City of Indian Harbour Beach, Florida

FINANCIAL STATEMENTS

September 30, 2025

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City of Indian Harbour Beach, Florida
City Officials
For the year ended September 30, 2025

Mayor
Scott Nickle

Deputy Mayor
Francis Guertin

Council Members
David Nutt
Adam Dyer
Susan Ruimy

City Manager
John W. Coffey

City Attorney
Karl Bohne

City Clerk
Nikki Gold

Comptroller
Angela Dollens

CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025 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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards 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 September 9, 2026 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
September 9, 2026

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, 2025. 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, 2025:

- Government-wide total net position on September 30, 2025, was $38,813,422, which is an increase of approximately 14% or $4,619,025.

- Government-wide total revenues were $14,862,525 while government-wide total expenses were $10,243,500. Total revenues increased by approximately 13% or $1,685,004 while total expenses decreased by 2% or $159,249.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $15,691,269, which is an increase of approximately 9% or $1,299,159 over the previous fiscal year.

- 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 $553,356 held in trust for supplemental police officer pension benefits. This net position is an increase of 9% or $45,388 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 $15,696,296 held in trust for municipal police officer pension benefits. This net position is an increase of 7% or $968,722 over the previous year.

- As of September 30, 2025, 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.

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.

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 71-72 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 27-68 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 71-83 and the supplementary combining fund financial statements begin on page 85.

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

	2025	2024	Change
Current and other assets	**$ 18,952,430**	$ 17,065,118	$ 1,887,312
Capital assets	**26,127,779**	24,285,939	1,841,840
Total assets	**45,080,209**	41,351,057	3,729,152
Deferred outflows	**1,688,573**	2,599,199	(910,626)
Unearned revenue	**1,498,223**	2,366,588	(868,365)
Current liabilities	**632,415**	523,256	109,159
Long-term liabilities	**4,003,632**	5,837,502	(1,833,870)
Total liabilities	**6,134,270**	8,727,346	(2,593,076)
Deferred inflows	**1,821,090**	1,028,513	792,577
Net position:			
Net investment in capital assets	**26,127,779**	24,285,939	1,841,840
Restricted	**638,520**	638,520	-
Unrestricted	**12,047,123**	9,269,938	2,777,185
Total net position	**$ 38,813,422**	$ 34,194,397	$ 4,619,025

Governmental Activities

During the current fiscal year, the City's net position increased over the previous fiscal year's net position by $4,619,025 including an increase in current and other assets of $1,887,312 due to timing of cash flows and an increase in capital assets of $1,841,840, which was primarily due to 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 $109,159 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.

The following table shows condensed revenue and expense data:

Statement of Activities

	2025	2024	Change
Revenues:			
Program revenues:			
Charges for services	**$ 1,039,196**	$ 742,208	$ 296,988
Operating grants and contributions	**26,103**	-	26,103
Capital grants and contributions	**2,554,548**	1,400,751	1,153,797
General revenues:			
Property taxes	**7,517,695**	7,032,312	485,383
Other taxes	**1,370,171**	1,383,561	(13,390)
State shared revenues	**1,018,645**	986,293	32,352
Franchise fees	**825,069**	862,939	(37,870)
Local shared revenues	**5,964**	7,425	(1,461)
Interest income	**430,531**	743,392	(312,861)
Other revenues	**43,284**	54,718	(11,434)
Gain (loss) on disposal of capital assets	**31,319**	(36,078)	67,397
Total revenues	**14,862,525**	13,177,521	1,685,004
Expenditures:			
General government	**3,933,035**	3,668,850	264,185
Public safety	**4,374,078**	4,571,337	(197,259)
Transportation	**1,193,169**	1,370,057	(176,888)
Recreation	**743,218**	792,505	(49,287)
Total expenditures	**10,243,500**	10,402,749	(159,249)
Change in net position	**4,619,025**	2,774,772	1,844,253
Net position, beginning	**34,194,397**	31,859,601	2,334,796
Accounting changes and error corrections (see Note 2)	**-**	(439,976)	439,976
Net position, beginning of year, restated	**34,194,397**	31,419,625	2,774,772
Net position, ending	**$ 38,813,422**	$ 34,194,397	$ 4,619,025

Program revenues include the following significant changes in the current year: capital grants and contributions increased $1,153,797 due to the recognition of ARPA funds and FDEP grant funds. The ARPA fund recognized $835,149 in revenue and had $835,149 in expenditures.

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

Total expenses during the fiscal year decreased by $159,249 when compared to the previous year. General government expenses increased by $264,185 primarily from increases in repairs and maintenance expenses, increase in salary expense, and $89,547 from increases in web-based subscriptions. Public safety expenses decreased by $197,259, mostly due to annual actuarial pension-related entries. Transportation expenses decreased by $176,888 and recreation expenses decreased by $49,287, 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 $15,691,269, an increase of $1,299,159 in comparison with the prior year. Approximately 89% of this total amount $13,368,308, constitutes unassigned fund balance, which is available for spending at the government's discretion. Committed fund balances include $1,147,154 for various ongoing maintenance and capital projects. Non-major fund balances are restricted and are made up of $14,969 for impound fund, $1,909 for police training fund and $558,929 for stormwater utility fund, which are all restricted funds based on their specific stipulated purpose for each fund.

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 $13,968,308 while total fund balance was $15,115,462. 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 8% and 92% 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 2024/2025 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 71-72.

At the end of the fiscal year, the City had an actual excess of revenues over expenditures of $1,243,370 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 franchise fee receipts and building department permit fees. Intergovernmental revenue decreased as there were less grants during the current year with funds received during the period of availability. Interest income grew due to higher average account balances in 2025 combined with higher average interest rate earnings on various investment accounts. Actual expenditures in the general fund were lower than final budgeted expenditures by $3,874,583 or 25%.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets. As of September 30, 2025, the City's capital assets total for its governmental activities was $26,127,779 (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 5.4%.

Capital Assets (Net of Depreciation)

	2025	2024
Land	**$ 3,050,325**	$ 3,050,325
Construction in progress	**782,653**	603,622
Buildings	**8,958,576**	8,497,073
Improvements other than buildings	**2,550,961**	2,628,878
Equipment	**1,319,175**	1,342,722
Motor vehicles	**1,350,231**	1,497,857
Software	**266,090**	222,155
Infrastructure	**7,849,768**	6,443,307
Total	**$ 26,127,779**	$ 24,285,939

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 2024/2025 fiscal year included:

- Buildings and improvements – Stormwater system improvements, Gleason Park Restrooms, and the Algonquin Sports Complex expansion
- Equipment – Playground and fire gear

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.

