

**TOWN OF INDIALANTIC,
FLORIDA**

Financial Statements

Year Ended September 30, 2010

TOWN OF INDIALANTIC, FLORIDA

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Year Ended September 30, 2010

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TOWN OF INDIALANTIC, FLORIDA

Town Officials

As of September 30, 2010

Dave Berkman
Mayor

Loren Goldfarb
Deputy Mayor

Mike Borysiewicz
Chris Campbell
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, 2010, which collectively comprise the Town of Indialantic, Florida'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, 2010, 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.

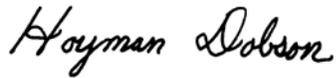
In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the Town of Indialantic, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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
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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 55) 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
March 25, 2011

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2010

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, 2010.

Financial Highlights

- The assets of the Town of Indialantic, Florida exceeded its liabilities at the close of the most recent fiscal year by \$2,417,720 (net assets). Of this amount, \$179,669 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$126,539 mainly due to a decrease in capital grants of approximately \$93,000 in business-type activities and a decrease in the net assets of governmental activities of \$38,285 due to expenses exceeding revenues which was due to \$54,396 of additional expense as a result of implementing OPEB in FY 2010.
- As of the close of the current fiscal year, the Town of Indialantic, Florida's governmental funds reported combined ending fund balances of \$222,306, an increase of \$55,163 over the prior year. Approximately 98% of this total amount, \$216,967 is available for spending at the government's discretion (unreserved fund balance), and represents 7% 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, 2010

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.

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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 29-47 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 51-55 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 \$2,417,720 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	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 427,089	\$ 372,437	\$ 179,322	\$ 230,943	\$ 606,411	\$ 603,380
Capital assets	2,045,203	2,104,157	224,009	255,158	2,269,212	2,359,315
Total assets	<u>2,472,292</u>	<u>2,476,594</u>	<u>403,331</u>	<u>486,101</u>	<u>2,875,623</u>	<u>2,962,695</u>
Noncurrent liabilities	258,702	237,862	11,923	6,171	270,625	244,033
Other liabilities	183,469	170,326	3,809	4,077	187,278	174,403
Total liabilities	<u>442,171</u>	<u>408,188</u>	<u>15,732</u>	<u>10,248</u>	<u>457,903</u>	<u>418,436</u>
Net assets:						
Invested in capital assets, net of related debt	2,008,703	2,031,157	224,009	255,158	2,232,712	2,286,315
Restricted	5,339	6,581	-	-	5,339	6,581
Unrestricted	16,079	30,668	163,590	220,695	179,669	251,363
Total net assets	<u>\$ 2,030,121</u>	<u>\$ 2,068,406</u>	<u>\$ 387,599</u>	<u>\$ 475,853</u>	<u>\$ 2,417,720</u>	<u>\$ 2,544,259</u>

By far the largest portion of the Town of Indialantic, Florida's net assets (92%) 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, 2010

An additional portion of the Town of Indialantic, Florida's net assets, \$5,339 (< 1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$179,669 and \$251,363 at September 30, 2010 and 2009, 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 101,452	\$ 111,141	\$ 306,655	\$ 353,638	\$ 408,107	\$ 464,779
Operating grants and contributions	14,310	65,676	-	-	14,310	65,676
Capital grants and contributions	56,731	95,818	-	93,425	56,731	189,243
General revenues	2,969,861	2,935,817	7,182	11,797	2,977,043	2,947,614
Total revenues	<u>3,142,354</u>	<u>3,208,452</u>	<u>313,837</u>	<u>458,860</u>	<u>3,456,191</u>	<u>3,667,312</u>
Expenses:						
General government	452,983	502,594	-	-	452,983	502,594
Public safety	2,329,229	2,274,833	-	-	2,329,229	2,274,833
Recreation	20,459	24,132	-	-	20,459	24,132
Physical environment	377,228	396,243	-	-	377,228	396,243
Interest on long term debt	740	2,694	-	-	740	2,694
Wavecrest	-	-	300,058	307,434	300,058	307,434
Nance	-	-	102,033	110,030	102,033	110,030
Total expenses	<u>3,180,639</u>	<u>3,200,496</u>	<u>402,091</u>	<u>417,464</u>	<u>3,582,730</u>	<u>3,617,960</u>
Increase (decrease) in net assets	(38,285)	7,956	(88,254)	41,396	(126,539)	49,352
Net assets - beginning	<u>2,068,406</u>	<u>2,060,450</u>	<u>475,853</u>	<u>434,457</u>	<u>2,544,259</u>	<u>2,494,907</u>
Net assets - ending	<u>\$ 2,030,121</u>	<u>\$ 2,068,406</u>	<u>\$ 387,599</u>	<u>\$ 475,853</u>	<u>\$ 2,417,720</u>	<u>\$ 2,544,259</u>

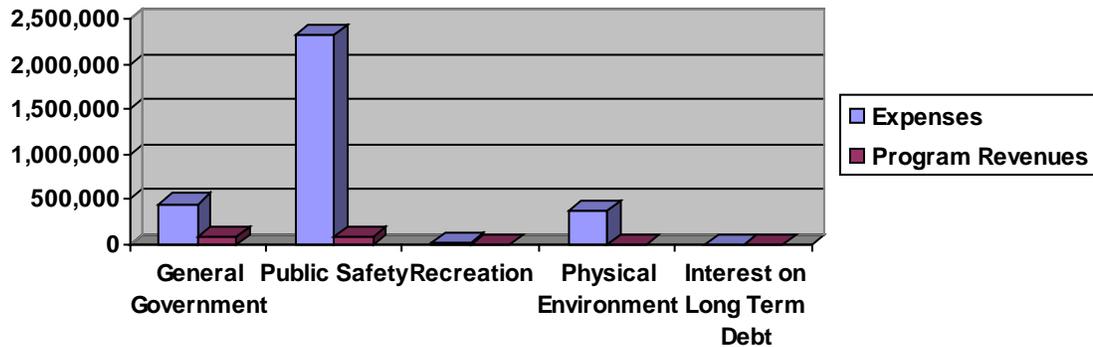
Governmental activities. Governmental activities decreased the Town's net assets by \$38,285, thereby accounting for 30% of the total decrease in the net assets of the Town of Indialantic, Florida. Public safety expenses increased \$54,396 in fiscal year 2010 as a result of implementing the new accounting standard requiring recording the net OPEB obligation in the current year.

