
<u>2,935,817</u>	<u>11,797</u>	<u>2,947,614</u>
<u>7,956</u>	<u>41,396</u>	<u>49,352</u>
<u>2,177,814</u>	<u>351,132</u>	<u>2,528,946</u>
<u>(117,364)</u>	<u>83,325</u>	<u>(34,039)</u>
<u>2,060,450</u>	<u>434,457</u>	<u>2,494,907</u>
<u>\$ 2,068,406</u>	<u>\$ 475,853</u>	<u>\$ 2,544,259</u>

TOWN OF INDIALANTIC, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2009

	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 119,322	\$ 6,581	\$ 125,903
Accounts receivables, net	105,271	-	105,271
Due from other funds	8,060	-	8,060
Due from other governments	109,150	-	109,150
Total assets	<u>\$ 341,803</u>	<u>\$ 6,581</u>	<u>\$ 348,384</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 9,932	\$ -	\$ 9,932
Accrued payroll and related liabilities	40,032	-	40,032
Due to pension trust funds	92,384	-	92,384
Other liabilities	5,863	-	5,863
Deferred revenue	12,287	-	12,287
Unearned revenue	20,743	-	20,743
Total liabilities	<u>181,241</u>	<u>-</u>	<u>181,241</u>
Fund balances:			
Reserved for:			
Law Enforcement	-	6,581	6,581
Unreserved:			
Designated	112,283	-	112,283
Undesignated	48,279	-	48,279
Total fund balances	<u>160,562</u>	<u>6,581</u>	<u>167,143</u>
Total liabilities, fund balances	<u>\$ 341,803</u>	<u>\$ 6,581</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,104,157
Net pension asset resulting from overfunding of the Town's defined benefit pension plans	24,053
Deferred revenue (related to FEMA grant revenues) recorded in the funds but recorded as revenue in governmental activities.	12,287
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(239,234)</u>
Net assets of governmental activities	<u>\$ 2,068,406</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2009

	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,462,239	\$ -	\$ 2,462,239
Permits and fees	268,680	-	268,680
Intergovernmental	341,545	-	341,545
Charges for services	2,551	-	2,551
Fines and forfeitures	57,636	1,100	58,736
Interest and other	72,295	8	72,303
Total revenues	<u>3,204,946</u>	<u>1,108</u>	<u>3,206,054</u>
Expenditures			
Current:			
General government	405,497	-	405,497
Public safety	2,199,744	-	2,199,744
Physical environment	397,236	-	397,236
Recreation	24,132	-	24,132
Capital outlay	84,446	-	84,446
Debt service:			
Principal	60,408	-	60,408
Interest	4,770	-	4,770
Total expenditures	<u>3,176,233</u>	<u>-</u>	<u>3,176,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,713</u>	<u>1,108</u>	<u>29,821</u>
Fund balance - beginning, as previously reported	184,301	5,473	189,774
Restatement (See Note IV)	(52,452)	-	(52,452)
Fund balances - beginning, as restated	<u>131,849</u>	<u>5,473</u>	<u>137,322</u>
Fund balances - ending	<u>\$ 160,562</u>	<u>\$ 6,581</u>	<u>\$ 167,143</u>

TOWN OF INDIALANTIC, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2009

Net change in fund balances - total governmental funds	\$ 29,821
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(96,246)
Overfunded pension contributions are reported as expenditures in the fund financial statements and recorded as a net pension asset in the statement of net assets. This is the amount by which the net pension asset decreased in the current year.	(267)
The repayment of long-term debt (e.g., bonds, leases) consumes the financial resources of governmental funds. However, such repayments have no effect on net assets.	60,408
Donations of capital assets increase net assets reported in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	16,640
Some revenue, FEMA grant revenue, is recorded in the statement of activities, but since it does not provide current financial resources is not reported as revenue in the funds.	12,287
Some revenue, FEMA grant revenue, reported in the funds has previously been reported as revenue in the statement of activities.	(26,529)
Some expenses that do not require the use of current financial resources are not reported as expenditures in the governmental funds until they become due and payable. This is the amount of expenses that were reported in the statement of activities in the prior year, that have become due and payable in the current year.	<u>11,842</u>
Change in net assets of governmental activities	<u><u>\$ 7,956</u></u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2009

	Business-type Activities - Enterprise Funds		
	Wavecrest	Indialantic	Total
	Park	(Nance) Park	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 185,617	\$ -	\$ 185,617
Investments	2,982	-	2,982
Accounts receivable, net	40,018	10,220	50,238
Prepaid items	166	-	166
Total current assets	228,783	10,220	239,003
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	614,279	322,533	936,812
Less accumulated depreciation	(433,160)	(248,494)	(681,654)
Total capital assets, net of accumulated depreciation	181,119	74,039	255,158
Advance to other funds	262,895	-	262,895
Total noncurrent assets	444,014	74,039	518,053
Total assets	672,797	84,259	757,056
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	401	364	765
Accrued payroll and related liabilities	1,046	390	1,436
Due to other funds	6,448	1,612	8,060
Due to pension trust funds	1,501	375	1,876
Accrued compensated absences	4,937	1,234	6,171
Total current liabilities	14,333	3,975	18,308
Noncurrent liabilities:			
Advance from other funds	-	262,895	262,895
Total liabilities	14,333	266,870	281,203
NET ASSETS			
Invested in capital assets, net of related debt	181,119	74,039	255,158
Unrestricted	477,345	(256,650)	220,695
Total net assets	\$ 658,464	\$ (182,611)	\$ 475,853

