

CITY OF HOLMES BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

**CITY OF HOLMES BEACH, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission
City of Holmes Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holmes Beach, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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 of Holmes Beach, Florida, as of September 30, 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9; budgetary comparison information on page 45; the schedules of changes in net pension liability and related ratios, contributions, notes to required supplementary information, and annual money-weighted rate of return on police pension plan investments on pages 46 - 49; the schedules of the City's proportionate share of net pension liability, contributions and notes to required supplementary information on pages 50 - 54; and the schedule of changes in the City's total OPEB liability and related ratios on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

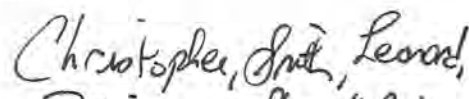
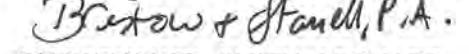
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, which includes the detailed schedules of revenues and expenditures - budget and actual - general fund on pages 56 - 59, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019, on our consideration of the City of Holmes Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P. A.

May 24, 2019
Bradenton, Florida



City of Holmes Beach

5801 Marina Drive Holmes Beach, Florida 34217
941-708-5800 Fax 941-708-5812

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Holmes Beach, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. Readers should consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred liabilities at the close of the most recent fiscal year by \$16,737,143 (*net position*).
- The City's total net position increased by \$1,228,461.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$8,132,007, an increase of \$1,173,042 in comparison with the prior year. Of this total amount, \$1,292,108 is restricted, \$4,985,579 is assigned and \$1,727,139 is *available for spending* at the City's discretion (*unassigned fund balance*).

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the 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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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.

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 only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by ad valorem taxes, and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The City is engaged in only governmental activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes governmental funds and fiduciary funds.

Governmental funds. Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result, long-term assets and liabilities are not included. The City uses a general fund which is used for City operations. All general tax revenues are accounted for in this fund. Also from this fund, all general operating expenditures and capital expenditures are paid.

A reconciliation to facilitate the comparison between the governmental fund financial statements and the government-wide financial statements is presented.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 to 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and follow the accrual method of accounting. The City's sole fiduciary fund is a pension trust fund used to account for the Police Officer's Pension Trust Fund, a Chapter 185 defined benefit pension fund. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs.

The basic fiduciary fund financial statements can be found on pages 16-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended September 30, 2018, assets and deferred outflows exceeded liabilities and deferred inflows by \$16,737,143 at the close of the most recent fiscal year.

A large portion of the City's net position \$10,567,894 reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens within the boundaries of the City; consequently, these assets are *not* available for future spending. The City also had significant assets in cash and investments at year-end. Investments are held in the State Local Government Surplus Trust Fund as allowed by Florida Statutes.

A condensed statement of net position at September 30, 2018 with comparative balances for September 30, 2017 follows:

| | Net Position | |
|-----------------------------------|------------------------------------|------------------------------------|
| | Governmental Activities | Governmental Activities |
| | 2018 | 2017 |
| Current and other assets | \$ 8,549,844 | \$ 7,358,309 |
| Capital assets | 10,649,217 | 10,245,314 |
| Total assets | 19,199,061 | 17,603,623 |
| Deferred outflows | 959,844 | 1,000,801 |
| Long-term liabilities outstanding | 2,856,474 | 2,716,828 |
| Other liabilities | 417,837 | 399,344 |
| Total liabilities | 3,274,311 | 3,116,172 |
| Deferred inflows | 147,451 | 69,933 |
| Net position: | | |
| Net investment in capital assets | 10,567,894 | 10,148,807 |
| Restricted | 1,292,108 | 1,163,829 |
| Unrestricted | 4,877,141 | 4,105,683 |
| Total net position | \$ 16,737,143 | \$ 15,418,319 |

An additional portion of the City's net position, \$1,292,108 represents resources from storm water drainage fees, sales taxes, donors and transportation taxes that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$4,877,141 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$1,228,461 during the current fiscal year.

The following is a summary of the information presented in the statement of activities as of September 30, 2018 with comparative totals for the year ended September 30, 2017:

| Changes in Net Position | | |
|---|------------------------------------|------------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Activities</u> |
| | <u>2018</u> | <u>2017</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 1,275,294 | \$ 1,289,812 |
| Operating grants and contributions | 71,842 | 71,085 |
| Capital grants and contributions | <u>355,926</u> | <u>230,504</u> |
| | 1,703,062 | 1,591,401 |
| General revenues: | | |
| Ad valorem taxes | 3,972,502 | 3,617,346 |
| Franchise fees | 601,059 | 580,041 |
| Communication service tax | 243,867 | 239,042 |
| Stormwater fees | 218,829 | 217,868 |
| State revenue sharing | 138,383 | 137,371 |
| Sales tax | 309,501 | 300,280 |
| Discretionary half cent sales tax | 291,953 | 292,711 |
| Casualty insurance tax | 41,094 | 38,221 |
| Other taxes | 303,474 | 223,493 |
| Interest income | 100,127 | 50,445 |
| Miscellaneous | <u>115,653</u> | <u>76,782</u> |
| Total general revenues | <u>6,336,442</u> | <u>5,773,600</u> |
| Total Revenues | <u>8,039,504</u> | <u>7,365,001</u> |
| Expenses: | | |
| General government | 1,041,957 | 1,023,512 |
| Public safety | 3,279,463 | 3,005,279 |
| Public works/building department | <u>2,489,623</u> | <u>2,183,700</u> |
| Total expenses | <u>6,811,043</u> | <u>6,212,491</u> |
| Increase in net position | 1,228,461 | 1,152,510 |
| Net position – Beginning, as originally stated | 15,418,319 | 14,265,809 |
| Prior period adjustment | <u>90,363</u> | <u>-0-</u> |
| Net position – Beginning, as restated | <u>15,508,682</u> | <u>14,265,809</u> |
| Net position – Ending | <u>\$ 16,737,143</u> | <u>\$ 15,418,319</u> |

Net position increased in the amount \$1,228,461 over the prior year. Revenues were \$8,039,504 and increased \$674,503 from the prior year. The increase was due to an increase in ad valorem taxes of \$355,156 and an increase in capital grants and contributions of \$125,422. Expenses were \$6,811,043 and increased by \$598,552 largely due to increases in salaries and related benefits.

Financial Analysis of the City's Funds

The City utilizes a Governmental Fund and a Fiduciary Fund. These include the General Fund and the Police Pension Trust Fund, respectively.

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 general fund reported an ending fund balance of \$8,132,007, an increase of \$1,173,042 in comparison with the prior year. Of this total, \$1,727,139 is *unassigned fund balance*, which is available for spending at the City's discretion. \$4,985,579 is assigned pursuant to the budget, \$1,292,108 is *restricted* for storm water drainage projects, gas tax roadway expenditure projects, infrastructure, and other purposes, and \$127,181 is non-spendable for prepaid expenses.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.83% of total general fund expenditures, while total fund balance represents 116.90% of that same amount.

The fund balance of the City's general fund increased \$1,173,042 during the current fiscal year. The revenues increased by \$674,503, resulting from an increase in ad valorem taxes of approximately \$355,156, and private donations for Grassy Point of \$219,226. Expenditures increased by only \$24,050 from the prior year.

General Fund Budgetary Highlights

Original budgeted revenues were \$7,397,674 and were not amended during the year. Original budgeted expenditures were \$7,926,861 and were also not amended. Actual revenues exceeded the final budget by \$641,830. This was principally due to licenses and permits, franchise fees and interest. Actual expenditures were less than final budgeted expenditures by \$970,362 due mainly to capital outlay and general government operating expenditures being less than budgeted.

The General Fund budget is presented as required supplementary information on page 45.

Fiduciary Fund

The City's Police Officer's Pension Trust Fund presents a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 16 and 17. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations.

As of September 30, 2018, the City's Pension Trust Fund reported fiduciary net position of \$8,924,698, an increase of \$559,180 from the prior year. The main components of the increase were contributions of \$453,175 and net investment earnings of \$598,577, as well as benefits paid of \$463,856. This Pension Trust Fund includes only Police Officers. Other employees are included in the State of Florida Retirement System. Beginning October 1, 2006, all non-police officer employees hired are automatically enrolled in the State of Florida Retirement System plan.

Capital Assets

The City's investment in capital assets for the year ended September 30, 2018 amounts to \$10,649,217 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The City's capital assets for the current fiscal year increased by \$403,903; comprised of \$902,294 of capital additions and \$491,991 of depreciation expense.

The following is a condensed schedule of capital assets at September 30:

| | <u>Governmental Activities</u> | <u>Governmental Activities</u> |
|-----------------------------|---|---|
| | <u>2018</u> | <u>2017</u> |
| Land | \$ 1,316,044 | \$ 1,316,044 |
| Building and improvements | 1,081,322 | 1,129,401 |
| Infrastructure | 7,613,474 | 7,312,885 |
| Machinery and equipment | 638,377 | 486,984 |
| Total (net of depreciation) | <u>\$ 10,649,217</u> | <u>\$ 10,245,314</u> |

See note 3 of this report for additional information on the City's capital assets.

Long-Term Obligations

The City purchased vehicles and tasers for the Police Department with notes. The balance outstanding as of September 30, 2018 was \$81,323. The City also recognizes a net pension liability with the implementation of GASB Statements No. 68. The net pension liability as of September 30, 2018 was \$2,290,954. Additionally, the City records a long-term liability for compensated absences and post-employment benefits other than pensions, which were \$378,832 and \$105,365 at September 30, 2018, respectively. The compensated absences increased by \$74,165. The post-employment benefits other than pensions decreased \$85,961 for the annual expenses based on the actuarial study.

See Note 5 of this report for additional information the City's long-term obligations.

