



City of Indian Harbour Beach, Florida

FINANCIAL STATEMENTS

September 30, 2024

City of Indian Harbour Beach, Florida
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For the year ended September 30, 2024



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City of Indian Harbour Beach, Florida
City Officials
For the year ended September 30, 2024

Mayor
Scott Nickle

Deputy Mayor
Francis Guertin

Council Members
Charles Boone
Adam Dyer
Shauna Hume

City Manager
John W. Coffey

City Attorney
Karl Bohne

City Clerk
Sue Frank

Comptroller
Michelle Toms



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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Indian Harbour Beach, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Indian Harbour Beach, Florida, (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary information and the pension and other

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

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida

November 21, 2025

City of Indian Harbour Beach, Florida Management's Discussion and Analysis

Our discussion and analysis of the City of Indian Harbour Beach, Florida's ("the City's") financial performance provides an overview of the City's financial activities for the year ended September 30, 2024. Please read it in conjunction with the City's basic financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are highlights of financial activity for the year ended September 30, 2024:

- Government-wide total net position on September 30, 2024, was \$31,194,397, which is an increase of approximately 7% or \$2,334,796, net of a prior period restatement for 2023.
- Government-wide total revenues were \$13,117,521, while government-wide total expenses were \$10,402,749. Total revenues increased by approximately 11% or \$1,294,461 while total expenses increased by 16% or \$1,424,113.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,392,110, which is an increase of approximately 12% or \$1,591,556 over the previous fiscal year (including a prior period restatement for 2023).
- The general fund and ARPA fund (the American Rescue Plan Act) are the City's major governmental funds.
- At the end of the current fiscal year, the City's Police Officers' Supplemental Pension Plan (POSPP) fiduciary fund had a net position of \$507,968 held in trust for supplemental police officer pension benefits. This net position is an increase of 20% or \$83,667 over the previous year.
- At the end of the current fiscal year, the City's Municipal Police Officers' Pension Fund (MPORF) fiduciary fund had a net position of \$14,727,574 held in trust for municipal police officer pension benefits. This net position is an increase of 20% or \$2,502,054 over the previous year.
- As of September 30, 2024, the City had no general long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

A. Government-Wide Financial Statements

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

City of Indian Harbour Beach, Florida Management's Discussion and Analysis

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

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

The government-wide financial statements can be found on pages 19-20 of this report.

B. Fund Financial Statements

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

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

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

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

City of Indian Harbour Beach, Florida Management's Discussion and Analysis

The City adopts an annual appropriated budget for its governmental funds. The budgetary comparison schedules have been provided for the general fund and ARPA fund on pages 73-74 of this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21-24 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Indian Harbour Beach's own programs. The Police Officers' Supplemental Pension Plan and the Municipal Police Officers' Pension Fund are the City's only fiduciary funds.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

C. Notes to Basic 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 27-69 of this report.

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

The required supplementary information and notes to the required supplementary information can be found on pages 73-85 and the supplementary combining fund financial statements begin on page 87.

**City of Indian Harbour Beach, Florida
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net position.

Statement of Net Position			
	2024	2023	Change
Current and other assets	\$ 17,065,118	\$ 16,565,496	\$ 499,622
Capital assets	24,285,939	22,521,241	1,764,698
Total assets	41,351,057	39,086,737	2,264,320
Deferred outflows	2,599,199	4,816,277	(2,217,078)
Unearned revenue	2,366,588	3,433,391	(1,066,803)
Current liabilities	523,256	331,551	191,705
Long-term liabilities	5,837,502	6,659,942	(822,440)
Total liabilities	8,727,346	10,424,884	(1,697,538)
Deferred inflows	1,028,513	1,618,529	(590,016)
Net position:			
Net investment in capital assets	24,285,939	22,521,241	1,764,698
Restricted	638,520	478,977	159,543
Unrestricted	9,269,938	8,859,383	410,555
Total net position	\$ 34,194,397	\$ 31,859,601	\$ 2,334,796

Governmental Activities

During the current fiscal year, the City's net position increased over the previous fiscal year's net position by \$2,334,796 (including a prior period restatement) including an increase in current and other assets of \$499,622 due to timing of cash flows and an increase in capital assets of \$1,764,698, which was primarily due to acquisition of new motor vehicles and improvements to parks and City buildings.

The City saw an increase in current assets primarily from cash flows from operations.

The City saw an increase in current liabilities by \$191,705 primarily due to timing of cash flows.

Net pension liabilities decreased as a result of increases in investment earnings for the City's pension plans.

City of Indian Harbour Beach, Florida
Management's Discussion and Analysis

The following table shows condensed revenue and expense data:

	Statement of Activities		
	2024	2023	Change
Revenues:			
Program revenues:			
Charges for services	\$ 742,208	\$ 531,225	\$ 210,983
Operating grants and contributions	-	338,688	(338,688)
Capital grants and contributions	1,400,751	887,355	513,396
General revenues:			
Property taxes	7,032,312	6,478,218	554,094
Other taxes	1,383,561	1,415,523	(31,962)
State shared revenues	986,293	1,046,197	(59,904)
Franchise fees	862,939	814,293	48,646
Local shared revenues	7,425	6,866	559
Interest income	743,392	474,376	269,016
Other revenues	54,718	18,302	36,416
Loss on disposal of capital assets	(36,078)	(127,983)	91,905
Total revenues	13,177,521	11,883,060	1,294,461
Expenditures:			
General government	3,668,850	2,184,877	1,483,973
Public safety	4,571,337	3,963,179	608,158
Transportation	1,370,057	1,710,979	(340,922)
Recreation	792,505	1,119,601	(327,096)
Total expenditures	10,402,749	8,978,636	1,424,113
Change in net position	2,774,772	2,904,424	(129,652)
Net position, beginning	31,859,601	28,955,177	2,904,424
Accounting changes and error corrections (see Note 2)	(439,976)	-	(439,976)
Net position, beginning of year, restated	31,419,625	28,955,177	2,464,448
Net position, ending	\$ 34,194,397	\$ 31,859,601	\$ 2,334,796

Program revenues include the following significant changes in the current year: decrease in operating grants as there were no public assistance grants during the year and capital grants and contributions increased \$513,396 due to the recognition of ARPA funds. The ARPA fund recognized \$1,066,547 in revenue and had \$1,066,297 in expenditures.

General fund revenues in FY24 increased by \$908,770. Property taxes increased \$553,914 due to increased property values and new development. Interest income increased from a combined increase in the City's earnings rates and higher average account balances generating more income.

The loss on disposal of capital assets decreased due to the City's disposal of less capital assets at a loss in the current year compared to the prior year.

City of Indian Harbour Beach, Florida Management's Discussion and Analysis

Total expenses during the fiscal year increased by \$1,424,113 when compared to the previous year. General government expenses increased by \$1,483,973 primarily from increases in repairs and maintenance expenses, and \$120,478 from increases in insurance costs. Public safety expenses increased by \$608,158, mostly due to annual actuarial pension-related entries. Transportation expenses decreased by \$340,922 and recreation expenses decreased by \$327,096, both due to non-cash accounting items of annual depreciation expense (driven by timing of assets that reached the end of their depreciable lives) and annual actuarial pension-related entries. These non-cash expenditures are reported under government accounting standards, but do not reflect the level of services provided to the community.

FUND FINANCIAL ANALYSIS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,392,110, an increase of \$1,591,556 (including a prior period restatement) in comparison with the prior year. Approximately 86% of this total amount \$12,339,605, constitutes unassigned fund balance, which is available for spending at the government's discretion. Committed fund balances include \$1,465,934 for various ongoing maintenance and capital projects. Non-major fund balances are restricted and are made up of \$14,969 for impound fund, \$261 for police training fund and \$463,747 for stormwater utility fund, which are all restricted funds based on their specific stipulated purpose for each fund. The remainder of the fund balance is non-spendable due to prepaid expenditures of \$32,073.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$13,339,605 while total fund balance was \$13,837,612. As a measure of the general fund's liquidity, it may be useful to compare both assigned and unassigned fund balance, and total fund balance to total fund expenditures. The total assigned and unassigned fund balance and total fund balance represent approximately 11% and 89% respectively of total general fund expenditures.

General Fund and ARPA Fund Budgetary Highlights

A budget to actual statement is provided for the general fund and ARPA fund. A budget column for both the original budget adopted for fiscal year 2023/2024 as well as the final amended budget is presented. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund and ARPA fund can be found on pages 74-75.

At the end of the fiscal year, the City had an actual excess of revenues over expenditures of \$1,351,136 in the general fund. Taxes increased due to growth in local option fuel tax receipts and utility services tax receipts. Permits, Fees, and Special Assessments increased due to growth in

City of Indian Harbour Beach, Florida Management's Discussion and Analysis

franchise fee receipts and building department permit fees. Intergovernmental revenue decreased as there were no FEMA grants during the current year. Interest income grew dramatically due to higher average account balances in 2024 combined with higher average interest rate earnings on various investment accounts. Actual expenditures in the general fund were lower than final budgeted expenditures by \$1,502,144 or 12%.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets. As of September 30, 2024, the City's capital assets total for its governmental activities was \$24,285,939 (net of depreciation). Capital assets include land, construction in progress, buildings and improvements, infrastructure, improvements other than buildings, equipment, motor vehicles, and software. The total increase in the City's capital assets for the current fiscal year was approximately 7.8%.

Capital Assets (Net of Depreciation)		
	2024	2023
Land	\$ 3,050,325	\$ 3,050,325
Construction in progress	603,622	394,946
Buildings	8,497,073	7,795,530
Improvements other than buildings	2,628,878	2,810,010
Equipment	1,342,722	1,437,702
Motor vehicles	1,497,857	489,767
Software	222,155	181,352
Infrastructure	6,443,307	6,361,609
Total	\$ 24,285,939	\$ 22,521,241

During the fiscal year, the City continued working diligently to protect those quality services that afford our residents the quality of life they have come to expect from the City. Major capital asset events during the 2023/2024 fiscal year included:

- Buildings and improvements - replacement of the front and second floor doors of City Hall and the Gleason Park recreational center roof;
- Motor vehicles – Purchase of police department vehicles.

Additional information on the City's capital assets can be found in Note 3 on page 40 and 41 of this report.

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

City of Indian Harbour Beach, Florida Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Indian Harbour Beach considered national inflationary and interest rate trends as well as utility increases while preparing the FY 2025 budget.

The City will continue to focus on providing efficient and effective public services to residents and visitors while leveraging state funding to offset the cost of planned capital projects. Major capital projects planned for next year include completion of state-funded stormwater projects and the commencement of the ARPA-funded Algonquin Sports Complex expansion project.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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City of Indian Harbour Beach, Florida
Statement of Net Position - Governmental Activities

<u>September 30, 2024</u>	Governmental Activities
Assets	
Cash, cash equivalents, and investments	\$ 16,014,891
Receivables	448,156
Prepays	32,073
Restricted assets	
Cash, cash equivalents, and investments	569,998
Capital assets	
Non-depreciable	3,653,947
Depreciable, net	20,631,992
Total assets	41,351,057
Deferred Outflows of Resources	
Deferred outflows related to OPEB	75,726
Deferred outflows related to pensions	2,523,473
Total deferred outflows of resources	2,599,199
Liabilities	
Accounts payable	217,066
Accrued wages payable	62,745
Unearned revenue	2,366,588
Other liabilities	26,609
Non-current liabilities	
Due within one year	
Compensated absences	216,836
Due in more than one year	
Compensated absences	402,172
Other postemployment benefits	190,103
Net pension liability	5,245,227
Total liabilities	8,727,346
Deferred Inflows of Resources	
Deferred inflows related to pensions	691,244
Deferred inflows related to OPEB	337,269
Total deferred inflows of resources	1,028,513
Net Position	
Net investment in capital assets	24,285,939
Restricted	638,520
Unrestricted	9,269,938
Total net position	\$ 34,194,397

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida
Statement of Activities - Governmental Activities

For the year ended September 30, 2024

Functions/Programs	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					
General government	\$ 3,668,850	\$ 252,729	\$ -	\$ 1,064,959	\$ (2,351,162)
Public safety	4,571,337	181,250	-	119,106	(4,270,981)
Transportation	1,370,057	16,325	-	216,686	(1,137,046)
Recreation	792,505	291,904	-	-	(500,601)
Total governmental activities	\$ 10,402,749	\$ 742,208	\$ -	\$ 1,400,751	(8,259,790)
 General revenues					
Taxes					
Property taxes					7,032,312
Local option, use and fuel taxes					358,756
Utility service taxes					663,970
Other general taxes					360,835
State shared revenues					986,293
Franchise fees					862,939
Local shared revenues					7,425
Interest income					743,392
Other revenues					54,718
Loss on disposal of capital assets					(36,078)
Total general revenues					11,034,562
Change in net position					2,774,772
Net position, beginning of year					31,859,601
Accounting changes and error corrections (see Note 2)					(439,976)
Net position, beginning of year as restated					31,419,625
Net position, end of year					\$ 34,194,397