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

TOWN OF INDIALANTIC, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds		
	Wavecrest	Indialantic	Total
	Park	(Nance) Park	
Operating revenues:			
Charges for services	\$ 223,176	\$ 53,218	\$ 276,394
Intergovernmental	93,094	331	93,425
Total operating revenues	<u>316,270</u>	<u>53,549</u>	<u>369,819</u>
Operating expenses:			
Salaries, wages and employee benefits	101,980	25,393	127,373
Contractual services	133,490	32,870	166,360
Bad debts	2,824	744	3,568
Insurance	5,914	1,478	7,392
Supplies	15,621	6,579	22,200
Depreciation	16,589	10,701	27,290
Repairs and maintenance	23,887	19,377	43,264
Utilities	5,256	12,654	17,910
Beach improvements	1,873	234	2,107
Total operating expenses	<u>307,434</u>	<u>110,030</u>	<u>417,464</u>
Operating income (loss)	<u>8,836</u>	<u>(56,481)</u>	<u>(47,645)</u>
Nonoperating revenues:			
Parking fines	61,361	15,883	77,244
Miscellaneous revenue	1,519	9,909	11,428
Interest income	369	-	369
Total nonoperating revenues	<u>63,249</u>	<u>25,792</u>	<u>89,041</u>
Change in net assets	<u>72,085</u>	<u>(30,689)</u>	<u>41,396</u>
Net assets - beginning of year, as previously reported	547,065	(195,933)	351,132
Restatement (See Note IV)	39,314	44,011	83,325
Net assets - beginning of year, as restated	<u>586,379</u>	<u>(151,922)</u>	<u>434,457</u>
Net assets - end of year	<u>\$ 658,464</u>	<u>\$ (182,611)</u>	<u>\$ 475,853</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds		
	Wavecrest	Indialantic	Total
	Park	(Nance) Park	
Cash flows from operating activities:			
Cash received from customers	\$ 305,500	\$ 63,109	\$ 368,609
Cash paid to suppliers	(92,238)	(37,408)	(129,646)
Cash paid for quasi-external operating transactions	(96,596)	(24,149)	(120,745)
Cash paid to employees for services	(102,162)	(25,439)	(127,601)
Net cash provided by (used in) operating activities	<u>14,504</u>	<u>(23,887)</u>	<u>(9,383)</u>
Cash flows from non-capital and related financing activities:			
Parking ticket proceeds	52,040	13,978	66,018
Miscellaneous proceeds	1,519	9,909	11,428
Net cash provided by non-capital and related financing activities	<u>53,559</u>	<u>23,887</u>	<u>77,446</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(98,556)	-	(98,556)
Net cash used in capital and related financing activities	<u>(98,556)</u>	<u>-</u>	<u>(98,556)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	3,587	-	3,587
Interest proceeds	369	-	369
Net cash provided by investing activities	<u>3,956</u>	<u>-</u>	<u>3,956</u>
Net decrease in cash and cash equivalents	(26,537)	-	(26,537)
Cash and cash equivalents, beginning of year	<u>212,154</u>	<u>-</u>	<u>212,154</u>
Cash and cash equivalents, end of year	<u>\$ 185,617</u>	<u>\$ -</u>	<u>\$ 185,617</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Cash Flows (Continued)

Proprietary Funds

Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 8,836	\$ (56,481)	\$ (47,645)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	16,589	10,701	27,290
Bad debt expense	2,824	744	3,568
(Increase) decrease in assets:			
Due from other funds	(13,594)	-	(13,594)
Due from other governments	-	8,816	8,816
Prepaid items	44	-	44
Increase (decrease) in liabilities:			
Accounts payable	(773)	(1,405)	(2,178)
Accrued expenses	262	66	328
Due to other funds	760	13,784	14,544
Due to pension trust funds	(289)	(73)	(362)
Other liabilities	(155)	(39)	(194)
Total adjustments	<u>5,668</u>	<u>32,594</u>	<u>38,262</u>
Net cash provided by (used in) operating activities	<u>\$ 14,504</u>	<u>\$ (23,887)</u>	<u>\$ (9,383)</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Fiduciary Net Assets - Pension Trust Funds

September 30, 2009

	Employee Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 225,138
Due from other funds	94,260
Investments, at fair value	4,191,048
Total assets	<u>4,510,446</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 4,510,446</u></u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

Year Ended September 30, 2009

	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 111,133
Employer	233,609
Employees	80,872
Total contributions	<u>425,614</u>
Investment income:	
Net increase in the fair value of investments	247,025
Less: investment related expense	(28,054)
Interest and dividends	144,464
Total investment income	<u>363,435</u>
Total additions	<u>789,049</u>
DEDUCTIONS	
Benefits paid	167,438
Refunded contributions	9,357
Administrative expenses	43,431
Total deductions	<u>220,226</u>
Change in net assets	568,823
Net assets held in trust for pension benefits, beginning of year	<u>3,941,623</u>
Net assets held in trust for pension benefits, end of year	<u><u>\$ 4,510,446</u></u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Indialantic, Florida (Town) was created pursuant to Chapter 73-129, Laws of Florida, in 1952. The Town operates under a chartered Council-Manager form of government. The Town provides a wide range of services as directed by the Town Charter, including general government, public safety, police, fire, public improvements, recreation, planning and zoning and other related general and administrative services for approximately 3,000 residents.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. No potential component units were found for which the above criteria required consideration in defining the government's reporting entity.

Excluded from the reporting entity

The Town of Indialantic Volunteer Fire Department is a nonprofit corporation separate from the Town. This potential component unit is excluded from the reporting entity because the Town does not exert significant influence or control over the volunteer fire department, nor does it have the right to the surplus of the volunteer fire department.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Town's nonmajor governmental funds consists of the *special investigative trust fund* which accounts for revenues received per state forfeiture statutes that are used for police investigative expenses.

The Town reports the following major proprietary funds:

The *Wavecrest Park fund* accounts for operational and maintenance costs of Wavecrest Park.