Economic Factors and Next Year's Budgets and Rates

This year the City of Holmes Beach is seeing approximately a 6.5% increase in property values which in effect will increase the tax base by \$292,000. With the millage rate at 2.2500 mills, the City was able to maintain unrestricted reserves at a healthy level. This year we were fortunate and able to keep the millage rate at 2.2500 mills. This was an overall 6.83% increase over the rolled back rate of 2.1062. The rollback rate calculation, which is required by Florida Statutes, reflects the millage rate that would be needed to generate the same amount of tax dollar income as received in the prior year.

The fiscal year 2018-2019 budget includes funding for technology upgrades, infrastructure repairs, dog park improvements, storm water improvements, and \$500,000 reserved as additional legal contingency for Bert Harris legal expenses and claims that may exceed our insurance policies. We have budgeted for a new website to meet ADA compliance and an Accounting Administrative Assistant to be shared by the Clerk's office and the Treasurer's office. The Police Department has included 8 new lease vehicles in their budget along with License Plate Recognition cameras and for the necessary 911 upgrades. The Code Department will be adding an additional Clerk to their staff and will be using Icompass Host Compliance services to work with the Vacation Rental program. Storm water improvement projects will include \$197,248 in matching funds for fiscal year 2018-2019 by SWFWMD. The 5th Cent and Half Cent Gas tax have budgets for bike and pedestrian improvements, which includes crosswalk enhancements. We also have budgeted funds for dredging, Key Royale bridge repairs as needed, curb replacements, street resurfacing, and a new skate park. Grassy Point will continue engineering and planning in this fiscal year, while the following year will include projects determined from the findings. We will be receiving additional funding for some of these projects with the approved concession funds from Manatee County. In this 2018-2019 budget year, salary adjustments were budgeted to include a merit increase for employees.

Future budgets beyond 2018-2019 are anticipated to continue to increase slightly. Also, the state legislature is still looking at legislative proposals that could have a possible negative effect on local revenues such as Business Tax Fees, Vacation Rentals and Communication Service Taxes that come back to the City. These revenue challenges will be a major impact on budgets over the next few years as the City tries to balance the needs of residents with available resources.

Fortunately, the City has been able to maintain the operational budgets without having to use any emergency cash reserves and still anticipates a good financial outlook due to the City cash balances and the fact that the City has limited the use of debt.

Requests for Information

This financial report is designed to provide a general overview of the City of Holmes Beach, Florida'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 City at, City of Holmes Beach, Florida, 5801 Marina Drive, Holmes Beach, Florida 34217.

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

| | GOVERNMENTAL ACTIVITIES |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | |
| Unrestricted | \$ 2,275,765 |
| Restricted | 1,110,180 |
| Investments | 4,600,227 |
| Due from other governments | 436,491 |
| Prepaid expenses | 127,181 |
| Capital assets | |
| Land | 1,316,044 |
| Other capital assets, net of accumulated depreciation | 9,333,173 |
| Total Assets | 19,199,061 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of pension resources | 959,844 |
| LIABILITIES | |
| Accounts payable | 359,889 |
| Accrued expenses | 866 |
| Unearned revenue | 57,082 |
| Non current liabilities | |
| Due in less than one year | 26,053 |
| Due in more than one year | 2,830,421 |
| Total Liabilities | 3,274,311 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of pension earnings | 147,451 |
| NET POSITION | |
| Net investment in capital assets | 10,567,894 |
| Restricted for: | |
| Storm water drainage | 267,465 |
| Restricted for streets and roads | 481,125 |
| Capital projects and purchases | 530,321 |
| Other | 13,197 |
| Unrestricted | 4,877,141 |
| TOTAL NET POSITION | \$ 16,737,143 |

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

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Change In Net Position Total</u> | |
|-------------------------------|-------------------------|---------------------------------|---|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | | <u>Capital Grants and Contributions</u> |
| Governmental Activities: | | | | | |
| General Government | \$ 1,041,957 | \$ 104,472 | \$ - | \$ 219,226 | \$ (718,259) |
| Public Safety | 3,279,463 | 14,818 | 71,842 | - | (3,192,803) |
| Public Works | 2,489,623 | 1,156,004 | - | 136,700 | (1,196,919) |
| Total Governmental Activities | <u>6,811,043</u> | <u>1,275,294</u> | <u>71,842</u> | <u>355,926</u> | <u>(5,107,981)</u> |
| | | | | | |
| General Revenues: | | | | | |
| | | | | | 3,972,502 |
| | | | | | 601,059 |
| | | | | | 243,867 |
| | | | | | 218,829 |
| | | | | | 138,383 |
| | | | | | 309,501 |
| | | | | | 41,094 |
| | | | | | 291,953 |
| | | | | | 303,474 |
| | | | | | 100,127 |
| | | | | | <u>115,653</u> |
| | | | | | <u>6,336,442</u> |
| | | | | | |
| | | | | | 1,228,461 |
| | | | | | |
| | | | | | 15,418,319 |
| | | | | | 90,363 |
| | | | | | <u>15,508,682</u> |
| | | | | | |
| | | | | | <u>\$ 16,737,143</u> |

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

**CITY OF HOLMES BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2018**

| | <u>GENERAL FUND</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | |
| Unrestricted | \$ 2,275,765 |
| Restricted | 1,110,180 |
| Investments | |
| Unrestricted | 4,600,227 |
| Due from other governments | 436,491 |
| Prepaid expenses | 127,181 |
| | <u>\$ 8,549,844</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 359,889 |
| Accrued expenses | 866 |
| Unearned revenue | 57,082 |
| TOTAL LIABILITIES | <u>417,837</u> |
| Fund Balances: | |
| Nonspendable | 127,181 |
| Spendable: | |
| Restricted | 1,292,108 |
| Assigned | 4,985,579 |
| Unassigned | 1,727,139 |
| | <u>8,132,007</u> |
| TOTAL FUND BALANCES | <u>8,132,007</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 8,549,844</u> |

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

**CITY OF HOLMES BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

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

| | |
|--|------------------------------------|
| Fund Balance – Governmental Fund | \$ 8,132,007 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds | 10,649,217 |
| Deferred outflows of pension resources are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting | 959,844 |
| Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds | (2,856,474) |
| Deferred inflows of pension earnings are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting | <u>(147,451)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 16,737,143</u></u> |

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

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | GENERAL FUND |
|---|-------------------------|
| REVENUES | |
| Ad valorem taxes | \$ 3,972,502 |
| State and county receipts | 1,335,744 |
| Licenses and permits | 1,111,566 |
| Storm water fees | 218,829 |
| Franchise fees | 601,059 |
| Interest | 100,127 |
| Grants | 142,700 |
| Other sources | 556,977 |
| Total Revenues | 8,039,504 |
| EXPENDITURES | |
| General government: | |
| Personal services | 509,508 |
| Operating | 440,326 |
| Capital outlay | 32,070 |
| Total General Government | 981,904 |
| Public Safety: | |
| Personal services | 2,432,018 |
| Operating | 429,289 |
| Capital outlay | 243,860 |
| Total Public Safety | 3,105,167 |
| Public Works: | |
| Personal services | 1,151,833 |
| Operating | 983,739 |
| Capital outlay | 626,364 |
| Total Public Works | 2,761,936 |
| Debt Service | |
| Principal | 105,221 |
| Interest | 2,271 |
| Total Debt Service | 107,492 |
| Total Expenditures | 6,956,499 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,083,005 |
| OTHER FINANCING SOURCES – Proceeds from long-term debt | 90,037 |
| NET CHANGE IN FUND BALANCE | 1,173,042 |
| FUND BALANCE , October 1, 2017 | 6,958,965 |
| FUND BALANCE , September 30, 2018 | \$ 8,132,007 |

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

CITY OF HOLMES BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

| | |
|--|--------------|
| Net change in fund balance – total governmental fund | \$ 1,173,042 |
|--|--------------|

| | |
|--|---------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. | 403,903 |
|--|---------|

| | |
|--|---------|
| Amount of debt payments reported as an expenditure in the fund statements, but considered a reduction of the liability in the government-wide statements, and, therefore, not included as a expense item in the statement of activities. | 105,221 |
|--|---------|

| | |
|--|----------|
| The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to the general fund, but is considered a liability in the government-wide statements | (90,037) |
|--|----------|

Some expenditures in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund. This represents the current year change in:

| | |
|--|-----------|
| Compensated absences | (74,165) |
| Total OPEB liability | (4,402) |
| Net pension liability | (166,626) |
| Deferred outflows of pension resources | (40,957) |
| Deferred inflows of pension earnings | (77,518) |
| | (363,668) |

| | |
|--|---------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 1,228,461 |
|--|---------------------|

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

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2018

| | <u>POLICE RETIREMENT PLAN</u> |
|---------------------------------|---------------------------------------|
| ASSETS | |
| Investment, at fair value | |
| Money market funds | \$ 125,953 |
| Bond funds | 3,238,651 |
| Equity funds | <u>5,474,654</u> |
| Net investments at fair value | 8,839,258 |
| Contributions receivable | <u>85,440</u> |
| TOTAL ASSETS | <u>8,924,698</u> |
| FIDUCIARY NET POSITION | |
| Restricted for pension benefits | <u><u>\$ 8,924,698</u></u> |

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

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | POLICE RETIREMENT PLAN |
|---|---------------------------------------|
| ADDITIONS | |
| CONTRIBUTIONS: | |
| Employee contributions | \$ 64,861 |
| Employer contributions | 347,220 |
| State contributions | 41,094 |
| Total Contributions | 453,175 |
| INVESTMENT INCOME: | |
| Interest | 291,176 |
| Net realized and unrealized gains (losses) | 345,630 |
| Total Investment Earnings | 636,806 |
| Less investment expense | 38,229 |
| Net investment income | 598,577 |
| TOTAL ADDITIONS | 1,051,752 |
| DEDUCTIONS | |
| Administrative expenses | 28,716 |
| Benefits paid | 463,856 |
| TOTAL DEDUCTIONS | 492,572 |
| Increase (Decrease) in fiduciary net position | 559,180 |
| FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS | |
| Beginning of year | 8,365,518 |
| End of year | \$ 8,924,698 |

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

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the City of Holmes Beach, Florida:

- A. REPORTING ENTITY – The City of Holmes Beach was incorporated in 1950 with the power to exercise all necessary municipal services. The present charter, which was last revised in 2014, currently provides for an elected Mayor and a five-member Commission. The legal authority for the City is in the Laws of Florida Chapter 61-2268 and Chapter 165 of the Florida Statutes.

