

Town of Indialantic, Florida

FINANCIAL STATEMENTS

Year Ended September 30, 2014



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Town of Indialantic, Florida
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September 30, 2014

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**Town of Indialantic, Florida
Town Officials
As of September 30, 2014**

Dave Berkman
Mayor

Loren Goldfarb
Deputy Mayor

Dick Dunn
Stuart Glass
Randall Greer
Council Members

Paul R. Gougelman, III
Town Attorney

Christopher W. Chinault
Town Manager

Laura Eaton
Town Clerk/Finance Director

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, (the "Town") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1.E.9. to the financial statements, the Town implemented the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement 67, *Financial Reporting for Pension Plans*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (pages 5 through 13) and the required supplementary information (pages 59 through 67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015 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* in considering the Town of Indialantic, Florida's internal control over financial reporting and compliance.

Carr Riggs & Ingram, LLC

Melbourne, Florida
June 1, 2015

Town of Indialantic, Florida Management's Discussion and Analysis

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, 2014.

Financial Highlights

- The assets of the Town of Indialantic, Florida exceeded its liabilities at the close of the most recent fiscal year by \$2,855,924 (net position). Of this amount, \$259,355 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$95,485 mainly due to an increase in general revenues.
- As of the close of the current fiscal year, the Town of Indialantic, Florida's governmental funds reported combined ending fund balances of \$697,204, an increase of \$244,726 over the prior year. Approximately 99% of this total amount, \$687,096 is available for spending at the government's discretion (unassigned fund balance), and represents 23.6% of total governmental fund expenditures, excluding capital outlay.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

Town of Indialantic, Florida Management's Discussion and Analysis

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.

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.

Town of Indialantic, Florida Management's Discussion and Analysis

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.

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 29-56 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 59-67 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Indialantic, Florida, assets exceeded liabilities by \$2,855,924 at the close of the most recent fiscal year.

The following table reflects the condensed statement of net position:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 867,648	\$ 700,610	\$ 68,722	\$ 74,033	\$ 936,370	\$ 774,643
Capital assets	2,430,815	2,496,636	155,646	157,543	2,586,461	2,654,179
Total assets	<u>3,298,463</u>	<u>3,197,246</u>	<u>224,368</u>	<u>231,576</u>	<u>3,522,831</u>	<u>3,428,822</u>
Noncurrent liabilities	475,405	428,194	25,557	21,593	500,962	449,787
Other liabilities	132,693	194,160	10,832	2,736	143,525	196,896
Total liabilities	<u>608,098</u>	<u>622,354</u>	<u>36,389</u>	<u>24,329</u>	<u>644,487</u>	<u>646,683</u>
Deferred revenue	22,420	21,700	-	-	22,420	21,700
Total deferred revenue	<u>22,420</u>	<u>21,700</u>	<u>-</u>	<u>-</u>	<u>22,420</u>	<u>21,700</u>
Net position:						
Net investment						
In capital assets	2,430,815	2,496,636	155,646	157,543	2,586,461	2,654,179
Restricted	9,108	7,944	-	-	9,108	7,944
Committed	1,000	-	-	-	1,000	-
Unrestricted	227,022	48,612	32,333	49,704	259,355	98,316
Total net position	<u>\$ 2,667,945</u>	<u>\$ 2,553,192</u>	<u>\$ 187,979</u>	<u>\$ 207,247</u>	<u>\$ 2,855,924</u>	<u>\$ 2,760,439</u>

Town of Indialantic, Florida Management's Discussion and Analysis

By far the largest portion of the Town of Indialantic, Florida's net position (91%) 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.

An additional portion of the Town of Indialantic, Florida's net position, \$9,108 and \$7,944 at September 30, 2014 and 2013, respectively, (both < 1%), represents resources that are subject to external restrictions on how they may be used. The Town implemented a new fund balance policy during 2014 and has \$1,000 committed for Nance Park sign maintenance. The remaining balance of unrestricted net position, \$259,355 and \$98,316 at September 30, 2014 and 2013, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table shows condensed revenue and expense data:

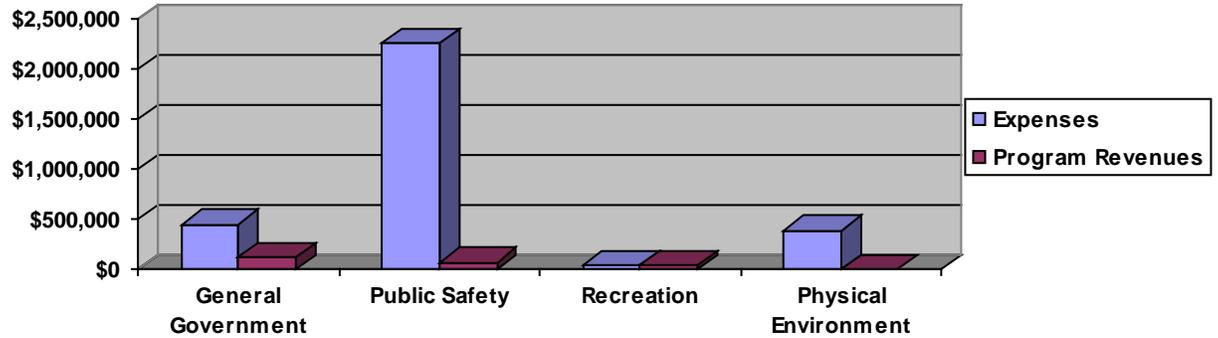
Town of Indialantic, Florida's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 129,938	\$ 105,313	\$ 321,796	\$ 306,909	\$ 451,734	\$ 412,222
Operating grants and contributions	24,129	14,225	-	-	24,129	14,225
Capital grants and contributions	68,710	45,655	18,026	-	86,736	45,655
General revenues	3,028,654	2,973,563	5,401	4,930	3,034,055	2,978,493
Total revenues	<u>3,251,431</u>	<u>3,138,756</u>	<u>345,223</u>	<u>311,839</u>	<u>3,596,654</u>	<u>3,450,595</u>
Expenses:						
General government	448,246	434,727	-	-	448,246	434,727
Public safety	2,265,722	2,254,722	-	-	2,265,722	2,254,722
Recreation	31,373	41,014	-	-	31,373	41,014
Physical environment	391,337	379,900	-	-	391,337	379,900
Wavecrest	-	-	277,987	275,559	277,987	275,559
Nance	-	-	86,504	84,623	86,504	84,623
Total expenses	<u>3,136,678</u>	<u>3,110,363</u>	<u>364,491</u>	<u>360,182</u>	<u>3,501,169</u>	<u>3,470,545</u>
Increase (decrease) in net position	114,753	28,393	(19,268)	(48,343)	95,485	(19,950)
Net position - beginning	2,553,192	2,524,799	207,247	255,590	2,760,439	2,780,389
Net position - ending	<u>\$ 2,667,945</u>	<u>\$ 2,553,192</u>	<u>\$ 187,979</u>	<u>\$ 207,247</u>	<u>\$ 2,855,924</u>	<u>\$ 2,760,439</u>

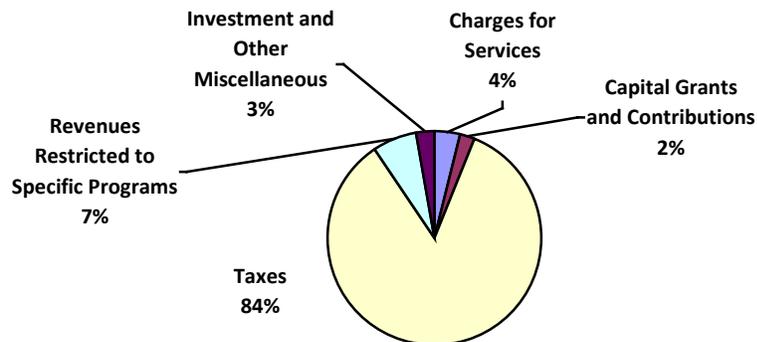
Governmental activities. Governmental activities increased the Town's net position by \$114,753, accounting for a 4% increase in the overall increase of the government's net position compared to an increase of \$28,393 in the prior year. Revenues from governmental activities increased \$112,675 due to an increase in intergovernmental revenues including a FRDAP grant of \$18,284 and a \$23,000 in additional fire insurance premium tax. Additionally, there was approximately \$23,000 more revenue from building permits, and \$35,000 from taxes. Total expenses from governmental activities increased \$26,315 from the prior year. This increase was due an increase in wages for a cost of living adjustment.