The *Indialantic (Nance) Park fund* accounts for operational and maintenance costs of Indialantic (Nance) Park.

Additionally, the Town reports the following fund types:

The *pension trust funds* account for assets, liabilities, revenues and expenses of the pension plans of the Town's general employees, police officers and firefighters. The activities of these funds are subject to state mandatory regulations, local ordinances and the policies of the governing boards.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and providing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of both enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. BUDGETARY INFORMATION

The Town has elected, as permitted by GASB 34, to disclose all budgetary information in the notes to the required supplementary information.

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and investments

The Town of Indialantic, Florida invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. During the year ended September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restriction on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" (formerly LGIP) and "Fund B").

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The Town of Indialantic, Florida's investment in the Florida PRIME is reported at amortized cost. The fair value of the Town's position in the pool is equal to the value of pooled shares.

Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Substantially all deposits at September 30, 2009, were invested using the pooled investment concept. Interest earned was allocated to the various funds based on their average cash and investment balances.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

1. Cash and investments (continued)

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and investments held in the Local Government Surplus Funds Trust Fund (Florida PRIME). Cash and cash equivalents for the purpose of the Proprietary fund statement of cash flows include cash and investments held in the Local Government Surplus Funds Trust Fund (Florida PRIME).

Pension trust fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. The average cost method is used for computing realized gains and losses on marketable equity securities in the pension funds. The difference between the excess (deficiency) of fair value over cost represents unrealized gains or losses.

The investment of municipal funds is authorized by Florida Statutes which allows the Town to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, direct and indirect obligations of the United States Government, obligations of Federal Government agencies, time deposits or savings accounts of financial institutions under Federal and State regulation, and mutual funds that invest solely in obligations of the United States Government or its agencies.

Florida State Statutes Chapters 175 and 185 regulates the types of investments that may be held by the Police and Firefighters' Pension Trust Funds. The investment guidelines have been augmented by a Town ordinance that has adopted specific investment policies. Compliance with the policies and guidelines have been evaluated by the pension board.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The Town is permitted by State law to levy taxes up to 10 mills on assessed valuation. However, Chapter 74-430, Laws of Florida, a special act applicable only to governmental units in Brevard County, limits the annual increase to 10% of the prior year's millage. During a Special Session in June 2007, the Florida Legislature adopted HB1B, which limits municipal property tax rates effective with the 2007-2008 fiscal year. This legislation establishes reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use a rate higher than the rolled back millage rate if approved by a unanimous vote of the governing body. The Indialantic City Council levy for the fiscal year ended September 30, 2009 was 4.9810 mills, which is 3.05% under the rolled back rate, as approved by a unanimous vote. Current tax collections for the Town were approximately 96% of the total tax levy.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

2. Receivables and payables (continued)

As provided by law, the Brevard County Property Appraiser assesses all properties for ad valorem taxing purposes and the Brevard County Tax Collector collects and distributes all taxes. Ad valorem taxes are levied based on the property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins on October 1. Taxes are due beginning November 1, delinquent on April 1, and lien on May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax sale certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year end.

All account and tax receivables are shown net of an allowance for uncollectibles. Accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles of \$11,547.

3. Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	5 to 20 years
Infrastructure	25 to 40 years
Machinery and equipment	5 to 20 years
Vehicles	5 years

4. Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and a portion of sick pay is accrued when incurred in the government-wide and proprietary fund type financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

5. Deferred revenue

Deferred revenue includes receivables which, under the modified accrual basis of accounting, are measurable but not yet available to finance expenditures of the current fiscal period.

6. Unearned revenue

Unearned revenue includes amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of business tax receipts collected in advance and grant funds received that have not yet been expended for the required purpose.

7. Long-term liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity – Reserves and Designations

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific use. As of September 30, 2009, the Town reported a reserve for law enforcement, which represents, in accordance with legal restrictions, amounts to be used for law enforcement.

Designated fund balances represent tentative plans for future use of financial resources. Designations are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked for specific purposes (generally, for subsequent years' expenditures).

9. Net asset deficit

The Town reported a net asset deficit of \$(182,611) in the Indialantic (Nance) Park fund. The Town intends to cover the deficit in 2010 and future years with anticipated charges for services revenues of the Indialantic (Nance) Park fund as well as the net assets of the Wavecrest Park fund.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(239,234) difference are as follows:

Bonds payable	\$ (73,000)
Compensated absences	(164,862)
Accrued interest payable	<u>(1,372)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (239,234)</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(96,246) difference are as follows:

Capital outlay	\$ 84,446
Depreciation expense	<u>(180,692)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ (96,246)</u>

Another element of that reconciliation states that "some expenses that do not require the use of current financial resources are not reported as expenditures in the governmental funds until they become due and payable." The details of this \$11,842 difference are as follows:

Accrued interest	\$ 2,076
Compensated absences	<u>9,766</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 11,842</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2009, the Town's carrying amount of cash deposits was \$294,680 and the bank balance was \$336,292. In addition, the Town holds \$350 of petty cash. At September 30, 2009, the Town's pension trust funds carrying amount of cash deposits was \$210,818 and the bank balance was \$210,818. As of September 30, 2009, \$250,000 of the Town's bank balances are covered by federal depository insurance (FDIC) through December 31, 2013 at which time it will revert back to \$100,000. 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 Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes.