The financial statements include all the organizations, functions, and activities of the City of Holmes Beach, required by the Governmental Accounting Standards Board, Codification of Governmental Accounting and Financial Reporting Standards. The criteria used in determining inclusion are:

- a. Manifestation of oversight –
 - 1) Financial interdependency
 - 2) Selection of governing authority
 - 3) Designation of management
 - 4) Ability to significantly influence operations
 - 5) Accountability for fiscal matters
- b. Scope of public service –
 - 1) Benefits of reporting entity and/or its residents
 - 2) Geographic boundaries
- c. Special financing relationships

The financial statements include the funds of the police pension plan. Designation of management and ability to significantly influence operations were the criteria used in determining its inclusion. The City has no other component units.

- B. BASIS OF PRESENTATION – The City's basic financial statements includes government-wide (which reports the City as a whole) and fund financial statements (which report only on the General and Fiduciary Funds). The basic financial statements present only governmental activities, as the City conducts no business-type activities.

BASIS OF ACCOUNTING: BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – The government-wide financial statements (Statement of Net Position and Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

BASIS OF ACCOUNTING: BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

statements exclude the City's fiduciary activities (pension trust fund). For the most part, interfund activity has been removed from these statements. The Statement of Net Position reports all financial and capital resources of the City's governmental activities. It is presented in a net position format (assets and deferred outflows less liabilities and deferred inflows equal net position) and shown with three net position components: net investment in capital assets, restricted net position and unrestricted net position. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges for services, including licenses and permits, fines and other related revenues, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – The City's accounts are organized on the basis of funds, which are self-balancing set of accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. The City utilizes governmental funds, which follow the modified accrual basis of accounting. Under this method, revenues are recorded when they become 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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a fund liability is incurred. The City also uses a pension trust fund. The City reports the following governmental fund, which is a major fund:

GOVERNMENTAL FUND

GENERAL FUND – The General Fund is the general operating fund of the City. All general tax revenues are accounted for in this fund. From the general fund, the City pays general operating expenditures and capital expenditures of the City.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

FIDUCIARY FUND

PENSION TRUST FUND – The pension trust fund is accounted for on the accrual basis since capital maintenance is critical. Employer and participant contributions are recognized in the period in which the contributions are due. Retirement benefits and refunds are recognized when due and payable in accordance with the plan.

C. CASH AND CASH EQUIVALENTS – The City considers all checking, savings, and money market accounts to be cash and cash equivalents.

D. CAPITAL ASSETS – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life of longer than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are expensed as incurred. The City has elected to report general infrastructure assets on a prospective basis only.

Property, plant, and equipment of the City are depreciated on a straight-line basis over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|------------------------------------|--------------|
| Buildings and infrastructure | 30-50 |
| Improvements | 20 |
| Vehicles | 5 |
| Furniture, fixtures, and equipment | 5-10 |

E. LONG-TERM OBLIGATIONS – In the government-wide financial statements, other long-term obligations (including compensated absences, net pension liability, and total OPEB liability) are reported as liabilities. In the fund financial statements, no long-term obligations are reported as they are not due to be paid from current financial resources.

F. BUDGETARY INFORMATION

Annual budgets are generally adopted on a basis consistent with U.S. generally accepted accounting principles for the general fund. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the City Commission.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- G. PROPERTY TAXES – Property taxes become due and payable on November 1st of each year. The County tax collector remits the City’s portion as such revenues are received. The City collects nearly all of its tax revenue during the period November 1 through April 1, at which time the property taxes become delinquent. The key dates in the property tax cycle are as follows:

| | |
|---|--------------|
| Assessment roll validated | July 1 |
| Millage resolution approved | September 30 |
| Beginning of fiscal year for which taxes have been levied | October 1 |
| Tax bills rendered and due | November 1 |
| Property taxes payable: Maximum discount | November 30 |
| Delinquent | April 1 |
| Tax certificates sold | May 31 |

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

- H. ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, deferred inflows, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. NET POSITION

Net position is reported in three parts as applicable: net investment in capital assets; restricted; and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

J. FUND BALANCE

The City follows Governmental Accounting Standards Board (GASB) Statement 54. GASB 54 established fund balance classifications that comprise a hierarchy based

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. FUND BALANCE – CONTINUED

primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are Nonspendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The City classified governmental fund balance as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the Board of Commissioners through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the Board of Commissioners through a resolution or the budget process, which are neither restricted nor committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal minimum fund balance policy.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. FUND BALANCE – CONTINUED

| | General Fund |
|--|-----------------|
| Non Spendable | \$ 127,181 |
| <u>Spendable:</u> | |
| <u>Restricted:</u> | |
| Stormwater utility fees for authorized projects | 267,465 |
| Fifth cent gas tax restricted for road expenditures | 481,125 |
| Half cent discretionary sales tax for infrastructure | 321,675 |
| Grassy Point | 208,646 |
| Other | 13,197 |
| | 1,292,108 |
| Assigned | 4,985,579 |
| Unassigned | 1,727,139 |
| Total Fund Balances | \$ 8,132,007 |

K. INTERFUND RECEIVABLES/PAYABLES – Interfund receivables/payables arise from temporary interfund transfers. When a fund has an interfund receivable and an interfund payable to the same fund, the amounts are recorded in separate accounts. Internal activity and balances between governmental funds has been eliminated in the government-wide statement of net position.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This 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 only item that qualified for reporting in this category is a deferred outflow of pension resources which is reflected in the government-wide statement of net position. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The only item qualifies for reporting in this category is a deferred inflow of pension earnings which is reported in the government-wide statement of net position.

M. CHANGE IN ACCOUNTING PRINCIPLE – During 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement required modification to the methodology in the recognition of an actuarially determined total other postemployment benefit liability (OPEB), deferred outflows and deferred inflows related to OPEB in the City’s financial statements. The implementation of this standard increased net position as of October 1, 2017 in the Statement of Activities by \$90,363.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – CASH AND INVESTMENTS

The City's investment policies are governed by State Statutes in addition to its own investment policies. City monies are authorized to be invested in the following:

- Local Government Surplus Funds Trust Fund (LGSF) or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act.
- S.E.C. registered money market funds with the highest credit quality rating from a certified qualified public depository.
- Direct Obligations of the U.S. Treasury.
- Interest bearing time deposits or savings accounts in State Certified Qualified Public Depositories as defined in Section 280.02 Florida Statutes.

All City cash accounts are in Qualified Public Depositories.

Restricted cash in the General Fund represents funds for storm water fees; unspent local 5 cent gas tax collections which are required to be used for storm water improvements, road maintenance or improvement expenditures; half cent discretionary sales tax collections for infrastructure; private donations for Grassy Point and other various uses.

At September 30, 2018, the City's general fund cash and investments were fully insured or collateralized or held in the City's name pursuant to these guidelines.

The City has investments with the Local Government Surplus Trust Funds Investment Pool (LGIP), now known as Florida PRIME, which is administered by the Florida State Board of Administration (SBA). The City's investments in the Pool are through shares owned in the fund and not the underlying investments. The Florida PRIME is considered a 2a7 like pool and are recognized at amortized cost. The Florida PRIME investments are subject to overnight withdrawal. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base.

Interest Rate Risk

The City does not have a specific policy concerning interest rate risk. The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2018, is 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2017, is 72 days.

Credit Quality

Credit risk is the possibility that an issuer of a fixed income security held by the Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, the Florida PRIME will lose money.

Florida PRIME invests in top-tier, money market assets of the highest quality and has a Standard and Poors rating of AAAM.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2017 through September 30, 2018.

With regards to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. Through September 30, 2018, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

At September 30, 2018, the City had investments in the Florida PRIME in the amount of \$4,600,227. For further information regarding the Local Government Surplus Trust Funds Investment Pool, readers should refer to the financial statements and disclosures of the Florida State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool.

The City of Holmes Beach Pension Trust Fund's investments which are recorded at fair market value are enumerated in NOTE 6.