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida
Balance Sheet – Governmental Funds

<i>September 30, 2024</i>	General Fund	ARPA Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and investments	\$ 13,680,681	\$ 2,334,210	\$ -	\$ 16,014,891
Accounts receivable	448,156	-	-	448,156
Prepays	32,073	-	-	32,073
Restricted cash, cash equivalents and investments	-	-	569,998	569,998
Total assets	\$ 14,160,910	\$ 2,334,210	\$ 569,998	\$ 17,065,118
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 197,789	\$ 3,777	\$ 15,500	\$ 217,066
Accrued wages payable	62,745	-	-	62,745
Unearned revenue	36,155	2,330,433	-	2,366,588
Other liabilities	26,609	-	-	26,609
Total liabilities	323,298	2,334,210	15,500	2,673,008
Fund balances:				
Nonspendable				
Prepays	32,073	-	-	32,073
Restricted	-	-	554,498	554,498
Committed	1,465,934	-	-	1,465,934
Unassigned	12,339,605	-	-	12,339,605
Total fund balances	13,837,612	-	554,498	14,392,110
Total liabilities and fund balances	\$ 14,160,910	\$ 2,334,210	\$ 569,998	\$ 17,065,118

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida
Reconciliation of the Balance Sheet – Governmental Funds to the
Statement of Net Position

Year ended September 30, 2024

Total fund balances - governmental funds	\$ 14,392,110
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 37,965,306
Less: accumulated depreciation and amortization	<u>(13,679,367)</u> 24,285,939
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	\$ (619,008)
Other post employment benefits payable	<u>(190,103)</u>
Net pension liabilities	<u>(5,245,227)</u> (6,054,338)
Deferred outflows of resources related to pensions and OPEB are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	
	2,599,199
Deferred inflows of resources related to pensions and OPEB are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	
	<u>(1,028,513)</u>
Net position of governmental activities	\$ 34,194,397

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

<i>Year ended September 30, 2024</i>	<i>General</i>	<i>ARPA</i>	<i>Nonmajor</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	<i>Governmental</i> <i>Funds</i>
Revenues				
Taxes	\$ 8,415,873	\$ -	\$ -	\$ 8,415,873
American Rescue Plan Act grant	-	1,064,959	-	1,064,959
Permits, fees, and special assessments	1,022,018	-	219,845	1,241,863
Intergovernmental	1,099,722	-	-	1,099,722
Charges for services	347,695	-	-	347,695
Judgments, fines, and forfeitures	11,178	-	597	11,775
Interest and other earnings	747,717	1,588	589	749,894
Miscellaneous	281,709	-	109	281,818
Total revenues	11,925,912	1,066,547	221,140	13,213,599
Expenditures				
Current				
General government	2,725,788	1,356	-	2,727,144
Public safety	3,371,931	-	-	3,371,931
Transportation	1,377,065	-	17,948	1,395,013
Recreation	995,850	-	-	995,850
Capital outlay	2,124,318	1,064,941	127,671	3,316,930
Total expenditures	10,594,952	1,066,297	145,619	11,806,868
Excess (deficiency) of revenues over (under) expenditures	1,330,960	250	75,521	1,406,731
Other financing sources				
Transfers in	250	-	-	250
Transfers out	-	(250)	-	(250)
Proceeds from the sale of capital assets	20,126	-	-	20,126
Net other financing sources	20,376	(250)	-	20,126
Net change in fund balances	1,351,336	-	75,521	1,426,857
Fund balances, beginning of year	12,321,577	-	478,977	12,800,554
Accounting changes and error corrections see Note 2	164,699	-	-	164,699
Fund balances, beginning of year as restated	12,486,276	-	478,977	12,965,253
Fund balances, end of year	\$ 13,837,612	\$ -	\$ 554,498	\$ 14,392,110

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, 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, 2024

Net change in fund balances - total governmental funds	\$ 1,426,857
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 capital outlays exceed depreciation in the current period.	1,820,902
In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.	(56,204)
Pension contributions are reported as expenditures in the fund financial statements and the change in net position asset and related outflows (inflows) are reported on the statement of activities.	(425,076)
Other post employment benefits are reported as expenditures in the fund financial statements and the change in net position asset and related outflows (inflows) are reported on the statement of activities.	31,677
Compensated absences are reported in the statement of activities when earned. Only compensated absences that require the use of current financial resources are reported as expenditures in the governmental funds. This is the difference between the two.	(23,384)
Change in net position of governmental activities	\$ 2,774,772

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida
Statement of Fiduciary Net Position – Pension Trust Funds

September 30, 2024

	Police Officers' Supplemental Pension Plan Fund	Municipal Police Officers' Retirement Fund
ASSETS		
Cash and cash equivalents	\$ 503,650	\$ -
Investments at fair value	-	14,727,574
Contribution receivable	4,318	-
 Total assets	 \$ 507,968	 \$ 14,727,574
 NET POSITION		
Restricted		
Held in trust for pension benefits	\$ 507,968	\$ 14,727,574

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida
Statement of Changes in Fiduciary Net Position – Pension Trust Funds

<i>For the year ended September 30, 2024</i>	Police Officers' Supplemental Pension Plan Fund	Municipal Police Officers' Retirement Fund
ADDITIONS		
Contributions		
Employer contributions	\$ 37,666	\$ 299,613
State contributions	-	118,363
Employee contributions	-	76,976
Total contributions	37,666	494,952
Investment income		
Net appreciation in the fair value of investments	83,033	2,346,386
Interest and dividends	-	559,903
Total investment earnings	83,033	2,906,289
Less: investment related expenses	-	(20,793)
Net investment gain	83,033	2,885,496
Total additions	120,699	3,380,448
DEDUCTIONS		
Retirement benefits paid	23,780	810,411
Administrative expenses	13,252	67,983
Total deductions	37,032	878,394
Net increase in fiduciary net position	83,667	2,502,054
Net position, beginning of year	424,301	12,225,520
Net position, end of year	\$ 507,968	\$ 14,727,574

The accompanying notes are an integral part of these financial statements.

City of Indian Harbour Beach, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member governing council (the "Council"). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

The City reported the following component units:

Municipal Police Officers' Retirement Fund – The fund is administered by a five-member Board of Trustees (the "Board"). The Board members are selected as follows: two members are City Council appointees who are City residents, two are elected by members of the police department and one is appointed by the other four members of the Board and is approved by the City Council. This fund covers all full-time sworn officers of the City. The City funds the fund, according to any contribution deficit as determined by an actuarial valuation for the plan, beyond the contributions by employees and the State Insurance Premium Tax Contribution. It is accounted for in the Pension Trust funds.

Police Officers' Supplemental Pension Plan Fund – The fund is administered by a Board of Trustees, which consists of the City's City Manager, City Comptroller and City Clerk. The fund is to provide supplemental pension for the City's sworn police officers. The City funds the fund, according to any contribution deficit as determined by an actuarial valuation for the plan. It is accounted for in the Pension Trust funds.

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. Governmental activities normally are supported by taxes and intergovernmental revenues. Likewise the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Indian Harbour Beach, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and fiduciary funds each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs.

The City reports the following major governmental funds:

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

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Financial Statements (continued)

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

The *pension trust funds* account for the activities of the Police Officers' Supplemental Pension Plan Fund and the Municipal Police Officer's Retirement Fund, which accumulate resources for pension benefit payments to qualified public safety employees.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, with the exception of external investments which comply with criteria set forth in Section I50: *Investment Pools (External)* of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the value of the City's position in the pool is equal to the value of the pooled shares. All investments held by fiduciary funds are stated at fair value.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Receivables and Payables

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings, equipment, motor vehicles, software, and infrastructure are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or greater.

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

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Capital Assets (continued)

Estimated useful lives are as follows:

Assets	Years
Buildings and improvements	5-50
Improvements, other than buildings	5-50
Motor Vehicles	5-20
Equipment	3-55
Software	5-60
Infrastructure	10-40

Deferred Inflows and Outflows of Resources

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

The City has two (2) items that qualify for reporting as deferred outflows of resources, the deferred outflows related to OPEB and the deferred outflows related to pensions, both reported in the government-wide statements of net position. The *deferred outflows on other post-employment benefits* results from classification of certain reporting adjustments per GASB Codification Section P52: *Post-employment Benefits Other than Pensions* and will be amortized for eight years. The deferred outflows related to other post-employment benefits will be recognized as either group health insurance expense or a reduction in the net other post-employment benefits liability in future reporting years. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification (GASBC) Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources, which are the deferred amount for pensions and the deferred amount for other post-employment benefits.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Deferred Inflows and Outflows of Resources (continued)

The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The deferred inflows on other post-employment benefits results from classification of certain reporting adjustments per GASB Codification Section P52: *Post-employment Benefits Other than Pensions* and will be recognized as a reduction to benefits expense in future reporting years.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. In the event of termination, an employee is reimbursed for accumulated vacation days up to the equivalent of three years' accumulated vacation. Employees are reimbursed for 50 percent of accumulated sick leave only upon retirement per state requirements. However, if an employee leaves in good standing and has had at least two years of service, they are eligible to receive 30 percent of accumulated sick leave.

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

Pensions

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan.

For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The City's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various classifications based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (continued)

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

The City considers restricted fund balances to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (continued)

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

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

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (continued)

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

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property values are assessed as of January 1 each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Brevard County (the “County”) on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the real property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported within the fund balance classifications of restricted, committed, assigned or unrestricted, as applicable. Unexpended items lapse at fiscal year-end and are reappropriated in the subsequent year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 21, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The City implemented the following standard during the current year.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). Refer to Note 2 for the impacts of this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The City is evaluating the requirements of the above statement and the impact on reporting.

Note 2: PRIOR PERIOD RESTATEMENTS AND ERROR CORRECTION

Certain amounts for prior fiscal years have been reclassified to be consistent with the fiscal year 2024 presentation.

In fiscal year 2024, the City restated opening net position and fund balances to correct errors in the prior year financial statements. The following tables summarize the changes to the City's net position and fund balance as a result of the error corrections:

	Government-wide Statements	
	Governmental	Activities
	Activities	Total
Net position, September 30, 2023, as previously reported	\$ 31,859,601	\$ 31,859,601
Cumulative effect of correcting FRS/HIS due to incorrect measurement date ⁽¹⁾	(604,675)	(604,675)
Cumulative effect of correcting cash balance for issues during system conversion ⁽²⁾	93,293	93,293
Cumulative effect of correcting revenue for state taxes remitted in arrears ⁽³⁾	71,406	71,406
Beginning net position, as restated	\$ 31,419,625	\$ 31,419,625

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 2: PRIOR PERIOD RESTATEMENTS AND ERROR CORRECTION (Continued)

	General Fund
Fund balance, September 30, 2023, as previously reported	\$ 12,321,577
Cumulative effect of correcting cash balance for issues during system conversion ⁽²⁾	93,293
Cumulative effect of correcting revenue for state taxes remitted in arrears ⁽³⁾	71,406
Beginning fund balance, as restated	\$ 12,486,276

- (1) In the prior year, the City incorrectly used the measurement date of June 30, 2022 to measure both FRS and HIS liabilities, deferred inflows, deferred outflows and the associated expenses. The City should have used the measurement date of June 30, 2023, this resulted in the prior year net position being overstated by \$604,675.
- (2) In the prior year, the City made a conversion to a new enterprise resource planning (ERP), and during the conversion petty cash balances were recorded as negative balances in error. As a result prior year cash balances were understated by \$93,293.
- (3) In the prior year, the City did not correctly accrue state taxes that were remitted to the City in arrears. The City understated the prior year receivable and associated revenues by \$71,406.