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 2026 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 the design phase of the Fire Station Annex, the completion of state-funded stormwater projects, and the near-completion 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

September 30, 2025	Governmental Activities
Assets	
Cash, cash equivalents, and investments	$ 16,520,813
Receivables	1,726,382
Restricted assets	
Cash, cash equivalents, and investments	575,807
Net pension asset	129,428
Capital assets	
Non-depreciable	3,832,978
Depreciable, net	22,294,801
Total assets	45,080,209
Deferred Outflows of Resources	
Deferred outflows related to OPEB	71,428
Deferred outflows related to pensions	1,617,145
Total deferred outflows of resources	1,688,573
Liabilities	
Accounts payable	261,669
Accrued wages payable	131,143
Unearned revenue	1,498,223
Other liabilities	24,253
Non-current liabilities	
Due within one year	
Compensated absences	215,350
Due in more than one year	
Compensated absences	416,459
Other postemployment benefits	217,394
Net pension liability	3,369,779
Total liabilities	6,134,270
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,538,469
Deferred inflows related to OPEB	282,621
Total deferred inflows of resources	1,821,090
Net Position	
Net investment in capital assets	26,127,779
Restricted	638,520
Unrestricted	12,047,123
Total net position	$ 38,813,422

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, 2025		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					
General government	$ 3,933,035	$ 94,750	$ -	2,051,594	$ (1,786,691)
Public safety	4,374,078	219,854	26,103	176,101	(3,952,020)
Transportation	1,193,169	445,665	-	326,853	(420,651)
Recreation	743,218	278,927	-	-	(464,291)
Total governmental activities	$ 10,243,500	$ 1,039,196	$ 26,103	$ 2,554,548	(6,623,653)

General revenues	
Taxes	
Property taxes	7,517,695
Local option, use and fuel taxes	344,496
Utility service taxes	712,467
Other general taxes	313,208
State shared revenues	1,018,645
Franchise fees	825,069
Local shared revenues	5,964
Interest income	430,531
Other revenues	43,284
Gain on disposal of capital assets	31,319
Total general revenues	11,242,678
Change in net position	4,619,025
Net position, beginning of year	34,194,397
Net position, end of year	$ 38,813,422

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

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

September 30, 2025	General Fund	ARPA Fund	Nonmajor Funds	Governmental Funds
ASSETS				
Cash, cash equivalents and investments	$ 14,914,852	$ 1,605,961	$ -	$ 16,520,813
Accounts receivable	1,726,382	-	-	1,726,382
Restricted cash, cash equivalents and investments	-	-	575,807	575,807
Total assets	$ 16,641,234	$ 1,605,961	$ 575,807	$ 18,823,002
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 149,655	$ 112,014	$ -	$ 261,669
Accrued wages payable	131,143	-	-	131,143
Unearned revenue	4,276	1,493,947	-	1,498,223
Unavailable revenue	1,216,445	-	-	1,216,445
Other liabilities	24,253	-	-	24,253
Total liabilities	1,525,772	1,605,961	-	3,131,733
Fund balances:				
Restricted	-	-	575,807	575,807
Committed	1,147,154	-	-	1,147,154
Unassigned	13,968,308	-	-	13,968,308
Total fund balances	15,115,462	-	575,807	15,691,269
Total liabilities and fund balances	$ 16,641,234	$ 1,605,961	$ 575,807	$ 18,823,002

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, 2025

Total fund balances - governmental funds		$ 15,691,269
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	$ 41,200,756	
Less: accumulated depreciation and amortization	(15,072,977)	26,127,779
Unavailable revenue is recoreded as a liability in the fund statements but is recorded as revenue in the governmental activities.		1,216,445
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences	$ (631,809)	
Other post employment benefits payable	(217,394)	
Net pension asset	129,428	
Net pension liabilities	(3,369,779)	(4,089,554)
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.		1,688,573
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.		(1,821,090)
Net position of governmental activities		$ 38,813,422

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

Year ended September 30, 2025	General Fund	ARPA Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	$ 8,887,866	$ -	$ -	$ 8,887,866
American Rescue Plan Act grant	-	835,149	-	835,149
Permits, fees, and special assessments	1,067,126	-	358,854	1,425,980
Intergovernmental	1,762,610	-	-	1,762,610
Charges for services	360,729	-	-	360,729
Judgments, fines, and forfeitures	18,306	-	889	19,195
Interest and other earnings	455,559	-	830	456,389
Miscellaneous	41,790	-	53	41,843
Total revenues	12,593,986	835,149	360,626	13,789,761
Expenditures				
Current				
General government	2,714,429	-	-	2,714,429
Public safety	3,947,397	-	-	3,947,397
Transportation	1,458,581	-	3,428	1,462,009
Recreation	1,070,460	-	-	1,070,460
Capital outlay	2,159,749	835,149	335,889	3,330,787
Total expenditures	11,350,616	835,149	339,317	12,525,082
Excess (deficiency) of revenues over (under) expenditures	1,243,370	-	21,309	1,264,679
Other financing sources				
Proceeds from the sale of capital assets	34,480	-	-	34,480
Net other financing sources	34,480	-	-	34,480
Net change in fund balances	1,277,850	-	21,309	1,299,159
Fund balances, beginning of year	13,837,612	-	554,498	14,392,110
Fund balances, end of year	$ 15,115,462	$ -	$ 575,807	$ 15,691,269

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, 2025

Net change in fund balances - total governmental funds		$ 1,299,159
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 outlay exceed depreciation in the current period.		
Capital outlay	$ 3,330,787	
Less: Depreciation expense	(1,485,786)	1,845,001
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.		(3,161)
Some revenues will not be collected within 60 days after the close of the City's fiscal year end, therefore they are not considered available revenue in the governmental funds. In the Statement of Activities, presented on accrual basis, these revenues are recognized.		1,216,445
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.		251,323
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.		23,059
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.		(12,801)
Change in net position of governmental activities		$ 4,619,025

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, 2025		Police Officers' Supplemental Pension Plan Fund		Municipal Police Officers' Retirement Fund
ASSETS				
Cash and cash equivalents	$	549,038	$	-
Investments at fair value		-		15,567,791
Contribution receivable		4,318		128,505
Total assets	$	553,356	$	15,696,296
NET POSITION				
Restricted				
Held in trust for pension benefits		553,356		15,696,296
Total liabilities and fund balances	$	553,356	$	15,696,296

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

For the year ended September 30, 2025	Police Officers' Supplemental Pension Plan Fund	Municipal Police Officers' Retirement Fund
ADDITIONS		
Contributions		
Employer contributions	$ 34,951	$ 350,684
State contributions	-	128,505
Employee contributions	-	90,097
Total contributions	34,951	569,286
Investment income		
Net appreciation in the fair value of investments	42,335	365,725
Interest and dividends	-	966,630
Total investment earnings	42,335	1,332,355
Less: investment related expenses	-	(46,021)
Net investment gain	42,335	1,286,334
Total additions	77,286	1,855,620
DEDUCTIONS		
Retirement benefits paid	23,780	847,607
Administrative expenses	8,118	39,291
Total deductions	31,898	886,898
Net increase in fiduciary net position	45,388	968,722
Net position, beginning of year	507,968	14,727,574
Net position, end of year	$ 553,356	$ 15,696,296

The accompanying notes are an integral part of these 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.