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Reclass</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------------|------------------------|----------------------|-----------------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,316,044 | \$ -0- | \$ -0- | \$ -0- | \$ 1,316,044 |
| Construction in progress | -0- | -0- | -0- | \$ -0- | -0- |
| Total capital assets, not being depreciated | <u>1,316,044</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,316,044</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 1,909,090 | 3,785 | -0- | -0- | 1,912,875 |
| Infrastructure | 8,831,756 | 516,245 | -0- | -0- | 9,348,001 |
| Vehicles | 1,007,576 | 208,246 | 50,472 | -0- | 1,165,350 |
| Machinery and equipment | <u>749,645</u> | <u>174,018</u> | <u>42,447</u> | <u>-0-</u> | <u>881,216</u> |
| Total capital assets being depreciated | <u>12,498,067</u> | <u>902,294</u> | <u>92,919</u> | <u>-0-</u> | <u>13,307,442</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 779,689 | 51,864 | -0- | -0- | 831,553 |
| Infrastructure | 1,518,871 | 215,656 | -0- | -0- | 1,734,527 |
| Vehicles | 757,817 | 137,607 | 45,972 | -0- | 849,452 |
| Machinery and equipment | <u>512,420</u> | <u>86,864</u> | <u>40,547</u> | <u>-0-</u> | <u>558,737</u> |
| Total accumulated depreciation | <u>3,568,797</u> | <u>491,991</u> | <u>86,519</u> | <u>-0-</u> | <u>3,974,269</u> |
| Total capital assets, being depreciated, net | <u>8,929,270</u> | <u>410,303</u> | <u>6,400</u> | <u>-0-</u> | <u>9,333,173</u> |
| Governmental activities capital assets, net | <u>\$10,245,314</u> | <u>\$ 410,303</u> | <u>\$ 6,400</u> | <u>\$ -0-</u> | <u>\$ 10,649,217</u> |

Depreciation expense was allocated as follows: General Government \$50,541, Public Safety \$172,257 and Public Works \$269,193.

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The reconciliation between the net changes in fund balance – total governmental fund as reported in the statement of revenues, expenditures and changes in fund balances, and the changes in net position as reported in the statement of activities is included on page 15 of the basic financial statements. One line in that reconciliation explains that “Governmental Funds report capital outlays as expenditures.”

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of the difference is shown below:

| | |
|------------------------------------|--------------------------|
| Capital outlay as additions | \$ 902,294 |
| Loss on disposal of capital assets | (6,400) |
| Depreciation expense | <u>(491,991)</u> |
| | <u>\$ 403,903</u> |

NOTE 5 – LONG-TERM LIABILITIES

During 2015, the City financed the purchase of police vehicles under a note agreement in the amount of \$300,631. Annual payments were required on December 2nd of \$78,500 which included interest at 2.98%. The note was paid in full during the year ended September 30, 2018.

During 2017, the City financed the purchase of tasers under an unsecured, interest-free note agreement in the amount of \$24,170. Annual payments in the amount of \$4,992 are due July 31st with the final payment due in 2021. The balance outstanding on the note as of September 30, 2018 was \$15,286.

During 2018, the City financed the purchase of police vehicles under a note agreement in the amount of \$90,037. Annual payments are required on November 20th of \$24,000 which includes interest at 4.45%. The note is guaranteed by the vehicles, which have a net book value of \$78,000 at September 30, 2018. The final payment is due November 20, 2020. The balance outstanding on the note as of September 30, 2018 was \$66,037.

Annual installments on the City's note agreements for the fiscal years ending September 30, 2018 are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------------|------------------------|-------------------------|
| 2019 | \$ 26,053 | \$ 2,939 | \$ 28,992 |
| 2020 | 26,991 | 2,001 | 28,992 |
| 2021 | <u>28,279</u> | <u>1,023</u> | <u>29,302</u> |
| | <u>\$ 81,323</u> | <u>\$ 5,963</u> | <u>\$ 87,286</u> |

City policy grants employees annual and sick leave in varying amounts. Annual leave is earned and used on a calendar year basis. Accumulated sick leave benefits are granted only upon retirement. The expenses are not expected to be liquidated with expendable financial resources so they have not been included as a fund liability.

During the year ended September 30, 2018, the City's long-term obligations changed as follows:

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Ending Reductions</u> | <u>Balance</u> | <u>Current Portion</u> |
|-----------------------------------|------------------------------|---------------------|------------------------------|---------------------|----------------------------|
| Compensated absences | \$ 304,667 | \$ 320,464 | \$ (246,299) | \$ 378,832 | \$ -0- |
| Note payable | 96,507 | 90,037 | (105,221) | 81,323 | 26,053 |
| Total OPEB liability (Note 7) | 191,326 | 13,696 | (99,657) | 105,365 | -0- |
| Net pension liability (Note 6) | <u>2,124,328</u> | <u>1,711,536</u> | <u>(1,544,910)</u> | <u>2,290,954</u> | <u>-0-</u> |
| | <u>\$ 2,716,828</u> | <u>\$ 2,135,733</u> | <u>\$ (1,996,087)</u> | <u>\$ 2,856,474</u> | <u>\$ 26,053</u> |

NOTE 6 – RETIREMENT PLANS

The City provides retirement benefits to employees under three pension plans.

- Florida Retirement System – for employees other than police officers hired prior to January 1, 1996 or after October 1, 2006 (and those previous employees electing coverage as of October 1, 2006).
- A Defined Contribution Pension Plan – for non-police officers hired between January 1, 1996 and September 30, 2006.
- A Defined Benefit Plan – for police officers.

A. FLORIDA RETIREMENT SYSTEM

Plan Description

Employees (as noted above) of the City are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://myfloridacfo.com/Division/AA/Reports/default.htm>.

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple employer qualified 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.
- The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes.

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under FRS 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.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Plan Provisions

If first employed prior to July 1, 2011: Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. Normal retirement age for “special risk” employees is 55 or 25 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

If first employed on or after July 1, 2011: Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for “special risk” employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. 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.

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. 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. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employee and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The City’s contractually required contribution rate for the year ended September 30, 2018, ranged from 7.92% – 8.26% for regular employees and 13.26% – 14.03% for employees in the DROP Program of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$129,453 for the year ended September 30, 2018, and approximated 8.0% of covered payroll.

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – RETIREMENT PLANS – CONTINUED

Contributions Required and Made – Continued

The HIS Program is funded by required contributions of 1.66% and is included in the contribution rates noted above.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of \$1,410,447 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.0030119370% for FRS and 0.004754631% for HIS was consistent with its proportion measured as of July 1, 2018.

For the year ended September 30, 2018, the City recognized pension expense of \$234,723. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>FRS</u> | | <u>HIS</u> | |
|--|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 76,854 | \$ 2,790 | \$ 7,704 | \$ 855 |
| Changes in assumptions | 296,432 | -0- | 55,966 | 53,206 |
| Net difference between projected and actual earnings on pension plan investments | -0- | 70,093 | 304 | -0- |
| Changes in proportion and differences between contributions and proportionate share of contributions | 76,714 | -0- | 100,145 | 1,669 |
| City contributions subsequent to the June 30, 2018 measurement date | <u>20,990</u> | <u>-0-</u> | <u>5,964</u> | <u>-0-</u> |
| | <u>\$ 470,990</u> | <u>\$ 72,883</u> | <u>\$ 170,083</u> | <u>\$ 55,730</u> |

Total deferred outflows were \$641,073 and total deferred inflows were \$128,613. \$20,990 (FRS) and \$5,964 (HIS) were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending September 30:</u> | <u>FRS</u> | <u>HIS</u> |
|----------------------------------|-------------------|-------------------|
| 2019 | \$ 55,858 | \$ 15,073 |
| 2020 | 55,858 | 15,073 |
| 2021 | 55,858 | 15,073 |
| 2021 | 55,858 | 15,073 |
| 2023 | 55,860 | 15,072 |
| Thereafter | <u>97,825</u> | <u>33,025</u> |
| | <u>\$ 377,117</u> | <u>\$ 108,389</u> |

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation (June 30, 2018 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.6 percent |
| Salary increases | 3.25 percent, including inflation |
| Investment rate of return | 7.00 percent, including inflation at 2.60% |

Mortality rates were based on the generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study performed in 2014 for the period July 1, 2008 – June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) a real (in excess of inflation) return of 4.40%, consistent with one capital market outlook model developed in 2018 by the outside investment consultants to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.60% as adopted in October 2018 by the FRS Actuarial Assumptions Conference. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Annual Arithmetic Return</u> |
|-----------------------|--------------------------|---------------------------------|
| Cash | 1% | 2.9% |
| Fixed income | 18% | 4.4% |
| Global equity | 54% | 7.6% |
| Real estate | 11% | 6.6% |
| Private equity | 10% | 10.7% |
| Strategic investments | 6% | 6.0% |

Discount Rate

The discount rate used to measure the total FRS pension liability was 7.00%, and the HIS pension liability was 3.87%. The HIS rate increased from 3.58% to 3.87% in the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Discount Rate – Continue

those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

The following changes in actuarial assumptions occurred in 2018:

- FRS: The discount rate and the long-term expected rate of return was decreased from 7.10% to 7.00%.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the FRS net pension liability calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1–percentage–point lower (6.00 percent) or 1–percentage–point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------|--------------------------|------------------------|
| City’s proportionate share of the FRS net pension liability | \$ 1,655,698 | \$ 907,211 | \$ 285,548 |

The following presents the City’s proportionate share of the HIS net pension liability calculated using the discount rate of 3.87%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1–percent–point lower (2.87%) or 1–percentage–point higher (4.87%) than the current rate:

| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
|---|------------------------|--------------------------|------------------------|
| City’s proportionate share of the HIS net pension liability | \$ 573,156 | \$ 503,236 | \$ 444,953 |

Pension Plan Fiduciary Net Position

The City’s proportion of net position has been determined on the same basis of each Plan. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – RETIREMENT PLANS – CONTINUED

B. DEFINED CONTRIBUTION PLAN

In resolution 95-10 and ordinance 96-1 the City revoked its membership in the Florida Retirement System for employees hired on or after January 1, 1996, in accordance with Chapter 95-338 of the laws of Florida. Ordinance 96-4 established a retirement plan for non-police officers hired after January 1, 1996

Subsequently, in resolution 06-10 and ordinance 06-06 the City reinstated its membership in the Florida Retirement System for general employees. All employees (excluding police officers) hired on or after October 1, 2006 are enrolled under the FRS plan. Employees who were enrolled in the defined contribution public employee retirement system became eligible to convert to the Florida Retirement System up until October 1, 2006. Employees that did not convert to the FRS plan continue under the single-employer, defined contribution public employee retirement system.