TOWN OF INDIALANTIC, FLORIDA

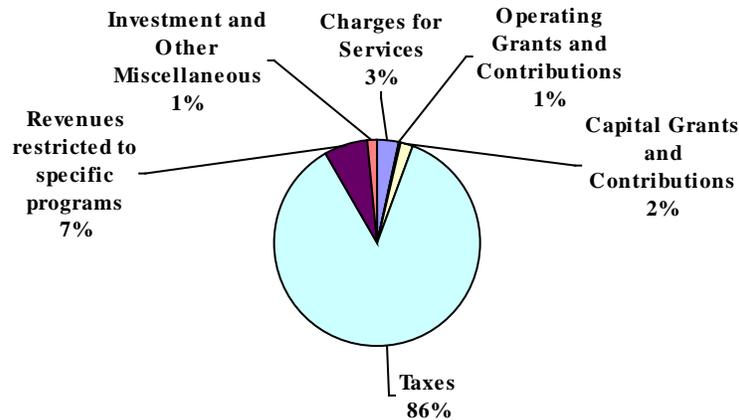
Management's Discussion and Analysis

September 30, 2010

Expenses and Program Revenues – Governmental Activities



2010 Revenues by Source – Governmental Activities



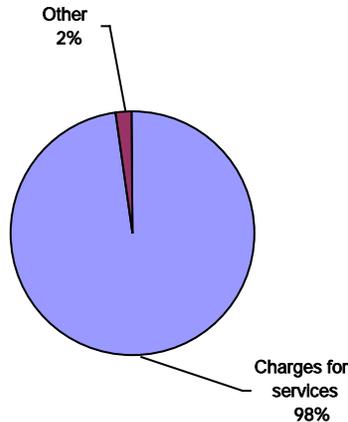
Business-type activities. Business-type activities decreased the Town of Indialantic, Florida's net assets by \$88,254 accounting for 70% of the total decrease in the government's net assets. A key element of this decrease is related to a decrease in capital grants and contributions of approximately \$93,000 for one-time grants received in the prior year, the most significant of which was from the National Fish and Wildlife Foundation for the replacement of beach lighting, with no such grants received in the current year.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2010

2010 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 \$222,306, an increase of \$55,163 in comparison with the prior year. Approximately 98% of this total amount (\$216,967) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$5,339) 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 \$216,967. 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 7.0% of total General fund expenditures.

The fund balance of the Town of Indialantic, Florida's General fund increased by \$56,405 during the current fiscal year, compared to a \$28,713 increase in the prior year. This increase was the result of decreased expenditures for debt service since some debt was fully repaid in the prior year.

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2010

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 \$447,851. The total net assets of this fund decreased \$50,576 in the current year. A key factor included in this decrease was a decrease in intergovernmental revenue of approximately \$93,000, the majority of which related to a grant received in the prior year but not the current year from the National Fish and Wildlife Foundation for the replacement of beach lighting.

Unrestricted net assets of the Indialantic (Nance) Park fund at the end of the year amounted to a deficit of \$284,261. The total net assets of this fund decreased \$37,678 in the current year. This year's decrease is comparable to the prior year's decrease of \$30,689.

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget were insignificant with a decrease of \$49,890 for total revenues and \$26,427 for total expenditures.

The Town's actual revenues were \$20,088 more than budgeted revenues mainly because of an increase in intergovernmental revenues of approximately \$12,259 and an increase in miscellaneous revenue of approximately \$5,307.

The Town's revenue increases were offset by increases in total expenditures of approximately \$13,444 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, 2010, amounted to \$2,269,212 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, fixtures, and other infrastructure items. The total decrease in the Town of Indialantic, Florida's investment in capital assets for the current fiscal year was <4%.

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

- The purchase of a police car.
- The purchase of a copy machine for the police department.
- The purchase of bay doors for the fire department.
- The purchase of a thermal imager for the police department.
- The purchase of a camera and transmitter for the police department.
- The replacement of stormwater pipes.

These increases were offset by depreciation expense (\$144,046 for governmental activities and \$31,149 for business-type activities). In addition, the Town disposed of certain fully depreciated assets (\$48,753 for governmental activities and \$24,652 for business-type activities).

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2010

Town of Indialantic, Florida's Capital Assets

	Governmental Activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 929,482	\$ 929,482	\$ -	\$ -	\$ 929,482	\$ 929,482
Buildings	465,223	487,926	-	-	465,223	487,926
Improvements other than buildings	293,035	299,977	204,922	229,845	497,957	529,822
Machinery and equipment	308,612	357,535	2,840	4,544	311,452	362,079
Furniture and fixtures	662	736	16,247	20,769	16,909	21,505
Infrastructure	48,189	28,501	-	-	48,189	28,501
Total	<u>\$ 2,045,203</u>	<u>\$ 2,104,157</u>	<u>\$ 224,009</u>	<u>\$ 255,158</u>	<u>\$ 2,269,212</u>	<u>\$ 2,359,315</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 \$36,500, which represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Town of Indialantic, Florida's Outstanding Debt

	Governmental Activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 36,500	\$ 73,000	\$ -	\$ -	\$ 36,500	\$ 73,000
Total	<u>\$ 36,500</u>	<u>\$ 73,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,500</u>	<u>\$ 73,000</u>

The Town of Indialantic, Florida's total debt decreased by \$36,500 (50%) during the current fiscal year. The key factor in this decrease was the scheduled payment on the revenue bonds of \$36,500.