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.

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.

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.

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.

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.

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.

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:

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:

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.

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.

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, September 9, 2026, 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. 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. There were no significant impacts of implementing this Statement. The Statement requires retrospective application; however, the change to the opening balances was de minimis.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement was issued in December 2023 to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement 102 will be effective for the fiscal year ending September 30, 2025. The City implemented this pronouncement but its guidance has no significant impact on the City's financial statements or its current accounting practices.

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

GASB Statement 103, *Financial Reporting Model Improvements*. This Statement was issued April 2024 to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This establishes new accounting and financial reporting requirements—or modifies existing requirements—related to Management's discussion and analysis (MD&A); unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This Statement will supersede and amend portions of GASB Statements 34 and 37. This Statement further amends portions of GASB Statements 14, 41, 42, 44, 49, 56, 58, 61, 62 and 69. Related guidance will also be superseded or amended upon implementation. Statement 103 will be effective for the fiscal year ending September 30, 2026.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

GASB Statement 104, *Disclosure of Certain Capital Assets*. This Statement was issued September 2024 to provide users of government financial statements with essential information about certain types of capital assets. This requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Statement 104 will be effective for the fiscal year ending September 30, 2026.

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

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2025, $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.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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.

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, 2025, the City had deposits in the amount of $321,393 at Florida PRIME.

FMIvT 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, 2025, the City had deposits in the amount of $266,162 and $7,080,255 at FMIvT 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 (FMIvT) 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, 2025, 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.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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, 2025, 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.

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.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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.

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, 2025:

Governmental funds	Fair Value	Less than 1	1 - 5	More than 5	Weighted Average Maturity	Rating	Agency	Level
Cash	$ 9,428,810	$ -	$ -	$ -	N/A	Not rated		
Local government pooled investment accounts:								
Florida PRIME	321,393	321,393	-	-	47 days	AAAm	S&P	L1
Florida Municipal Investment Trust	266,162	266,162	-	-	0.90 years	AAAf/S1	Fitch	N/A
Florida SAFE	7,080,255	7,080,255	-	-	38 days	AAAm	S&P	L1
Total cash, cash equivalents and investments	$ 17,096,620	$ 7,667,810	$ -	$ -				

Pension trust funds	Fair Value	Less than 1	1 - 5	6 - 10	Duration	Rating	Agency	Level
Municipal Police Officers' Pension Trust Fund								
Money market fund	$ 143,064	$ 143,064	$ -	$ -	N/A	Not rated	-	L1
Fixed income mutual funds	4,945,119	4,945,119	-	-	N/A	Not rated	-	L1
Equity mutual funds	9,485,916	9,485,916	-	-	N/A	Not rated	-	L1
Total	15,567,791	14,574,099	-	993,692				
Police Officers' Supplemental Pension Plan								
Cash	4,392	-	-	-	N/A	Not rated	-	
Bond fund	87,846	87,846	-	-	N/A	Not rated	-	N/A
Fixed income fund	81,258	81,258	-	-	N/A	Not rated	-	N/A
Equity funds	331,070	331,070	-	-	N/A	Not rated	-	N/A
Total	549,038	500,174	-	44,472				
Total pension trust funds	$ 16,116,829	$ 15,074,273	$ -	$ 1,038,164				

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, 2025.

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.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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

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, 2025:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Florida Municipal Investment Trust - Governmental funds	$ 266,162	-	Monthly	Once a month, with advance written notification
Florida Municipal Investment Trust - POSPP	549,038	-	Monthly	Once a month, with advance written notification
Real Estate Funds	1,038,164	-	Monthly/Quarterly	Once a month to once a quarter, with advance written notification
	$ 1,853,364			

Accounts Receivable

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The City has no allowance for uncollectable accounts as of September 30, 2025, as all receivables are considered collectible. The accounts receivable accounts at September 30, 2025, were as follows:

	General Fund	Police Officers' Supplemental Pension Plan Fund	Municipal Police Officers' Retirement Fund
Franchise fees	$ 139,017	$ -	$ -
Taxes	195,810	-	-
Utilities	138,172	-	-
Contributions	-	4,318	128,505
Other	1,253,383	-	-
Receivables, net	$ 1,726,382	$ 4,318	$ 128,505

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, 2025:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 3,050,325	$ -	$ -	$ -	$ 3,050,325
Construction in progress	603,622	525,548	-	(346,517)	782,653
Total capital assets, not being depreciated	3,653,947	525,548	-	(346,517)	3,832,978
Capital assets, being depreciated:					
Building and improvements	11,661,856	456,717	-	233,957	12,352,530
Improvements other than buildings	4,305,725	99,028	-	15,500	4,420,253
Equipment	3,512,491	273,683	(11,934)	-	3,774,240
Motor vehicles	2,972,176	164,686	(83,403)	-	3,053,459
Software	429,482	-	-	-	429,482
Infrastructure	11,429,629	1,811,125	-	97,060	13,337,814
Total capital assets, being depreciated	34,311,359	2,805,239	(95,337)	346,517	37,367,778
Less accumulated depreciation for:					
Building and improvements	(3,164,783)	(229,171)	-	-	(3,393,954)
Improvements other than buildings	(1,676,847)	(192,445)	-	-	(1,869,292)
Equipment	(2,169,769)	(296,069)	10,773	-	(2,455,065)
Motor vehicles	(1,474,319)	(228,909)	-	-	(1,703,228)
Software	(207,327)	(37,468)	81,403	-	(163,392)
Infrastructure	(4,986,322)	(501,724)	-	-	(5,488,046)
Total accumulated depreciation	(13,679,367)	(1,485,786)	92,176	-	(15,072,977)
Total capital assets, being depreciated, net	20,631,992	1,319,453	(3,161)	346,517	22,294,801
Governmental activities capital assets, net	$ 24,285,939	$ 1,845,001	$ (3,161)	$ -	$ 26,127,779

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

For the year ended September 30,	2025
Governmental activities	
General government	$ 92,461
Public safety	505,768
Transportation	611,494
Recreation	276,063
Total depreciation expense - governmental activities	$ 1,485,786

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences*	$ 619,008	$ 12,801	$ -	$ 631,809	$ 215,350
OPEB liability	190,103	23,881	3,410	217,394	-
Net pension liabilities	5,245,227	-	(1,964,941)	3,280,286	-
Long-term liabilities	$ 6,054,338	$ 36,682	$ (1,961,531)	$ 4,129,489	$ 215,350

**Changes are shown net*

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.