The name of the Plan is the Holmes Beach 401(A) Plan and the plan is administered by the Florida League of Cities, Inc. and the Florida Municipal Pension Trust Fund is the Trustee. The City may amend the plan by giving the trustee written notification of such Amendments as adopted. The plan does not have any age or service requirements. There are currently no participants in the plan.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Commission. For each employee in the pension plan, the City is required to contribute 9 percent of annual salary to an individual employee account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits and not to exceed 10 percent of their compensation. For the year ended September 30, 2018, there were no employee contributions or City contributions as there were no employees in the plan.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions at 50% after five years and ten percent per year thereafter with full vesting after 10 years. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended September 30, 2018, the City did not apply any available forfeitures towards the City's pension expense.

C. CITY OF HOLMES BEACH MUNICIPAL POLICE OFFICERS PENSION TRUST FUND (POLICE RETIREMENT PLAN)

Plan Description and Summary of Significant Accounting Policies

The City has established a Police Retirement Pension Plan, which is a single-employer, defined benefit plan. Participation is mandatory (a condition of

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

C. CITY OF HOLMES BEACH MUNICIPAL POLICE OFFICERS PENSION TRUST FUND
(POLICE RETIREMENT PLAN) – CONTINUED

Plan Description and Summary of Significant Accounting Policies – Continued

employment) for all full-time policeman employed by the City. Benefit provisions and employer and employee obligations to contribute were established under the authority of the City ordinance establishing the police pension fund.

The ordinance was restated in full in September of 1997. The plan was amended by Ordinances 00-04, 02-03, 06-03, 07-01, 09-05, 11-01 and 16-12. Ordinance 16-12 restated the plan in full in June of 2016.

The Police Retirement Plan is a section 185 pension plan, and is accounted for in the accompanying financial statements as a pension trust fund. A separate financial statement is not issued for the plan. Plan administrative costs are paid by the plan. The City's Pension Board, through approval of the City Commission, administers the plan, and has the authority to amend or extend the provisions of the plan. The City's Pension Board is comprised of two City Commissioner appointees, two members of the system elected by a majority of the other covered Police Officers, and a fifth member elected by the other four and appointed by the City Commission. Salem Trust Company is the Asset Custodian.

Plan Membership:

| | |
|---|-----------|
| Retirees and beneficiaries receiving benefits | 17 |
| Terminated plan members entitled to, but not yet receiving, benefits | 1 |
| Active plan members | <u>13</u> |
| Total | <u>31</u> |

Basis of Accounting – The Police Retirement Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Asset Valuation – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Benefit Provisions

Retirement – Effective October 1, 1997, a member may retire at age 55 and the completion of 10 years of Credited Service, or 25 years of Credited Service regardless of age, whichever is earlier. The pension benefit is 3.25% of the average final compensation for each year of credited service not to exceed 30 years. The benefits for members who retire on or before June 13, 2006 will provide a 2 percent per year automatic increase on October 1st for each of the first 10 years, with level payments thereafter. Members retiring after June 13, 2006 will receive annual adjustments of 2 percent per year for life.

Effective August 11, 2009, under Ordinance 09-05, all future normal retirees shall receive an additional supplemental monthly benefit of \$5 per month for each year of credited service payable for the life of the retiree.

Benefits are available for early retirement at age 50 and completion of 10 years of vesting service. The pension benefit is reduced by a formula for each year retirement precedes the normal retirement date.

Death and Disability – Effective October 1, 1997, a service incurred disability benefit provides for 42% of the Average Final Compensation (AFC) for members with fewer than 5 years of service, 51% of AFC for members with between 5 and 10 years of service, and 60% of AFC after 10 years of service. The non-service incurred disability benefit provides the accrued benefit but not to exceed 60% of the AFC.

Pre-retirement death benefits are payable monthly to a beneficiary on a Ten Year Certain and Life Annuity basis which can be purchased with the greater of: 1) present value of accrued benefits, or 2) lesser of 24 times the monthly base salary on the preceding March 1st or 100 times the projected monthly retirement benefit. The post-retirement benefit is based on the option an employee selects at retirement.

Vesting occurs over a 10 year period. Credited service of less than 5 years a refund of member contributions with interest is provided. Beginning with 5 years credited service a participant is 50% vested, which increases 10% each year through year 10.

Contribution Information

Total payroll covered by the plan for the year was \$1,081,011 of a total City payroll of \$2,717,034. Total required contributions by the City and State, which are actuarially determined, were 34.8%, all of which were met. Employer contributions made by the City for the year were \$347,220. State contributions totaled \$41,094. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$64,861. Basic member payroll subject to contributions includes base salary exclusive of overtime, plus incentives.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Deferred Retirement Option Program (DROP)

The DROP requires satisfaction of normal retirement requirements, not to exceed 5 years. Upon entering DROP, the retirement benefit will be credited with interest at an effective rate equal to the rate applicable to the Florida Retirement System DROP for the calendar quarter plus 2% with the total equaling a minimum of 3% and a maximum of 8% per annum compounded monthly on the prior month's ending balance. The DROP balance as of September 30, 2018 is \$-0-.

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$8,839,258, and the total cost was \$7,845,024 as of September 30, 2018.

As of September 30, 2018, the asset allocations are as follows:

| | <u>Percent of Total</u> |
|----------------------------------|-----------------------------|
| Cash and Cash Equivalents | 1.42 |
| Mortgage/Asset Backed Securities | 8.77 |
| U.S. Government Obligations | 7.41 |
| Corporate Bonds | 15.95 |
| Mutual Funds – Fixed Income | 4.51 |
| Equity Mutual Funds | <u>61.94</u> |
| | <u>100.00</u> |

The Pension Board establishes investment policies and allocation of invested assets and may amend the policy by majority vote. The following was the Board's adopted asset allocation policy as of September 30, 2018:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|---------------------------|--------------------------|
| Domestic Equity | 45% |
| International Equity | 15% |
| Broad Market Fixed Income | 35% |
| Global Fixed Income | <u>5%</u> |
| Total | <u>100%</u> |

Concentrations

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Rate of Return

For the year ended September 30, 2018 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 7.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

The U.S. Government Obligations have interest rates between 1.0% and 2.5% with maturities from 2019 to 2045. Mortgage/Asset Backed Securities have interest rates between 3.0% and 6.0% with maturities from 2025 to 2048. Corporate bonds have interest rates between 1.8% and 4.0% with maturities between 2019 and 2026.

Net Pension Liability

The components of the net pension liability of the City at September 30, 2018 were as follows:

| | | | |
|---|----------------------------|--------------------------------|--------------------------|
| Total Pension Liability | | | \$ 9,805,205 |
| Plan Fiduciary Net Position | | | <u>(8,924,698)</u> |
| Sponsors Net Pension Liability | | | <u>\$ 880,507</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | | | 91.02% |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balance as of September 30, 2017 | \$ 9,171,325 | \$ 8,365,518 | \$ 805,807 |
| Change due to: | | | |
| Service cost | 316,459 | -0- | 316,459 |
| Interest | 693,452 | -0- | 693,452 |
| Share plan allocation | 1,312 | -0- | 1,312 |
| Difference between expected and actual experience | 86,514 | -0- | 86,514 |
| Changes of assumptions | -0- | -0- | -0- |
| Changes of benefit terms | -0- | -0- | -0- |
| Contributions – Employer | -0- | 347,220 | (347,220) |
| Contributions – State | -0- | 41,094 | (41,094) |
| Contributions – Employee | -0- | 64,861 | (64,861) |
| Net investment income | -0- | 599,254 | (599,254) |
| Benefit payments, including refunds of employee contributions | (463,857) | (463,857) | -0- |
| Administrative expenses | -0- | (29,392) | 29,392 |
| Net Changes | <u>633,880</u> | <u>559,180</u> | <u>74,700</u> |
| Balance as of September 30, 2018 | <u>\$ 9,805,205</u> | <u>\$ 8,924,698</u> | <u>\$ 880,507</u> |

The Sponsor's net pension liability was measured as of September 30, 2018.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2017, updated to September 30, 2018, based on the results of an October 26, 2016 actuarial experience study. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|-----------------------------|---------------|
| Investment rate of return | 7.5% |
| Projected salary increases* | Service based |
| COLA – Post Retirement | 2.5% |
| Payroll Growth | 1.2% per year |

* 6% is up to assumed retirement age. Projected salary at retirement is increased individually according to sick and vacation balances at July 1, 2011 to account for non-regular compensation.

Any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Members are assumed to retire with an immediate benefit at the rate of 5% per year.

Health lives mortality for females is based on the RP2000 Generational, 100% Annuitant White Collar, Scale BB and for males based on the RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB. Disabled lives mortality for females is based on 60% of the RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback of projection scale. For males, the 60% RP2000 Disabled Males setback four years/40% Annuitant White Collar with no setback or projection scale.

75% of disablements are assumed to be in the line of duty.

The disability rates are as follows:

| <u>Age</u> | <u>% Becoming Disabled During the Year</u> |
|------------|--|
| 20 | 0.051% |
| 30 | 0.058% |
| 40 | 0.121% |
| 50 | 0.429% |

The termination rates are as follows:

| <u>Years of Service</u> | <u>Termination Rate</u> |
|-------------------------|-------------------------|
| <5 | 8.0% |
| 5–9 | 5.0% |
| 10–14 | 2.0% |
| 15+ | 1.0% |

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

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 the pension plan’s target asset allocation as of September 30, 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>Long Term Expected Real Rate of Return</u> |
|---------------------------|---|
| Domestic Equity | 7.50% |
| International Equity | 8.50% |
| Broad Market Fixed Income | 2.50% |
| Global Fixed Income | 3.50% |

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well 1% higher and 1% lower than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|------------------------------|--------------------|----------------------------------|--------------------|
| | <u>6.50%</u> | <u>7.50%</u> | <u>8.50%</u> |
| City’s Net Pension Liability | \$ 2,256,247 | \$ 880,507 | \$ (245,759) |

Changes of Assumptions:

For measurement date September 30, 2018 as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report.