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 2010 or 2009.

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

TOWN OF INDIALANTIC, FLORIDA

Management's Discussion and Analysis

September 30, 2010

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 properties. The rate of growth has fluctuated based on County economic conditions. The 2010 taxable value is reflected as \$300,741,513.
- The Town currently has 1,467 housing units. 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 – a certificate of occupancy is expected to be issued in FY-11.
- The April, 2010, population as estimated by the Bureau of Economic and Business Research for the University of Florida was placed at 3,016.
- The Town's millage rate has remained at the rolled back rate. It was below 5 mills for at least 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-10 millage was set at 5.5374. The FY-11 millage is 6.0698 which is the rolled back rate.
- Building construction value decreased 38% in FY-10 over the previous fiscal year while permit fee revenue remained constant.
- Building permits were issued for 5 significant additions and 2 new single family residences situated on the banks of the Indian River.

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.

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TOWN OF INDIALANTIC, FLORIDA
Basic Financial Statements

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TOWN OF INDIALANTIC, FLORIDA

Statement of Net Assets

September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 181,013	\$ 120,690	\$ 301,703
Investments	-	2,970	2,970
Receivables, net	109,848	60,225	170,073
Internal balance	4,563	(4,563)	-
Due from other governments	109,874	-	109,874
Net pension asset	21,791	-	21,791
Capital assets (net of accumulated depreciation):			
Land	929,482	-	929,482
Buildings	465,223	-	465,223
Improvements other than buildings	293,035	204,922	497,957
Machinery and equipment	308,612	2,840	311,452
Furniture and fixtures	662	16,247	16,909
Infrastructure	48,189	-	48,189
Total assets	<u>2,472,292</u>	<u>403,331</u>	<u>2,875,623</u>
LIABILITIES			
Accounts payable	12,340	30	12,370
Accrued payroll and related liabilities	46,055	1,709	47,764
Due to pension trust funds	91,128	2,036	93,164
Unearned revenue	20,985	-	20,985
Other liabilities	12,961	34	12,995
Noncurrent liabilities:			
Due within one year	109,234	6,979	116,213
Due in more than one year	149,468	4,944	154,412
Total liabilities	<u>442,171</u>	<u>15,732</u>	<u>457,903</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,008,703	224,009	2,232,712
Restricted for:			
Law Enforcement	5,339	-	5,339
Unrestricted	16,079	163,590	179,669
Total net assets	<u>\$ 2,030,121</u>	<u>\$ 387,599</u>	<u>\$ 2,417,720</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Activities

Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 452,983	\$ 68,658	\$ 10,591	\$ -
Public safety	2,329,229	32,794	3,719	54,896
Recreational	20,459	-	-	-
Physical environment	377,228	-	-	1,835
Interest on long term debt	740	-	-	-
Total governmental activities	<u>3,180,639</u>	<u>101,452</u>	<u>14,310</u>	<u>56,731</u>
Business-type activities:				
Wavecrest Park	300,058	246,041	-	-
Indialantic (Nance) Park	102,033	60,614	-	-
Total business-type activities	<u>402,091</u>	<u>306,655</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,582,730</u>	<u>\$ 408,107</u>	<u>\$ 14,310</u>	<u>\$ 56,731</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 of year

Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (373,734)	\$ -	\$ (373,734)
(2,237,820)	-	(2,237,820)
(20,459)	-	(20,459)
(375,393)	-	(375,393)
(740)	-	(740)
<u>(3,008,146)</u>	<u>-</u>	<u>(3,008,146)</u>
-	(54,017)	(54,017)
-	(41,419)	(41,419)
-	(95,436)	(95,436)
<u>(3,008,146)</u>	<u>(95,436)</u>	<u>(3,103,582)</u>
1,780,543	-	1,780,543
668,678	-	668,678
261,674	-	261,674
206,747	-	206,747
145	277	422
52,074	6,905	58,979
<u>2,969,861</u>	<u>7,182</u>	<u>2,977,043</u>
(38,285)	(88,254)	(126,539)
2,068,406	475,853	2,544,259
<u>\$ 2,030,121</u>	<u>\$ 387,599</u>	<u>\$ 2,417,720</u>

TOWN OF INDIALANTIC, FLORIDA

Balance Sheet – Governmental Funds

September 30, 2010

	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 175,674	\$ 5,339	\$ 181,013
Accounts receivable, net	109,848	-	109,848
Due from other funds	4,563	-	4,563
Due from other governments	109,874	-	109,874
Total assets	<u>\$ 399,959</u>	<u>\$ 5,339</u>	<u>\$ 405,298</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 12,340	\$ -	\$ 12,340
Accrued payroll and related liabilities	46,055	-	46,055
Due to pension trust funds	91,128	-	91,128
Other liabilities	12,484	-	12,484
Unearned revenue	20,985	-	20,985
Total liabilities	<u>182,992</u>	<u>-</u>	<u>182,992</u>
Fund balances:			
Reserved for:			
Law Enforcement	-	5,339	5,339
Unreserved:			
Designated	112,283	-	112,283
Undesignated	104,684	-	104,684
Total fund balances	<u>216,967</u>	<u>5,339</u>	<u>222,306</u>
Total liabilities, fund balances	<u>\$ 399,959</u>	<u>\$ 5,339</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.	2,045,203
Net pension asset resulting from overfunding of the Town's defined benefit pension plans	21,791
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(259,179)</u>
Net assets of governmental activities	<u>\$ 2,030,121</u>