As of September 30, 2009, the Town had the following investments and effective duration presented in terms of years:

Investment type	Fair Value	Investment Maturities (in years)			Rating	Agency
		Less than 1	1 - 5	6 - 10		
Primary government:						
SBA (Florida PRIME)	\$ 16,490	\$ 16,490	\$ -	\$ -	AAAm	S&P
SBA Fund B	2,982	-	-	2,982	Not rated	-
	<u>\$ 19,472</u>	<u>\$ 16,490</u>	<u>\$ -</u>	<u>\$ 2,982</u>		
Pension trust funds:						
SBA (Florida PRIME)	\$ 14,320	\$ 14,320	\$ -	\$ -	AAAm	S&P
SBA Fund B	931	-	-	931	Not rated	-
Bond mutual funds	237,253	-	-	237,253	Not rated	-
Stock mutual funds	311,447	311,447	-	-	-	-
International stock mutual funds	59,370	59,370	-	-	-	-
Common Stocks	2,297,076	2,297,076	-	-	-	-
Corporate Fixed Income	39,863	-	-	39,863	AAA	S&P
Corporate Fixed Income	42,869	-	-	42,869	AA+	S&P
Corporate Fixed Income	39,456	-	39,456	-	AA-	S&P
Corporate Fixed Income	40,070	-	40,070	-	A+	S&P
Corporate Fixed Income	202,237	-	78,862	123,375	A	S&P
Corporate Fixed Income	84,460	-	45,252	39,208	BBB+	S&P
Corporate Fixed Income	41,356	-	-	41,356	BBB	S&P
Government Securities	794,660	91,336	614,471	88,853	AAA	S&P
	<u>\$ 4,205,368</u>	<u>\$ 2,773,549</u>	<u>\$ 818,111</u>	<u>\$ 613,708</u>		

Interest Rate Risk

The Town's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. This policy is pursuant to Florida State Statute 218.415(6).

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

The Town's investment policy pursuant to Florida State Statute 218.415 permits for investments in the Local Government Surplus Trust Fund, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the United States Treasury.

Investment in the Town's pension trust funds are limited by Florida State Statutes Chapters 175 and 185 and by investment policies adopted by the fund's Board of Trustees. The allowable instruments include Equities, Common Stocks, Preferred Stocks, Convertible Securities including Debentures, Fixed Income Investments in government bonds, corporate bonds, mortgage-backed securities, asset-backed securities, certificates of deposits, commercial paper, international securities, real estate, real estate investment trusts, mutual funds (domestic and international), and Government secure zero coupon bonds. Common and preferred stock are to be of investment grade quality and listed on either the New York or American Stock Exchange. Fixed income investments containing marketable bonds must be rated "A" or better by Standard and Poor's. No limitations are placed on investments in the United States Government Guaranteed Obligations. Commercial paper must have a rating of not less than A-1 by Standard and Poor's or P-1 by Moody's. Certificates of Deposit may only be purchased from issuers with a quality rating of AA+ or better at the time of purchase.

Custodial Credit Risk

The Town's investment policy pursuant to Florida State Statutes 218.415(18), requires securities, with the exception of certificates of deposit, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Town should be properly designated as an asset of the Town. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of Deposit maintained by book-entry at the issuing bank shall clearly identify the Town as the owner.

As of September 30, 2009, the Town's investments were held with a third-party custodian as required by the Town's investment policies.

B. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2009, are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Wavecrest Park	\$ 6,448
	Indialantic (Nance) Park	1,612
		<u>\$ 8,060</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES (CONTINUED)

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Wavecrest Park	Indialantic (Nance) Park	<u>\$ 262,895</u>

All interfund receivables and payables within the primary government represent cash transfers for operating and capital purposes.

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance (restated**)	Increases (*)	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 929,482	\$ -	\$ -	\$ 929,482
Total capital assets, not being depreciated	<u>929,482</u>	<u>-</u>	<u>-</u>	<u>929,482</u>
Capital assets, being depreciated:				
Buildings	890,364	-	-	890,364
Improvements other than buildings	388,478	73,248	-	461,726
Equipment	1,380,610	27,838	(45,842)	1,362,606
Furniture	9,097	-	-	9,097
Infrastructure	35,994	-	-	35,994
Total capital assets being depreciated	<u>2,704,543</u>	<u>101,086</u> *	<u>(45,842)</u>	<u>2,759,787</u>
Less accumulated depreciation for:				
Buildings	(377,963)	(24,475)	-	(402,438)
Improvements other than buildings	(130,578)	(31,171)	-	(161,749)
Equipment	(927,190)	(123,723)	45,842	(1,005,071)
Furniture	(8,287)	(74)	-	(8,361)
Infrastructure	(6,244)	(1,249)	-	(7,493)
Total accumulated depreciation	<u>(1,450,262)</u>	<u>(180,692)</u>	<u>45,842</u>	<u>(1,585,112)</u>
Total capital assets being depreciated, net	<u>1,254,281</u>	<u>(79,606)</u>	<u>-</u>	<u>1,174,675</u>
Governmental activities capital assets, net	<u>\$ 2,183,763</u>	<u>\$ (79,606)</u>	<u>\$ -</u>	<u>\$ 2,104,157</u>

(*) Included in additions is the donation of public safety equipment with a fair market value of \$16,640. The donation is not recorded in the governmental funds as it does not represent financial resources of the Town.

(**) Equipment and the related accumulated depreciation have been restated as discussed in Note IV.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	Beginning Balance (restated**)	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 646,421	\$ 93,094	\$ -	\$ 739,515
Equipment	90,372	5,462	-	95,834
Fixtures	105,485	-	(4,022)	101,463
Total capital assets being depreciated	<u>842,278</u>	<u>98,556</u>	<u>(4,022)</u>	<u>936,812</u>
Less accumulated depreciation for:				
Improvements other than buildings	(490,953)	(18,717)	-	(509,670)
Equipment	(87,238)	(4,052)	-	(91,290)
Fixtures	(80,195)	(4,521)	4,022	(80,694)
Total accumulated depreciation	<u>(658,386)</u>	<u>(27,290)</u>	<u>4,022</u>	<u>(681,654)</u>
Total capital assets, being depreciated, net	<u>183,892</u>	<u>71,266</u>	<u>-</u>	<u>255,158</u>
Business-type activities capital assets, net	<u>\$ 183,892</u>	<u>\$ 71,266</u>	<u>\$ -</u>	<u>\$ 255,158</u>

(**) Accumulated depreciation has been restated as discussed in Note IV.