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2024, \$250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The City had investments in three (3) local government pooled investment accounts, Local Government Surplus Funds Trust Fund ("Florida PRIME"), Florida Municipal Investment Trust ("FMIvT") and Florida Surplus Asset Fund Trust ("Florida SAFE"). The deposits with Florida PRIME, FMIvT and Florida SAFE are composed of local government surplus funds deposited therein by units of local government and are insured by the multiple financial institution collateral pool established by Florida Statutes, Section 218.407.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The Florida PRIME is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. Florida PRIME currently meets all of the necessary criteria set forth in Section I50: Investment Pools (External) of the GASB Codification to measure its investments at amortized cost; therefore, the City’s account balance in the SBA is also reported at amortized cost. As of September 30, 2024, the City had deposits in the amount of \$307,033 at Florida PRIME.

FMLvT and Florida SAFE are authorized investments under section 218.415, Florida Statutes as intergovernmental investment pools authorized pursuant to the “Florida Interlocal Cooperation Act” as provided in section 163.01, Florida Statutes. The investments consist largely of federal agency obligations, primary dealer repurchase agreements, and highly rated commercial paper. As of September 30, 2024, the City had deposits in the amount of \$255,218 and \$10,876,742 at FMLvT and Florida SAFE, respectively.

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

Under GASBC Section I50: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2024, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City’s access to 100 percent of their account value in either external investment pool.

Custodial credit risk - Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of September 30, 2024, the City’s pension investments are held in street name in the form of stock, debt securities and U.S. government bonds through a financial brokerage firms segregated out from the assets and investments held by other clients of the investment firm and their own assets.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

Credit risk – GASBC Section I50: *Investments* of the GASBC requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy and the investment policy for the City's Municipal Police Officers' Retirement Fund, limit investments to securities with specific ranking criteria.

Concentration risk – GASBC Section I50: *Investments* of the GASBC requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk. The Municipal Police Officers' Retirement Fund restricts the percentage of assets that may be held in the stock of any one company and the bonds issued by any one issuer.

Fair Value – GASBC Section 3100: Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following deposit accounts were included in the various funds at September 30, 2024:

					Weighted Average Maturity	Rating	Agency	Level
	Fair Value	Less than 1	1 - 5	More than 5				
Governmental funds								
Cash	\$ 5,145,896	-	-	-	N/A	Not rated		
Total cash, cash equivalents and investments	\$ 5,145,896	\$ -	\$ -	\$ -				
Pension trust funds								
Municipal Police Officers' Pension Trust Fund								
Money market fund	\$ 143,821	\$ 143,821	\$ -	\$ -	N/A	Not rated	-	L1
Fixed income mutual funds	5,960,068	5,960,068	-	-	N/A	Not rated	-	L1
Equity mutual funds	8,623,685	8,623,685	-	-	N/A	Not rated	-	L1
Total	14,727,574	14,727,574	-	-				
Police Officers' Supplemental Pension Plan								
Cash	7,051	-	-	-	N/A	Not rated	-	
Bond fund	72,526	72,526	-	-	N/A	Not rated	-	L1
Fixed income fund	75,044	75,044	-	-	N/A	Not rated	-	L1
Equity funds	301,686	301,686	-	-	N/A	Not rated	-	L1
Total	456,307	449,256	-	-				
Total pension trust funds	\$ 15,183,881	\$ 15,176,830	\$ -	\$ -				

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2024.

Money market funds: Valued at stated cost, which approximates fair value.

Fixed income and equity mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Bond fund and equity funds: Valued at quoted market prices in active markets.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value of Investments in Entities that Use Net Asset Value (NAV) – The following table summarizes investments measured at fair value based on NAV per share as of September 30, 2024:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Florida Municipal Investment Trust	\$ 255,218	-	Monthly	Once a month, with advance written notification
Real Estate Funds	47,343	-	Monthly/Quarterly	Once a month to once a quarter, with advance written notification
	<u><u>\$ 302,561</u></u>			

Accounts Receivable

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2024, were as follows:

	General Fund	Police Officers' Supplemental Pension Plan Fund
Franchise fees	\$ 123,994	\$ -
Taxes	193,920	-
Utilities	115,192	-
Contributions	-	4,318
Other	15,050	-
Receivables, net	<u><u>\$ 448,156</u></u>	<u><u>\$ 4,318</u></u>

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,050,325	\$ -	\$ -	\$ 3,050,325
Construction in progress	394,946	208,676	-	603,622
Total capital assets, not being depreciated	3,445,271	208,676	-	3,653,947
Capital assets, being depreciated:				
Building and improvements	10,858,348	974,685	(171,177)	11,661,856
Improvements other than buildings	4,241,273	64,452	-	4,305,725
Equipment	3,469,590	272,927	(230,026)	3,512,491
Motor vehicles	2,155,035	1,163,327	(346,186)	2,972,176
Software	360,743	70,704	(1,965)	429,482
Infrastructure	10,867,470	562,159	-	11,429,629
Total capital assets, being depreciated	31,952,459	3,108,254	(749,354)	34,311,359
Less accumulated depreciation for:				
Building and improvements	(3,062,818)	(237,883)	135,918	(3,164,783)
Improvements other than buildings	(1,431,263)	(245,584)	-	(1,676,847)
Equipment	(2,031,888)	(356,578)	218,697	(2,169,769)
Motor vehicles	(1,665,268)	(145,621)	336,570	(1,474,319)
Software	(179,391)	(29,901)	1,965	(207,327)
Infrastructure	(4,505,861)	(480,461)	-	(4,986,322)
Total accumulated depreciation	(12,876,489)	(1,496,028)	693,150	(13,679,367)
Total capital assets, being depreciated, net	19,075,970	1,612,226	(56,204)	20,631,992
Governmental activities capital assets, net	\$ 22,521,241	\$ 1,820,902	\$ (56,204)	\$ 24,285,939

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30,</i>	<i>2024</i>
Governmental activities	
General government	\$ 100,036
Public safety	458,147
Transportation	620,622
Recreation	317,223
Total depreciation expense - governmental activities	<u>\$ 1,496,028</u>

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2024, was as follows:

	Beginning			Ending		Due Within One Year
	Balance	Additions	Reductions	Balance		
Governmental activities						
Compensated absences	\$ 595,624	\$ 269,283	\$ (245,899)	\$ 619,008	\$ 216,836	
OPEB liability	221,809	24,594	(56,300)	190,103	-	
Net pension liabilities	5,842,509	-	(597,282)	5,245,227	-	
Long-term liabilities	\$ 6,659,942	\$ 293,877	\$ (899,481)	\$ 6,054,338	\$ 216,836	

Compensated absences, OPEB liability and net pension liabilities will be liquidated in future periods primarily by the General Fund for governmental activities.

Note 4: RISK MANAGEMENT

The City 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 City participates in a non-assessable public risk pool to cover significant loss exposure and purchases commercial insurance for third party pollution liability coverage. The pool maintains a loss reserve and purchases specific excess insurance, aggregate excess insurance and multiple loss coverage from commercial carriers and underwriters.

Note 5: RETIREMENT PLANS

Pension Plans

The City follows GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided Through Trusts That Meet Specified Criteria* for reporting financial statement amounts related to pensions. The City participates in the following pension plans:

- Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS)
- Municipal Police Officers' Retirement Fund (MPORF)
- Police Officers' Supplemental Pension Plan Fund (POSPP)

The City includes on its financial statements a net pension liability related to the employer's proportionate share of the net pension liabilities for the FRS, HIS, MPORF and POSPP defined benefit pension plans.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Municipal Police Officers' Retirement Fund (MPORF)

Plan Description

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

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

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

Plan Membership

Membership in the MPORF consisted of the following at October 1, 2022, the actuarial valuation date:

	<u>Plan Membership</u>
Inactives currently receiving benefits	22
Inactives not yet receiving benefits	5
<u>Active plan members</u>	<u>18</u>
<u>Total plan membership</u>	<u>45</u>

Benefits Provided

As of November 10, 1998, Ordinance No. 98-3, amended through Ordinance No. 2001-1 and No. 2023-05, was adopted, which stated that members who have completed twenty-five years of credited service or who have attained the age of 52, with ten or more years of credited service, are entitled to annual benefits equal to three percent of their Average Final Compensation times years of credited service. Average Final Compensation is the average of the five final calendar years of employment.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Benefits Provided (continued)

On January 12, 2021, Ordinance No. 2020-11 was adopted, which gives the option that years or fractional parts of years that a police officer serves on active duty military, or as a police officer either previously with the City or with another municipality in the State of Florida, may be purchased and shall be added to credited service under certain conditions. The maximum purchase of credit shall be four years for military service and four years for police service, for a maximum combined total of eight years.

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

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

- With less than ten years of continuous service, a refund of member contributions without interest.
- With ten years or more of continuous service, the pension accrued to the date of termination, payable commencing at his or her normal retirement date, or a refund of member contributions without interest.
- On August 23, 2011, the City Council approved ordinance 2011-1 "Deferred Retirement Option Plan" ("DROP") for police officers. The DROP program was effective as of the date of approval by the City Council.

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

Once a police officer achieves normal retirement age under the MPORF, as described above, an officer may elect to enter the DROP program for a period of no more than thirty-six months. During this time the benefit that would have been received had the officer terminated employment will be deposited into a DROP account to accumulate interest and earnings. As of September 30, 2024, there were zero police officers currently participating in the DROP program. There were no amounts held by the MPORF pursuant to DROP as of September 30, 2024.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Benefits Provided (continued)

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

Funding Policies

The MPORF's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The actuarial value of MPORF assets was determined using market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. Amortization bases are amortized over 15 years using the entry age normal cost method.

Although it has not expressed any intention to do so, the City has the right under the MPORF to discontinue its contributions at any time and to terminate the MPORF.

Contributions

The City is required to contribute amounts necessary to provide the benefits under the MPORF determined by the application of accepted actuarial methods and assumptions. The contribution requirements of the MPORF members and the City are established in a collective bargaining labor agreement.

Police officers were required to contribute 5.5 percent of their annual salary to the MPORF until April 2014, at which point the required contribution rate was increased to 6.5 percent. The City receives approximately 7.4 percent of the total annual payroll from the State of Florida, which is credited towards part of the City's annual required contribution. The City is required to contribute the remaining amounts of 25.3 percent of the total annual payroll necessary to fund the MPORF, using the entry age normal actuarial method and the amortization of the accrued past service liability over 30 years. Administrative costs are financed through investment earnings. For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Contributions (continued)

The City is required to contribute amounts necessary to provide the benefits under the MPORF determined by the application of accepted actuarial methods and assumptions. The contribution requirements of the MPORF members and the City are established in a collective bargaining labor agreement.

For the fiscal year ended, September 30, 2024, total pension expense of the City was \$873,238, and total contributions to the MPORF of \$567,886 consisted of the following:

	Plan Contributions
Employer	\$ 373,624
Member	90,285
State	103,977
 Total contributions	 \$ 567,886

Plan Investment

The MPORF's investment policy was adopted by the Board of Trustees, which has the authority for establishing and amending investment policy decisions for the MPORF. The policy outlines suitable, authorized investments along with asset allocations.