TOWN OF INDIALANTIC, FLORIDA

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

Year Ended September 30, 2010

	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,481,574	\$ -	\$ 2,481,574
Permits and fees	291,090	-	291,090
Intergovernmental	289,664	-	289,664
Charges for services	1,746	-	1,746
Fines and forfeitures	38,348	1,661	40,009
Interest and other	50,551	7	50,558
Total revenues	<u>3,152,973</u>	<u>1,668</u>	<u>3,154,641</u>
Expenditures			
Current:			
General government	388,896	-	388,896
Public safety	2,196,944	-	2,196,944
Physical environment	369,952	-	369,952
Recreation	20,459	-	20,459
Capital outlay	82,182	2,910	85,092
Debt service:			
Principal	36,500	-	36,500
Interest	1,635	-	1,635
Total expenditures	<u>3,096,568</u>	<u>2,910</u>	<u>3,099,478</u>
Excess (deficiency) of revenues over (under) expenditures	56,405	(1,242)	55,163
Fund balances, beginning of year	<u>160,562</u>	<u>6,581</u>	<u>167,143</u>
Fund balances, end of year	<u>\$ 216,967</u>	<u>\$ 5,339</u>	<u>\$ 222,306</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, 2010

Net change in fund balances - total governmental funds	\$ 55,163
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.	(58,954)
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.	(2,262)
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.	36,500
Some revenue, FEMA grant revenue, reported in the funds has previously been reported as revenue in the statement of activities.	(12,287)
The other post-employment benefit obligation expense reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in the governmental funds.	(84,056)
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>27,611</u>
Change in net assets of governmental activities	<u>\$ (38,285)</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2010

	Business-type Activities - Enterprise Funds		
	Wavecrest	Indialantic	Total
	Park	(Nance) Park	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 120,690	\$ -	\$ 120,690
Investments	2,970	-	2,970
Accounts receivable, net	48,060	12,165	60,225
Total current assets	<u>171,720</u>	<u>12,165</u>	<u>183,885</u>
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	603,623	322,533	926,156
Less accumulated depreciation	(443,586)	(258,561)	(702,147)
Total capital assets, net of accumulated depreciation	<u>160,037</u>	<u>63,972</u>	<u>224,009</u>
Advance to other funds	292,277	-	292,277
Total noncurrent assets	<u>452,314</u>	<u>63,972</u>	<u>516,286</u>
Total assets	<u>624,034</u>	<u>76,137</u>	<u>700,171</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	30	-	30
Accrued payroll and related liabilities	1,299	444	1,743
Due to other funds	3,651	912	4,563
Due to pension trust funds	1,628	408	2,036
Accrued compensated absences	5,583	1,396	6,979
Total current liabilities	<u>12,191</u>	<u>3,160</u>	<u>15,351</u>
Noncurrent liabilities:			
Net OPEB obligation	3,955	989	4,944
Advance from other funds	-	292,277	292,277
Total noncurrent liabilities	<u>3,955</u>	<u>293,266</u>	<u>297,221</u>
Total liabilities	<u>16,146</u>	<u>296,426</u>	<u>312,572</u>
NET ASSETS			
Invested in capital assets, net of related debt	160,037	63,972	224,009
Unrestricted	447,851	(284,261)	163,590
Total net assets	<u>\$ 607,888</u>	<u>\$ (220,289)</u>	<u>\$ 387,599</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year Ended September 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
		Indialantic	
	Wavecrest Park	(Nance) Park	Total
Operating revenues:			
Charges for services	\$ 200,884	\$ 48,052	\$ 248,936
Parking fines	45,157	12,562	57,719
Total operating revenues	<u>246,041</u>	<u>60,614</u>	<u>306,655</u>
Operating expenses:			
Salaries, wages and employee benefits	105,141	26,283	131,424
Contractual services	133,725	32,870	166,595
Insurance	6,960	1,679	8,639
Supplies	8,460	4,958	13,418
Depreciation	21,082	10,067	31,149
Repairs and maintenance	17,835	15,376	33,211
Utilities	5,841	10,595	16,436
Beach improvements	1,014	205	1,219
Total operating expenses	<u>300,058</u>	<u>102,033</u>	<u>402,091</u>
Operating loss	<u>(54,017)</u>	<u>(41,419)</u>	<u>(95,436)</u>
Nonoperating revenues:			
Miscellaneous revenue	3,164	3,741	6,905
Interest income	277	-	277
Total nonoperating revenues	<u>3,441</u>	<u>3,741</u>	<u>7,182</u>
Change in net assets	(50,576)	(37,678)	(88,254)
Net assets, beginning of year	<u>658,464</u>	<u>(182,611)</u>	<u>475,853</u>
Net assets, end of year	<u>\$ 607,888</u>	<u>\$ (220,289)</u>	<u>\$ 387,599</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds		
	Wavecrest	Indialantic	Total
	Park	(Nance) Park	
Cash flows from operating activities:			
Cash received from customers	\$ 175,457	\$ 49,041	\$ 224,498
Cash received from parking fines	37,115	10,617	47,732
Cash paid to suppliers	(80,407)	(13,216)	(93,623)
Cash paid for quasi-external operating transactions	(96,596)	(24,149)	(120,745)
Cash paid to employees for services	(103,949)	(26,034)	(129,983)
Net cash used in operating activities	<u>(68,380)</u>	<u>(3,741)</u>	<u>(72,121)</u>
Cash flows from non-capital and related financing activities:			
Miscellaneous proceeds	3,164	3,741	6,905
Net cash provided by non-capital and related financing activities	<u>3,164</u>	<u>3,741</u>	<u>6,905</u>
Cash flows from investing activities:			
Proceeds from sale of investments	12	-	12
Interest proceeds	277	-	277
Net cash provided by investing activities	<u>289</u>	<u>-</u>	<u>289</u>
Net decrease in cash and cash equivalents	(64,927)	-	(64,927)
Cash and cash equivalents, beginning of year	<u>185,617</u>	<u>-</u>	<u>185,617</u>
Cash and cash equivalents, end of year	<u>\$ 120,690</u>	<u>\$ -</u>	<u>\$ 120,690</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Cash Flows (Continued)