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, 2023, the actuarial valuation date:

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

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.

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, 2025, 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, 2025.

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.

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, 2025, total pension expense of the City was $407,054, and total contributions to the MPORF of $569,286 consisted of the following:

		Plan Contributions
Employer	$	350,684
Member		90,097
State		128,505
Total contributions	$	569,286

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, 2025, the annual money-weighted rate of return on pension plan investments was 8.96%.

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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as October 1, 2023. The components of the MPORF's net pension liability at September 30, 2025, along with the changes from the prior year were as follows:

Total Pension Liability		
Service cost	$	277,124
Interest on the total pension liability		1,060,832
Changes in benefit terms		-
Differences between expected and actual experience		408,436
Benefit payments		(810,410)
Net change in total pension liability		935,982
Total pension liability - beginning		14,760,244
Total pension liability - ending (a)	$	15,696,226
Plan's Fiduciary Net Position		
Contributions from the City	$	300,115
Contributions from the State (non-special funding)		118,363
Contributions from employees		76,976
Benefit payments		2,880,039
Net investment income		(810,411)
Plan administrative expense		(62,126)
Net change in plan fiduciary net position		2,502,956
Plan fiduciary net position - beginning		12,225,119
Plan fiduciary net position - ending (b)		14,728,075
Net pension liability (asset) - Ending (a) - (b)	$	968,151

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, 2025, the City recognized pension expense of $407,054. 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	$ 397,039	$ (148,052)
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(751,204)
City and State pension plan contributions subsequent to the measurement date	479,189	-
Total	$ 876,228	$ (899,256)

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:

2026	$ 16,648
2027	287,154
2028	(404,542)
2029	(401,477)
Total	$ (502,217)

Note 5: RETIREMENT PLANS (Continued)

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

Actuarial assumptions

The total pension liability in the October 1, 2023, 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, 2024 measurement date are below:

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%
Domestic fixed income	25.0%	2.50%
Real estate	10.0%	4.50%
GTAA	5.0%	3.50%
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	$ 2,933,641	$ 968,151	$ 649,249

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, 2024, the actuarial valuation date:

	Plan Membership
Inactives currently receiving benefits	19
Inactives not yet receiving benefites	1
Active plan members	19
Total plan membership	39

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.

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, 2025, the total pension expense of the City was $3,387 and total contributions to the POSPP totaled $34,951. 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, 2025, the annual money-weighted rate of return on pension plan investments was 8.38%.

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, 2025, the City reported the changes in net pension liability related to the POSPP from the following sources:

Total Pension Liability		
Service cost	$	10,555
Expected interest growth		28,452
Demographic experience		(9,774)
Benefit payments, including refunds		(23,780)
Net change in total pension liability		5,453
Total pension liability - beginning		414,157
Total pension liability - ending (a)	$	419,610
Plan's Fiduciary Net Position		
Expected interest growth	$	(35,361)
Unexpected investment income		(6,973)
Contributions from the City		(34,951)
Benefit payments, including refunds		23,780
Plan administrative expense		8,117
Net change in plan fiduciary net position		(45,388)
Plan fiduciary net position - beginning		(503,650)
Plan fiduciary net position - ending (b)		(549,038)
Net pension liability (asset) - Ending (a) - (b)	$	(129,428)

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, 2025, the City recognized pension expense of $3,387. 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	$ 3,614	$ (40,626)
Change in assumptions	-	(2,639)
Net difference between projected and actual earnings on pension plan investments	17,551	(40,333)
City pension plan contributions subsequent to the measurement date	26,367	-
Total	$ 47,532	$ (83,598)

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
2026	$ (5,993)
2027	(23,199)
2028	(22,073)
2029	(9,135)
2030	(2,033)
Total	$ (62,433)

Actuarial assumptions

The total pension liability in the October 1, 2024, actuarial valuation was determined using the following actuarial assumptions, and rolled forward to the September 30, 2025 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

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, 2024 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.

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	$ 462,344	$ 419,610	$ 383,590
Less: fiduciary net position	(549,038)	(549,038)	(546,038)
City's net POSPP pension liability (asset)	$ (86,694)	$ (129,428)	$ (162,448)

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.

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, 2025 were as follows:

	FRS	HIS
Regular	12.03%	2.00%
Special risk	33.19%	2.00%
Senior management service	31.24%	2.00%
DROP participants	20.02%	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, 2025, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2025, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2025. 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.

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, 2025, the City recognized the following net pension liabilities and pension expenses for FRS and HIS.

	FRS	HIS
Net Pension Liability	$ 1,570,743	$ 830,886
Proportionate Share:		
At current measurement date	0.00506%	0.00648%
At prior measurement date	0.00477%	0.00582%
Pension expense	$ 191,292	$ 32,315

For the fiscal year ended September 30, 2025, 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	$ 167,772	$ -	$ 4,960	$ (1,318)
Change in assumptions	182,404	-	7,354	(200,970)
Net difference between projected and actual earnings on pension plan investments	-	(262,251)	-	(692)
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	113,486	(55,466)	110,392	(34,918)
City Pension Plan contributions subsequent to the measurement date	90,588	-	16,429	-
Total	$ 554,250	$ (317,717)	$ 139,135	$ (237,898)

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, 2025. 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
2026	$ 284,693	$ (24,353)
2027	(33,205)	(32,536)
2028	(62,053)	(28,859)
2029	(43,490)	(21,119)
2030	-	(8,325)
Total	$ 145,945	$ (115,192)

Actuarial Assumptions

The total pension liability for both FRS and HIS plans were measured as of June 30, 2025. The FRS liability was determined by an actuarial valuation dated July 1, 2025, and the HIS liability was determined by an actuarial valuation dated July 1, 2025. 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%	5.20%

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.

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 2025:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its meeting in October 2025.
- For HIS: The discount rate used in calculation of the pension liability increased from 3.93% to 5.20%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption of 3.50%. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Florida Retirement System

Asset class	Target allocation (1)	Annual Arithmetic Return	Compound annual (geometric) Return	Standard deviation
Cash equivalent	1.0%	3.2%	3.2%	1.1%
Fixed income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate (property)	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments	2.0%	6.5%	6.1%	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 5.20% 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, 2025 was used as the applicable municipal bond index.

Note 5: RETIREMENT PLANS (Continued)

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

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 (4.20%)	Current Discount (5.20%)	1% Increase (6.20%)
City's proportionate share of the net pension liability	$ 3,082,559	$ 1,570,743	$ 303,258	$ 936,958	$ 830,886	$ 741,926

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.

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

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.

Plan Membership

As of September 30, 2025, 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, 2024 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	4.06% (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.