The MPORF's investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Independent investment managers and an independent custodian handle all pension investments and disbursements.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended September 30, 2024, the annual money-weighted rate of return on pension plan investments was 23.96%.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

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

The City's net pension liability for the MPORF was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as October 1, 2022. The components of the MPORF's net pension liability at September 30, 2024, along with the changes from the prior year were as follows:

Total Pension Liability

Service cost	\$ 278,449
Interest on the total pension liability	1,037,267
changes in benefit terms	93,567
Differences between expected and actual experience	(296,104)
Benefit payments	(763,244)
Net change in total pension liability	349,935
Total pension liability - beginning	14,410,309
Total pension liability - ending (a)	\$ 14,760,244

Plan's Fiduciary Net Position

Contributions from the City	\$ 373,624
Contributions from the State (non-special funding)	103,977
Contributions from employees	90,285
Benefit payments	(763,244)
Net investment income	1,328,390
Plan administrative expense	(56,704)
Net change in plan fiduciary net position	1,076,328
Plan fiduciary net position - beginning	11,150,413
Plan fiduciary net position - ending (b)	12,226,741
 Net pension liability (asset) - Ending (a) - (b)	 \$ 2,533,503

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

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

For the fiscal year ended September 30, 2024, the City recognized pension expense of \$873,238. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the MPORF from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 150,137	\$ 235,435
Change in assumptions	-	43,194
Net difference between projected and actual earnings on pension plan investments	1,181,826	-
City and State pension plan contributions subsequent to the measurement date	418,478	-
Total	\$ 1,750,441	\$ 278,629

Amounts reported for the Plan as deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending September 30, as follows:

Year ended September 30:	Amount
2025	\$ 255,970
2026	316,016
2027	586,522
2028	(105,174)
Total	\$ 1,053,334

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Actuarial assumptions

The total pension liability in the October 1, 2022, actuarial valuation was determined using the following actuarial assumption:

Inflation	2.50 percent
Salary increases	Service based
Discount rate	7.25 percent
Investment rate of return	7.25 percent

Mortality Rate Healthy Active Lives:

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

Mortality Rate Healthy Retiree Lives:

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

Mortality Rate Beneficiary Lives:

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

Mortality Rate Disabled Lives:

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

Mortality rates above were based on the actuarial experience study used to review the other significant assumptions was dated January 15, 2021. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the September 30, 2023 measurement date are below:

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Actuarial assumptions (Continued)

Investments	Percent Target	Long-Term Rate of Return*
Domestic Equity	45.0%	7.50%
International Equity	15.0%	8.50%
Fixed Income (Non-core)	5.0%	2.50%
Domestic fixed income	35.0%	2.50%
Total	100.0%	

*Net of long-term inflation assumption of 2.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that MPORF member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the MPORF'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 MPORF investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate

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

	1% Decrease (6.25)%	Current Discount (7.25)%	1% Increase (8.25)%
City's MPORF net pension liability	\$ 4,393,906	\$ 2,533,503	\$ 1,005,411

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Police Officers' Supplemental Pension Plan (POSPP)

Plan Description

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

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

Plan Membership

Membership in the POSPP consisted of the following at October 1, 2022, the actuarial valuation date:

Plan Membership	
Inactives currently receiving benefits	20
Inactives not yet receiving benefits	1
Active plan members	19
<hr/>	
Total plan membership	40

Benefits Provided

Members who have completed twenty-five years of credited service or who have attained the age of 52 (50 years of age for early retirement), with ten or more years of credited service, are entitled to annual benefits equal to \$60 times the member's credited years of service. The benefits are paid to members as single life annuity payable as of each January 1.

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

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Funding Policy

The POSPP's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The actuarial value of POSPP's assets was determined using market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Contributions

The City is required to contribute amounts necessary to provide the benefits under the POSPP determined by the application of accepted actuarial methods and assumptions. The City is the sole contributor to the plan.

For the fiscal year ended, September 30, 2024, the total pension expense of the City was \$29,597, and total contributions to the POSPP totaled \$36,115. The City as the employer was the only contributor.

Plan Investment

The POSPP's investment policy was adopted by the Board of Trustees, which has the authority for establishing and amending investment policy decisions for the POSPP. The policy outlines suitable, authorized investments along with asset allocations.

The POSPP's investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Independent investment managers and an independent custodian handle all pension investments and disbursements.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended September 30, 2024, the annual money-weighted rate of return on pension plan investments was 8.63%.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

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

For the fiscal year ended September 30, 2024, the City reported the changes in net pension liability related to the POSPP from the following sources:

Total Pension Liability

Service cost	\$ 7,395
Expected interest growth	28,888
Demographic experience	(24,877)
Benefit payments, including refunds	(23,780)
Net change in total pension liability	(12,374)
Total pension liability - beginning	420,850
Total pension liability - ending (a)	\$ 408,476

Plan's Fiduciary Net Position

Expected interest growth	\$ 26,570
Unexpected investment income	6,184
Contributions from the City	36,115
Benefit payments, including refunds	(23,780)
Plan administrative expense	(7,800)
Net change in plan fiduciary net position	37,289
Plan fiduciary net position - beginning	377,347
Plan fiduciary net position - ending (b)	414,636

Net pension liability (asset) - Ending (a) - (b)	\$ (6,160)
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City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

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

For the fiscal year ended September 30, 2024, the City recognized pension expense of \$29,567. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the POSPP from the following sources:

Police Officers' Supplemental Pension Plan	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 13,353	\$ 30,709
Change in assumptions	7,633	5,541
Net difference between projected and actual earnings on pension plan investments	52,783	22,222
City pension plan contributions subsequent to the measurement date	35,805	-
Total	\$ 109,574	\$ 58,472

Amounts reported for the Plan as deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending September 30, as follows:

<u>Year ended September 30:</u>	<u>Amount</u>
2025	\$ 9,662
2026	8,659
2027	11,042
2028	(6,164)
2029	(5,039)
Thereafter	(2,863)
Total	\$ 15,297

Actuarial assumptions

The total pension liability in the October 1, 2022, actuarial valuation was determined using the following actuarial assumptions, and rolled forward to the September 30, 2023 measurement date and applied to all periods included in the measurement:

Inflation	2.62 percent
Salary increases	4.00 percent
Discount rate	7.00 percent

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Actuarial assumptions (continued)

Mortality Basis: For non-retired participants, sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Employee Mortality Table for public safety employees (below median table for males), with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year

(pre-retirement mortality); for non-disabled retirees, sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Healthy Retiree Mortality Table for public safety employees (below median table for males), with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year; for disabled retirees, sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Disabled Retiree Mortality Table (80% general employee rates plus 20% public safety employee rates), with full generational improvements in mortality using Scale MP-2018

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

The long-term expected rate of return on pension plan investments was determined using a weighted arithmetic average. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the September 30, 2023 measurement date, are summarized in the following table:

Investments	Target allocation (1)	Long-Term real Rate of Return*
Core bonds	15.0%	1.60%
Core plus	15.0%	2.10%
U.S. large cap equity	25.0%	4.60%
U.S. small cap equity	14.0%	5.50%
Non-U.S. equity	21.0%	6.70%
Core real estate	10.0%	5.00%
Total	100.0%	4.38%

*Net of long-term inflation assumption of 2.62%

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

Discount Rate

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

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

Sensitivity of net pension liability to changes in the discount rate

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

	1% Decrease (6.00)%	Current Discount (7.00)%	1% Increase (8.00)%
City's total POSPP pension liability	\$ 450,122	\$ 408,476	\$ 373,455
Less: fiduciary net position	(414,636)	(414,636)	(414,636)
City's net POSPP pension liability	\$ 35,486	\$ (6,160)	\$ (41,181)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS)

Plan Description

The City participates in a defined benefit pension plan that is administered by the State of Florida, Department of Management Services, Division of Retirement. The plan provides retirement, disability or death benefits and annual cost-of-living adjustments to eligible participants. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com) or by mail at PO Box 9000, Tallahassee, Florida 32315-9000.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership under Section 121.051(2)(b)(1) Florida Statutes allows participation by cities. All general full-time employees of the City participate in the plan.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS) (Continued)

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Benefits under the HIS Program are not guaranteed and are subject to annual State legislature approval. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS, and there are no employee contributions to the HIS program. The employer's contribution rates as of September 30, 2024 were as follows:

	FRS	HIS
Regular	11.63%	2.00%
Special risk	30.79%	2.00%
Senior management service	32.52%	2.00%
DROP participants	19.13%	2.00%

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

In its financial statements for the year ended September 30, 2024, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2024, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2024. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS) (Continued)

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

For the fiscal year ended September 30, 2024, the City recognized the following net pension liabilities and pension expenses for FRS and HIS.

	FRS	HIS
Net Pension Liability	\$ 1,844,975	\$ 872,909
Proportionate Share:		
At current measurement date	0.00497%	0.00600%
At prior measurement date	0.00477%	0.00582%
Pension expense	\$ 280,734	\$ 31,283

For the fiscal year ended September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to FRS and HIS from the following sources:

	FRS	HIS		
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 186,392	\$ -	\$ 8,429	\$ 1,676
Change in assumptions	252,871	-	15,448	103,341
Net difference between projected and actual earnings on pension plan investments	-	122,627	-	316
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	71,941	79,296	29,554	46,887
City Pension Plan contributions subsequent to the measurement date	84,321	-	14,502	-
Total	\$ 595,525	\$ 201,923	\$ 67,933	\$ 152,220

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS) (Continued)

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

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the future reporting period ending September 30, 2024. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:	FRS	HIS
2025	\$ (27,396)	\$ (16,027)
2026	297,617	(19,775)
2027	21,696	(28,807)
2028	1,026	(20,141)
2029	16,338	(10,974)
Thereafter	-	(3,065)
Total	\$ 309,281	\$ (98,789)

Actuarial Assumptions

The total pension liability for both FRS and HIS plans were measured as of June 30, 2024. The FRS liability was determined by an actuarial valuation dated July 1, 2024, and the HIS liability was determined by an actuarial valuation dated July 1, 2024. Both valuations use the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.50%	3.50%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.93%

Mortality assumptions for both plans were based on the PUB-2010 base tables projected generationally with Scale MP-2021.

For both plans, the actuarial assumptions that determined the total pension liability as of June 30, 2024 were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS) (Continued)

Actuarial Assumptions (continued)

The following changes in key actuarial assumptions occurred in 2024:

- For FRS and HIS: The payroll assumed growth rate, including inflation increased from 3.25% to 3.50%.
- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meeting in October 2024.
- For HIS: The discount rate used in calculation of the pension liability increased from 3.65% to 3.93%.
- The coverage election assumptions were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its 2024 meeting.

The long-term expected investment rate of return assumption for the FRS Pension Plan was based on two building block components: 1) a long-term average annual inflation assumption of 2.40% and 2) an inferred real (in excess of inflation) return of 4.20%. Geometrically combining those building blocks user the formula $(1 + .024) \times (1 + .042) - 1$ generates an expected nominal return of 6.70%. In the opinion of the FRS consulting actuary, both building block components and the overall 6.70% return assumption were determined reasonable and appropriate per Actuarial Standards of Practice. The 6.70% reported investment return assumption is the same as the investment return assumption chosen by the 2023 FRS Actuarial Assumption Conference for funding policy purposes. Each asset class assumption is based on a consistent set of underlying assumptions.

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying real return assumptions from the FRS consulting actuary's model combined with the FRS Actuarial Assumption Conference's 2.4% inflation assumption. The FRS consulting actuary's assumptions are not based on historical returns, but instead on a forward-looking capital market economic model.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS) (Continued)

Actuarial Assumptions (continued)

Asset class	Target allocation (1)	Compound			Standard deviation
		Annual Arithmetic Return	annual (geometric) Return		
Cash equivalent	1.0%	3.3%	3.3%		1.1%
Fixed income	29.0%	5.7%	5.6%		3.9%
Global equity	45.0%	8.6%	7.0%		18.2%
Real estate (property)	12.0%	8.1%	6.8%		16.6%
Private equity	11.0%	12.4%	8.8%		28.4%
Strategic investments	2.0%	6.6%	6.2%		8.7%
Total	100.0%				
Assumed Inflation - Mean			2.4%		1.5%

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

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.70%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The HIS Plan is essentially funded on a pay-as-you go basis, the depletion date is considered to be immediate, and a municipal bond rate of 3.93% was used to determine the total pension liability for the program. The Bond Buyer General Obligation 20-Year Municipal Bond Index rate as of June 30, 2024 was used as the applicable municipal bond index.

Sensitivity of net pension liability to changes in the discount rate

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00 percent higher or 1.00 percent lower than the current discount rate.

	FRS			HIS		
	1% Decrease (5.70%)	Current Discount (6.70%)	1% Increase (7.70%)	1% Decrease (2.93%)	Current Discount (3.93%)	1% Increase (4.93%)
City's proportionate share of the net pension liability	\$ 3,245,246	\$ 1,844,975	\$ 671,951	\$ 993,695	\$ 872,909	\$ 772,638

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 5: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS) (Continued)

Pension plan fiduciary net position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports. (<http://www.myfloridacfo.com/Division/AA/Reports/>).

Note 6: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

Contribution rates for the Plan are established on an annual basis. Eligible retirees receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered to be an Other Post Employment Benefit (OPEB) obligation of the City. An implied monthly subsidy of \$400 for the retiree and \$350 for the retiree's spouse has been assumed at age 62 for the current fiscal year. At other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The Plan does not issue a publicly available financial report.

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

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Membership

As of September 30, 2024, the following employees were covered by the City's Plan:

	Number of covered individuals
Inactive members currently receiving benefits	1
Active members	51
Total	52

Actuarial Assumptions

The City's total OPEB liability was measured as of September 30, 2023 and was determined by an actuarial valuation as of October 1, 2022, using the following actuarial assumptions and other inputs:

Salary increases	3.00 percent per annum
Discount rate	4.91% (based on S&P 20-year municipal bond high grade index)
Healthcare cost trend rates	7.50% for the current fiscal year decreasing by 0.50% per year to 5% for fiscal year 2027/2028 and later
Retirees' share of benefit-related costs	Retirees must contribute an amount determined periodically by the insurance carrier equal to 100% of applicable health insurance premium

The mortality table used was the PUB-2010 mortality table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020.