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

Governmental activities:	
General government	\$ 98,521
Public safety	<u>82,171</u>
Total depreciation expense – governmental activities	<u>\$ 180,692</u>
Business-type activities:	
Wavecrest Park	\$ 16,589
Nance Park	<u>10,701</u>
Total depreciation expense – business-type activities	<u>\$ 27,290</u>

D. CAPITAL LEASES

The Town was obligated under one lease accounted for as a capital lease. The lease purchase agreement was for a fire truck that was authorized in January 1999. The final lease payment for fiscal year 2009 totaled \$25,150, including \$1,242 of interest, and was paid in October 2008. As of September 30, 2009, there were no remaining lease payments required.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT

\$650,000 Improvement Revenue Bonds, Series 1991

In 1991, the Town issued \$650,000 Improvement Revenue Bonds to finance the acquisition and construction of the Town Hall, Public Works building and Fire Station. The bonds were issued at an interest rate equal to 69% of the prime rate, at no time exceeding 9%, with annual principal payments in the amount of \$36,500 for years through 2011. The bond is payable from and secured by a lien upon and pledge of franchise fees for electrical power services.

The following is a schedule of maturities of the bond for each of the remaining years based on an interest rate of 3.22% at September 30, 2009.

Years ending September 30,	Principal	Interest	Total
2010	\$ 36,500	\$ 2,351	\$ 38,851
2011	36,500	1,176	37,676
Total	\$ 73,000	\$ 3,527	\$ 76,527

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 109,500	\$ -	\$ (36,500)	\$ 73,000	\$ 36,500
Capital leases	23,908	-	(23,908)	-	-
Compensated absences	174,628	93,822	(103,588)	164,862	72,234
Governmental activity Long-term liabilities	\$ 308,036	\$ 93,822	\$ (163,996)	\$ 237,862	\$ 108,734
Business-type activities:					
Compensated absences	\$ 6,365	\$ 3,746	\$ (3,940)	\$ 6,171	\$ 6,171
Business-type activity Long-term liabilities	\$ 6,365	\$ 3,746	\$ (3,940)	\$ 6,171	\$ 6,171

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. RISK MANAGEMENT

The Town is exposed to various risks of loss, including, but not limited to theft, damage or destruction of its buildings, equipment, records, and monetary assets, and liability for personal injury, property damage, and consequences of employee and public official actions. The Town participates in a non-assessable public risk pool to cover significant loss exposure. The pool maintains a loss reserve and purchases specific excess insurance, aggregate excess insurance and multiple loss coverage from commercial carriers and underwriters. Settled claims have not exceeded the coverage in any of the past three fiscal years and there has not been a reduction in coverage levels for the fiscal year ended September 30, 2009.

G. RETIREMENT COMMITMENTS

All regular employees are covered by retirement plans. Police and fire employees are covered by the Police and Firefighters' Pension Plan, while the other employees are covered by the General Employees' Pension Plan. These are single employer, defined benefit pension plans. Stand-alone plan financial reports are not issued, and the plans are not included in the reports of any other public employee retirement system or entity.

Membership in the plans consisted of the following at October 1, 2009, the date of the latest actuarial valuation:

	October 1, 2009	
	Police and Firefighters' Pension Plan	General Employees' Pension Plan
Retirees and beneficiaries receiving benefits	9	5
Terminated vested	2	5
Active plan members	18	15
Total	29	25

Both the Police Officers' and Firefighters' Pension Plan and the General Employees' Pension Plan provide for a reduction of benefits if early retirement is taken. Both plans also provide for death and disability benefits. All benefits for these pension plans are established by Town ordinance. These plans are governed by a local Board of Trustees, which is autonomous.

To participate, police and firefighters and general employees are required to contribute 5% and 4.5% of their annual salary to the respective pension plans. The Town levies a tax, collected by the State, on property and casualty insurance premiums which partially fund the Police Officers' and Firefighters' Pension Plan. The Town is required to contribute the remaining amounts to ensure that these pension plans are actuarially sound. Administrative costs are financed through investment earnings.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. RETIREMENT COMMITMENTS (CONTINUED)

The following table shows the components of the plans' annual cost, the amount actually contributed, and the changes in the Net Pension Asset (contributions in excess of requirements) as of September 30, 2009.

	Police and Firefighters' Plan	General Employees' Plan
Annual Required Contribution (ARC)	\$ 148,967	\$ 84,642
Interest on Net Pension Asset	(210)	(1,735)
Adjustments to ARC	239	1,973
Annual Pension Cost	148,996	84,880
Contributions Made	148,967	84,642
Decrease in Net Pension Asset	(29)	(238)
Net Pension Asset - Beginning of Year	2,630	21,690
Net Pension Asset - End of Year	<u>\$ 2,601</u>	<u>\$ 21,452</u>

Required trend information for both plans for the three most recent fiscal years is presented below:

	Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Asset
Police and Firefighters' Plan	9/30/07	\$ 119,448	100 %	\$ -
	9/30/08	110,630	102	(2,630)
	9/30/09	148,967	100	(2,601)
General Employees' Plan	9/30/07	\$ 81,155	102 %	\$ (21,931)
	9/30/08	84,547	100	(21,690)
	9/30/09	84,642	100	(21,452)

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. RETIREMENT COMMITMENTS (CONTINUED)

Funding Status and Funding Progress – The funded status of the plans as of October 1, 2009, the most recent actuarial valuation date, is shown below:

Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) –Entry Age * (b)	Unfunded AAL (a)-(b)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded AAL as a % of Covered Payroll (b-a)/(c)
Police and Firefighters' Plan:					
\$ 4,180,782	\$ 5,335,034	\$ 1,154,252	78.36%	\$ 1,030,421	112.02%
General Employees' Plan:					
\$ 733,427	\$ 1,255,992	\$ 522,565	58.39%	\$ 579,736	90.14%

* For purposes of this schedule, the AAL for the plans are determined using the entry age actuarial cost method. Note that the ARC for the general employee pension plan is calculated using the frozen entry age actuarial cost method and that the ARC for the police and firefighters' pension plan is calculated using the entry age normal actuarial cost method.