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – RETIREMENT PLANS – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018 the Sponsor will recognize a pension expense of \$552,984. At September 30, 2018 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 182,299 | \$ -0- |
| Changes in assumptions | 136,472 | -0- |
| Net difference between projected and actual earnings on investments | <u>-0-</u> | |
| <u>18,838</u> | | |
| Total | <u>\$ 318,771</u> | <u>\$ 18,838</u> |

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

| <u>Year ended September 30:</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------|---|--|
| 2019 | \$ 206,907 | \$ (3,768) |
| 2020 | \$ 80,117 | \$ (3,768) |
| 2021 | \$ (9,956) | \$ (3,768) |
| 2022 | \$ 23,518 | \$ (3,768) |
| 2023 | \$ 10,185 | \$ (3,766) |

Fair Value

The investments held by the Police Pension Plan are measured at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2018:

| | <u>09/30/2018</u> | <u>Fair Value Measurements Using</u> | | |
|----------------------------------|---------------------|---|--|--|
| | | <u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Investments by fair value level: | | | | |
| Money Market | \$ 125,953 | \$ 125,953 | \$ -0- | \$ -0- |
| Debt securities: | | | | |
| U.S. Government Obligations | 654,942 | -0- | 654,942 | -0- |
| Mortgage/Asset Backed Securities | 775,169 | -0- | 775,169 | -0- |
| Corporate Bonds | 1,409,929 | -0- | 1,409,929 | -0- |
| Mutual Funds – Fixed Income | 398,611 | -0- | 398,611 | -0- |
| Equity securities: | | | | |
| Mutual Funds – Equity | <u>5,474,654</u> | <u>-0-</u> | <u>5,474,654</u> | <u>-0-</u> |
| Total investments by fair value | <u>\$ 8,839,258</u> | <u>\$ 125,953</u> | <u>\$ 8,713,305</u> | <u>\$ -0-</u> |

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLANS – CONTINUED

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. There were none in Level 1 as of September 30, 2018. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The City did not have any investments measured as Level 3, or any liabilities measured at fair value.

D. AGGREGATE INFORMATION FOR CITY PENSION PLANS

The aggregate balances of the City pension plans are as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Net Pension Liability</u> | <u>Deferred Inflows of Resources</u> | <u>Pension Expense</u> |
|---------------------------|---|----------------------------------|--|----------------------------|
| Florida Retirement System | \$ 470,990 | \$ 907,211 | \$ 72,883 | \$ 174,912 |
| Health Insurance Subsidy | 170,083 | 503,236 | 55,730 | 59,811 |
| Police Retirement Plan | <u>318,771</u> | <u>880,507</u> | <u>18,838</u> | <u>552,984</u> |
| | <u>\$ 959,844</u> | <u>\$2,290,954</u> | <u>\$ 147,451</u> | <u>\$ 787,707</u> |

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Pursuant to the provision of Section 112.0801, Florida Statutes, retired Police Officers and General Employees, as well as their dependents, are permitted to remain covered under the City's medical plans as long as they pay the premium not exceeding the rate developed by blending the claims experience of all plan members for the plan and coverage elected. All costs are born by the participants. The Plan is a single employer defined benefit OPEB Plan.

The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Membership in the Plan consisted of the following at September 30, 2018:

| | |
|--|------------|
| Active participants | 45 |
| Retirees, beneficiaries and disabled members | <u>-0-</u> |
| | 45 |

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Funding Policy

Currently, the City's OPEB benefits are unfunded. There is no separate Trust Fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its investment policy. For the fiscal year ended September 30, 2018, the City provided estimated contributions of approximately \$3,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees.

Total OPEB Liability

The City's total OPEB liability of \$105,365 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

| | |
|---------------------|-------|
| Inflation | 2.50% |
| Salary increases | 2.50% |
| Discount rate | 4.18% |
| Initial trend rate | 8.50% |
| Ultimate trend rate | 4.00% |
| Year to ultimate | 55 |

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA.

The valuation was performed utilizing the alternative measurement method for small plans as permitted by Governmental Accounting Standards Statement No. 75.

There were no changes in the benefit terms during the year ended September 30, 2018.

Changes of assumptions: The discount rate of 4.18% for the current measurement period was increased from 3.64% for the reporting period ended September 30, 2017.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Changes in the Total OPEB Liability

Changes in the City's total OPEB Liability during the year are as follows:

| | |
|--|--------------------------|
| Reporting period ending September 30, 2017 | \$ 100,963 |
| Service cost | 9,715 |
| Interest | 3,981 |
| Differences between expected and actual experience | -0- |
| Changes of assumptions | (6,642) |
| Changes of benefit terms | -0- |
| Contributions – Employer | -0- |
| Benefit payments | (2,652) |
| Other changes | <u>-0-</u> |
| Net changes | 4,402 |
| Reporting period ending September 30, 2018 | <u>\$ 105,365</u> |

Sensitivity of the Total OPEB 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 (3.18%) or one percentage-point higher (5.18%) than the current discount rate:

| | 1% Decrease <u>3.18%</u> | Current Discount Rate 4.18% | 1% Increase <u>5.18%</u> |
|----------------------|-----------------------------|--------------------------------|-----------------------------|
| Total OPEB Liability | \$ 118,137 | \$ 105,365 | \$ 94,461 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rates that are one percentage-point lower (7.50% decreasing to 3.00%) or one percentage-point higher (9.50% decreasing to 5.00%) than the current healthcare cost trend rates:

| | 1% Decrease <u>3.00% – 7.50%</u> | Healthcare Cost Trend Rates <u>4.00% – 8.50%</u> | 1% Increase <u>5.00% – 9.50%</u> |
|----------------------|-------------------------------------|--|-------------------------------------|
| Total OPEB Liability | \$ 93,137 | \$ 105,365 | \$ 119,594 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense in the amount of \$10,054.

At September 30, 2018, the City did not have any deferred outflow of resources or deferred inflows of resources related to OPEB.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – RISK MANAGEMENT

Risk Management – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year, and there have been no settlements or claims in excess of coverage.

Health and Dental Program – As noted above under “Post-Employment Benefits and Other Pensions,” the City allows retiring employees and their dependents to remain covered in the City’s Plan as long as they pay the premium not exceeding the rate developed by blending the claims experience of all Plan members for the Plan and coverage elected. The benefit is self-insured by the City up to the attachment point for the City’s stop-loss coverage. There have been no significant reductions in insurance coverage for the current fiscal year.

NOTE 9 – CONTINGENCIES

The City is currently involved in litigation with various parties. The outcome of these matters cannot be determined at this time. The City is vigorously defending these cases. The City’s insurance carrier has also assigned legal counsel and it is expected in the event of an unfavorable outcome, that all claims will be assumed by the City’s insurance carrier. As a result, no liability has been recorded in these financial statements. However, it is at least reasonably possible that additional liabilities could result in the near term.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| GENERAL FUND | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| REVENUES | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE |
| Ad valorem taxes | \$ 3,946,331 | \$ 3,946,331 | \$ 3,972,502 | \$ 26,171 |
| State and county receipts | 1,327,973 | 1,327,973 | 1,335,744 | 7,771 |
| Licenses and permits | 961,700 | 961,700 | 1,111,566 | 149,866 |
| Storm water fees | 216,952 | 216,952 | 218,829 | 1,877 |
| Franchise fees | 563,200 | 563,200 | 601,059 | 37,859 |
| Interest | 15,000 | 15,000 | 100,127 | 85,127 |
| Grants | 189,144 | 189,144 | 142,700 | (46,444) |
| Other sources | 177,374 | 177,374 | 556,977 | 379,603 |
| | <u>7,397,674</u> | <u>7,397,674</u> | <u>8,039,504</u> | <u>641,830</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| Personal services | 558,725 | 558,725 | 509,508 | 49,217 |
| Operating | 697,950 | 697,950 | 440,326 | 257,624 |
| Capital outlay | 20,000 | 20,000 | 32,070 | (12,070) |
| Total General Government | <u>1,276,675</u> | <u>1,276,675</u> | <u>981,904</u> | <u>294,771</u> |
| Public Safety: | | | | |
| Personal services | 2,443,770 | 2,443,770 | 2,296,412 | 147,358 |
| Operating | 434,569 | 434,569 | 403,792 | 30,777 |
| Capital outlay | 125,000 | 125,000 | 243,860 | (118,860) |
| Total Public Safety | <u>3,003,339</u> | <u>3,003,339</u> | <u>2,944,064</u> | <u>59,275</u> |
| Code Enforcement: | | | | |
| Personal services | 130,178 | 130,178 | 135,606 | (5,428) |
| Operating | 33,200 | 33,200 | 25,497 | 7,703 |
| Capital outlay | 1,000 | 1,000 | - | 1,000 |
| Total Code Enforcement | <u>164,378</u> | <u>164,378</u> | <u>161,103</u> | <u>3,275</u> |
| Public Works: | | | | |
| Personal services | 679,142 | 679,142 | 633,279 | 45,863 |
| Operating | 654,992 | 654,992 | 798,422 | (143,430) |
| Capital outlay | 1,247,081 | 1,247,081 | 621,853 | 625,228 |
| Total Public Works | <u>2,581,215</u> | <u>2,581,215</u> | <u>2,053,554</u> | <u>527,661</u> |
| Building Department: | | | | |
| Personal services | 552,154 | 552,154 | 518,554 | 33,600 |
| Operating | 216,000 | 216,000 | 185,317 | 30,683 |
| Capital outlay | 5,000 | 5,000 | 4,511 | 489 |
| Total Building Department | <u>773,154</u> | <u>773,154</u> | <u>708,382</u> | <u>64,772</u> |
| Debt Service: | | | | |
| Debt service | 128,100 | 128,100 | 107,492 | 20,608 |
| Total Debt Service | <u>128,100</u> | <u>128,100</u> | <u>107,492</u> | <u>20,608</u> |
| Total Expenditures | <u>7,926,861</u> | <u>7,926,861</u> | <u>6,956,499</u> | <u>970,362</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (529,187) | (529,187) | 1,083,005 | 1,612,192 |
| OTHER FINANCING SOURCES | | | | |
| Loss on disposal of capital assets | 4,500 | 4,500 | - | (4,500) |
| Proceeds from long-term debt | - | - | 90,037 | 90,037 |
| Total other financing sources | <u>4,500</u> | <u>4,500</u> | <u>90,037</u> | <u>85,537</u> |
| NET CHANGE IN FUND BALANCE | (524,687) | (524,687) | 1,173,042 | 1,697,729 |
| FUND BALANCE, October 1, 2017 | <u>6,502,243</u> | <u>6,502,243</u> | <u>6,958,965</u> | <u>456,722</u> |
| FUND BALANCE, September 30, 2018 | <u>\$ 5,977,556</u> | <u>\$ 5,977,556</u> | <u>\$ 8,132,007</u> | <u>\$ 2,154,451</u> |