Town of Indialantic, Florida Management's Discussion and Analysis

Expenses and Program Revenues – Governmental Activities



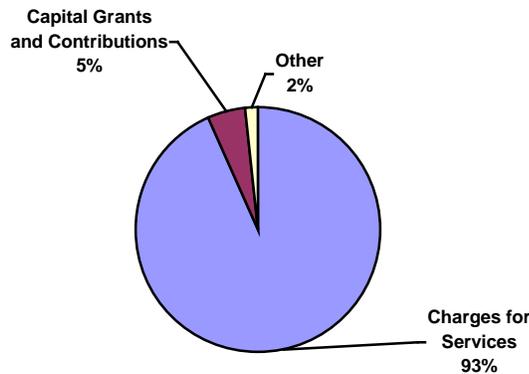
2014 Revenues by Source – Governmental Activities



Business-type activities. Business-type activities decreased the Town of Indialantic, Florida's net position by \$19,268, accounting for a 1% reduction in the government's net position compared to a decrease of \$48,343 in the prior year. Total business-type revenue increased \$33,384 as a result of increases in charges for services and operating grants. Total business-type activity expenses remained fairly consistent from the prior year with a \$4,309 increase.

Town of Indialantic, Florida Management's Discussion and Analysis

2014 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, unassigned 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 \$697,204, an increase of \$244,726 in comparison with the prior year. Approximately 99% of this total amount (\$687,096) constitutes unassigned/ assigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$10,108) is restricted or committed to indicate that it is not available for new spending because it has already been restricted to law enforcement related activities (\$9,108) and committed for maintenance of the sign at the entrance to Nance Park (\$1,000).

The General fund is the chief operating fund of the Town of Indialantic, Florida. At the end of the current fiscal year, unassigned fund balance of the General fund was \$687,096. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, excluding capital outlay. Unassigned fund balance represents 23.6% of total General fund expenditures, excluding capital outlay.

The fund balance of the Town of Indialantic, Florida's General fund increased by \$243,562 during the current fiscal year, compared to a \$131,026 increase in the prior year. Total operating expenditures increased by \$30,362 from the prior year while total revenues increased by \$142,898 from the prior year resulting in a larger increase in fund balance in the current year. These increases in fund balance are the result of \$50,000 from the FRDAP grant, \$23,000 from Fire Insurance Premium tax, \$23,000 in building permits and \$35,000 from taxes.

Town of Indialantic, Florida Management's Discussion and Analysis

The Town expended only \$30,362 more due to capital outlay for the FDRAP grant in order to build up fund balance so that an adequate cushion exists to cover expenditures in the case of emergencies.

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 position of the Wavecrest Park fund at the end of the year amounted to \$387,620. The total net position of this fund increased \$2,456 in the current year compared to a decrease of \$30,197 in the prior year. Total operating revenues increased approximately \$33,000 while expenses remained consistent from the prior year which resulted in an increase in fund balance in the current year as compared to the prior year.

Unrestricted net position of the Indialantic (Nance) Park fund at the end of the year amounted to a deficit of \$315,685. The total net position of this fund decreased \$21,724 in the current year. This year's decrease is comparable to the prior year's decrease of \$18,146.

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget were primarily to budget the revenues and expenditures associated with increases in taxes and increases in capital outlay.

The Town's actual revenues were \$84,199 less than budgeted revenues.

The Town's actual expenditures were \$327,761 less than budgeted expenditures mainly because of actual general government expenditures being less than budgeted by \$165,727. The general fund budget to actual can be found on page 66 of this report.

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, 2014, amounted to \$2,586,461 (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 approximately 3%.

Major capital asset additions of \$106,862 for governmental activities during the current fiscal year included the following:

- The purchase of playground equipment.
- The purchase of a pickup truck and a slow speed vehicle for the Public Works Department.
- The resurfacing of streets.

There was one capital asset addition of a side walk for business-type activities in the amount of \$18,712. These increases were offset by depreciation expense (\$172,683 for governmental activities and \$20,609 for business-type activities). In addition, the Town disposed of certain assets in governmental and business-type activities with a net book value of \$0.

Town of Indialantic, Florida Management's Discussion and Analysis

Town of Indialantic, Florida's Capital Assets

	Governmental Activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 929,482	\$ 929,482	\$ -	\$ -	\$ 929,482	\$ 929,482
Buildings	374,412	397,115	-	-	374,412	397,115
Improvements other than buildings	250,752	251,442	147,474	146,106	398,226	397,548
Equipment	703,798	781,088	-	-	703,798	781,088
Furniture and fixtures	376	445	8,172	11,437	8,548	11,882
Infrastructure	171,995	137,064	-	-	171,995	137,064
Total	\$ 2,430,815	\$ 2,496,636	\$ 155,646	\$ 157,543	\$ 2,586,461	\$ 2,654,179

Additional information on the Town of Indialantic, Florida's capital assets can be found in Note III.C. on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Indialantic, Florida had no bonded debt outstanding (i.e., revenue bonds).

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 2014 or 2013.

Additional information on the Town of Indialantic, Florida's long-term debt can be found in Note III.D. on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town of Indialantic has grown over the years in the 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 2014 taxable value is reflected as \$305,330,984.
- The Town currently has 1,480 housing units.
- The April, 2014 population, as estimated by the Bureau of Economic and Business Research for the University of Florida was placed at 2,765.
- Numerous improvements were made to businesses and residences during the fiscal year ended September 30, 2014. Building permits were issued for 5 new single family residences. Confidence in the community was reflected in the valuation of permits issued in the fiscal year increasing from \$4.5 million in fiscal year 2013 to \$6.6 million in fiscal year 2014.



Town of Indialantic, Florida Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates (Continued)

- The Town's millage rate has remained at or below the rolled back rate for a number of years. The fiscal year 2014 millage rate was 6.5835 and the fiscal year 2015 rate is 6.5835. The Town has retired all lease/purchase agreements and bonds and is focusing on providing General Fund reserve revenue committed to certain future expenses as well as budgeting monies to provide necessary funds for when expenses are projected.