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the total OPEB liability

The changes in total OPEB liability for the year ended September 30, 2024 is as follows:

Balance as of October 01, 2023	\$ 221,809
Changes for the year:	
Service cost	13,479
Expected interest growth	11,115
Demographic experience	(34,284)
Benefit payments and refunds	(18,029)
Assumption changes	(3,987)
Net changes	(31,706)
Balance as of September 30, 2024	\$ 190,103

Sensitivity of net pension liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.91%) or one percentage point higher (5.91%) than the current rate.

	1% Decrease (3.91%)	Discount rate (4.91%)	1% Increase (5.91%)
Total OPEB Liability	\$ 205,637	\$ 190,103	\$ 176,454

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50% decreasing to 4%) or one percentage point higher (8.50% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 4.00%)	Current Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
Total OPEB Liability	\$ 170,781	\$ 190,103	\$ 213,051

City of Indian Harbour Beach, Florida
Notes to Financial Statements

Note 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended September 30, 2024, the City recognized OPEB benefit of \$31,677.

As of September 30, 2024, the City reported deferred outflows of \$75,726 and deferred inflows of \$337,269.

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

Fiscal year ending September 30:	Amount
2025	(38,242)
2026	(38,242)
2027	(38,242)
2028	(38,242)
2029	(37,070)
Thereafter	(71,505)
Total	(261,543)

Note 7: DEFERRED COMPENSATION PLAN

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

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

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

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City of Indian Harbour Beach, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – General Fund

<i>For the year ended September 30, 2024</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
				<i>Positive (Negative)</i>
Revenues				
Taxes	\$ 8,373,804	\$ 8,477,268	\$ 8,415,873	\$ (61,395)
Intergovernmental	4,795,921	4,743,531	1,099,722	(3,643,809)
Charges for services	305,590	305,590	347,695	42,105
Permits, fees and special assessments	1,023,040	1,158,332	1,022,018	(136,314)
Judgments, fines and forfeits	7,200	7,200	11,178	3,978
Interest and other earnings	328,886	328,886	747,717	418,831
Miscellaneous	12,300	12,300	281,709	269,409
 Total revenues	 14,846,741	 15,033,107	 11,925,912	 (3,107,195)
Expenditures				
Current				
General government	2,963,164	3,032,176	2,725,788	306,388
Public safety	3,657,223	3,547,897	3,371,931	175,966
Transportation	1,532,008	1,361,750	1,377,065	(15,315)
Recreation	1,123,097	1,123,097	995,850	127,247
Capital outlay	2,963,164	3,032,176	2,124,318	907,858
 Total expenditures	 12,238,656	 12,097,096	 10,594,952	 1,502,144
 Excess (deficiency) of revenues under (over) expenditures	 2,608,085	 2,936,011	 1,330,960	 (1,605,051)
Other financing sources				
Operating transfer in	-	-	250	(250)
Proceeds from the sale of capital asset	-	-	20,126	20,126
 Total other financing sources	 -	 -	 20,376	 19,876
 Net change in fund balance	 2,608,085	 2,936,011	 1,351,336	 (1,584,675)
 Fund balances, beginning of year	 12,321,577	 12,321,577	 12,321,577	 -
Accounting changes and error corrections see Note 2	-	-	164,699	(164,699)
 Fund balances, beginning of year	 12,321,577	 12,321,577	 12,486,276	 (164,699)
 As restated	 -	 -	 -	 -
 Fund balances, end of year	 \$ 14,929,662	 \$ 15,257,588	 \$ 13,837,612	 \$ (1,749,374)

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Indian Harbour Beach, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – ARPA Fund

<i>For the year ended September 30, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
				Positive (Negative)
Revenues				
American Rescue Plan Act grant	\$ 2,961,000	\$ 2,961,000	\$ 1,064,959	\$ (1,896,041)
Interest and other earnings	-	-	1,588	1,588
Total revenues	2,961,000	2,961,000	1,066,547	1,894,453
Expenditures				
Current:				
General government	300	300	1,356	(1,056)
Capital outlay	2,961,000	2,961,000	1,064,941	1,896,059
Total expenditures	2,961,300	2,961,300	1,066,297	1,895,003
Excess (deficiency) of revenues over (under) expenditures	(300)	(300)	250	(550)
Other financing sources				
Transfer out	-	-	(250)	250
Net other financing sources	-	-	(250)	250
Net change in fund balance	(300)	(300)	-	(300)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ (300)	\$ (300)	\$ -	\$ (300)

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Indian Harbour Beach, Florida
Budgetary Notes to the Required Supplementary Information

A. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Budgets may be amended by ordinance only. The budgets presented for fiscal year ended September 30, 2024, have been amended according to City procedures. All annual appropriations lapse at fiscal year-end.

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

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

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

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

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

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

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

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City of Indian Harbour Beach, Florida
Schedule of the City's Net Pension Liability
Municipal Police Officers' Retirement Fund
Last Ten Fiscal Years

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
City's total pension liability	\$ 14,760,244	\$ 14,410,309	\$ 13,792,075	\$ 13,108,728	\$ 12,799,278	\$ 12,318,509	\$ 11,254,461	\$ 10,183,238	\$ 9,202,148	\$ 9,168,538
The plan's fiduciary net position	12,226,741	11,150,412	14,133,928	11,949,583	11,174,444	10,779,247	9,865,276	8,679,051	7,908,787	7,881,363
City's net pension liability (asset)	2,533,503	3,259,897	(341,853)	1,159,145	1,624,834	1,539,262	1,389,185	1,504,187	1,293,361	1,287,175
Plan fiduciary net position as a percentage of Total Pension Liability	82.84%	77.38%	102.48%	91.16%	87.31%	87.50%	87.66%	85.23%	85.95%	85.96%
Covered payroll**	\$ 1,389,001	\$ 1,308,161	\$ 1,290,780	\$ 1,323,094	\$ 1,212,171	\$ 1,186,250	\$ 1,291,407	\$ 1,260,276	\$ 1,138,129	\$ 911,867
Net pension liability (asset) as a percentage of covered payroll	182.40%	249.20%	-26.48%	87.61%	134.04%	129.76%	107.57%	119.35%	113.64%	141.16%

Note: This schedule is presented to illustrate the requirement to show information for

** GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73, was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan active members, members in DROP

* The amounts presented for each fiscal year were measured as of September 30 for the preceding year.

City of Indian Harbour Beach, Florida
Schedule of the City's Net Pension Liability
Police Officers' Supplemental Pension Plan
Last Ten Fiscal Years

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
City's total pension liability	\$ 408,476	\$ 420,850	\$ 418,519	\$ 400,993	\$ 381,715	\$ 284,958	\$ 272,779	\$ 256,798	\$ 251,963	\$ 198,315
The plan's fiduciary net position	414,636	377,347	437,936	356,480	313,387	272,803	243,683	202,859	173,381	120,128
City's net pension liability (asset)	(6,160)	43,503	(19,417)	44,513	68,328	12,155	29,096	53,939	78,582	78,187
Plan fiduciary net position as a percentage of Total Pension Liability	101.51%	89.66%	104.64%	88.90%	82.10%	95.73%	89.33%	79.00%	68.81%	60.57%
Covered payroll**	782,047	957,158	947,794	1,068,248	983,938	\$ 889,552	\$ 875,892	\$ 830,401	\$ 929,086	\$ 1,005,543
Net pension liability (asset) as a percentage of covered payroll	-0.79%	4.55%	-2.05%	4.17%	6.94%	1.37%	3.32%	6.50%	8.46%	7.78%

Note: This schedule is presented to illustrate the requirement to show information for

** GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73, was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan active members, members in DROP. * The amounts presented for each fiscal year were measured as of September 30 for the preceding year.

City of Indian Harbour Beach, Florida
Schedule of the City's Proportionate Share of Net Pension Liability
Florida Retirement System and Health Insurance Subsidy
Last Ten Fiscal Years

	Florida Retirement System									
	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
City's proportion of the net pension liability (asset)	0.00477%	0.00497%	0.00509%	0.00466%	0.00447%	0.00453%	0.00475%	0.00500%	0.00484%	0.00448%
City's proportionate share of the net pension liability (asset)	\$ 1,844,975	\$ 1,982,363	\$ 1,874,132	\$ 420,296	\$ 2,024,795	\$ 1,658,772	\$ 1,498,862	\$ 1,546,156	\$ 1,235,263	\$ 570,844
Covered payroll**	\$ 2,502,604	\$ 2,378,169	\$ 2,391,812	\$ 2,058,224	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	73.72%	83.36%	78.36%	20.42%	100.65%	86.33%	80.58%	84.20%	72.32%	38.18%
Plan fiduciary net position as a percentage of Total Pension Liability	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy										
	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
	0.00582%	0.00600%	0.00620%	0.00576%	0.00585%	0.00576%	0.00586%	0.00604%	0.00586%	0.00546%
City's proportionate share of the net pension liability (asset)	\$ 872,909	\$ 953,405	\$ 664,977	\$ 721,138	\$ 730,214	\$ 657,749	\$ 634,522	\$ 661,100	\$ 694,196	\$ 566,352
Covered payroll**	\$ 2,502,604	\$ 2,378,169	\$ 2,391,812	\$ 2,058,224	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.88%	40.09%	27.80%	35.04%	36.30%	34.23%	34.11%	36.00%	40.64%	37.88%
Plan fiduciary net position as a percentage of Total Pension Liability	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

** GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No.

67, No. 68 and No. 73, was implemented during fiscal year 2017. Covered payroll

shown includes the payroll for defined benefit plan active members, members in DROP

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

City of Indian Harbour Beach, Florida
Schedule of the City Contributions
Municipal Police Officers' Retirement Fund
Last Ten Fiscal Years

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Actuarially determined contribution	\$ 468,093	\$ 487,944	\$ 518,894	\$ 644,347	\$ 590,327	\$ 551,607	\$ 521,728	\$ 563,344	\$ 545,405	\$ 438,982
Excess state money reserve	-	-	-	-	-	-	-	40,320	-	-
Contributions in relation to the actuarially determined contribution	477,601	496,604	531,008	646,480	588,885	563,893	489,080	568,723	604,769	438,982
Contribution deficiency (excess)	\$ (9,508)	\$ (8,660)	\$ (12,114)	\$ (2,133)	\$ 1,442	\$ (12,286)	\$ 32,648	\$ (45,699)	\$ (59,364)	\$ -
Covered payroll**	\$ 1,389,001	\$ 1,308,161	\$ 1,290,780	\$ 1,323,094	\$ 1,212,171	\$ 1,186,250	\$ 1,291,407	\$ 1,260,276	\$ 1,138,129	\$ 911,867
Contributions as a percentage of covered payroll	34.38%	37.96%	41.14%	48.86%	48.58%	47.54%	37.87%	45.13%	53.14%	48.14%

Note: This schedule is presented to illustrate the requirement to show information for 10

** GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73 , was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan active members, members in DROP and investment plan members.

* The amounts presented for each fiscal year were measured as of September 30 for the preceding year.

City of Indian Harbour Beach, Florida
Schedule of the City Contributions
Police Officers' Supplemental Pension Plan
Last Ten Fiscal Years

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Actuarially determined contributions	\$ 37,446	\$ 27,102	\$ 38,666	\$ 45,134	\$ 43,841	\$ 21,754	\$ 25,625	\$ 27,186	\$ 25,258	\$ 26,298
Contributions in relation to the actuarially determined contributions	36,115	29,561	42,114	46,358	48,839	35,955	30,984	35,117	68,454	26,298
Contribution deficiency (excess)	\$ 1,331	\$ (2,459)	\$ (3,448)	\$ (1,224)	\$ (4,998)	\$ (14,201)	\$ (5,359)	\$ (7,931)	\$ (43,196)	\$ -
Covered payroll**	\$ 782,047	\$ 957,158	\$ 947,794	\$ 1,068,248	\$ 983,938	\$ 889,552	\$ 875,892	\$ 830,401	\$ 929,086	\$ 1,005,543
Contributions as a percentage of covered payroll	4.62%	3.09%	4.44%	4.34%	4.96%	4.04%	3.54%	4.23%	7.37%	2.62%

Note: This schedule is presented to illustrate the requirement to show information for 10

** GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73 , was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan active members, members in DROP and investment plan members.

* The amounts presented for each fiscal year were measured as of September 30 for the preceding year.