Note 1 – Budget Basis

The general fund budget is presented on a basis consistent with U.S. generally accepted accounting principles.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
POLICE OFFICER'S PENSION TRUST FUND**

| | Available Fiscal Years * | | | | |
|--|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | (Dollar Amounts in Thousands) | | | | |
| | 9/30/14 | 9/30/15 | 9/30/16 | 9/30/17 | 9/30/18 |
| Total pension liability | | | | | |
| Service cost | \$ 206,227 | \$ 215,036 | \$ 247,872 | \$ 267,086 | \$ 316,459 |
| Interest | 535,236 | 568,119 | 606,206 | 657,640 | 693,452 |
| Change in excess state money | 886 | 2,616 | 3,177 | - | - |
| Differences between expected and actual experience | - 0 - | 13,676 | 72,968 | 127,431 | 1,312 |
| Changes of assumptions | - 0 - | - 0 - | 312,649 | 19,020 | 86,514 |
| Benefit payments, including refunds of employee contributions | (304,003) | (319,656) | (324,018) | (822,244) | (463,857) |
| Net change in total pension liability | 438,346 | 479,791 | 918,854 | 248,933 | 633,880 |
| Total pension liability - beginning | 7,085,401 | 7,523,747 | 8,003,538 | 8,922,392 | 9,171,325 |
| Total pension liability - ending (a) | <u>\$ 7,523,747</u> | <u>\$ 8,003,538</u> | <u>\$ 8,922,392</u> | <u>\$ 9,171,325</u> | <u>\$ 9,805,205</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 268,104 | \$ 236,626 | \$ 201,051 | \$ 242,518 | \$ 347,220 |
| Contributions - state | 40,668 | 42,398 | 42,959 | 38,221 | 41,094 |
| Contributions - employee | 41,513 | 47,585 | 51,191 | 57,686 | 64,861 |
| Net investment income | 637,333 | (64,124) | 509,296 | 893,423 | 599,254 |
| Benefit payments, including refunds of employee contributions | (304,003) | (319,656) | (324,018) | (822,244) | (463,857) |
| Administrative expense | (18,432) | (15,705) | (25,649) | (28,111) | (29,392) |
| Net change in plan fiduciary net position | 665,183 | (72,876) | 454,830 | 381,493 | 559,180 |
| Plan fiduciary net position - beginning | 6,936,888 | 7,602,071 | 7,529,195 | 7,984,025 | 8,365,518 |
| Plan fiduciary net position - ending (b) | <u>\$ 7,602,071</u> | <u>\$ 7,529,195</u> | <u>\$ 7,984,025</u> | <u>\$ 8,365,518</u> | <u>\$ 8,924,698</u> |
| Net pension liability - ending (a) - (b) | <u>\$ (78,324)</u> | <u>\$ 474,343</u> | <u>\$ 938,367</u> | <u>\$ 805,807</u> | <u>\$ 880,507</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 101.04% | 94.07% | 89.48% | 91.21% | 91.02% |
| Covered employee payroll (1) | \$ 691,879 | \$ 932,530 | \$ 853,180 | \$ 961,437 | \$ 1,081,011 |
| Net pension liability as a percentage of covered employee payroll | -11.32% | 50.87% | 109.98% | 83.81% | 81.45% |

* Until a full 10-year trend is compiled, information will be presented for those years available.

(1) The covered employee payroll numbers shown are in compliance with GASB No. 82, except for the 9/30/15 measurement period which includes DROP payroll.

Changes of Assumptions:

There were no changes of assumptions as of the September 30, 2018 measurement date and the prior measurement date.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICER'S PENSION TRUST FUND**

Available Fiscal Years *
(Dollar Amounts in Thousands)

| | <u>9/30/14</u> | <u>9/30/15</u> | <u>9/30/16</u> | <u>9/30/17</u> | <u>9/30/18</u> |
|--|----------------|--------------------|------------------|----------------|----------------|
| Actuarially determined contribution | \$ 307,886 | \$ 256,168 | \$ 261,073 | \$ 280,740 | \$ 387,002 |
| Contributions in relation to the actuarially determined contributions | 307,886 | 276,408 | 240,833 | 280,739 | 387,002 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (20,240)</u> | <u>\$ 20,240</u> | <u>\$ 1</u> | <u>\$ -</u> |
| Covered employee payroll (1) | \$ 691,879 | \$ 932,530 | \$ 853,180 | \$ 961,437 | \$ 1,081,011 |
| Contributions as a percentage of covered employee payroll | 44.50% | 29.64% | 28.23% | 29.20% | 35.80% |

* Until a full 10-year trend is compiled, information will be presented for those years available.

(1) For the fiscal year 2014, the covered employee payroll figure was based on pensionable salary. The covered employee payroll numbers shown are in compliance with GASB No. 82, except for the 9/30/15 measurement period which includes DROP payroll.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE OFFICER'S PENSION TRUST FUND
SEPTEMBER 30, 2018

Valuation Date: 10/1/2016

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

Methods and assumptions used to determine contribution rates:

| Actuarial Cost Method: | Frozen Entry Age Actuarial Cost Method. | | | | | | | | | | |
|-----------------------------------|--|-----------------------------------|--|-----|--------|--------|--------|---------|--------|------|--------|
| Amortization Method: | Level Percentage of Pay, Closed. | | | | | | | | | | |
| Mortality – Healthy Lives: | Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB | | | | | | | | | | |
| Mortality – Disabled Lives: | Female: 60% RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no set back, no projection scale Male: 60% RP2000 Disabled Male setback four years/40% Annuitant White Collar with no set back, no projection scale | | | | | | | | | | |
| Termination Rate: | <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Years of</u> <u>Service</u></th> <th style="text-align: center;"><u>Termination</u> <u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">< 5</td> <td style="text-align: center;">8.0%</td> </tr> <tr> <td style="text-align: center;">5 – 9</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td style="text-align: center;">10 – 14</td> <td style="text-align: center;">2.0%</td> </tr> <tr> <td style="text-align: center;">15 +</td> <td style="text-align: center;">1.0%</td> </tr> </tbody> </table> | <u>Years of</u> <u>Service</u> | <u>Termination</u> <u>Rate</u> | < 5 | 8.0% | 5 – 9 | 5.0% | 10 – 14 | 2.0% | 15 + | 1.0% |
| <u>Years of</u> <u>Service</u> | <u>Termination</u> <u>Rate</u> | | | | | | | | | | |
| < 5 | 8.0% | | | | | | | | | | |
| 5 – 9 | 5.0% | | | | | | | | | | |
| 10 – 14 | 2.0% | | | | | | | | | | |
| 15 + | 1.0% | | | | | | | | | | |
| Disability Rate: | 75% of disablements are assumed to be in line of duty. <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>% Becoming Disabled</u> <u>During the Year</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">0.051%</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">0.058%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">0.121%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">0.429%</td> </tr> </tbody> </table> | <u>Age</u> | <u>% Becoming Disabled</u> <u>During the Year</u> | 20 | 0.051% | 30 | 0.058% | 40 | 0.121% | 50 | 0.429% |
| <u>Age</u> | <u>% Becoming Disabled</u> <u>During the Year</u> | | | | | | | | | | |
| 20 | 0.051% | | | | | | | | | | |
| 30 | 0.058% | | | | | | | | | | |
| 40 | 0.121% | | | | | | | | | | |
| 50 | 0.429% | | | | | | | | | | |
| Retirement Age: | Earlier of age 55 and 10 years of service or 25 years of service regardless of age. Also, any member who has reached Normal Retirement is assumed to retire immediately. | | | | | | | | | | |
| Early Retirement: | Commencing with the earliest Early Retirement Age (50 and 10), members are assumed to retire with an immediate benefit at the rate of 5% per year. | | | | | | | | | | |
| Interest Rate: | 7.50% per year compounded annually, net of investment related expenses. | | | | | | | | | | |
| Salary Increases: | <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Years of</u> <u>Service</u></th> <th style="text-align: center;"><u>Termination</u> <u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">< 1</td> <td style="text-align: center;">10.0%</td> </tr> <tr> <td style="text-align: center;">15 – 9</td> <td style="text-align: center;">7.0%</td> </tr> <tr> <td style="text-align: center;">10 – 14</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td style="text-align: center;">15 +</td> <td style="text-align: center;">5.5%</td> </tr> </tbody> </table> <p>Projected salary at retirement is increased individually according to the sick and vacation balances at 7/1/11 to account for non-regular compensation.</p> | <u>Years of</u> <u>Service</u> | <u>Termination</u> <u>Rate</u> | < 1 | 10.0% | 15 – 9 | 7.0% | 10 – 14 | 5.5% | 15 + | 5.5% |
| <u>Years of</u> <u>Service</u> | <u>Termination</u> <u>Rate</u> | | | | | | | | | | |
| < 1 | 10.0% | | | | | | | | | | |
| 15 – 9 | 7.0% | | | | | | | | | | |
| 10 – 14 | 5.5% | | | | | | | | | | |
| 15 + | 5.5% | | | | | | | | | | |
| Asset Valuation Method: | Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value. | | | | | | | | | | |
| Inflation: | 2.50% | | | | | | | | | | |
| Discount Rate: | 7.50% | | | | | | | | | | |
| Investment Rate of Return: | 7.50% | | | | | | | | | | |