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 Position

<i>September 30, 2014</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 637,316	\$ 60,866	\$ 698,182
Receivables, net	118,375	11,500	129,875
Internal balance	3,644	(3,644)	-
Due from other governments	92,982	-	92,982
Net pension asset	15,331	-	15,331
Capital assets (net of accumulated depreciation):			
Land	929,482	-	929,482
Buildings	374,412	-	374,412
Improvements other than buildings	250,752	147,474	398,226
Equipment	703,798	-	703,798
Furniture and fixtures	376	8,172	8,548
Infrastructure	171,995	-	171,995
Total assets	3,298,463	224,368	3,522,831
LIABILITIES			
Accounts payable	27,975	7,835	35,810
Accrued payroll and related liabilities	53,825	2,209	56,034
Due to pension trust funds	24,541	788	25,329
Unearned revenue	17,182	-	17,182
Other liabilities	9,170	-	9,170
Noncurrent liabilities:			
Due within one year	57,769	3,527	61,296
Due in more than one year	417,636	22,030	439,666
Total liabilities	608,098	36,389	644,487
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - business tax receipts	22,420	-	22,420
Total deferred inflows of resources	22,420	-	22,420
NET POSITION			
Net investment in capital assets	2,430,815	155,646	2,586,461
Restricted for:			
Law Enforcement	9,108	-	9,108
Committed for:			
Nance Park sign maintenance	1,000	-	1,000
Unrestricted	227,022	32,333	259,355
Total net position	\$ 2,667,945	\$ 187,979	\$ 2,855,924

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

Town of Indialantic, Florida
Statement of Activities

Year ended September 30, 2014

Program Revenues

Functions/Programs	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 448,246	\$ 99,937	\$ 18,004	\$ -
Public safety	2,265,722	30,001	6,125	33,664
Recreational	31,373	-	-	33,896
Physical environment	391,337	-	-	1,150
Total governmental activities	3,136,678	129,938	24,129	68,710
Business-type activities:				
Wavecrest Park	277,987	259,099	-	18,026
Indialantic (Nance) Park	86,504	62,697	-	-
Total business-type activities	364,491	321,796	-	18,026
Total primary government	\$ 3,501,169	\$ 451,734	\$ 24,129	\$ 86,736

General revenues:

Property taxes

Public utility taxes

Franchise taxes

Shared revenues restricted for specific programs

Unrestricted investment earnings (loss)

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (330,305)	\$ -	\$ (330,305)
(2,195,932)	-	(2,195,932)
2,523	-	2,523
(390,187)	-	(390,187)
<u>(2,913,901)</u>	<u>-</u>	<u>(2,913,901)</u>
-	(862)	(862)
-	(23,807)	(23,807)
<u>-</u>	<u>(24,669)</u>	<u>(24,669)</u>
<u>(2,913,901)</u>	<u>(24,669)</u>	<u>(2,938,570)</u>
1,810,580	-	1,810,580
683,610	-	683,610
250,716	-	250,716
217,903	-	217,903
(2,457)	181	(2,276)
68,302	5,220	73,522
<u>3,028,654</u>	<u>5,401</u>	<u>3,034,055</u>
114,753	(19,268)	95,485
2,553,192	207,247	2,760,439
<u>\$ 2,667,945</u>	<u>\$ 187,979</u>	<u>\$ 2,855,924</u>

Town of Indialantic, Florida
Balance Sheet -Governmental Funds

<i>September 30, 2014</i>	General	Nonmajor Funds	Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 628,208	\$ 9,108	\$	637,316
Accounts receivable, net	118,375	-	-	118,375
Due from other funds	3,644	-	-	3,644
Due from other governments	92,982	-	-	92,982
Total assets	\$ 843,209	\$ 9,108	\$	852,317
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 27,975	\$ -	\$	27,975
Accrued payroll and related liabilities	53,825	-	-	53,825
Due to pension trust funds	24,541	-	-	24,541
Other liabilities	9,170	-	-	9,170
Unearned revenue	17,182	-	-	17,182
Total liabilities	132,693	-	-	132,693
Deferred inflows of resources				
Deferred inflow - business tax receipts	22,420	-	-	22,420
Total deferred inflows of resources	22,420	-	-	22,420
Fund balances:				
Restricted for:				
Law Enforcement	-	9,108	-	9,108
Committed for:				
Nance park sign maintenance	1,000	-	-	1,000
Unassigned	687,096	-	-	687,096
Total fund balances	688,096	9,108	-	697,204
Total liabilities, fund balances	\$ 843,209	\$ 9,108	-	-
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				2,430,815
Net pension asset resulting from overfunding of the Town's defined benefit pension plans				15,331
Long-term liabilities, including net OPEB obligation and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				(475,405)
Net position of governmental activities			\$	2,667,945

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

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

<i>Year ended September 30, 2014</i>	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,569,761	\$ -	\$ 2,569,761
Permits and fees	93,821	-	93,821
Intergovernmental	501,853	-	501,853
Charges for services	1,547	-	1,547
Fines and forfeitures	34,216	1,403	35,619
Interest and other	64,440	2	64,442
Total revenues	3,265,638	1,405	3,267,043
Expenditures			
Current:			
General government	339,826	241	340,067
Public safety	2,159,585	-	2,159,585
Physical environment	384,430	-	384,430
Recreation	31,373	-	31,373
Capital outlay	106,862	-	106,862
Total expenditures	3,022,076	241	3,022,317
Excess of revenues over expenditures	243,562	1,164	244,726
Fund balances, beginning of year	444,534	7,944	452,478
Fund balances, end of year	\$ 688,096	\$ 9,108	\$ 697,204

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

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, 2014

Net change in fund balances - total governmental funds	\$ 244,726
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.	(65,821)
Some grants in the statement or activities that do not provide current financial resources are reported as deferred revenues in the funds. This amount of revenues was recorded in the funds in the current year, but was recorded in the statement of activities in the prior year.	(15,612)
Overfunded pension contributions are reported as expenditures in the fund financial statements and recorded as a net pension asset in the statement of net position. This is the amount by which the net pension asset decreased in the current year.	(1,329)
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.	(47,812)
Compensated absences are reported in the statement of activities when earned or incurred. They do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds until they have matured. This is the amount reported in the statement of activities in the prior year that have matured in the current year.	601
Change in net position of governmental activities	\$ 114,753

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

Town of Indialantic, Florida
Statement of Net Position - Proprietary Funds

	Business-type Activities - Enterprise Funds		
<i>September 30, 2014</i>	Wavecrest Park	Indialantic (Nance) Park	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 60,866	\$ -	\$ 60,866
Accounts receivable, net	8,525	2,975	11,500
Total current assets	69,391	2,975	72,366
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	596,409	306,702	903,111
Less accumulated depreciation	(480,365)	(267,100)	(747,465)
Total capital assets, net of accumulated depreciation	116,044	39,602	155,646
Advance to other funds	349,762	-	349,762
Total noncurrent assets	465,806	39,602	505,408
Total assets	535,197	42,577	577,774
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	6,178	1,657	7,835
Accrued payroll and related liabilities	1,504	705	2,209
Due to other funds	2,775	869	3,644
Due to pension trust funds	631	157	788
Accrued compensated absences	2,822	705	3,527
Total current liabilities	13,910	4,093	18,003
Noncurrent liabilities:			
Net OPEB obligation	17,623	4,407	22,030
Advance from other funds	-	349,762	349,762
Total noncurrent liabilities	17,623	354,169	371,792
Total liabilities	31,533	358,262	389,795
NET POSITION			
Net investment in capital assets	116,044	39,602	155,646
Unrestricted	387,620	(355,287)	32,333
Total net position	\$ 503,664	\$ (315,685)	\$ 187,979