Proprietary Funds

Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (54,017)	\$ (41,419)	\$ (95,436)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation expense	21,082	10,067	31,149
(Increase) decrease in assets:			
Accounts receivable	(8,042)	(1,945)	(9,987)
Due from other funds	(29,382)	-	(29,382)
Increase (decrease) in liabilities:			
Accounts payable	(371)	(364)	(735)
Accrued expenses	419	54	473
Due to other funds	(2,797)	28,682	25,885
Due to pension trust funds	127	33	160
Other liabilities	646	162	808
Net OPEB obligation	3,955	989	4,944
Total adjustments	<u>(14,363)</u>	<u>37,678</u>	<u>23,315</u>
Net cash used in operating activities	<u>\$ (68,380)</u>	<u>\$ (3,741)</u>	<u>\$ (72,121)</u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Fiduciary Net Assets – Pension Trust Funds

September 30, 2010

	Employee Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 805,548
Due from other funds	93,164
Interest receivable	13,798
Investments, at fair value	4,199,084
Total assets	<u>5,111,594</u>
LIABILITIES	
Accounts payable	<u>18,919</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 5,092,675</u></u>

TOWN OF INDIALANTIC, FLORIDA

Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

Year Ended September 30, 2010

	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 74,492
Employer	249,335
Employees	82,250
Total contributions	<u>406,077</u>
Investment income:	
Net increase in the fair value of investments	327,481
Less: investment related expense	(32,089)
Interest and dividends	114,204
Total investment income	<u>409,596</u>
Total additions	<u>815,673</u>
DEDUCTIONS	
Benefits paid	171,629
Refunded contributions	13,646
Administrative expenses	48,169
Total deductions	<u>233,444</u>
Change in net assets	582,229
Net assets held in trust for pension benefits, beginning of year	<u>4,510,446</u>
Net assets held in trust for pension benefits, end of year	<u><u>\$ 5,092,675</u></u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Indialantic, Florida (the "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.

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, 2010

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, 2010

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 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'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, 2010, 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, 2010

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 Town Council levy for the fiscal year ended September 30, 2010 was 5.5374 mills, which is 0.09% under the rolled back rate, as approved by a unanimous vote. Current tax collections for the Town were approximately 98% of the total tax levy.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

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 \$23,377.

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, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. 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.

6. 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.

7. 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, 2010, 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).

8. Net asset deficit

The Town reported a net asset deficit of \$(220,289) in the Indialantic (Nance) Park fund. The Town intends to cover the deficit in 2011 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, 2010

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 \$(259,179) difference are as follows:

Bonds payable	\$ (36,500)
Compensated absences	(138,146)
Net OPEB obligation	(84,056)
Accrued interest payable	<u>(477)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (259,179)</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 \$(58,954) difference are as follows:

Capital outlay	\$ 85,092
Depreciation expense	<u>(144,046)</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>\$ (58,954)</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 \$27,611 difference are as follows:

Accrued interest	\$ 895
Compensated absences	<u>26,716</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>\$ 27,611</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2010, the Town’s carrying amount of cash deposits was \$283,592 and the bank balance was \$375,724. In addition, the Town holds \$350 of petty cash. At September 30, 2010, the Town’s pension trust funds carrying amount of cash deposits was \$790,807 and the bank balance was \$735,782. As of September 30, 2010, \$250,000 of the Town’s bank balances are covered by federal depository insurance (FDIC). 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, 2010, 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)	\$ 17,761	\$ 17,761	\$ -	\$ -	AAAm	S&P
SBA Fund B	2,970	-	-	2,970	Not rated	-
	<u>\$ 20,731</u>	<u>\$ 17,761</u>	<u>\$ -</u>	<u>\$ 2,970</u>		
Pension trust funds:						
SBA (Florida PRIME)	\$ 14,741	\$ 14,741	\$ -	\$ -	AAAm	S&P
SBA Fund B	927	-	-	927	Not rated	-
Bond mutual funds	276,380	-	-	276,380	Not rated	-
Stock mutual funds	2,376,898	2,376,898	-	-	-	-
International stock mutual funds	529,667	529,667	-	-	-	-
Corporate Fixed Income	19,101	-	-	19,101	AAA	S&P
Corporate Fixed Income	41,083	-	17,023	24,060	AA	S&P
Corporate Fixed Income	23,188	-	-	23,188	AA-	S&P
Corporate Fixed Income	89,328	-	45,806	43,522	A+	S&P
Corporate Fixed Income	76,362	20,600	55,762	-	A	S&P
Corporate Fixed Income	44,006	-	20,650	23,356	A-	S&P
Corporate Fixed Income	21,450	-	21,450	-	BBB+	S&P
Corporate Fixed Income	58,886	-	-	58,886	BBB	S&P
Government Securities	641,808	-	538,346	103,462	AAA	S&P
	<u>\$ 4,213,825</u>	<u>\$ 2,941,906</u>	<u>\$ 699,037</u>	<u>\$ 572,882</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, 2010