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. RETIREMENT COMMITMENTS (CONTINUED)

The following is a summary of actuarial methods and assumptions used in the latest actuarial valuations.

	Police and Firefighters' Pension Plan	General Employees' Pension Plan
	<u>10/01/07</u>	<u>10/01/07</u>
Actuarial valuation date	10/01/07	10/01/07
Actuarial cost method	Entry Age Normal	Frozen Entry Age
Amortization method	Level Percentage of Pay, closed / 30 years	Level Percentage of Pay, closed / 30 years
Remaining amortization period	29 years as of 10/1/09	28 years as of 10/1/09
Asset valuation method	Four Year Smooth (Market)	Market
Actuarial assumptions (as of 10/1/08):		
Investment rate of return	8.0%	7.0% (8% for prior valuations)
Projected salary increases*	7.0%	6.0%
*Includes inflation at:	3.0%	3.0%

Pension trust funds fiduciary net assets activity as of September 30, 2009 was as follows:

	Police and Firefighters'	General Employees'	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 210,831	\$ 14,307	\$ 225,138
Due from other funds	71,858	22,402	94,260
Investments, at fair value	3,582,977	608,071	4,191,048
Total assets	<u>3,865,666</u>	<u>644,780</u>	<u>4,510,446</u>
Liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, held in trust for pension benefits	<u>\$ 3,865,666</u>	<u>\$ 644,780</u>	<u>\$ 4,510,446</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. RETIREMENT COMMITMENTS (CONTINUED)

Pension trust funds increase in fiduciary net assets activity as of September 30, 2009 was as follows:

	Police and Firefighters'	General Employees'	Total
Additions			
Contributions:			
State	\$ 111,133	\$ -	\$ 111,133
Employer	148,967	84,642	233,609
Employees	51,896	28,976	80,872
Total contributions	<u>311,996</u>	<u>113,618</u>	<u>425,614</u>
Investment income (loss):			
Net increase (decrease) in fair value of investments	257,778	(10,753)	247,025
Less: investment related expense	(25,515)	(2,539)	(28,054)
Interest and dividends	112,872	31,592	144,464
Total investment income	<u>345,135</u>	<u>18,300</u>	<u>363,435</u>
Total additions	<u>657,131</u>	<u>131,918</u>	<u>789,049</u>
Deductions			
Benefits paid	126,314	41,124	167,438
Refunded contributions	4,259	5,098	9,357
Administrative expenses	33,519	9,912	43,431
Total deductions	<u>164,092</u>	<u>56,134</u>	<u>220,226</u>
Change in net assets	493,039	75,784	568,823
Net assets held in trust for pension benefits, beginning of year	<u>3,372,627</u>	<u>568,996</u>	<u>3,941,623</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 3,865,666</u>	<u>\$ 644,780</u>	<u>\$ 4,510,446</u>

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

As required by Section 112.0801, Florida Statutes, former employees who have retired prior to October 1, 1987, as well as those who retire on or after such date, and their eligible dependents, have the option to participate in the Town's group health insurance plan. The Town requires retirees to pay 100% of the premiums for retirees and their dependents. However, inclusion of retirees into the Plan represents an implicit cost to the Town, as the claims experience of active employees is commingled with the claims experience of retirees to determine total health care costs per employee. The Town funds this future implicit cost on a pay-as-you-go basis. As of September 30, 2009, there are no participants (retirees) receiving benefits.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE IV – RESTATEMENTS

Prior period restatements were required in both governmental activities and business-type activities to correct errors discovered in the Town's capital asset detail. The governmental activities restatement removes an asset recorded in error in prior years and reduces the beginning net assets by the difference between the asset's carrying value and the related accumulated depreciation recorded as of September 30, 2008. This restatement of \$64,912 has no effect on the governmental fund financial statements. The business-type activities restatement of \$83,325 corrects (decreases) the beginning accumulated depreciation balances of capital assets and increases beginning net assets for both enterprise funds.

The October 1, 2008 fund balance for the General fund and net assets of the government-wide financial statements have been restated to reflect a total decrease of \$52,452 for one month of communications service tax, half-cent sales tax, and electric utility tax recorded as receivables in the prior year that actually relate to the current year.

**REQUIRED SUPPLEMENTARY PENSION INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THIS PAGE IS INTENTIONALLY LEFT BLANK.

TOWN OF INDIALANTIC, FLORIDA

Required Supplementary Pension Information

Schedules of Funding Progress (Unaudited)

September 30, 2009

POLICE OFFICERS' AND FIREFIGHTERS' PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/ c)
10/01/09	\$ 4,180,782	\$ 5,335,034	\$ 1,154,252	78.36%	\$ 1,030,421	112.02%
10/01/08	* 3,894,786	4,876,543	981,757	79.87%	988,583	99.31%
10/01/07	3,456,686	4,728,888	1,272,202	73.10%	943,529	134.83%
10/01/06	3,018,093	3,549,272	531,179	85.03%	850,652	62.44%
10/01/05	2,613,320	3,140,883	527,563	83.20%	805,894	65.46%
10/01/04	2,348,412	2,871,307	522,895	81.79%	782,411	66.83%