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, 2025 is as follows:

Balance as of October 01, 2024	$	190,103
Changes for the year:		
Service cost		15,839
Expected interest growth		8,042
Demographic experience		-
Benefit payments and refunds		(10,304)
Assumption changes		13,714
Net changes		27,291
Balance as of September 30, 2025	$	217,394

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 (3.06%) or one percentage point higher (5.06%) than the current rate.

		1% Decrease (3.06%)		Discount rate (4.06%)		1% Increase (5.06%)
Total OPEB Liability	$	236,644	$	217,394	$	200,658

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	$	192,286	$	217,394	$	247,804

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, 2025, the City recognized OPEB benefit of $23,059.

As of September 30, 2025, the City reported deferred outflows of $71,428 and deferred inflows of $282,621.

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
2026	$	(36,636)
2027		(36,636)
2028		(36,636)
2029		(36,636)
2030		(29,957)
Thereafter		(34,692)
Total		(211,193)

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.

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

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 9,007,497	$ 9,007,497	$ 8,887,866	$ (119,631)
Intergovernmental	1,565,030	4,441,378	1,762,610	(2,678,768)
Charges for services	340,455	340,455	360,729	20,274
Permits, fees and special assessments	1,102,892	1,102,892	1,067,126	(35,766)
Judgments, fines and forfeits	8,750	8,750	18,306	9,556
Interest and other earnings	277,250	277,250	455,559	178,309
Miscellaneous	39,477	39,477	41,790	2,313
Total revenues	12,341,351	15,217,699	12,593,986	(2,623,713)
Expenditures				
Current				
General government	3,101,231	3,113,368	2,714,429	398,939
Public safety	4,061,114	4,038,830	3,947,397	91,433
Transportation	1,719,482	1,627,542	1,458,581	168,961
Recreation	982,024	1,004,208	1,070,460	(66,252)
Capital outlay	2,485,000	5,441,251	2,159,749	3,281,502
Total expenditures	12,348,851	15,225,199	11,350,616	3,874,583
Excess (deficiency) of revenues under (over) expenditures	(7,500)	(7,500)	1,243,370	1,250,870
Other financing sources				
Proceeds from the sale of capital asset	(7,500)	(7,500)	34,480	41,980
Total other financing sources	(7,500)	(7,500)	34,480	41,980
Net change in fund balance	-	-	1,277,850	1,277,850
Fund balances, beginning of year	13,837,612	13,837,612	13,837,612	-
Fund balances, end of year	$ 13,837,612	$ 13,837,612	$ 15,115,462	$ 1,277,850

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

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
American Rescue Plan Act grant	$ 74,846	$ 74,246	$ 835,149	$ 760,903
Interest and other earnings	-	1,799,968	-	(1,799,968)
Total revenues	74,846	1,874,214	835,149	1,039,065
Expenditures				
Current:				
General government	-	-	-	-
Capital outlay	74,246	1,874,214	835,149	1,039,065
Total expenditures	74,246	1,874,214	835,149	1,039,065
Excess (deficiency) of revenues over (under) expenditures	600	-	-	-
Net change in fund balance	600	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ 600	$ -	$ -	$ -

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

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, 2025, 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 Proportionate Share of Net Pension Liability
Municipal Police Officers' Retirement Fund
Last Ten Fiscal Years

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
City's total pension liability	$ 15,696,226	$ 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
The plan's fiduciary net position	14,728,075	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
City's net pension liability (asset)	968,151	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
Plan fiduciary net position as a percentage of Total Pension Liability	93.83%	82.84%	77.38%	102.48%	91.16%	87.31%	87.50%	87.66%	85.23%	85.95%
Covered payroll**	$ 1,184,243	$ 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
Net pension liability (asset) as a percentage of covered payroll	81.75%	182.40%	249.20%	-26.48%	87.61%	134.04%	129.76%	107.57%	119.35%	113.64%

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 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's Proportionate Share of Net Pension Liability
Police Officers' Supplemental Pension Plan
Last Ten Fiscal Years

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
City's total pension liability	$ 419,610	$ 408,476	$ 420,850	$ 418,519	$ 400,993	$ 381,715	$ 284,958	$ 272,779	$ 256,798	$ 251,963
The plan's fiduciary net position	549,038	414,636	377,347	437,936	356,480	313,387	272,803	243,683	202,859	173,381
City's net pension liability (asset)	(129,428)	(6,160)	43,503	(19,417)	44,513	68,328	12,155	29,096	53,939	78,582
Plan fiduciary net position as a percentage of Total Pension Liability	130.84%	101.51%	89.66%	104.64%	88.90%	82.10%	95.73%	89.33%	79.00%	68.81%
Covered payroll**	1,166,397	782,047	957,158	947,794	1,068,248	983,938	$ 889,552	$ 875,892	$ 830,401	$ 929,086
Net pension liability (asset) as a percentage of covered payroll	-11.10%	-0.79%	4.55%	-2.05%	4.17%	6.94%	1.37%	3.32%	6.50%	8.46%

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 and investment plan members.
* The amounts presented for each fiscal year were measured as of September 30.

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

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
City's proportion of the net pension liability (asset)	0.00506%	0.00477%	0.00497%	0.00509%	0.00466%	0.00447%	0.00453%	0.00475%	0.00500%	0.00484%
City's proportionate share of the net pension liability (asset)	$ 1,570,743	$ 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
Covered payroll**	$ 2,630,328	$ 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
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	59.72%	73.72%	83.36%	78.36%	20.42%	100.65%	86.33%	80.58%	84.20%	72.32%
Plan fiduciary net position as a percentage of Total Pension Liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

Health Insurance Subsidy

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
City's proportion of the net pension liability (asset)	0.00648%	0.00582%	0.00600%	0.00620%	0.00576%	0.00585%	0.00576%	0.00586%	0.00604%	0.00586%
City's proportionate share of the net pension liability (asset)	$ 830,886	$ 872,909	$ 953,405	$ 664,977	$ 721,138	$ 730,214	$ 657,749	$ 634,522	$ 661,100	$ 694,196
Covered payroll**	$ 2,630,328	$ 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
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.59%	34.88%	40.09%	27.80%	35.04%	36.30%	34.23%	34.11%	36.00%	40.64%
Plan fiduciary net position as a percentage of Total Pension Liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

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 and investment plan members.
* 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

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Actuarially determined contribution	$ 400,274	$ 468,093	$ 487,944	$ 518,894	$ 644,347	$ 590,327	$ 551,607	$ 521,728	$ 563,344	$ 545,405
Excess state money reserve	-	-	-	-	-	-	-	-	40,320	-
Contributions in relation to the actuarially determined contribution	418,478	477,601	496,604	531,008	646,480	588,885	563,893	489,080	568,723	604,769
Contribution deficiency (excess)	$ (18,204)	$ (9,508)	$ (8,660)	$ (12,114)	$ (2,133)	$ 1,442	$ (12,286)	$ 32,648	$ (45,699)	$ (59,364)
Covered payroll**	$ 1,184,243	$ 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
Contributions as a percentage of covered payroll	35.34%	34.38%	37.96%	41.14%	48.86%	48.58%	47.54%	37.87%	45.13%	53.14%