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

Town of Indialantic, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds

<i>Year Ended September 30, 2014</i>	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
Operating revenues:			
Charges for services	\$ 220,444	\$ 51,516	\$ 271,960
Parking fines	38,655	11,181	49,836
Intergovernmental	18,026	-	18,026
Total operating revenues	277,125	62,697	339,822
Operating expenses:			
Salaries, wages and employee benefits	84,478	21,180	105,658
Contractual services	132,505	32,576	165,081
Insurance	6,429	1,598	8,027
Supplies	9,785	5,101	14,886
Depreciation	15,251	5,358	20,609
Repairs and maintenance	19,957	13,663	33,620
Utilities	5,956	7,028	12,984
Beach improvements	3,626	-	3,626
Total operating expenses	277,987	86,504	364,491
Operating loss	(862)	(23,807)	(24,669)
Nonoperating revenues:			
Miscellaneous revenue	3,137	2,083	5,220
Interest income	181	-	181
Total nonoperating revenues	3,318	2,083	5,401
Change in net position	2,456	(21,724)	(19,268)
Net position, beginning of year	501,208	(293,961)	207,247
Net position, end of year	\$ 503,664	\$ (315,685)	\$ 187,979

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

Town of Indialantic, Florida
Statement of Cash Flows - Proprietary Funds

<i>Year Ended September 30, 2014</i>	Business-type Activities - Enterprise Funds		
	Wavecrest Park	Indialantic (Nance) Park	Total
Cash flows from operating activities:			
Cash received from customers	\$ 228,664	\$ 51,516	\$ 280,180
Cash received from parking fines	59,892	15,971	75,863
Cash paid to suppliers	(80,303)	(25,384)	(105,687)
Cash paid for quasi-external operating transactions	(96,596)	(24,149)	(120,745)
Cash paid to employees for services	(81,396)	(20,037)	(101,433)
Net cash provided by (used in) operating activities	30,261	(2,083)	28,178
Cash flows from non-capital and related financing activities:			
Miscellaneous proceeds	3,137	2,083	5,220
Net cash provided by non-capital and related financing activities	3,137	2,083	5,220
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(18,712)	-	(18,712)
Net cash used in capital and related financing activities	(18,712)	-	(18,712)
Cash flows from investing activities:			
Proceeds from sale of investments	446	-	446
Interest proceeds	181	-	181
Net cash provided by investing activities	627	-	627
Net increase in cash and cash equivalents	15,313	-	15,313
Cash and cash equivalents, beginning of year	45,553	-	45,553
Cash and cash equivalents, end of year	\$ 60,866	\$ -	\$ 60,866

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

Town of Indialantic, Florida
Statement of Cash Flows - Proprietary Funds (Continued)

<i>Year Ended September 30, 2014</i>	<u>Business-type Activities - Enterprise Funds</u>		
	Wavecrest Park	Indialantic (Nance) Park	Total
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (862)	\$ (23,807)	\$ (24,669)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	15,251	5,358	20,609
(Increase) decrease in assets:			
Accounts receivable	21,237	4,790	26,027
Due from other funds	(9,806)	-	(9,806)
Increase (decrease) in liabilities:			
Accounts payable	6,178	1,657	7,835
Accrued payroll and related liabilities	(89)	351	262
Due to other funds	(4,819)	8,776	3,957
Due to pension trust funds	-	(1)	(1)
Accrued compensated absences	621	155	776
Net OPEB obligation	2,550	638	3,188
Total adjustments	31,123	21,724	52,847
Net cash provided by (used in) operating activities	\$ 30,261	\$ (2,083)	\$ 28,178

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

Town of Indialantic, Florida
Statement of Fiduciary Net Position - Pension Trust Funds

<i>September 30, 2014</i>	Employee Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 218,994
Due from other funds	25,329
Interest receivable	34,946
Investments, at fair value	7,702,222
Total assets	7,981,491
LIABILITIES	
	-
NET POSITION	
Held in trust for pension benefits	\$ 7,981,491

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

Town of Indialantic, Florida

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

<i>Year ended September 30, 2014</i>	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 83,827
Employer	283,505
Employees	76,262
Total contributions	443,594
Investment income:	
Net increase in the fair value of investments	509,855
Less: investment related expense	(32,811)
Interest and dividends	232,741
Total investment income	709,785
Total additions	1,153,379
DEDUCTIONS	
Benefits paid	299,057
Refunded contributions	7,552
Administrative expenses	28,295
Total deductions	334,904
Change in net position	818,475
Net position held in trust for pension benefits, beginning of year	7,163,016
Net position held in trust for pension benefits, end of year	\$ 7,981,491

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

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 2,800 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 Indialantic Volunteer Fire Department, Inc. 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 position 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.

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.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, DEFERRED INFLOWS AND NET POSITION OR EQUITY

1. Cash and investments

The Town of Indialantic, Florida invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. On September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the subprime mortgage financial market. Consequently, the SBA placed some restriction on how

Carr Riggs & Ingram, LLC

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

1. Cash and investments (continued)

participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" (formerly LPIG) and "Fund B"). In fiscal year 2014 the SBA distributed the principal Fund B balances in full to each Fund B participant, and the weighted average life of the fund's assets is effectively zero and is considered closed. In fiscal year 2014, the SBA distributed the principal Fund B balances in full to each Fund B participant, and the weighted average life of the fund's assets is effectively zero and is considered closed.

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.

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Substantially all deposits at September 30, 2014, were invested using the pooled investment concept. Interest earned was allocated to the various funds based on their average cash and investment balances.

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.

Town of Indialantic, Florida Notes to Financial Statements

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.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

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, 2014 was 6.5835 mills, which is the rolled back rate, as approved by a majority vote. Current tax collections for the Town were approximately 97% of the total tax levy.

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 Wavecrest Park fund and the Indialantic (Nance) Park fund are shown net of allowances for uncollectibles of \$10,536 and \$3,255, respectively.

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

Town of Indianalantic, Florida
Notes to Financial Statements

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.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

3. Capital assets (continued)

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.

5. Unearned revenue

Unearned revenue includes amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of 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 activates or proprietary fund statement of net position.

7. Fund equity



Town of Indialantic, Florida
Notes to Financial Statements

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

7. Fund equity (continued)

Restricted Fund Balance – This portion of the fund balance will consist of those monies that have restrictions from external resource providers or imposed by law through constitutional provisions or enabling legislation placed on their use.

Committed Fund Balance – This portion of the fund balance will consist of those monies earmarked by Council through resolution that are intended to be used for a particular purpose.

Assigned Fund Balance – This portion of the fund balance for the General Fund consists of those monies budgeted to be spent during the following fiscal year as cash carry forward to cover the budget deficit, and encumbrances as approved by Town Council.

Unassigned Fund Balance – This portion of the fund balance for the General Fund will consist of those monies not specifically earmarked by Council for a particular project. Additionally, any revenue received in a fiscal year in excess of expenditures will automatically fall to unassigned fund balance. Council may also budget monies in the Town's annual fiscal year budget for this category.

The Town would typically use restricted fund balances first, followed by committed and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. The Town did not have any assigned funds as of September 30, 2014.

8. Net position deficit

The Town reported a net position deficit of \$(315,685) in the Indialantic (Nance) Park fund. The Town intends to cover the deficit in 2014 and in future years with anticipated charges for services revenues of the Indialantic (Nance) Park fund as well as the net position of the Wavecrest Park fund.