GENERAL EMPLOYEES' PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/ c)
10/01/09	\$ 733,427	\$ 1,255,992	\$ 522,565	58.39%	\$ 579,736	90.14%
10/01/08	671,047	1,178,646	507,599	56.93%	625,954	81.09%
10/01/07	589,407	1,087,355	497,948	54.21%	609,152	81.74%
10/01/06	454,158	947,346	493,188	47.94%	598,628	82.39%
10/01/05	358,744	666,834	308,090	53.80%	561,093	54.91%
10/01/04	278,798	593,090	314,292	47.01%	551,340	57.01%

* Effective October 1, 2008, the actuary changed its asset smoothing techniques, in accordance with Actuarial Standard of Practice (ASOP) Number 44. The change resulted in a one time adjustment to the actuarial value of plan assets of \$172,437 for the Police and Firefighter's pension plan, causing a significant decrease in the corresponding unfunded actuarial accrued liability.

TOWN OF INDIALANTIC, FLORIDA

Required Supplementary Pension Information

Schedules of Contributions from the Employer and Other Contributing Entities (Unaudited)

September 30, 2009

POLICE OFFICERS' AND FIREFIGHTERS' PENSION PLAN

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Town Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 246,702	\$ 148,967	\$ 97,735 *	100.00%
2008	235,678	113,260	125,048	101.12%
2007	235,427	119,448	115,979	100.00%
2006	228,570	104,819	123,752	100.00%
2005	215,687	103,706	111,981	100.00%
2004	214,959	106,914	108,045	100.00%

GENERAL EMPLOYEES' PENSION PLAN

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Town Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 84,642	\$ 84,642	\$ -	100.00%
2008	84,547	85,547	-	101.18%
2007	81,155	82,898	-	102.15%
2006	54,317	74,729	-	137.58%
2005	56,346	66,303	-	117.67%
2004	52,008	62,603	-	120.37%

*Amount does not include \$13,398 due from the State at September 30, 2009.

TOWN OF INDIALANTIC, FLORIDA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,511,977	\$ 2,464,966	\$ 2,462,239	\$ (2,727)
Permits and fees	303,000	269,000	268,680	(320)
Intergovernmental	280,582	305,109	341,545	36,436
Charges for services	1,350	2,350	2,551	201
Fines and forfeitures	91,200	61,200	57,636	(3,564)
Interest and other	42,600	73,726	72,295	(1,431)
Total revenues	<u>3,230,709</u>	<u>3,176,351</u>	<u>3,204,946</u>	<u>28,595</u>
Expenditures				
Current:				
General government	469,034	408,421	405,497	2,924
Public safety	2,193,701	2,195,878	2,199,744	(3,866)
Physical environment	401,023	397,007	397,236	(229)
Recreation	33,301	29,332	24,132	5,200
Capital outlay	27,000	42,963	84,446	(41,483)
Debt service:				
Principal retired	60,407	60,407	60,408	(1)
Interest	8,743	4,843	4,770	73
Total expenditures	<u>3,193,209</u>	<u>3,138,851</u>	<u>3,176,233</u>	<u>(37,382)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,500</u>	<u>37,500</u>	<u>28,713</u>	<u>(8,787)</u>
Fund balances - beginning, as previously reported	184,301	184,301	184,301	-
Restatement (See Note IV)	(52,452)	(52,452)	(52,452)	-
Fund balances - beginning, as restated	<u>131,849</u>	<u>131,849</u>	<u>131,849</u>	<u>-</u>
Fund balances - ending	<u>\$ 169,349</u>	<u>\$ 169,349</u>	<u>\$ 160,562</u>	<u>\$ (8,787)</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

TOWN OF INDIALANTIC, FLORIDA

Notes to Required Supplementary Information

September 30, 2009

A. BUDGETARY INFORMATION

The Town Council adopts an annual budget resolution for all governmental funds prior to September 30 for the next ensuing fiscal year. All budgets are prepared on a modified accrual basis, which is consistent with generally accepted accounting principles.

Budgetary control is legally maintained at the department level. Budget transfer authority is provided to the Town Manager within departments in a fund as long as the total budget of the department is not increased.

Procedures followed by the Town in establishing budgeting data reflected in the financial statements are as follows:

1. The Departments prepare their budget requests and submit them to the Town Manager prior to June 30th of each year.
2. The Town Manager prepares a proposed budget and submits it to the Budget and Finance Committee during the month of July. The operating budget includes proposed expenditures and the means of financing them.
3. The Budget and Finance Committee meets during the month of July to review the proposed budget and make recommendations to the Council.
4. The Town Manager submits the proposed budget to the Town Council on or before August 1st of each year.
5. A public hearing on the proposed budget is held at a regular Council meeting prior to the start of the fiscal year.
6. Prior to October 1, the budget is legally enacted by the adoption of a Resolution.
7. In April of each year, the Town Manager reviews the adopted budget and makes necessary adjustments, which are submitted to the Town Council for their approval.
8. Formal budgeting integration is employed as a management control device during the year for the general and special revenue funds.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general and special revenue funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The subsequent year's appropriations provide authority to complete these transactions. There were no encumbrances outstanding at year end.

At September 30, 2009, actual expenditures for public safety and physical environment exceeded budgeted amounts by approximately \$3,900 and \$200, respectively, due primarily to minor year end accruals not being budgeted. Capital outlay exceeded budget by approximately \$38,200 as a result of the completion of a capital project in the current year that the Town had budgeted for in the prior year.

For the year ended September 30, 2009, actual expenditures exceeded revenues in the general fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit.

THIS PAGE IS INTENTIONALLY LEFT BLANK.