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, 2010, 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, 2010, are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Wavecrest Park	\$ 3,651
	Indialantic (Nance) Park	912
		<u>\$ 4,563</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

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>\$ 292,277</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, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	461,726	23,450	-	485,176
Equipment	1,362,606	39,916	(48,753)	1,353,769
Furniture	9,097	-	-	9,097
Infrastructure	35,994	21,726	-	57,720
Total capital assets being depreciated	<u>2,759,787</u>	<u>85,092</u>	<u>(48,753)</u>	<u>2,796,126</u>
Less accumulated depreciation for:				
Buildings	(402,438)	(22,703)	-	(425,141)
Improvements other than buildings	(161,749)	(30,392)	-	(192,141)
Equipment	(1,005,071)	(88,839)	48,753	(1,045,157)
Furniture	(8,361)	(74)	-	(8,435)
Infrastructure	(7,493)	(2,038)	-	(9,531)
Total accumulated depreciation	<u>(1,585,112)</u>	<u>(144,046)</u>	<u>48,753</u>	<u>(1,680,405)</u>
Total capital assets being depreciated, net	<u>1,174,675</u>	<u>(58,954)</u>	<u>-</u>	<u>1,115,721</u>
Governmental activities capital assets, net	<u>\$ 2,104,157</u>	<u>\$ (58,954)</u>	<u>\$ -</u>	<u>\$ 2,045,203</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases (*)	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 739,515	\$ -	\$ -	\$ 739,515
Equipment	95,834	-	-	95,834
Fixtures	101,463	13,996	(24,652)	90,807
Total capital assets being depreciated	<u>936,812</u>	<u>13,996</u>	<u>(24,652)</u>	<u>926,156</u>
Less accumulated depreciation for:				
Improvements other than buildings	(509,670)	(24,923)	-	(534,593)
Equipment	(91,290)	(1,704)	-	(92,994)
Fixtures	(80,694)	(18,518)	24,652	(74,560)
Total accumulated depreciation	<u>(681,654)</u>	<u>(45,145) *</u>	<u>24,652</u>	<u>(702,147)</u>
Total capital assets, being depreciated, net	<u>255,158</u>	<u>(31,149)</u>	<u>-</u>	<u>224,009</u>
Business-type activities capital assets, net	<u>\$ 255,158</u>	<u>\$ (31,149)</u>	<u>\$ -</u>	<u>\$ 224,009</u>

(*) Included in the increase in accumulated depreciation is the accumulated depreciation of an asset transferred from governmental activities of \$13,996 to business-type activities. This asset had been fully depreciated in previous years in governmental activities.

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

Governmental activities:	
General government	\$ 60,938
Public safety	<u>83,108</u>
Total depreciation expense – governmental activities	<u>\$ 144,046</u>
Business-type activities:	
Wavecrest Park	\$ 21,082
Nance Park	<u>10,067</u>
Total depreciation expense – business-type activities	<u>\$ 31,149</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. 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 2.24% at September 30, 2010.

Years ending September 30,	Principal	Interest	Total
2011	\$ 36,500	\$ 817	\$ 37,317
Total	\$ 36,500	\$ 817	\$ 37,317

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 73,000	\$ -	\$ (36,500)	\$ 36,500	\$ 36,500
Net OPEB obligation	-	84,056	-	84,056	-
Compensated absences	164,862	103,109	(129,825)	138,146	72,734
Governmental activity Long-term liabilities	\$ 237,862	\$ 187,165	\$ (166,325)	\$ 258,702	\$ 109,234
Business-type activities:					
Net OPEB obligation	\$ -	\$ 4,944	\$ -	\$ 4,944	\$ -
Compensated absences	6,171	5,658	(4,850)	6,979	6,979
Business-type activity Long-term liabilities	\$ 6,171	\$ 10,602	\$ (4,850)	\$ 11,923	\$ 6,979

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. 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, 2010.

F. 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, 2010, the date of the latest actuarial valuation:

	October 1, 2010	
	Police and Firefighters' Pension Plan	General Employees' Pension Plan
Retirees and beneficiaries receiving benefits	11	5
Terminated vested	1	6
Active plan members	17	13
Total	29	24

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, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. 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, 2010.

	Police and Firefighters' Plan	General Employees' Plan
Annual Required Contribution (ARC)	\$ 161,276	\$ 88,059
Interest on Net Pension Asset	(208)	(1,502)
Adjustments to ARC	392	3,580
Annual Pension Cost	161,460	90,137
Contributions Made	161,276	88,059
Decrease in Net Pension Asset	(184)	(2,078)
Net Pension Asset - Beginning of Year	2,601	21,452
Net Pension Asset - End of Year	<u>\$ 2,417</u>	<u>\$ 19,374</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	9/30/08	\$ 110,630	102 %	\$ 2,630
	9/30/09	148,967	100	2,601
	9/30/10	161,276	100	2,417
General Employees' Plan	9/30/08	\$ 84,547	100 %	\$ 21,690
	9/30/09	84,642	100	21,452
	9/30/10	88,059	100	19,374

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. RETIREMENT COMMITMENTS (CONTINUED)

Funding Status and Funding Progress – The funded status of the plans as of October 1, 2010, the most recent actuarial valuation date, is shown below:

Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) –Entry Age * (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	Unfunded AAL as a % of Covered Payroll ((b-a)/c)
Police and Firefighters’ Plan:					
\$ 4,483,777	\$ 5,926,278	\$ 1,442,501	75.66%	\$ 1,008,973	142.97%
General Employees’ Plan:					
\$ 796,593	\$ 1,322,119	\$ 525,526	60.25%	\$ 531,032	98.96%

* 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, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. 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
Actuarial valuation date	10/01/08	10/01/08
Actuarial cost method	Entry Age Normal Level Percentage of Pay, closed / 30 years	Frozen Entry Age Level Percentage of Pay, closed / 30 years
Amortization method	28 years as of 10/1/10	27 years as of 10/1/10
Remaining amortization period	Four Year Smooth (Market)	Market
Asset valuation method		
Actuarial assumptions (as of 10/1/08):		7.0% (8% for prior valuations)
Investment rate of return	8.0%	6.0%
Projected salary increases*	7.0%	3.0%
*Includes inflation at:	3.0%	

Pension trust funds fiduciary net assets activity as of September 30, 2010 was as follows:

	Police and Firefighters'	General Employees'	Total
Assets			
Cash and cash equivalents	\$ 771,936	\$ 33,612	\$ 805,548
Due from other funds	69,273	23,891	93,164
Interest receivable	13,798	-	13,798
Investments, at fair value	3,494,935	704,149	4,199,084
Total assets	<u>4,349,942</u>	<u>761,652</u>	<u>5,111,594</u>
Liabilities			
Accounts payable	<u>14,335</u>	<u>4,584</u>	<u>18,919</u>
Net assets, held in trust for pension benefits	<u>\$ 4,335,607</u>	<u>\$ 757,068</u>	<u>\$ 5,092,675</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. RETIREMENT COMMITMENTS (CONTINUED)

Pension trust funds increase in fiduciary net assets activity as of September 30, 2010 was as follows:

	Police and Firefighters'	General Employees'	Total
Additions			
Contributions:			
State	\$ 74,492	\$ -	\$ 74,492
Employer	161,276	88,059	249,335
Employees	53,100	29,150	82,250
Total contributions	<u>288,868</u>	<u>117,209</u>	<u>406,077</u>
Investment income (loss):			
Net increase in fair value of investments	279,623	47,858	327,481
Less: investment related expense	(28,852)	(3,237)	(32,089)
Interest and dividends	97,935	16,269	114,204
Total investment income	<u>348,706</u>	<u>60,890</u>	<u>409,596</u>
Total additions	<u>637,574</u>	<u>178,099</u>	<u>815,673</u>
Deductions			
Benefits paid	130,674	40,955	171,629
Refunded contributions	-	13,646	13,646
Administrative expenses	36,959	11,210	48,169
Total deductions	<u>167,633</u>	<u>65,811</u>	<u>233,444</u>
Change in net assets	469,941	112,288	582,229
Net assets held in trust for pension benefits, beginning of year	<u>3,865,666</u>	<u>644,780</u>	<u>4,510,446</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 4,335,607</u>	<u>\$ 757,068</u>	<u>\$ 5,092,675</u>

G. OTHER POSTEMPLOYMENT BENEFITS

As of October 1, 2009, the Town implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions* (OPEB), for certain post-employment health care benefits provided by the Town. The Town elected to implement this statement prospectively.

Plan description. The Town administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance to its employees and their eligible dependents. Pursuant to 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 at the same cost that is applicable to active employees.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. Healthcare coverage is assumed to end once the retiree and their spouse become eligible for Medicare (age 65). The Plan has 0 retirees and spouses receiving benefits and has a total of 32 active participants and dependents. Of that total, 31 are not yet eligible to receive benefits.

Benefit provisions for the Plan are established under the authority of the Town Council and may only be amended by Town Council. The Town has not established a trust or agency fund for the Plan. The Town does not issue stand alone financial statements for this Plan. All financial information related to the Plan is accounted for in the Town's basic financial statements.

Funding policy. The Town funds the Plan on a pay-as-you-go basis. The Town requires retirees to pay 100% of the premiums for retirees and their dependents. There is an implied subsidy in the insurance premiums for the employees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average.

For the year ended September 30, 2010, the Town's contribution made to the Plan is \$5,000, which represents an estimate of the implied subsidy described above. There were no contributions received from Plan members during the year ended September 30, 2010.

Annual OPEB cost and net OPEB obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year ended September 30, 2010, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation to the Plan:

Annual required contribution	\$ 94,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>94,000</u>
Contributions made	(5,000)
Interest on employer contributions	-
Increase in net OPEB obligation	<u>89,000</u>
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 89,000</u>

The net OPEB obligation is allocated to governmental activities and business-type activities based on the relative proportion of plan participants. At September 30, 2010 the net OPEB obligation of governmental activities and business-type activities is \$84,056 and \$4,944, respectively. The current portion of \$5,000 is considered immaterial and has not been recorded separately from the total OPEB obligation.

TOWN OF INDIALANTIC, FLORIDA

Notes to Financial Statements

September 30, 2010

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending September 30, 2010 was as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/10	\$ 94,000	5%	\$ 89,000

Fiscal year 2010 was the year of implementation of GASB Statement No. 45. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

Funded status and funding progress. Because the Plan has fewer than 200 members, the Town is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of October 1, 2010. Accordingly, the Town will be required to obtain a subsequent actuarial valuation within three years of that date. As of October 1, 2010, the actuarial accrued liability for benefits was \$518,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,442,000, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 35.92%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the Town's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the Town elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

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

In the October 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (including inflation of 2.75%) and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after nine years. The UAAL is being amortized using a level-dollar payment basis over an open period of 15 years.