9. Accounting changes

The Town has implemented GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*, which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The Statement requires governments to either properly classify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources, or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

9. Accounting changes (continued)

Implementation requires the Town to analyze items previously reported as "deferred." The Town reclassified unavailable revenues in governmental funds and resources received before time requirements were met to deferred revenues in the deferred inflows of resources category. Revenues that were unearned remain liabilities and are classified as unearned revenues.

The Town has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", which amends the accounts and financial reporting guidance for pension plans administered through trusts. The statement required additional disclosures in the notes to the financial statements and required supplementary information.

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 POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities, including net OPEB obligation and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(475,405) difference are as follows:

Compensated absences	\$ (125,435)
Net OPEB obligation	(349,970)
<hr/>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$ (475,405)
<hr/>	

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 a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. 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 as depreciation expense." The details of this \$65,821 difference are as follows:

Town of Indialantic, Florida
Notes to Financial Statements

NOTE II: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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 (Continued)

Capital outlay	\$ (106,862)
Depreciation expense	172,683
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 65,821
<hr/>	

NOTE III: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2014, the Town's carrying amount of cash deposits was \$691,750 and the bank balance was \$717,482. In addition, the Town holds \$428 of petty cash. At September 30, 2014, the Town's pension trust funds carrying amount of cash deposits was \$202,797 and the bank balance was \$202,797.

As of September 30, 2014, \$250,000 of the Town's bank balances and all non-interest bearing accounts are covered by Federal Depository Insurance Corporation (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, 2014, the Town had the following investments and effective duration presented in terms of years:

Town of Indialantic, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Rating	Agency
Primary government:							
SBA (Florida PRIME)	\$ 6,004	\$ 6,004	\$ -	\$ -	\$ -	AAAm	S&P
	\$ 6,004	\$ 6,004	\$ -	\$ -	\$ -		
Pension trust funds:							
SBA (Florida PRIME)	\$ 16,197	\$ 16,197	\$ -	\$ -	\$ -	AAAm	S&P
Bond mutual funds	301,469	301,469	-	-	-	Not rated	-
Stock mutual funds	5,250,496	5,250,496	-	-	-	Not rated	-
US treasury notes	44,479	-	44,479	-	-	Not rated	-
Mortgage backed securities	733,040	-	174,933	270,463	287,644	AA	-
Municipal Obligations	153,399	-	153,399	-	-	AA-	S&P
Municipal Obligations	177,443	36,889	118,160	22,394	-	A+	S&P
Municipal Obligations	43,294	-	-	43,294	-	Not rated	S&P
Corporate Fixed Income	24,307	-	-	-	24,307	A+	-
Corporate Fixed Income	234,589	-	86,913	102,401	45,275	A	S&P
Corporate Fixed Income	336,419	-	208,595	127,824	-	A-	S&P
Corporate Fixed Income	223,176	-	104,478	118,698	-	BBB+	S&P
Corporate Fixed Income	90,710	-	90,710	-	-	BBB	S&P
Corporate Fixed Income	89,401	-	89,401	-	-	BBB-	S&P
	\$ 7,718,419	\$ 5,605,051	\$ 1,071,068	\$ 685,074	\$ 357,226		

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).

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.

The allowable instruments in the General Employees' Pension Plan are outlined in the Town's written investment policy and include equities, common stocks, equity mutual funds, preferred stocks, convertible securities including debentures, international equities, real estate investment trusts, fixed income investments in individual bonds, fixed income mutual funds, government bonds, corporate bonds, mortgage-backed securities, asset-backed securities, certificates of deposits, commercial paper, and government secure zero coupon bonds. Common and preferred stock are to be 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 at the time of purchase. No limitations are placed on investments in the United States Government Guaranteed Obligations. Commercial paper

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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.

Investment in the Police Officers' and Firefighters' pension trust fund is limited by Florida State Statutes Chapters 175 and 185 and by investment policies adopted by the fund's Board of Trustees. The allowable instruments in the Police Officers' and Firefighters' Pension Plan include equities traded on a national exchange or electronic network, fixed income investments with a minimum rating of investment grade or higher as reported by a major credit rating service, money market funds with a minimum rating of A-1 by Standard and Poor's or P-1 by Moody's, and pooled funds which may include mutual funds, commingled funds and exchange-traded funds.

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, 2014, the Town's investments were held with a third-party custodian as required by the Town's investment policies.

Foreign Currency Risk

The Town's pension trust funds contain investments in international stock mutual funds; however, all of the investments are denominated in U.S. dollars and are not exposed to foreign currency risk.

Town of Indialantic, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

B. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2014, are summarized as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Wavecrest Park	\$ 2,775
	Indialantic (Nance) Park	869
		<u>\$ 3,644</u>

Receivable Fund	Payable Fund	Amount
Police and Firefighters' Pension	General	\$ 22,274

Receivable Fund	Payable Fund	Amount
General Employees' Pension	General	\$ 2,267
	Wavecrest Park	631
	Indialantic (Nance) Park	157
		<u>\$ 3,055</u>

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Wavecrest Park	Indialantic (Nance) Park	\$ 349,762

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

Town of Indialantic, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 929,482	\$ -	\$ -	\$ 929,482
Total capital assets, not being depreciated	929,482	-	-	929,482
Capital assets, being depreciated:				
Buildings	890,364	-	-	890,364
Improvements other than buildings	531,080	33,896	-	564,976
Equipment	1,825,409	28,484	(19,550)	1,834,343
Furniture	9,097	-	-	9,097
Infrastructure	162,603	44,482	-	207,085
Total capital assets being depreciated	3,418,553	106,862	(19,550)	3,505,865
Less accumulated depreciation for:				
Buildings	(493,249)	(22,703)	-	(515,952)
Improvements other than buildings	(279,638)	(34,586)	-	(314,224)
Equipment	(1,044,321)	(105,774)	19,550	(1,130,545)
Furniture	(8,652)	(69)	-	(8,721)
Infrastructure	(25,539)	(9,551)	-	(35,090)
Total accumulated depreciation	(1,851,399)	(172,683)	19,550	(2,004,532)
Total capital assets being depreciated, net	1,567,154	(65,821)	-	1,501,333
Governmental activities capital assets, net	\$ 2,496,636	\$ (65,821)	\$ -	\$ 2,430,815

Town of Indialantic, Florida
Notes to Financial Statements

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	\$ 18,712	\$ -	\$ 758,227
Equipment	64,598	-	-	64,598
Fixtures	85,285	-	(4,999)	80,286
Total capital assets being depreciated	889,398	18,712	(4,999)	903,111
Less accumulated depreciation for:				
Improvements other than buildings	(593,409)	(17,344)	-	(610,753)
Equipment	(64,598)	-	-	(64,598)
Fixtures	(73,848)	(3,265)	4,999	(72,114)
Total accumulated depreciation	(731,855)	(20,609)	4,999	(747,465)
Total capital assets, being depreciated, net	157,543	(1,897)	-	155,646
Business-type activities capital assets, net	\$ 157,543	\$ (1,897)	\$ -	\$ 155,646

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

Governmental activities:	
General government	\$ 102,921
Public safety	69,762
Total depreciation expense – governmental activities	\$ 172,683
Business-type activities:	
Wavecrest Park	\$ 15,251
Nance Park	5,358
Total depreciation expense – business-type activities	\$ 20,609

Town of Indialantic, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net OPEB obligation	\$ 302,158	\$ 47,812	\$ -	\$ 349,970	\$ -
Compensated absences	126,036	101,393	(101,994)	125,435	57,769
Governmental activity Long-term liabilities	\$ 428,194	\$ 149,205	\$ (101,994)	\$ 475,405	\$ 57,769
Business-type activities:					
Net OPEB obligation	\$ 18,842	\$ 3,188	\$ -	\$ 22,030	\$ -
Compensated absences	2,751	4,049	(3,273)	3,527	3,527
Business-type activity Long-term liabilities	\$ 21,593	\$ 7,237	\$ (3,273)	\$ 25,557	\$ 3,527

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, 2014.