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 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

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Actuarially determined contributions	$ 26,367	$ 37,446	$ 27,102	$ 38,666	$ 45,134	$ 43,841	$ 21,754	$ 25,625	$ 27,186	$ 25,258
Contributions in relation to the actuarially determined contributions	34,951	36,115	29,561	42,114	46,358	48,839	35,955	30,984	35,117	68,454
Contribution deficiency (excess)	$ (8,584)	$ 1,331	$ (2,459)	$ (3,448)	$ (1,224)	$ (4,998)	$ (14,201)	$ (5,359)	$ (7,931)	$ (43,196)
Covered payroll**	$ 1,166,397	$ 782,047	$ 957,158	$ 947,794	$ 1,068,248	$ 983,938	$ 889,552	$ 875,892	$ 830,401	$ 929,086
Contributions as a percentage of covered payroll	3.00%	4.62%	3.09%	4.44%	4.34%	4.96%	4.04%	3.54%	4.23%	7.37%

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 and investment plan members.
* The amounts presented for each fiscal year were measured as of September 30.

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

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Actuarially determined contributions	$ 302,187	$ 270,066	$ 237,327	$ 217,374	$ 177,481	$ 148,503	$ 140,453	$ 135,317	$ 130,225	$ 117,941
Contributions in relation to the actuarially determined contributions	302,187	270,066	237,327	217,374	177,481	148,503	140,453	135,317	130,225	117,941
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll**	$ 2,630,328	$ 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
Contributions as a percentage of covered payroll	11.49%	10.79%	9.98%	9.09%	8.62%	7.38%	7.31%	7.27%	7.09%	6.91%

Health Insurance Subsidy

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Actuarially determined contributions	$ 57,938	$ 49,266	$ 39,491	$ 37,486	$ 33,858	$ 33,739	$ 31,961	$ 31,783	$ 31,948	$ 30,053
Contributions in relation to the actuarially determined contributions	57,938	49,266	39,491	37,486	33,858	33,739	31,961	31,783	31,948	30,053
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll**	$ 2,630,328	$ 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
Contributions as a percentage of covered payroll	2.20%	1.97%	1.66%	1.57%	1.65%	1.68%	1.66%	1.71%	1.74%	1.76%

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 and investment plan members.
* The amounts presented for each fiscal year were measured as of June 30.

POLICE OFFICERS' SUPPLEMENTAL PENSION PLAN

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return net of investment expense	8.38%	19.88%	8.63%	6.02%	7.20%	6.31%	6.96%	5.16%	7.58%	13.36%

MUNICIPAL POLICE OFFICERS' RETIREMENT FUND

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return net of investment expense	8.96%	23.96%	12.04%	-19.07%	19.87%	7.99%	3.58%	8.64%	12.44%	7.75%

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 Eight Years

Year Ending September 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	$ 15,839	$ 13,479	$ 13,676	$ 27,561	$ 44,385	$ 23,626	$ 27,900	$ 32,320
Interest	8,042	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	13,714	(3,987)	(115,910)	(71,212)	48,731	(88,541)	(130,070)	-
Benefit payments	(10,304)	(18,029)	(13,821)	(15,003)	(13,912)	(11,055)	(18,676)	(9,640)
Net change in total OPEB liability	27,291	(31,706)	(126,739)	(60,265)	62,570	(93,263)	10,679	34,492
Total OPEB liability - beginning	190,103	221,809	348,548	408,813	346,243	439,506	428,827	394,335
Total OPEB liability - ending	$ 217,394	$ 190,103	$ 221,809	$ 348,548	$ 408,813	$ 346,243	$ 439,506	$ 428,827
Covered employee payroll	$ 3,156,409	$ 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	6.89%	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%
9/30/2025 - 4.06%

SUPPLEMENTARY COMBINING FUND
FINANCIAL STATEMENTS

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

September 30, 2025	Impound Fund	Police Training Fund	Stormwater Utility Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents - restricted	$ 14,969	$ 1,909	$ 558,929	$ 575,807
Due from other funds	-	-	-	-
Total assets	14,969	1,909	558,929	575,807
Fund balances				
Restricted	14,969	1,909	558,929	575,807
Total liabilities and fund balances	$ 14,969	$ 1,909	$ 558,929	$ 575,807

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

For the year ended September 30, 2025	Impound Fund	Police Training Fund	Stormwater Utility Fund	Total Nonmajor Governmental Funds
Revenues				
Permits, fees, and special assessments	$ -	$ -	$ 358,854	$ 358,854
Judgments, fines, and forfeits	-	889	-	889
Interest and other earnings	-	-	830	830
Miscellaneous	-	53	-	53
Total revenues	-	942	359,684	360,626
Expenditures				
Current				
Transportation	-	-	3,428	3,428
Capital outlay	-	-	335,889	335,889
Total expenditures	-	-	339,317	339,317
Excess of revenues over expenditures	-	942	20,367	21,309
Net change in fund balances	-	942	20,367	21,309
Fund balances, beginning of year	14,969	967	538,562	554,498
Fund balances, end of year	$ 14,969	$ 1,909	$ 558,929	$ 575,807

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

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Permits, fees and special assessments	$ 332,058	$ 332,058	$ 358,854	$ 26,796
Judgments, fines and forfeits	450	450	889	439
Interest and other earnings	400	400	830	430
Miscellaneous	5	207,005	53	(206,952)
Total revenues	332,913	539,913	360,626	(179,287)
Expenditures				
Current:				
Public safety	450	450	-	450
Transportation	32,463	32,463	3,428	29,035
Capital outlay	300,000	507,000	335,889	171,111
Total expenditures	332,913	539,913	339,317	200,596
Excess of revenues over expenditures	-	-	21,309	21,309
Net change in fund balance	-	-	21,309	21,309
Fund balances, beginning of year	554,498	554,498	554,498	-
Fund balances, end of year	$ 554,498	$ 554,498	$ 575,807	21,309

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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 9, 2026.

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, as described in the accompanying schedule of findings and questioned costs, 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 in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-003, 2025-004 and 2025-005 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 the deficiencies described in the accompanying schedule of findings and questioned costs as item 2025-006 to be a significant deficiency.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* as item 2025-007.