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

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TOWN OF INDIALANTIC, FLORIDA

Required Supplementary Pension Information

Schedules of Funding Progress

September 30, 2010

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)
10/01/10	\$ 4,483,777	\$ 5,926,278	\$ 1,442,501	75.66%	\$ 1,008,973	142.97%
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%

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)
10/01/10	\$ 796,593	\$ 1,322,119	\$ 525,526	60.25%	\$ 531,032	98.96%
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%

* 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

September 30, 2010

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>
2010	\$ 239,480	\$ 161,276	\$ 78,204 *	100.00%
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%

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>
2010	\$ 88,059	\$ 88,059	\$ -	100.00%
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%

*Amount includes \$3,712 of contributions due from the State in the previous year but included in the actuary's 2010 contribution amount.

TOWN OF INDIALANTIC, FLORIDA

Required Other Postemployment Benefits Supplementary Information – Schedule of Funding Progress

Three Most Recent Actuarial Valuations

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL a % of Covered Payroll ((b-a)/c)</u>
10/1/2010	\$ -	\$ 518,000	\$ 518,000	0.0%	\$ 1,442,000	35.92%

Note: Because fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the Town elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

TOWN OF INDIALANTIC, FLORIDA

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

General Fund

Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,470,728	\$ 2,485,069	\$ 2,481,574	\$ (3,495)
Permits and fees	287,332	288,510	291,090	2,580
Intergovernmental	308,059	277,405	289,664	12,259
Charges for services	850	1,650	1,746	96
Fines and forfeitures	70,200	35,007	38,348	3,341
Interest and other	45,606	45,244	50,551	5,307
Total revenues	<u>3,182,775</u>	<u>3,132,885</u>	<u>3,152,973</u>	<u>20,088</u>
Expenditures				
Current:				
General government	410,047	380,631	388,896	(8,265)
Public safety	2,178,731	2,193,691	2,196,944	(3,253)
Physical environment	378,496	367,977	369,952	(1,975)
Recreation	17,795	20,178	20,459	(281)
Capital outlay	84,482	82,512	82,182	330
Debt service:				
Principal retired	36,500	36,500	36,500	-
Interest	3,500	1,635	1,635	-
Total expenditures	<u>3,109,551</u>	<u>3,083,124</u>	<u>3,096,568</u>	<u>(13,444)</u>
Excess of revenues over expenditures	73,224	49,761	56,405	6,644
Fund balances, beginning of year	<u>160,562</u>	<u>160,562</u>	<u>160,562</u>	<u>-</u>
Fund balances, end of year	<u>\$ 233,786</u>	<u>\$ 210,323</u>	<u>\$ 216,967</u>	<u>\$ 6,644</u>

TOWN OF INDIALANTIC, FLORIDA

Notes to Required Supplementary Information

September 30, 2010

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, 2010, actual expenditures exceeded budgeted amounts by approximately \$8,300 in the area of general government, \$3,300 in the area of public safety, \$2,000 in the area of physical environment and \$300 in the area of recreation due primarily to minor year end accruals not being budgeted. For the year ended September 30, 2010, actual revenues exceeded expenditures in the general fund.

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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, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 25, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness.

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
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IC 2010-01 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 Town funds, deferred revenue balances and end of year accrued liabilities.

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 significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

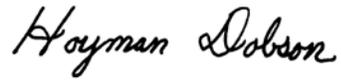
As part of obtaining reasonable assurance about whether the Town of Indialantic, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 noncompliance 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 March 25, 2011.

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 Council, others within the entity 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 black ink that reads "Hoyman Dobson". The signature is written in a cursive style with a large initial 'H' and 'D'.

Hoyman Dobson
Melbourne, Florida
March 25, 2011

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Hoyman Dobson

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, 2010, and have issued our report thereon dated March 25, 2011.

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 Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated March 25, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- ❖ 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 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. Accounting policies and procedures | Revised/Repeated as IC 2010-01 |
| 2. Unreserved fund balance | Revised/Repeated as ML 2010-01 |

Compliance Findings:

- | | |
|--------------|--------------------------------|
| 1. Budgeting | Revised/Repeated as ML 2010-02 |
|--------------|--------------------------------|

- ❖ 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 of Indialantic, Florida complied with Section 218.415, Florida Statutes.

Certified Public Accountants

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- ❖ 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. In connection with our audit, we had the following such finding:

ML 2010-01 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, 2010 was \$216,967, or less than one month of fiscal year 2010 operating expenditures, not including capital outlay. This is an improvement over the September 30, 2009 fund balance of \$160,562.

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

Management Response: The Town reduced expenses in the FY-10 budget in part by not filling two vacant positions and laying off an Administrative Assistant. Additionally, Council has budgeted money through the inclusion of a line item to be used toward rebuilding the General Fund unreserved fund balance in the FY-10 and FY-11 budgets. The unreserved fund balance has increased from \$131,849 in 2008 to the current balance of \$216,967 in 2010.

- ❖ 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 occurred, or are likely to have occurred, that have an effect 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we had the following such finding:

ML 2010-02 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 \$8,300 in the area of general government, \$3,300 in the area of public safety, \$2,000 in the area of physical environment and \$300 in the area of recreation.

Cause: Management incurred unexpected costs mainly due to year end accrual adjustments 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.

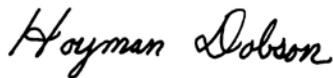
ML 2010-02 BUDGETING (continued)

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: 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, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Indialantic'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Hoyman Dobson
Melbourne, Florida
March 25, 2011