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. Each Plan is administered through its own Board of Trustees.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Summary of significant accounting policies – The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Investments are reported at fair value.

Short-term investments are reported fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

The Town recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State of Florida paid to the Police and Firefighter retirement plan in the amounts of \$83,827. These contributions are funded by an excise tax upon certain casualty insurance companies on their gross receipts of premiums from policy holders.

Funding policy – The Town uses the Frozen Entry Age Actuarial Cost Method for the General Employees' Retirement System, and the Entry Age Normal Actuarial Cost Method for the Police and Firefighters' Retirement System to determine required contributions under its retirement systems because it provides for the systematic funding of the normal cost and any unfunded actuarial accrued liabilities. These are acceptable methods to the State of Florida. These liabilities are being funded over a 30 year period for the General Employees' Retirement System and the Police and Firefighters' Retirement System.

The State of Florida has established guidelines for state and local pension plan funding and requires submission to and approval of the local government's actuarial reports by a State Bureau, at least every third year. The Town's pension plans, by policy, require the following:

1. Annual actuarial reports as of October 1 of each year to determine the next year's required contributions.
2. Employee contributions at 4.5% of compensation for the General Employees' Retirement System, and 5% of compensation for the Police Retirement System and the Firefighters' Retirement System.
3. Employer contributions in accordance with the actuarially determined requirement using the Frozen Entry Age Actuarial Cost Method for the General Employees' Retirement System, and Entry Age Normal Actuarial Cost Method the Police and Firefighters' Retirement System.

Town of Indialantic, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Annual pension cost – The Town’s annual pension cost and net pension obligation (overfunded pension costs) for the Plans for the current year per actuarial valuation as of October 1, 2014, were:

	General Employees' Plan	Police and Firefighters' Plan
Annual Required Contribution (ARC)	\$ 81,212	\$ 282,524
Interest on Net Pension Asset	(1,022)	(164)
Adjustments to ARC	2,263	252
Annual Pension Cost	82,453	282,612
Contributions Made	81,212	282,524
Decrease in Net Pension Obligation	1,241	88
Net Pension Obligation - Beginning of Year	(14,606)	(2,054)
Net Pension Obligation - End of Year	\$ (13,365)	\$ (1,966)

The actuarial assumptions used to compute the actuarially required contributions included (a) 7.00% investment rate of return for the General Employees’ Retirement System and a 8.00% investment rate of return for the Police and Firefighters’ Retirement System, (b) projected salary increases due to inflation of 3.0%, compounded annually, for the General Employees’ Retirement System, and the Police and Firefighters’ Retirement System and (c) projected salary increases due to seniority/merit raises of 6.%, compounded annually, for the General Employees’ Retirement System, and 7.0%, compounded annually for the Police and Firefighters’ Retirement System.

Trend information for both plans for the three most recent fiscal year is presented below:

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Police and Firefighters’ Plan	9/30/2014	\$ 282,612	99.97%	\$ (1,966)
	9/30/2013	303,235	99.97	(2,054)
	9/30/2012	273,190	99.97	(2,145)
General Employees’ Plan	9/30/2014	\$ 82,453	98.5%	\$ (13,365)
	9/30/2013	65,854	98.0	(14,606)
	9/30/2012	86,762	98.2	(15,939)

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Plan Description

<u>General Employees' Pension Plan</u> <i>Plan Administration</i>	<u>Police & Fire Pension Plan</u> <i>Plan Administration</i>
The Plan is administered by a Board of Trustees comprised of:	The Plan is administered by a Board of Trustees comprised of:
a) Two Council appointees,	a) Two legal residents appointed by Town Council,
b) Two Plan Members elected by the Membership, and	b) One Police Officer and one Firefighter elected by members of their respective departments, and
c) A fifth Member elected by the other 4 and appointed by Town Council.	c) A fifth Member elected by the other 4 and appointed by Town Council.

<u>Plan Membership as of October 1, 2014:</u>	<u>General Employees' Pension Plan</u>	<u>Police & Fire Pension Plan</u>
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	5	13
Inactive Plan Members Entitled to but Not Yet Receiving Benefits		
Receiving Benefits	6	1
Active Plan Members	14	18
Total Plan Members	25	32

General Employees' Pension Plan:

Normal Retirement:

Date: Later of age 65 and completion of 5 years of Credited Service

Benefit: 2% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Later of age 60 and completion of 5 Years of Credited Service.

Benefit: Formula benefit, reduced 1/15th for each year that Early Retirement precedes Normal Retirement.

Vesting:

100% after 5 years of Credited Service.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Early (reduced basis) or Normal (unreduced basis) Retirement Date.

Pre-Retirement Death Benefits:

Beneficiary selects either:

1) A monthly benefit which is the actuarial equivalent or the benefit earned at the date of death, payable for 120 months or 2) a refund of the Member's Accumulated Contributions.

Police and Fire Pension Plan:

Normal Retirement:

Date: Earlier of age 55 or Age 52 and completion of 25 years of Credited Service

Benefit: 3% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Age 50 and completion of 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination of Employment):

Less than 10 Years: Refund of Member Contributions without interest.

10 Years or More: Accrued benefit payable at age 50 or later, on a partial actuarially reduced basis if to commence prior to age 55 (benefit is also payable to beneficiary of deceased vested member) or Refund of contributions without interest.

Disability:

Service Incurred Eligibility: Permanent; unable to perform regular duties.

Service Incurred Benefit: 42% of Average Monthly Earnings or accrued benefit, whichever is greater.

Non-Service Incurred Eligibility: 10 years of credited service or more; Permanent; unable to perform regular duties. Non-Service Incurred Benefit: 25% of average monthly earnings or accrued benefit; whichever is greater.

Pre-Retirement Death:

Non-vested: Refund of contributions without interest.

Vested: actuarial equivalent to member's accrued benefit.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation	
	General Employees' Pension Plan	Police and Fire Pension Plan
Domestic Equity	-	50%
International Equity	-	10%
Broad Market Fixed Income	-	35%
Non-Core Fixed income	-	5%
Equity: Large Cap Growth	17%	-
Equity: Large Cap Value	14%	-
Equity: Mid Cap Growth	4%	-
Equity: Mid Cap Value	3%	-
Equity: Small Cap Growth	4%	-
Equity: Small Cap Value	2%	-
International Equities: Core	16%	-
International Equities: Emerging markets	6%	-
Bonds: Short/Intermed Gov/Corp	22%	-
Bonds: High Yield Fixed Income	1%	-
Bonds: Non-US Fixed Income	4%	-
Cash & equivalents	7%	-
Total	100%	100%

Concentration:

The Plans' did not hold investments in any one organization that represented 5 percent or more of the Pension Plans' fiduciary net position.

Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on the General Employees, and Police and Fire Pension Plan investments, net of pension plan investment expense was 6.54% and 11.06%, respectively.

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

**Town of Indialantic, Florida
Notes to Financial Statements**

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Deferred Retirement Option Program

	General Employees' Pension Plan	Police and Fire Pension Plan
Eligibility	Not applicable	Satisfaction of Normal Retirement requirements.
Participation		Not to exceed 60 months.
Rate of Return		Actuarial Asset rate of return applied each September 30.
DROP balance as of September 30, 2014		None

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

	General Employees' Pension Plan	Police and Fire Pension Plan
Total Pension Liability	\$ 1,695,462	\$ 7,232,578
Plan Fiduciary Net Position	(1,232,017)	(6,731,495)
Sponsor's Net Pension Liability	\$ 463,445	\$ 501,083

Plan Fiduciary Net Position as a percentage of Total Pension Liability	72.67%	93.07%
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Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2014 using the following actuarial assumptions applied to all measurement periods.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

	General Employees' Pension Plan	Police and Fire Pension Plan
Inflation	3.00%	3.00%
Salary Increases	6.00%	7.00%
Investment Rate of Return	7.00%	8.00%

General Employees Pension Plan	Police and Fire Pension Plan
RP_2000 Combined Healthy Mortality Table projected to the valuation date with scale AA.	RP_2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Asset Class	Long Term Expected Real Rate of Return	
	General Employees' Pension Plan	Police and Fire Pension Plan
Domestic Equity	-	7.50%
International Equity	-	8.50%
Broad Market Fixed Income	-	2.50%
Non-Core Fixed income	-	2.50%
Equity: Large Cap Growth	7.90%	-
Equity: Large Cap Value	7.50%	-
Equity: Mid Cap Growth	9.10%	-
Equity: Mid Cap Value	8.30%	-
Equity: Small Cap Growth	10.10%	-
Equity: Small Cap Value	9.10%	-
International Equities: Core	7.70%	-
International Equities: Emerging markets	3.70%	-
Bonds: Short/Intermed Gov/Corp	1.60%	-
Bonds: High Yield Fixed Income	6.00%	-
Bonds: Non-US Fixed Income	2.40%	-

Discount Rate:

The discount rate used to measure the total pension liability for the General Employees, Police and Fire Pension Plan investments was 7.00%, and 8.00%, respectively.

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

Town of Indialantic, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (Continued)

Sponsor's Net Pension Liability			
	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
General Employees' Pension Plan	\$ 668,321	\$ 463,445	\$ 298,797

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Police and Firefighters' Pension Plan	\$ 1,316,114	\$ 501,083	\$ (151,602)

Employee retirement plans – combining fund information

The pension trust funds fiduciary net position activity as of September 30, 2014 was as follows:

	General Employees'	Police and Firefighters'	Total
Assets			
Cash and cash equivalents	\$ 49,263	\$ 169,731	\$ 218,994
Due from other funds	3,055	22,274	25,329
Interest receivable	-	34,946	34,946
Investments, at fair value	1,179,699	6,522,523	7,702,222
Total assets	1,232,017	6,749,474	7,981,491
Liabilities			
	-	-	-
Net position, held in trust for pension benefits	\$ 1,232,017	\$ 6,749,474	\$ 7,981,491

Town of Indianalantic, Florida
Notes to Financial Statements

NOTE II: DETAILED NOTES ON ALL FUNDS (Continued)

F. RETIREMENT COMMITMENTS (continued)

The Pension trust funds increase in fiduciary net position activity as of September 30, 2014 was as follows:

	General Employees'	Police and Firefighters'	Total
Additions			
Contributions:			
State	\$ -	\$ 83,827	\$ 83,827
Employer	81,212	202,293	283,505
Employees	25,503	50,759	76,262
Total contributions	106,715	336,879	443,594
Investment income (loss):			
Net increase in fair value of investments	41,895	467,960	509,855
Less: investment related expense	(5,782)	(27,029)	(32,811)
Interest and dividends	37,212	195,529	232,741
Total investment income (loss)	73,325	636,460	709,785
Total additions	180,040	973,339	1,153,379
Deductions			
Benefits paid	51,079	247,978	299,057
Refunded contributions	7,552	-	7,552
Administrative expenses	8,224	20,071	28,295
Total deductions	66,855	268,049	334,904
Change in net position	113,185	705,290	818,475
Net position held in trust for pension benefits, beginning of year	1,118,832	6,044,184	7,163,016
Net position held in trust for pension benefits, end of year	\$ 1,232,017	\$ 6,749,474	\$ 7,981,491

G. OTHER POSTEMPLOYMENT BENEFITS

The Town follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB), for certain postemployment health care benefits provided by the Town. The Town elected to implement this statement prospectively.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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 4 retirees and spouses receiving benefits and has a total of 32 active participants and dependents. Of that total, 28 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, 2014, the Town's contribution made to the Plan is \$6,000, which represents an estimate of the implied subsidy described above. There were no contributions received from Plan members during the year ended September 30, 2014.

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 table on the following page shows the components of the Town's annual OPEB cost for the year ended September 30, 2014, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation to the Plan:

NOTE III; DETAILED NOTES ON ALL FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual required contribution	\$	72,000
Interest on net OPEB obligation		13,000
Adjustment to annual required contribution		(28,000)
Annual OPEB cost (expense)		57,000
Contributions made		(6,000)
Increase in net OPEB obligation		51,000
Net OPEB obligation – beginning of year		321,000
Net OPEB obligation – end of year		\$ 372,000

The net OPEB obligation is allocated to governmental activities and business-type activities based on the relative proportion of plan participants. At September 30, 2014, the net OPEB obligation of governmental activities and business-type activities is \$349,970 and \$22,030, respectively.

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/14	\$ 57,000	11%	\$ 372,000
9/30/13	56,000	11%	321,000
9/30/12	97,000	6%	271,000

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 January 1, 2014. Accordingly, the Town will be required to obtain a subsequent actuarial valuation within three years of that date. As of January 1, 2014, the actuarial accrued liability for benefits was \$495,000, 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 34.3%.

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.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 two years 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 January 1, 2014 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 8% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized using a level-dollar payment basis over an open period of 15 years.

NOTE IV - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

The Town is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

NOTE V – SUBSEQUENT EVENTS

During March 2015 the Town issued a purchase order for \$63,801 to purchase a new generator to provide backup power to the telecommunications facilities at Town hall.

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

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Town of Indialantic, Florida
Required Supplementary Pension Information
Schedules of Contributions from the Employer and Other Contributing Entities –
Last Six Fiscal Years

General Employees' Pension Plan:

Year Ended September 30,	Annual Required Contribution	Town Contribution	State Contribution	Percentage Contributed
2014	\$ 81,212	\$ 81,212	\$ -	100.00%
2013	64,521	64,521	-	100.00%
2012	85,183	85,183	-	100.00%
2011	91,848	91,848	-	100.00%
2010	88,059	88,059	-	100.00%
2009	84,642	84,642	-	100.00%

Police and Firefighters' Pension Plan:

Year Ended September 30,	Annual Required Contribution	Town Contribution	State Contribution	Percentage Contributed
2014	\$ 282,524	\$ 202,293	\$ 80,231 *	100.00%
2013	303,144	221,589	81,555 **	100.00%
2012	273,094	191,060	82,034 ***	100.00%
2011	261,825	185,053	76,772	100.00%
2010	239,480	161,276	78,204	100.00%
2009	246,702	148,967	97,735	100.00%

* Amount excludes \$3,596 of contributions due from the State in 2014 which will be included in the actuary's 2015 contribution amount.