City of Indian Harbour Beach, Florida
Schedule of the City Contributions
Florida Retirement System and Health Insurance Subsidy
Last Ten Fiscal Years

Florida Retirement System

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Actuarially determined contributions	\$ 270,066	\$ 237,327	\$ 217,374	\$ 177,481	\$ 148,503	\$ 140,453	\$ 135,317	\$ 130,225	\$ 117,941	\$ 109,212
Contributions in relation to the actuarially determined contributions	270,066	237,327	217,374	177,481	148,503	140,453	135,317	130,225	117,941	109,212
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered payroll**	\$ 2,502,604	\$ 2,378,169	\$ 2,391,812	\$ 2,058,224	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194
Contributions as a percentage of covered payroll	10.79%	9.98%	9.09%	8.62%	7.38%	7.31%	7.27%	7.09%	6.91%	7.30%

Health Insurance Subsidy

	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Actuarially determined contributions	\$ 49,266	\$ 39,491	\$ 37,486	\$ 33,858	\$ 33,739	\$ 31,961	\$ 31,783	\$ 31,948	\$ 30,053	\$ 20,884
Contributions in relation to the actuarially determined contributions	49,266	39,491	37,486	33,858	33,739	31,961	31,783	31,948	30,053	20,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered payroll**	\$ 2,502,604	\$ 2,378,169	\$ 2,391,812	\$ 2,058,224	\$ 2,011,649	\$ 1,921,445	\$ 1,860,042	\$ 1,836,270	\$ 1,708,020	\$ 1,495,194
Contributions as a percentage of covered payroll	1.97%	1.66%	1.57%	1.65%	1.68%	1.66%	1.71%	1.74%	1.76%	1.40%

Note: This schedule is presented to illustrate the requirement to show information for 10

** GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73 , was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan active members, members in DROP and investment plan members.

* The amounts presented for each fiscal year were measured as of June 30.

City of Indian Harbour Beach, Florida
Required Pension Supplementary Information
Schedule of Investment Returns

POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN

Last 10 Fiscal Years*	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return net of investment expense	8.63%	6.02%	7.20%	6.31%	6.96%	5.16%	7.58%	13.36%	7.91%	-1.37%

MUNICIPAL POLICE OFFICERS' RETIREMENT FUND

Last 10 Fiscal Years*	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return net of investment expense	12.04%	-19.07%	19.87%	7.99%	3.58%	8.64%	12.44%	7.75%	-0.70%	9.33%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the City presents information for those years for which information is available.

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

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City of Indian Harbour Beach, Florida
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Seven Years

<i>Year Ending September 30,</i>	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 13,479	\$ 13,676	\$ 27,561	\$ 44,385	\$ 23,626	\$ 27,900	\$ 32,320
Interest	11,115	16,952	10,423	8,211	16,384	16,288	11,812
Difference between expected and actual experience	(34,284)	(27,636)	(12,034)	(24,845)	(33,677)	115,237	-
Changes of assumptions or other inputs	(3,987)	(115,910)	(71,212)	48,731	(88,541)	(130,070)	-
Benefit payments	(18,029)	(13,821)	(15,003)	(13,912)	(11,055)	(18,676)	(9,640)
Net change in total OPEB liability	(31,706)	(126,739)	(60,265)	62,570	(93,263)	10,679	34,492
Total OPEB liability - beginning	221,809	348,548	408,813	346,243	439,506	428,827	394,335
Total OPEB liability - ending	\$ 190,103	\$ 221,809	\$ 348,548	\$ 408,813	\$ 346,243	\$ 439,506	\$ 428,827

Covered employee payroll	\$ 3,156,409	\$ 2,852,366	\$ 2,881,076	\$ 2,823,656	\$ 2,794,421	\$ 2,913,812	\$ 2,835,791
Total OPEB liability as a percentage of covered employee payroll							
	6.02%	7.78%	12.10%	14.48%	12.39%	15.08%	15.12%

* GASB 75 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

* The following discount rate was used in each period:

9/30/2018 - 4.00%
 9/30/2019 - 3.64%
 9/30/2020 - 3.58%
 9/30/2021 - 2.14%
 9/30/2022 - 2.43%
 9/30/2023 - 4.77%
 9/30/2024 - 4.91%

**SUPPLEMENTARY COMBINING FUND
FINANCIAL STATEMENTS**

City of Indian Harbour Beach, Florida
Nonmajor Governmental Funds – Combining Balance Sheet

<u>September 30, 2024</u>	Impound Fund	Police Training Fund	Stormwater Utility Fund	Governmental Funds	Total Nonmajor
Assets					
Cash and cash equivalents - restricted	\$ 14,969	\$ 967	\$ 554,062	\$ 569,998	
Total assets	14,969	967	554,062	569,998	
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	-	-	15,500	15,500	
Total liabilities	-	-	15,500	15,500	
Fund balances					
Restricted	14,969	967	538,562	554,498	
Total liabilities and fund balances	\$ 14,969	\$ 967	\$ 554,062	\$ 569,998	

City of Indian Harbour Beach, Florida
Nonmajor Governmental Funds – Combining Statement of Revenues,
Expenditures and Changes in Fund Balances

<i>For the year ended September 30, 2024</i>	Impound Fund	Police Training Fund	Stormwater Utility Fund	Governmental Funds	Total Nonmajor
Revenues					
Permits, fees, and special assessments	\$ -	\$ -	\$ 219,845	\$ 219,845	
Judgments, fines, and forfeits	-	597	-	597	
Interest and other earnings	-	-	589	589	
Miscellaneous	-	109	-	109	
 Total revenues	 -	 706	 220,434	 221,140	
Expenditures					
Current					
Transportation	-	-	17,948	17,948	
Capital outlay	-	-	127,671	127,671	
 Total expenditures	 -	 -	 145,619	 145,619	
 Excess (deficiency) of revenues over (under) expenditures	 -	 706	 74,815	 75,521	
 Net change in fund balances	 -	 706	 74,815	 75,521	
 Fund balances, beginning of year	 14,969	 261	 463,747	 478,977	
 Fund balances, end of year	 \$ 14,969	 \$ 967	 \$ 538,562	 \$ 554,498	

City of Indian Harbour Beach, Florida
Nonmajor Governmental Funds – Combining Statement of Revenues,
Expenditures and Changes in Fund Balances – Budget and Actual

<i>For the year ended September 30, 2024</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
				<i>Positive (Negative)</i>
Revenues				
Permits, fees and special assessments	\$ 275,536	\$ 220,429	\$ 219,845	\$ (584)
Judgments, fines and forfeits	-	-	597	597
Interest and other earnings	400	400	589	189
Miscellaneous	5	5	109	104
Total revenues	275,941	220,834	221,140	306
Expenditures				
Current:				
Public safety	2,577	2,577	-	2,577
Transportation	96,000	96,000	17,948	78,052
Capital outlay	562,500	607,191	127,671	479,520
Total expenditures	661,077	705,768	145,619	(560,149)
Excess (deficiency) of revenues over (under) expenditures	(385,136)	(484,934)	75,521	560,455
Net change in fund balance	(385,136)	(484,934)	75,521	560,455
Fund balances, beginning of year	478,977	478,977	478,977	-
Fund balances, end of year	\$ 93,841	\$ (5,957)	\$ 554,498	560,455

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Indian Harbour Beach, Florida, (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described below as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-014, and 2024-011 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency described below as item 2024-006 to be a significant deficiency.

2024-001 – Trial Balance did not balance or reconcile to prior year (Material Weakness)

Criteria: Under Government Auditing Standards (GAGAS) and Generally Accepted Accounting Principles (GAAP) for governmental entities, management is responsible for maintaining accurate financial records and providing reliable trial balances for the preparation of financial statements. Accurate beginning fund balances are essential for ensuring that current-year financial statements are complete, consistent, and in agreement with prior-year audited results. Internal control standards outlined by COSO emphasize the need for management to maintain accurate accounting records and perform reconciliation procedures to ensure the reliability of financial reporting.

Condition: During the audit, the City provided multiple versions of the trial balance to the auditors. The trial balances contained multiple material errors, and the beginning fund balances for several funds did not agree to the ending fund balances reported in the prior year's audited financial statements. These discrepancies required significant audit adjustments and additional procedures to reconcile the balances and complete the audit.

Cause: The inaccuracies in the trial balances and beginning fund balances appear to result from inadequate review and reconciliation procedures during the year-end close process. The City did not perform sufficient procedures to ensure that balances were accurate, complete, and tied to prior-year audited results before providing them to the auditors. Limited staffing and reliance on manual processes along with transition to new accounting software may have contributed to these errors.

Effect: Providing inaccurate trial balances delayed the audit process and increased the risk of misstatements in the City's financial statements. Errors in beginning fund balances could lead to incorrect current-year financial results and may reduce confidence in the reliability of the City's financial reporting, including regular reporting during the year to City Council. Significant audit adjustments were required to correct these balances, which increases the risk of undetected misstatements if not addressed timely in future years.

Recommendation: We recommend that the City:

- Implement a formal year-end close procedure that includes reconciliations of all fund balances to prior-year audited balances.
- Review and verify the accuracy of trial balances before submission to auditors, including reconciling subsidiary ledgers to the general ledger.
- Assign responsibility to a senior finance official to approve trial balances and ensure that beginning balances agree to prior-year audited results.
- Provide staff training on year-end close procedures and reconciliation techniques to prevent similar issues in future audits.
- Document all reconciliations and adjustments to provide an audit trail for internal and external review.

Management Response: Management concurs with the finding. The City will implement a formal year-end close checklist to ensure trial balances are accurate and beginning fund balances reconcile to prior-year audited results.

2024-002 – Lack of review of bank/investment reconciliation (Material Weakness)

Criteria: According to Generally Accepted Accounting Principles (GAAP) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework, management is responsible for implementing internal controls to ensure that financial transactions are recorded accurately and that account balances are regularly reconciled to supporting documentation. Additionally, Government Finance Officers Association (GFOA) best practices recommend that bank/investment reconciliations be completed and reviewed monthly to ensure the accuracy and reliability of financial information.

Condition: The City did not perform bank/investment reconciliations on a timely basis throughout the fiscal year. Several bank and investment accounts were not reconciled for multiple months, and when reconciliations were eventually completed, the reconciled balances did not agree to the City's general ledger (trial balance) and were not reviewed by someone other than the preparer. The differences were not adequately researched or resolved prior to year-end closing.

Cause: The City's accounting department did not have a consistent process or assigned responsibility for performing monthly bank/investment reconciliations. Additionally, there was no supervisory review procedure in place to verify that reconciliations were completed timely and agreed to the general ledger.

Effect: Various journal entries to correct the cash balance at year-end were recorded by the City totaling over \$990,000 in corrections. Furthermore, failure to perform timely and accurate bank reconciliations increases the risk of:

- Errors or irregularities in cash transactions going undetected;
- Misstatements in the City's cash and financial position;
- Delays in identifying and correcting posting or recording errors; and
- Potential loss of public funds due to undetected discrepancies.

As a result, the City's financial statements may not accurately reflect cash balances at year-end.

Recommendation: We recommend that the City:

- Perform bank/investment reconciliations for all accounts on a monthly basis, within a defined timeframe (e.g., within 30 days of month-end).
- Establish written procedures assigning clear responsibility for preparation, review, and approval of bank/investment reconciliations.
- Investigate and resolve all variances between the bank/investment reconciliations and the general ledger before trial balance is finalized for the auditor.
- Implement a review process where a supervisor or finance director signs off on reconciliations to ensure completeness and accuracy.
- Consider implementing automated reconciliation software to improve efficiency and reduce the risk of human error.

Management Response: Management agrees with the finding. The City has since established a monthly reconciliation schedule, designated staff responsibilities, and implemented a review process to ensure reconciliations are completed timely and accurately.

2024-003 – Lack of review of AR/AP aging & reconciliation (Material Weakness)

Criteria: Under Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidance, intergovernmental receivables should be recorded when the revenue is both measurable and available (for governmental funds) or when earned (for government-wide statements). GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, specifies that receivables from other governments should be recognized only when eligibility requirements have been met and sufficient documentation exists to support the amount due.

Condition: The City improperly recorded accounts receivable balances, due from other governments and franchise fees at year-end and prior year-end. During audit testing, amounts due from other governments were recorded in the wrong fiscal period, resulting in a prior period adjustment of \$71,406, revenue adjustment of \$49,140, and a receivable adjustment of \$120,546.