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
September 9, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Indian Harbour Beach, Florida's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Indian Harbour Beach, Florida's major federal programs for the year ended September 30, 2025. The City of Indian Harbour Beach, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Indian Harbour Beach, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Indian Harbour Beach, Florida and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Indian Harbour Beach, Florida's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Indian Harbour Beach, Florida's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Indian Harbour Beach, Florida's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Indian Harbour Beach, Florida's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City of Indian Harbour Beach, Florida's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Indian Harbour Beach, Florida's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purposes of expressing an opinion on the effectiveness of the City of Indian Harbour Beach, Florida's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-006 and 2025-007 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Indian Harbour Beach, Florida's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Indian Harbour Beach, Florida's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Melbourne, Florida
September 9, 2026

SECTION I–SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _X_ yes ___ no
- Significant deficiency(es) identified? _X_ yes ___ none noted

Noncompliance material to financial statements noted? __ yes _X_ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes _X_ no
- Significant deficiency(es) identified? _X_ yes ___ none noted

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? _X_ yes ___ none noted

Identification of major federal programs:

Federal ALN	Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and B programs was $1,000,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? ___ yes _X_ no

SECTION II–FINANCIAL STATEMENT FINDINGS

2025-001 – Trial Balance did not balance or reconcile to prior year (Material Weakness)

Criteria: Accurate beginning fund balances are essential for ensuring that current-year financial statements are complete, consistent, and in agreement with prior-year audited results.

Condition: During the audit, the City provided multiple versions of the trial balance to the auditors, and the beginning fund balances for multiple funds did not agree to the ending fund balances reported in the prior year's audited financial statements, therefore an adjustment was required to book prior year audit entries in order for fund balance to agree.

Cause: The inaccuracies in the beginning fund balances resulted from limitations in the accounting software where the system does not allow adjustments after a certain period of time when a year is closed out.

Effect: An adjustment for approximately $2 million was required so that beginning fund balance agreed to the prior year ending fund balance.

Recommendation: We recommend that the City record audit adjustments within the timeframe that the system allows, if possible, and that the City ensures that beginning fund balance is accurate when a final trial balance is provided at the beginning of each year's audit.

Management Response: Management concurs with the finding. The City is in the process already of recording final entries and will ensure that ending fund balances agree to the audit prior to closing the fiscal year in the accounting system.

2025-003 – Schedule of Expenditures of Federal Awards preparation (Material Weakness)

Criteria: The 2025 Schedule of Expenditures of Federal Awards (SEFA) schedule provided by the City was not complete, as the City did not include grant expenditures for a pass-through entity.

Condition: The SEFA should be prepared in accordance with the Uniform Guidance in 2 CFR 200.510(b), which requires the auditee to prepare a SEFA including total Federal awards expended as determined by 2 CFR 200.502.

Cause: Expenditures were not appropriately identified for a portion of federal awards, causing the City to not include grant expenditures from a pass-through entity. The related unavailable revenue and receivable was also not recorded in the trial balance.

Effect: The City's SEFA expenditures were understated by $1,216,445. This additional amount of expenditures triggered the requirement for a single audit in fiscal year 2026.

Recommendation: We recommend that the City staff review grant agreements and accurately track grant expenditures for all federal and state programs each year.

Management Response: Management agrees with the finding and will perform a detailed review of all grant expenditures to ensure that a complete and accurate SEFA is provided each year at the beginning of the audit.

2025-004 – Lack of review of Accounts Receivable (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. During audit testing, amounts due from other governments were recorded in the wrong fiscal period, resulting in an overstatement of receivables and revenue of $60,057.

Cause: An additional accrual from the previous year for municipal utility tax receivable, which was collected at the beginning of the fiscal year 2025, was still included as a receivable at the end of fiscal year 2025 and was not properly reversed out.

Effect: Receivables were overstated by $60,057 and revenues were overstated by $60,057. As a result, a journal entry was required to correct the accounts receivable and related revenues.

Recommendation: We recommend that the City perform a year-end review of receivables and amounts due from other governments, to ensure that balances reported at year-end are complete and accurate.

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.

2025-005 – 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 the audit of the City's financial statements, the City did not properly recognize revenue related to the American Rescue Plan Act (ARPA). Although ARPA-eligible expenditures totaling $835,149 were incurred during the period, a portion of 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 $108,238, and unearned revenue was overstated by the same amount.

Cause: The error resulted from the City missing 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 $108,238.
- Net position/fund balance is understated by $108,238.
- Unearned revenue is overstated by $108,238.

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 all grant expenditures to ensure that revenue is properly recognized as the funds are spent in accordance with each grant.

2025-007 Controls over reporting (Significant Deficiency)
See Section III.

SECTION III–FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-006 Suspension and debarment (Significant Deficiency)
US Treasury Federal award Y5123, MN036 (Passed through Florida Department of Environmental Protection) ALN 21.027 Coronavirus State and Local Recovery Funds Funding Year 2021

Condition: Review of checking for suspension and debarment was not done prior to contracting with the vendor.

Criteria: 2 CFR 200.303 requires non-federal entities to establish and maintain effective internal controls. Documentation of the check for suspension or debarment needs to be retained.

Cause: The City did not complete a review of their vendors to ensure that the vendors were not suspended and debarred before the City had contracted with the vendor as there was no process in place to check a vendor's status.

Potential Effect of Condition: Good or services could be contracted with a suspended or debarred vendor, creating questioned costs.

Questioned Costs: None. The finding relates only to internal control.

Perspective: The City does not have controls designed to routinely verify vendors for covered transactions are not suspended or debarred.

Recommendation: The City should perform SAM checks for all vendors or contractors prior to entering into covered transactions and retain documentation of these processes.

Management Response: Management concurs with the finding. As part of the federal grant award process, City Management will ensure SAM checks are performed prior to contracting with vendors.

2025-007 Controls over reporting (Significant Deficiency)
US Treasury Federal award Y5123, MN036 (Passed through Florida Department of Environmental Protection) ALN 21.027 Coronavirus State and Local Recovery Funds Funding Year 2021

Condition: The City did not submit required reports, as defined by the grant agreements and the compliance supplement, by the established due dates.

Criteria: 2 CFR 200.303 requires non-federal entities to establish and maintain effective internal controls. 2 CFR Part 200 and the terms and conditions of the federal award require recipients to submit complete and accurate reports by the deadlines established by the federal awarding agency or pass-through entity.

Cause: The City did not maintain adequate internal controls to ensure required reports were prepared, reviewed, and submitted in accordance with established deadlines.

Potential Effect of Condition: Failure to submit reports timely may impede the awarding agency's ability to monitor program performance and compliance with federal requirements. Additionally, untimely reporting increases the risk of noncompliance with federal award requirements and could result in increased oversight or other actions by the awarding agency.

Questioned Costs: None. The finding relates only to reporting, which does not result in questioned costs.

Perspective: All reports tested were submitted late; however, the reports were accurate and complete. The sample was not statistically valid.

Recommendation: The City should strengthen its internal controls over federal reporting by establishing formal procedures to monitor reporting deadlines, assigning responsibility for report preparation and review, maintaining a reporting calendar, and performing periodic supervisory reviews to ensure all required reports are submitted accurately and timely.