** Amount excludes \$3,629 of contributions due from the State in 2013 which will be included in the actuary's 2014 contribution amount.

*** Amount excludes \$7,268 of contributions due from the State in 2012 which will be included in the actuary's 2013 contribution amount.

Town of Indialantic, Florida

**Required Supplementary Pension Information - Schedules of Changes in Net
Position Liability and Related Ratios – Last Fiscal Year**

	General Employees' Pension Plan	Police and Firefighters' Pension Plan
Total Pension Liability		
Service Cost	\$ 43,047	\$ 205,111
Interest	112,836	544,792
Benefit Payments, Including Refunds of Employee Contributions	(58,631)	(247,978)
Net Change in Total Pension Liability	97,252	501,925
Total Pension Liability -Beginning	1,598,210	6,730,653
Total Pension Liability- Ending (a)	\$ 1,695,462	\$ 7,232,578
Plan Fiduciary Net Position		
Contributions - Employer	\$ 81,212	\$ 202,293
Contributions - State	-	80,231
Contributions - Employee	25,503	50,759
Net Investment Income	73,325	659,692
Benefit Payments, Including Refunds of Employee Contributions	(58,631)	(247,978)
Administrative Expense	(8,224)	(20,071)
Net Change in Plan Fiduciary Net Position	113,185	724,926
Plan Fiduciary Net Position- Beginning	1,118,832	6,006,569
Plan Fiduciary Net Position- Ending (b)	\$ 1,232,017	\$ 6,731,495
Net Pension Liability- Ending (a) - (b)	\$ 463,445	\$ 501,083
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.67%	93.07%
Covered Employee Payroll	\$ 566,730	\$ 1,015,179
Net Pension Liability as a Percentage of covered Employee Payroll	81.78%	49.36%

Town of Indianalantic, Florida

**Required Supplementary Pension Information - Schedules of Contributions –
Last Fiscal Year**

	General Employees' Pension Plan	Police and Firefighters' Pension Plan
Actuarially Determined Contribution	\$ 81,212	\$ 282,524
Contributions in Relation to the Actuarially Determined Contributions	81,212	282,524
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 566,730	\$ 1,015,179
Contributions as a Percentage of Covered Employee Payroll	14.33%	27.83%

Town of Indialantic, Florida

Required Supplementary Pension Information – Notes to Schedule

Notes to Schedule

Valuation Date: 10/01/2014

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

Methods and assumptions used to determine contribution rates.

	General Employees' Pension Plan	Police and Firefighters' Pension Plan
Funding Method:	Frozen Entry Age Actuarial Cost Method.	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.	Level Percentage of Pay, Closed.
Remaining Amortization Period:	28 Years (as of 10/01/2014)	28 Years (as of 10/01/2014)
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4 year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.
Inflation:	3.0% per year.	3.0% per year.
Salary Increases:	6% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation.	7.0% per year until the assumed retirement age. Projected salary at retirement is increased 15% to account for non-regular compensation.
Interest Rate:	7% per year compounded annually, net of investment related expenses.	8% per year compounded annually, net of investment related expenses.
Payroll Increase:	2.5% per year	3% per year.
Retirement Age:	Later of age 65 and the completion of 5 years of service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.	Earlier of age 55 or age 52 with 25 years of Credited Service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement Rate:	Members who are within 5 years of retirement are assumed to retire within an immediate subsidized benefit at the rate of 10% per year.	Commencing with the earliest Early Retirement Age (50), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.
Termination Rates:	See table below	See table below
Disability Rates:	Not applicable	See table below.
Mortality	RP 2000 Combined Healthy Mortality Table, Sex District, projected to valuation date using scale AA (previously static).	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Other Information:	Termination Rate Table.	Termination and Disability Rate Table.

Town of Indianalantic, Florida

Required Supplementary Pension Information – Notes to Schedule (Continued)

General

<u>Age</u>	<u>% Terminating During the Year</u>
20	10.0%
30	13.0%
40	15.0%
50	12.0%

Police and Firefighters'

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	20.0%	0.03%
30	12.0%	0.04%
40	4.0%	0.07%
50	2.0%	0.18%

Town of Indialantic, Florida

Required Supplementary Pension Information – Schedule of Investment Returns

Last Fiscal Year

For the year ended September 30,	General Employees' Pension Plan	Police and Firefighters' Pension Plan
Annual Money-Weighted Rate of Return Net of Investment Expense	6.54%	11.06%

Town of Indialantic, Florida

Required Other Postemployment Benefits Supplementary Information
Schedules of Funding Progress Two Most Recent Actuarial Valuations

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 495,000	\$ 495,000	0.0%	\$ 1,442,000	34.3%
10/1/2010	-	518,000	518,000	0.0%	1,442,000	35.9%

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 two years are presented in the schedule at this time. In future years, additional required trend data will be presented.

Town of Indialantic, Florida

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

<i>Year ended September 30, 2014</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,670,383	\$ 2,702,883	\$ 2,569,761	\$ (133,122)
Permits and fees	54,989	93,319	93,821	502
Intergovernmental	250,070	335,512	501,853	166,341
Charges for services	975	975	1,547	572
Fines and forfeitures	34,100	30,600	34,216	3,616
Interest and other	150,545	186,548	64,440	(122,108)
Total revenues	3,161,062	3,349,837	3,265,638	(84,199)
Expenditures				
Current:				
General government	525,802	505,553	339,826	165,727
Public safety	2,134,129	2,228,507	2,159,585	68,922
Physical environment	382,134	421,185	384,430	36,755
Recreation	15,448	41,832	31,373	10,459
Capital outlay	103,549	152,760	106,862	45,898
Total expenditures	3,161,062	3,349,837	3,022,076	327,761
Excess of revenues over expenditures	-	-	243,562	243,562
Fund balances, beginning of year	444,534	444,534	444,534	-
Fund balances, end of year	\$ 444,534	\$ 444,534	\$ 688,096	\$ 243,562

Town of Indialantic, Florida
Notes to Required Supplementary Information
September 30, 2014

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 unassigned 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.

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**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Indialantic, Florida's basic financial statements, and have issued our report thereon dated June 1, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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. We consider the deficiency described below to be a material weakness.

Criteria: 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.

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*.

The Town of Indialantic, Florida's Response to the Finding

The Town of Indialantic, Florida's response to the finding identified in our audit is described previously. The Town of Indialantic, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carr Riggs & Ingram, LLC

Melbourne, Florida
June 1, 2015

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Town of Indialantic, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 1, 2015.

Auditors' Responsibility

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.

Other Report

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 1, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have not been taken to address the 2012-01 finding and recommendation made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(l)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authorities of the Town of Indialantic, Florida is disclosed in the footnotes. The Town of Indialantic has no component units.

Financial Condition

Section 10.554(l)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town of Indialantic, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Indialantic, Florida'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.

Annual Financial Report

Section 10.554(l)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Indialantic, Florida for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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 did not have any such findings.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did Not have any such findings

Purpose of this Letter

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

Carr Riggs & Ingram, LLC

Melbourne, Florida
June 1, 2015



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined Town of Indialantic, Florida (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Carr Riggs & Ingram, LLC

Melbourne, Florida
June 1, 2015