Cause: The misstatements occurred because the City does not have adequate review procedures or documentation requirements for recognizing intergovernmental receivables. Accounting staff relied on estimates and informal communications with other entities rather than verified documentation, such as billing records. Additionally, there was limited training on GASB requirements for revenue recognition related to intergovernmental transactions to the staff.

Effect: Receivables were understated by \$120,546, revenues were understated by \$49,140 as of September 30, 2024 and a prior period adjustment for \$71,406 was required. As a result, journal entries were required to correct the accounts receivable, related revenues, and fund balance in the City's financial statements.

Recommendation: We recommend that the City:

- Establish formal procedures requiring documentation (e.g., invoices, or intergovernmental agreements) to support all amounts recorded as receivables due from other governments.
- Review and reconcile all receivable balances at year-end to ensure they are properly supported and recorded in the correct accounting period.
- Provide staff training on GASB requirements for recognizing intergovernmental revenues and receivables.
- Implement a supervisory review process to verify that all receivable entries are accurate and properly supported prior to financial statement preparation.

Management Response: Management agrees with the finding. The City has since established a monthly reconciliation schedule, designated staff responsibilities, and implemented a review process to ensure reconciliations are completed timely and accurately.

2024-004 – Accrued payroll & compensated absences were not reviewed and payroll processing was not reviewed (Material Weakness)

Criteria: Per Generally Accepted Accounting Principles (GAAP) and internal control standards outlined in Government Auditing Standards (GAGAS) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework, management is responsible for designing and implementing controls to ensure the accuracy and completeness of payroll expenditures and related accruals. Payroll transactions and accruals should be supported by proper documentation, approved by authorized personnel, and recorded in the correct accounting period.

Condition: The City does not maintain adequate documentation to support supervisory review and approval of employee timecards during payroll processing. The City did not retain documentation that someone separate from the preparer reviewed bi-weekly payroll processing. Additionally, the City does not have established controls or documented procedures for calculating and reviewing payroll accruals and recording compensated absences accruals at fiscal year-end. Accrual entries for accrued payroll were prepared based on estimates without supporting schedules or review for accuracy. Entries for ending balances of compensated absences were not recorded at year end.

Cause: The City has not formalized procedures for timecard review and approval or for preparing and reviewing payroll-related accruals. The payroll process is largely manual, and supervisory review is not consistently documented. Additionally, finance staff lack clear guidance or training on year-end accrual procedures.

Effect: Accruals for payroll and expenditures were understated in the general fund by over \$103,409, resulting in a required entry to adjust the year-end balances. The year-end accrual for compensated absences was also understated by an additional \$568,958, resulting in an adjustment. Without adequate documentation of timecard approvals and proper controls over payroll and compensated absences accruals, there is an increased risk of:

- Unauthorized or inaccurate payroll disbursements;
- Misstatement of payroll expenses and liabilities at year-end; and
- Noncompliance with accounting standards and internal control best practices.

These weaknesses could compromise the accuracy of the City's financial statements and hinder management's ability to detect and correct errors in a timely manner.

Recommendation: We recommend the City:

- Implement a formal timecard approval process requiring documented supervisory authorization—either electronically or via signature—for all employee timesheets prior to payroll processing.
- Implement a formal policy requiring review by someone other than the preparer.
- Develop written procedures for preparing, supporting, and reviewing payroll accruals and compensated absences accruals at year-end.
- Provide training to payroll and finance personnel to ensure understanding of proper accrual and modified accrual accounting and internal control responsibilities.
- Periodically review and update payroll policies to reflect current practices and compliance requirements

Management Response: Management agrees with the finding. The City has since established a monthly reconciliation schedule, designated staff responsibilities, and implemented a review process to ensure

reconciliations are completed timely and accurately. Payroll review documentation will be retained going forward.

2024-005 – Lack of review over fixed asset depreciation schedule and rollforward (Material Weakness)

Criteria: According to Generally Accepted Accounting Principles (GAAP) for state and local governments, as prescribed by the Governmental Accounting Standards Board (GASB), depreciation should be calculated systematically and rationally over an asset's estimated useful life. Additionally, GASB Statement No. 34 requires governments to maintain accurate capital asset records and ensure that depreciation is properly recognized in the financial statements.

Condition: The City did not identify that depreciation for its fixed assets was calculated incorrectly, twice, during the fiscal year. Specifically, depreciation expense for all asset categories was misstated due to the use of incorrect useful lives and inconsistent application of the straight-line method. As a result, accumulated depreciation and net book value reported in the trial balance and supporting schedules were inaccurate.

Cause: The error occurred because the City lacked adequate review controls over the fixed asset depreciation process. Fixed asset schedules were prepared manually, and no secondary review was performed to verify the accuracy of depreciation formulas or useful life assignments. Additionally, staff were not fully trained on applicable GASB requirements for capital asset management.

Effect: A correction in depreciation expense had to be recorded for over \$1,666,053. Furthermore, capital outlay expenditures in the City's funds did not reconcile to the fixed asset additions at the government-wide level, requiring an adjustment for \$11,000. The City's trial balance and supporting schedules contained misstated depreciation expense and accumulated depreciation balances. This misstatement could lead to inaccurate reporting of capital asset values and total net position, potentially affecting management decisions, compliance with bond covenants, and the reliability of financial reporting.

Recommendation: We recommend that the City:

- Implement a review process to verify the accuracy of depreciation calculations before financial statement preparation.
- Ensure that the useful lives assigned to assets are consistent with the City's capitalization policy and GASB standards.
- Provide training to accounting staff responsible for fixed asset accounting to ensure compliance with applicable accounting principles.

Management Response: Management agrees with the finding and will perform a detailed review of all fixed asset schedules. Staff will be trained on depreciation requirements, and a secondary review procedure will be implemented beginning with the next fiscal year-end close.

2024-006 – No review or supporting documentation over journal entries (Significant Deficiency)

Criteria: Internal control standards outlined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework and Government Auditing Standards (GAGAS) require that all accounting entries be supported by sufficient, verifiable

documentation and reviewed by someone independent of the preparer to ensure accuracy, validity, and proper authorization. Furthermore, per Generally Accepted Accounting Principles (GAAP), journal entries should be supported by adequate evidence to allow for auditability and accountability.

Condition: The City did not maintain adequate supporting documentation for journal entries (JEs) recorded during the fiscal year. During journal entry testing, several journal entries lacked supporting schedules, calculations, or explanations substantiating the purpose and appropriateness of the adjustments. Additionally, there was no evidence of independent review or approval of journal entries by an individual separate from the preparer prior to posting to the general ledger.

Cause: The lack of documentation and review controls occurred because the City has not established formal procedures for preparing, reviewing, and approving journal entries. The accounting system allows entries to be posted without supervisory approval, and no secondary review process exists to verify accuracy or appropriateness before posting. Limited staffing and reliance on manual processes further contributed to the control weakness.

Effect: Without adequate support and independent review of journal entries, there is an increased risk of:

- Errors or irregularities being recorded in the general ledger;
- Misstatements of account balances in the financial statements; and
- Fraudulent or unauthorized transactions going undetected.

This weakens the reliability of the City's financial reporting and increases the risk of noncompliance with internal control best practices.

Recommendation: We recommend that the City:

- Develop and implement a formal journal entry policy requiring documentation to support the purpose, calculation, and appropriate account coding for each entry.
- Establish a control process requiring independent review and approval of all journal entries by a supervisor or finance director prior to posting.
- Implement system-level controls, if available, to restrict posting access and require electronic approval for journal entries.
- Provide training to accounting staff on proper documentation and authorization procedures.

Management Response: Management agrees with the finding. The City will implement a formal policy outlining documentation and approval requirements for all journal entries.

2024-011 – FRS/HIS measurement date (Material Weakness)

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and related implementation guidance require that participating employers in a cost-sharing, multiple-employer defined benefit pension plan—such as the Florida Retirement System (FRS)—report their proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense using information measured as of the plan's most recent actuarial measurement date that is no earlier than the end of the employer's prior fiscal year. The City must use the measurement date and related pension amounts as reported in the FRS audited pension schedules issued by the Florida Department of Management Services, Division of Retirement.

Condition: During our audit of the City financial statements for the fiscal year ended September 30, 2024, we noted that the City used an incorrect measurement date when reporting FRS pension information in the prior year's financial statements. Specifically, the City's previously reported amounts for its proportionate share of FRS pension balances were based on an incorrect actuarial measurement period, resulting in the need for a prior period adjustment to correct the balances.

Cause: The error occurred because management used pension information derived from an incorrect FRS measurement date when preparing the financial statements. Internal review procedures did not identify that the actuarial information used did not align with the required FRS measurement date required under GASB 68.

Effect: The use of an incorrect FRS measurement date resulted in misstated beginning net position and related pension balances in the prior period. A prior period adjustment was required to properly reflect the City's proportionate share of the FRS pension balances as of the appropriate measurement date.

As a result, the City recorded a prior period adjustment totaling \$604,675, composed of the following corrections:

- Credit to Net Pension Liability as of 9/30/23: \$396,659
- Credit to Deferred Outflows of Resources – Pensions as of 9/30/23: \$203,888
- Credit to Deferred Inflows of Resources – Pensions as of 9/30/23: \$4,128

Recommendation: We recommend that the City strengthen its financial reporting review procedures to ensure that pension-related amounts reported in the financial statements are based on the correct FRS measurement date and corresponding schedules issued by the Florida Department of Management Services. Management should perform a detailed review of pension-related disclosures and reconciliations during the financial statement preparation process to confirm compliance with GASB 68 requirements.

Management Response: Management concurs with the finding. The City has updated its year-end closing and review procedures to include verification of the correct FRS measurement date and reconciliation to the official FRS pension allocation schedules.

2024-014 – Failure to recognize ARPA revenue (Material Weakness)

Criteria: Under generally accepted accounting principles (GAAP) and the Governmental Accounting Standards Board (GASB) revenue recognition standards, ARPA funds should be recognized as revenue in the period in which all eligibility requirements have been met. When allowable expenditures have occurred, the government is considered to have earned the related revenue. Therefore, unearned revenue should be reduced and revenue should be recognized accordingly.

Condition: During our audit of the City's financial statements, we noted that the City did not properly recognize revenue related to the American Rescue Plan Act (ARPA). Although ARPA-eligible expenditures totaling \$460,957 were incurred during the period, the corresponding ARPA revenue was not recognized. Instead, the City continued to report these amounts as unearned revenue. As a result, both revenue and fund balance/net position were understated by \$460,957, and unearned revenue was overstated by the same amount.

Cause: The error resulted from the City not performing a year-end adjustment to reduce unearned revenue and recognize revenue for ARPA-eligible expenditures incurred during the period.

Effect: The City's financial statements did not accurately reflect ARPA revenue earned during the period. Specifically:

- Revenue is understated by \$460,957.
- Net position/fund balance is understated by \$460,957.
- Unearned revenue is overstated by \$460,957.

This misstatement could impact users' understanding of the City's financial performance and financial position.

Recommendation: We recommend that the City implement procedures to ensure all ARPA (and other grant) revenues are recognized in accordance with GAAP in the period in which eligibility requirements are met.

Management Response: Management agrees with the finding and will perform a detailed review of ARPA expenditures to ensure that revenue is properly recognized as the funds are spent.

Report on Compliance and Other Matters

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

City of Indian Harbour Beach, Florida's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Indian Harbour Beach, Florida's responses to the findings identified in our audit. The City of Indian Harbour Beach, Florida's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida

November 21, 2025

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Indian Harbour Beach, Florida, (the "City") as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated November 21, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated November 21, 2025, 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 financial audit report. No findings and recommendations were made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the City and its component units are disclosed in the footnotes.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following matters:

2024-007 – Casualty Insurance Premium

Criteria: Under Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidance—specifically GASB Statement No. 34—governments are required to record financial transactions on a gross basis unless net presentation is specifically permitted. Pass-through or interfund transactions should be reported as both an inflow (revenue or transfer in) and an outflow (expenditure or transfer out) to accurately present the nature of the financial activity. Netting such transactions obscures the flow of resources between funds and misrepresents financial position and activity at the fund level.

Condition: The City improperly netted a pass-through casualty insurance premium payment related to the Municipal Police Officers' Pension Trust Fund in the General Fund in the amount of \$118,363. Specifically, the City received state casualty insurance premium tax revenues intended for the Police Pension Trust Fund but recorded the transaction on a net basis within the General Fund, rather than recognizing both the inflow and outflow separately. As a result, General Fund revenues and expenditures were understated, and the transfer to the Pension Trust Fund was not properly reflected.