Hoyman Dobson

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of Town Council
Town of Indialantic, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Indialantic, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 20, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Indialantic, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Indialantic, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Indialantic, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted the following control deficiency that we consider to be a significant deficiency in internal control over financial reporting:

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
www.hoyman.com

IC 2009-01 ACCOUNTING POLICIES AND PROCEDURES

Condition: Accounting policies and procedures should be in place that provide reasonable assurance that the general ledger is free of material misstatements. Management does not have procedures in place to provide reasonable assurance that the general ledger is free of material misstatements.

Cause: The Town does not have a financial professional on its staff. Currently, the accounting function is outsourced to an individual that is not in the local area. This individual maintains the Town's financial information on a cash basis rather than on the required modified and full accrual basis. In addition, he is not involved in several areas of the financials.

Effect: During the audit, numerous journal entries were required to correct balances due to/from Town funds, balances transferred between City funds, unearned revenue balances and end of year accrued liabilities. In addition, capital outlay recorded in the funds was not reconciled to capital asset additions in management's listing of capital asset additions, which required reclassification of certain capital outlay and operating expenditures.

Recommendation: We recommend management develop and adopt procedures to provide reasonable assurance that the general ledger is free of material misstatements. Specifically, management should develop and utilize a checklist of anticipated closing entries to be made at year end. In addition, appropriate members of management should perform an analytic review of significant year end general ledger balances to identify necessary adjustments. All recommended procedures performed at year end should be documented.

Management Response: Management will develop and utilize a checklist of anticipated closing entries to be made at year end to identify necessary adjustments.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Indialantic's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

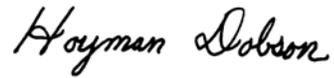
As part of obtaining reasonable assurance about whether the Town of Indialantic, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

We noted a certain other matter that was reported to management of the Town of Indialantic, Florida in a separate letter, Independent Auditor's Management Letter, dated May 20, 2010.

The Town's response to the finding identified in our audit is described above. We did not audit the Town's response and, accordingly, we express no opinion on it.

To the Honorable Mayor and Members of Town Council
of the Town of Indialantic, Florida
Page Three

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

A handwritten signature in cursive script that reads "Hoyman Dobson".

Hoyman Dobson
Melbourne, Florida
May 20, 2010

THIS PAGE IS INTENTIONALLY LEFT BLANK.



**Independent Auditors’
Management Letter**

To the Honorable Mayor and Members of Town Council
of the Town of Indialantic, Florida

We have audited the financial statements of the Town of Indialantic, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated May 20, 2010.

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. We have issued our Independent Auditors’ Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated May 20, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- ❖ Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Some corrective actions have been taken to address significant findings and recommendations from the preceding annual financial audit report, as noted below:

Internal Control Findings:

- | | |
|---------------------------------------|------------------------|
| 1. Fixed asset reporting | Corrected |
| 2. Accounting policies and procedures | Repeated as IC 2009-01 |
| 3. Unreserved fund balance | Repeated as ML 2009-01 |

Compliance Findings:

- | | |
|--------------|------------------------|
| 1. Budgeting | Repeated as ML 2009-02 |
|--------------|------------------------|

- ❖ Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.



- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we had the following such finding:

ML 2009-01 UNRESERVED FUND BALANCE – GENERAL FUND

Condition: The GFOA recommends that a municipality maintain an unreserved fund balance of no less than one to two months of operating expenditures, not including capital outlay, as a cushion in case of financial emergencies. However, this last documented guidance from the GFOA was dated 2002. Given the abundance of hurricane activity in recent years and the current economic climate, it is our understanding that municipalities are determining that a reserve of three to six months of operating expenditures is more appropriate. The unreserved fund balance of the General Fund at September 30, 2009 was \$160,562, or less than one month of fiscal year 2009 operating expenditures, not including capital outlay. The fund balance at September 30, 2008 was \$131,849, as restated.

Recommendation: We recommend the Town Manager and Council develop a plan to increase fund balance so it is more in line with the GFOA's guidelines.

Management Response: The Town has reduced expenses in the FY-10 budget in part by not filling two vacant positions and laying off an Administrative Assistant position. Additionally, Council has budgeted money through the inclusion of a line item to be used toward rebuilding the General Fund unreserved fund balance. The Pre-Proposed FY-11 budget also includes a line item to be used toward rebuilding the General Fund unreserved fund balance.

- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an affect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we had the following such finding:

ML 2009-02 BUDGETING

Condition: The Town incurred costs that were not approved as a formal budget amendment by the Council, creating expenditures in excess of budget. This is not in compliance with Florida Statutes section 166.241. The Town overspent its budget by approximately \$3,900 in the area of public safety, \$200 in the area of physical environment and \$41,000 in the area of capital outlay.

Cause: Management incurred unexpected costs mainly due to year end accrual adjustments and construction projects performed during the current year that had been budgeted for in the prior year that were not considered during preparation of the final budget amendment.

Effect: Without proper budget amendments, the Town is not in compliance with Florida Statute section 166.241.

Recommendation: We recommend the Town identify and adjust for all potential year end accrual adjustments prior to approval of the final budget amendment.

Management Response: In FY-08 the Town budgeted for a capital outlay grant for a construction project which, due to the timing of the grant, was subsequently included in FY-09. Final budget adjustments for FY-09 were inadvertently omitted to include this expense. The Town will make every effort to identify and adjust for all potential year end adjustments prior to the final budget adjustment.

- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the Town of Indialantic, Florida is disclosed in the footnotes. The Town of Indialantic, Florida was established by Chapter 69-879, Laws of Florida, Special Acts 1969. The Town has no component units.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit we determined that the Town of Indialantic, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Indialantic, Florida for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

To the Honorable Mayor and Members of Town Council
of the Town of Indialantic, Florida
Page Four

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

A handwritten signature in black ink that reads "Hoyman Dobson". The signature is written in a cursive, flowing style.

Hoyman Dobson
Melbourne, Florida
May 20, 2010