Management Response: Management concurs with the recommendation. The Management Analyst will ensure accurate and timely grant reporting.

SECTION IV- PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

City of Indian Harbour Beach, Florida
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2025

Federal Agency, Pass-through Entity, Federal Program	Assistance Listing Number	Grant/Contract Number	Federal Expenditures	Transfers to Subrecipients
U.S. Department of the Treasury				
COVID-19 Cornavirus State and Local Fiscal Recovery Funds	21.027	Y5123	$ 835,149	$ -
Passed through Florida Department of Envirnomental Protection				
COVID-19 Cornavirus State and Local Fiscal Recovery Funds	21.027	MN036	1,216,445	-
Total U.S. Department of the Treasury			2,051,594	-
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Florida Department of Agriculture and Consumer Services				
Cooperative Forestry Assistance	10.664	FDACS 32105	20,744	-
Total U.S. Department of Agriculture			20,744	-
US Department of Justice				
Bulletproof Vest Partnership Program	16.607	BV 2024-2025	4,133	-
Total US Department of Justice			4,133	-
Total Expenditures of Federal Awards			$ 2,076,471	$ -

Note 1: Basis of Accounting

The Schedule of Expenditures of Federal Awards is a summary of the activity of the City of Indian Harbour Beach, Florida's Federal Awards presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2: Indirect Cost Rate

The Uniform Guidance allows the City of Indian Harbour Beach, Florida to elect a 15% de minimis indirect cost rate. For the year ended September 30, 2025, the City elected not to use the rate.

Note 3: Non Cash Assistance

The City of Indian Harbour Beach, Florida did not receive any noncash assistance during the year ended September 30, 2025.

Note 4: Loans and Insurance

The City did not receive any loans or federally funded insurance during the year ended September 30, 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, 2025, and have issued our report thereon dated September 9, 2026.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report as noted below.

Original number and description	Status
2024-001 Trial Balance did not balance or reconcile to prior year	Repeated as 2025-001
2024-002 Lack of review of bank/investment reconciliation	Comment cleared
2024-003 Lack of review of AR/AP aging & reconciliation	Repeated as 2025-004
2024-004 Accrued payroll & compensated absences were not reviewed and payroll processing was not reviewed	Comment cleared

2024-005 Lack of review over fixed asset depreciation schedule and roll forward	Comment cleared
2024-006 No review or supporting documentation over journal entries	Comment cleared
2024-007 Casualty Insurance Premium	Comment cleared
2024-008 Census data testing review	Comment cleared
2024-009 Formal policy over SOC 1 Type 2 reports for service organizations	Comment cleared
2024-010 Documented review of budget to actual	Comment cleared
2024-011 FRS/HIS measurement date	Comment cleared
2024-012 Documented review of revenue sources	Comment cleared
2024-013 Over-expenditures of budget	Comment cleared
2024-014 Failure to recognize ARPA revenue	Repeated as 2025-005

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:

2025-004 – Retainage payable

Criteria: Governmental accounting standards and sound internal control practices require liabilities to be recorded in the period in which goods or services are received and the obligation is incurred. Retainage withheld under construction contracts represents an existing obligation of the government and should be recorded as a liability when the related invoice is processed.

Condition: During our review of construction-related expenditures, it was noted that the City is not properly recording retainage as part of construction in progress, as well as the associated retainage payable at the time the payment applications are received.

Cause: Management had not established procedure to identify and record retainage payable at the time invoices were received and entered into the accounting records.

Effect: Failure to record retainage payable timely may result in the understatement of liabilities and construction-in-progress expenditures in interim financial records.

Recommendation: We recommend that management implement procedures to identify retainage amounts on contractor invoices and record the related retainage payable when the invoice is processed.

Management Response: Management concurs with the finding and will implement procedures going forward to identify and record retainage payable.

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
September 9, 2026

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CARR, RIGGS & INGRAM, L.L.C.

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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, 2025. 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, 2025.

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
September 9, 2026

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CITY OF

INDIAN HARBOUR BEACH

Florida

2055 SOUTH PATRICK DRIVE
INDIAN HARBOUR BEACH, FLORIDA 32937
PHONE (321) 773-3181
FAX (321) 773-5080

Date: 9/9/2026

To: Lindsay Aviles, CPA, Carr, Riggs & Ingram, LLC

From: John W. Coffey, City Manager

Re: Audit Corrective Action Plan

In response to the audit completed for fiscal year 2024-2025, I offer the following corrective action plan:

2025-001 Trial Balance Did Not Balance or Reconcile to Prior Year

Recommendation: We recommend that the City record audit adjustments within the timeframe that the system allows, if possible, and that the City ensures that beginning fund balance is accurate when a final trial balance is provided at the beginning of each year's audit.

Management Response: Management concurs with the finding. The City is in the process already of recording final entries and will ensure that ending fund balances agree to the audit prior to closing the fiscal year in the accounting system.

Anticipated Completion Date: September 30, 2026

Responsible Party: Angela Dollens, Comptroller

2025-003 Schedule of Expenditures of Federal Awards Preparation

Recommendation: We recommend that the City staff review grant agreements and accurately track grant expenditures for all federal and state programs each year.

Management Response: Management agrees with the finding and will perform a detailed review of all grant expenditures to ensure that a complete and accurate SEFA is provided each year at the beginning of the audit.

Anticipated Completion Date: September 30, 2026

Responsible Party: Angela Dollens, Comptroller

2025-004 Lack of Review of Accounts Receivable

Recommendation: We recommend that the City perform a year-end review of receivables and amounts due from other governments, to ensure that balances reported at year-end are complete and accurate.

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.

Anticipated Completion Date: September 30, 2026

Responsible Party: Angela Dollens, Comptroller

2025-005 Failure to Recognize ARPA Revenue

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 all grant expenditures to ensure that revenue is properly recognized as the funds are spent in accordance with each grant.

Anticipated Completion Date: September 30, 2026

Responsible Party: Angela Dollens, Comptroller

2025-006 Suspension and Debarment

Recommendation: The City should perform SAM checks for all vendors or contractors prior to entering into covered transactions and retain documentation of these processes.

Management Response: Management concurs with the finding. As part of the federal grant award process, City Management will ensure SAM checks are performed prior to contracting with vendors.

Anticipated Completion Date: September 30, 2026

Responsible Party: Gina Sherman, Management Analyst

2025-007 Controls Over Reporting

Recommendation: The City should strengthen its internal controls over federal reporting by establishing formal procedures to monitor reporting deadlines, assigning responsibility for report preparation and review, maintaining a reporting calendar, and performing periodic supervisory reviews to ensure all required reports are submitted accurately and timely.

Management Response: Management concurs with the recommendation. The Management Analyst will ensure accurate and timely grant reporting.

Anticipated Completion Date: September 30, 2026

Responsible Party: Gina Sherman, Management Analyst