Cause: The improper recording occurred because City accounting staff were not fully aware that the casualty insurance premium tax revenue was required to be recorded as both a General Fund inflow and a corresponding transfer to the Municipal Police Officers' Pension Trust Fund. The transaction was recorded net for simplicity, and no review controls were in place to ensure proper gross reporting of interfund activity.

Effect: As a result, both revenues and expenditures in the General Fund were understated, and the transfer to the Municipal Police Officers' Pension Trust Fund was not properly reflected in the financial statements. This misstatement reduces the transparency of financial reporting and may mislead users regarding the level of financial activity and fund transfers.

Recommendation: We recommend that the City:

- Record all pass-through transactions, including casualty insurance premium tax receipts for the Police Pension Trust Fund, on a gross basis, recognizing both the revenue and corresponding transfer to the appropriate fund.
- Review all similar transactions for proper reporting under GASB requirements.
- Provide training to finance personnel regarding proper accounting for interfund and pass-through transactions.
- Implement a review control to ensure all such transactions are properly recorded and classified during the year-end close process.

Management Response: Management concurs with the finding. The City will ensure that future casualty insurance premium tax receipts are recorded as both a revenue and transfer to the Municipal Police Officers' Pension Trust Fund.

2024-008 – Census data testing review

Criteria: Under Governmental Accounting Standards Board (GASB) Statements No. 67, 68, 74, and 75, management is responsible for ensuring that the underlying census data provided to actuaries is accurate and complete. Accurate employee data—such as dates of birth, hire dates, compensation, and employment status—is critical to determining proper pension and OPEB liability measurements and related financial statement disclosures. Additionally, internal control standards (COSO and GAGAS) require that management establish and maintain controls to ensure the reliability of data used in significant accounting estimates, including actuarial valuations.

Condition: During testing of census data provided to the actuary, for the City's pension and other postemployment benefits (OPEB) valuations, we identified inaccuracies in the information provided to the actuary. Specifically, one employee's date of birth was reported incorrectly, and four employees' pay rates did not agree to payroll records at year-end. These discrepancies indicate that the data used in the actuarial valuation reports may not have been fully accurate or complete.

Cause: The inaccuracies occurred because the City does not have a formal review process to verify census data before submission to the actuary. Data was compiled from various payroll and HR sources and transmitted without independent verification or reconciliation to current payroll and personnel records.

Effect: Errors in census data provided to the actuary may result in inaccurate actuarial valuations of pension and OPEB liabilities. While the identified discrepancies may not have had a material effect on the current year's actuarial results, continued data inaccuracies could lead to misstated net pension and OPEB liabilities, related expense, and required disclosures in the financial statements. Inaccurate data may also affect future funding decisions and contribution requirements.

Recommendation: We recommend that the City:

- Implement a formal data validation and review process prior to submitting census information to the actuary.
- Reconcile census data (e.g., birth dates, hire dates, pay rates, and employment status) to current HR and payroll records to ensure accuracy.
- Designate a responsible staff member to review and approve the census file before transmission.

- Periodically perform spot checks or internal audits of census data to identify and correct errors promptly.
- Provide training to HR and finance personnel on the importance of accurate census data for actuarial reporting.

Management Response: Management agrees with the finding. The City will implement a review process for all census data submitted to the actuary to ensure accuracy and completeness.

2024-009 – Formal policy over SOC 1 Type 2 reports for service organizations used by the City

Criteria: According to Government Auditing Standards (GAGAS) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework, management is responsible for assessing and monitoring internal controls over outsourced service providers that impact financial reporting. Per AICPA SOC 1 guidance, user entities (such as the City) must review the SOC 1 Type 2 reports of their service organizations to (1) understand the service organization's control environment, (2) evaluate any noted control deficiencies, and (3) ensure that required user entity controls are implemented within their own organization.

Condition: The City does not perform an adequate review of Service Organization Control (SOC) 1 Type 2 reports for third-party service providers that process or maintain financial data on behalf of the City. While the City obtains SOC 1 reports from some of its service organizations—such as payroll processors and financial software vendors—it does not document a review or evaluation of the reports to determine whether user entity controls were implemented or whether any identified exceptions or deficiencies may impact the City's financial reporting.

Cause: The City has not established a formal policy or assigned responsibility for reviewing SOC 1 Type 2 reports. Staff receive the reports but do not evaluate the results or document whether complementary user controls are in place. This appears to result from limited awareness of the importance of reviewing these reports as part of the City's overall internal control framework.

Effect: Failure to properly review SOC 1 Type 2 reports increases the risk that control weaknesses at third-party service providers could go undetected and negatively affect the accuracy and integrity of the City's financial data. Without confirming that user entity controls are implemented, the City cannot ensure that data processed by its service organizations is secure, accurate, and complete. This could lead to financial reporting errors or data security vulnerabilities.

Recommendation: We recommend that the City:

- Develop and implement a formal process for obtaining, reviewing, and documenting the evaluation of SOC 1 Type 2 reports for all key service providers that impact financial reporting.
- Designate a responsible employee (e.g., Finance Director or IT Manager) to review the reports annually and ensure that all complementary user entity controls identified in the SOC reports are in place and functioning at the City.
- Investigate any control exceptions or qualifications noted in the SOC reports and determine whether they pose a risk to the City's data or financial reporting.
- Maintain written documentation of all reviews and follow-up actions taken as part of the City's internal control records.

- Provide training to relevant staff to ensure understanding of SOC report reviews and user entity responsibilities.

Management Response: Management concurs with the finding. The City will develop a formal procedure for obtaining and reviewing SOC 1 Type 2 reports from all significant service providers. Staff will document reviews, evaluate complementary user entity controls, and ensure corrective actions are taken as needed. Training will be provided to key personnel before the next audit period.

2024-010 – Documented review of budget to actual

Criteria: According to Government Auditing Standards (GAGAS), Generally Accepted Accounting Principles (GAAP) for state and local governments, and the COSO Internal Control—Integrated Framework, management is responsible for monitoring financial performance and ensuring that actual results are consistent with the approved budget. Regular, documented reviews of budget-to-actual information are key monitoring controls that help detect financial misstatements, identify potential budget overruns, and support sound fiscal management. Additionally, Government Finance Officers Association (GFOA) best practices recommend that budget-to-actual results be reviewed and reported to management and the governing body on a consistent basis.

Condition: The City does not have a documented process demonstrating management's regular review of budget-to-actual financial results throughout the fiscal year. While budget-to-actual reports are generated periodically and discussed, there was no evidence that management reviews, investigates, or documents explanations for significant variances between actual and budgeted amounts throughout the fiscal year 2024.

Cause: Staff relied on informal discussions or ad hoc reviews rather than consistent, documented oversight procedures..

Effect: Without a documented and consistent review of budget-to-actual performance, there is an increased risk that:

- Errors or irregularities in financial reporting could go undetected;
- Budgetary control issues or overspending may not be identified timely; and
- The governing body lacks complete and reliable information for financial decision-making.

This weakens overall financial oversight and monitoring within the City's internal control framework.

Recommendation: We recommend that the City:

- Establish a formal policy and timeline for management's review of budget-to-actual reports (e.g., monthly or quarterly).
- Require documentation of the review, including explanations for significant variances and any corrective actions taken.
- Present budget-to-actual results and variance analyses regularly to the governing body for oversight.
- Retain records of these reviews as part of the City's internal control documentation.
- Provide training to department heads and finance personnel on the importance of timely and documented budget monitoring.

Management Response: Management agrees with the finding. The City will implement a formal process to review and document budget-to-actual comparisons on a monthly basis.

2024-012 – Documented review of revenue sources

Criteria: Sound internal control over financial reporting requires that management establish and maintain effective review, authorization, and documentation procedures for all revenue sources. According to Government Auditing Standards and generally accepted accounting principles (GAAP) for governmental entities, adequate controls should exist to ensure that:

- All revenues are properly recorded, authorized, and supported by documentation;
- Cash receipts are safeguarded through dual verification and segregation of duties; and
- Changes to system-based fee schedules (such as building permit fees) are reviewed and approved by appropriate personnel before implementation.

Condition: During our audit, we noted deficiencies in internal control and documentation related to various revenue sources. Specifically, we observed that:

- Automated Clearing House (ACH) payments received by the City were not subject to an independent review prior to being recorded in the accounting system through journal entries.
- Credit card payments received were not consistently supported by adequate documentation to verify the nature and source of each transaction.
- Cash deposits were not documented to indicate they were consistently counted and verified by two separate individuals prior to bank deposit, as required by best practices to prevent and detect potential errors or misappropriation.
- Building permit fees entered or updated within the permitting software were not independently reviewed or documented to confirm that the correct, approved fee schedules were being applied to customer billings.

Cause: The noted conditions occurred due to a lack of formal policies and review procedures over revenue collection and documentation. The City's current processes rely heavily on individual staff without sufficient secondary review or verification controls. In addition, management has not implemented consistent documentation requirements for electronic and credit card receipts or formal review procedures for system updates to fee structures.

Effect: Without proper review, approval, and documentation controls over revenue sources, there is an increased risk of errors, omissions, or unauthorized transactions being recorded in the City's financial records. Inadequate segregation of duties over cash handling and lack of oversight over system-calculated fees could also expose the City to potential loss, misstatement of revenues, or noncompliance with established policies.

Recommendation: We recommend that the City strengthen its internal control procedures over revenue collection and documentation by:

- Implementing an independent review of ACH payment receipts prior to recording related journal entries.
- Requiring and retaining supporting documentation for all credit card receipts to substantiate each transaction and source.
- Establishing a policy that all cash deposits be counted and verified by two separate employees, with both initials documented on the deposit slip or reconciliation form.
- Developing and enforcing a formal review and approval process control for all updates to building permit fee schedules and related software configurations, with documentation retained to evidence approval.

Management Response: Management agrees with the finding and has begun to retain documentation of revenue collections.

2024-013 – Over-expenditures of budget

Criteria: Section 166.241, Florida Statutes, requires that each municipality adopt a balanced budget for every fiscal year and that no officer of the municipal government expend or contract for expenditures except pursuant to the adopted budget. Municipalities may amend their budgets; however, subsection (4) of the statute requires that budget amendments that change the total appropriations of a fund must be adopted in the same manner as the original budget and within 60 days following the end of the fiscal year.

Additionally, sound budgetary control practices dictate that expenditures should not exceed appropriations at the legal level of budgetary control established by the governing body. Exceeding the budget at this level constitutes noncompliance with Florida law and demonstrates deficiencies in budget monitoring.

Condition: During our audit, we noted that total expenditures exceeded appropriations at the departmental level (the level of budgetary control established by governance), specifically for “Transportation” by \$15,315. Although City management identified the budget overruns, the amendments were not formally approved by the City Council within the 60-day period after fiscal year end as required by Section 166.241(4), Florida Statutes. As a result, expenditures in excess of the approved budget remained unamended at year-end, causing the City to be in noncompliance with state law and its own adopted budget ordinance.

Cause: The over-expenditures occurred because the City did not process and adopt the required budget amendments within the statutory deadline. This was due to timing and scheduling delays in preparing the amendments for City Council approval.

Effect: Failure to adopt timely budget amendments resulted in expenditures exceeding appropriations at the departmental level of budgetary control and noncompliance with Section 166.241, Florida Statutes. This condition may also reduce transparency in the City’s financial management and could impair future budgetary compliance or the accuracy of financial statement disclosures related to budgetary comparison schedules.

Recommendation: We recommend that the City strengthen its budget monitoring and amendment procedures to ensure compliance with Section 166.241, Florida Statutes. Specifically, management should:

- Implement a formal timeline and monitoring checklist to ensure that any required budget amendments are adopted within the statutory 60-day limit after fiscal year end;
- Regularly review departmental expenditure reports throughout the year to identify potential over-expenditures before year end; and
- Establish internal review controls to confirm that budget amendments affecting the total appropriations of a fund are approved by City Council in the same manner as the original budget.

Management Response: Management concurs with the finding. The City will strengthen its internal procedures for monitoring expenditures and processing budget amendments. Management will ensure

that all required budget amendments are prepared, reviewed, and presented for Council approval within the 60-day statutory timeframe.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City 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, L.L.C.

Melbourne, Florida

November 21, 2025



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Honorable Mayor and Members of the City Council
Of the City of Indian Harbour Beach, Florida

We have examined the City of Indian Harbour Beach, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2024. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2024.

This report is intended solely for the information and use of management, City Council, 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, L.L.C.

Melbourne, Florida
November 21, 2025