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF ANNUAL MONEY-WEIGHTED
RATE OF RETURN ON POLICE OFFICER'S
PENSION TRUST FUND INVESTMENTS**

SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS (1)

| <u>DATE (1)</u> | <u>PERCENTAGE</u> |
|-----------------|-------------------|
| 9/30/14 | 9.24% |
| 9/30/15 | -0.85% |
| 9/30/16 | 6.83% |
| 9/30/17 | 11.65% |
| 9/30/18 | 7.23% |

The annual money weighted return on investments is net of investment expense.

- (1) The City began to report the annual money-weighted return on investments when it implemented GASB Statement No. 67 in fiscal year 2014. Ultimately, this schedule will contain information for the last ten years.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – FRS**

| | FLORIDA RETIREMENT SYSTEM (FRS) Available Fiscal Years * | | | | |
|---|---|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| City's proportion of the net pension liability | 0.002213893% | 0.002230980% | 0.002715044% | 0.002845767% | 0.003011937% |
| City's proportionate share of the net pension liability | \$ 135,080 | \$ 288,161 | \$ 685,551 | \$ 841,759 | \$ 907,211 |
| City's covered-employee payroll | \$ 1,006,676 | \$ 1,041,807 | \$ 1,287,870 | \$ 1,407,097 | \$ 1,624,162 |
| City's proportionate share of the net pension liability as a percentage of its covered employee payroll | 13% | 28% | 53% | 60% | 56% |
| Plan fiduciary net position as a percentage of total pension liability | 96.09% | 92.00% | 84.88% | 83.89% | 84.26% |

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - HIS**

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
Available Fiscal Years *

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.003342238% | 0.003300574% | 0.004262634% | 0.004458865% | 0.004754631% |
| City's proportionate share of the net pension liability | \$ 312,507 | \$ 336,607 | \$ 496,792 | \$ 476,762 | \$ 503,236 |
| City's covered-employee payroll | \$ 1,006,676 | \$ 1,041,807 | \$ 1,287,870 | \$ 1,407,097 | \$ 1,624,162 |
| City's proportionate share of the net pension liability as a percentage of its covered employee payroll | 31% | 32% | 39% | 34% | 31% |
| Plan fiduciary net position as a percentage of total pension liability | 0.99% | 0.50% | 0.97% | 1.64% | 2.15% |

* - GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS – FRS**

FLORIDA RETIREMENT SYSTEM (FRS)
Available Fiscal Years *

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 48,494 | \$ 54,393 | \$ 66,211 | \$ 74,082 | \$ 85,838 |
| Contributions in relation to the contractually required contribution | <u>48,494</u> | <u>54,393</u> | <u>66,211</u> | <u>74,082</u> | <u>85,838</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ 1,006,676 | \$ 1,041,807 | \$ 1,287,870 | \$ 1,407,097 | \$ 1,624,162 |
| Contributions as a percentage of covered-employee payroll | 4.82% | 5.22% | 5.14% | 5.26% | 5.29% |

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS – HIS**

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
Available Fiscal Years *

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 11,449 | \$ 12,617 | \$ 21,849 | \$ 23,598 | \$ 25,794 |
| Contributions in relation to the contractually required contribution | <u>11,449</u> | <u>12,617</u> | <u>21,849</u> | <u>23,598</u> | <u>25,794</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ 1,006,676 | \$ 1,041,807 | \$ 1,287,870 | \$ 1,407,097 | \$ 1,624,162 |
| Contributions as a percentage of covered-employee payroll | 1.14% | 1.21% | 1.70% | 1.68% | 1.59% |

* – GASB No. 68 and 71 were adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

CITY OF HOLMES BEACH FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – FRS/HIS
SEPTEMBER 30, 2018

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for the FRS plan was determined by an actuarial valuation as of July 1, 2018. The total pension liability for the HIS plan was determined by an actuarial valuation as of July 1, 2018. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.00%. The plan's 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. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2018:

- FRS: The discount rate and long-term expected rate of return was decreased from 7.10% to 7.00%.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Available Fiscal Years *

| | 9/30/18 |
|--|----------------|
| Total OPEB liability | |
| Service cost | \$ 9,715 |
| Interest | 3,981 |
| Differences between expected and actual experience | - |
| Changes of assumptions | (6,642) |
| Changes of benefit terms | - |
| Contributions - Employer | - |
| Benefit payments | (2,652) |
| Other changes | - |
| | 4,402 |
| Net change in total OPEB liability | 4,402 |
| Total OPEB liability - beginning | 100,963 |
| Total OPEB liability - ending (a) | \$ 105,365 |
| Covered employee payroll | \$ 2,310,804 |
| Total OPEB liability as a percentage of covered employee payroll | 4.56% |

* Until a full 10-year trend is compiled, information will be presented for those years available.

Changes of Benefit Terms:

There were no changes in benefit terms during the year ended September 30, 2018 .

Changes of Assumptions:

Changes of assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2017 to 4.18% for the reporting period ended September 30, 2018.

Note to Required Supplementary Information:

The OPEB benefits are unfunded and there is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | GENERAL FUND | | | |
|----------------------------------|---------------------|---------------------|---------------------|-------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE |
| REVENUES | | | | |
| Ad valorem taxes | \$ 3,946,331 | \$ 3,946,331 | \$ 3,972,502 | \$ 26,171 |
| Communication service tax | 241,681 | 241,681 | 243,867 | 2,186 |
| Revenue sharing – state | 138,721 | 138,721 | 138,383 | (338) |
| Sales tax | 305,482 | 305,482 | 309,501 | 4,019 |
| Casualty insurance tax | 39,781 | 39,781 | 41,094 | 1,313 |
| Ninth cent gas tax | 20,703 | 20,703 | 20,966 | 263 |
| Four cent gas tax | 123,917 | 123,917 | 122,222 | (1,695) |
| Two cent gas tax | 49,445 | 49,445 | 48,748 | (697) |
| Local option 5 cent gas tax | 106,532 | 106,532 | 104,192 | (2,340) |
| Discretionary 1/2 cent sales tax | 292,711 | 292,711 | 291,953 | (758) |
| Court fines | 8,000 | 8,000 | 14,818 | 6,818 |
| Police education receipts | 1,000 | 1,000 | - | (1,000) |
| Licenses and permits | 961,700 | 961,700 | 1,111,566 | 149,866 |
| Storm water utilities fees | 216,952 | 216,952 | 218,829 | 1,877 |
| Franchise fees | 563,200 | 563,200 | 601,059 | 37,859 |
| Interest earned | 15,000 | 15,000 | 100,127 | 85,127 |
| Grants | 189,144 | 189,144 | 142,700 | (46,444) |
| Alcoholic beverage tax | 5,000 | 5,000 | 7,346 | 2,346 |
| Police service charges | 4,300 | 4,300 | 7,172 | 2,872 |
| Administrative fees | 6,000 | 6,000 | 8,680 | 2,680 |
| Violation of local ordinance | 52,000 | 52,000 | 86,973 | 34,973 |
| Lien request fees | 20,000 | 20,000 | 25,650 | 5,650 |
| Dock fees | 21,675 | 21,675 | 22,348 | 673 |
| Code enforcement fines | 2,500 | 2,500 | 6,804 | 4,304 |
| Skate park memberships | 400 | 400 | - | (400) |
| Private donations | - | - | 219,226 | 219,226 |
| Building official service fees | - | - | 2,635 | 2,635 |
| Tidemark lease | 12,949 | 12,949 | 13,221 | 272 |
| FDOT maintenance agreement | - | - | 14,042 | 14,042 |
| Cell tower review fees | 3,500 | 3,500 | 4,500 | 1,000 |
| Manatee County beach patrol | 10,000 | 10,000 | 10,000 | - |
| School resource officers | 25,000 | 25,000 | 55,842 | 30,842 |
| Miscellaneous | 14,050 | 14,050 | 72,538 | 58,488 |
| TOTAL REVENUES | \$ 7,397,674 | \$ 7,397,674 | \$ 8,039,504 | \$ 641,830 |

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| | GENERAL FUND | | | |
|---------------------------------------|--------------------|------------------|------------------|----------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE |
| EXPENDITURES | | | | |
| ADMINISTRATIVE | | | | |
| Clerk's salaries | \$ 354,308 | \$ 354,308 | \$ 342,126 | \$ 12,182 |
| Payroll taxes | 30,968 | 30,968 | 30,407 | 561 |
| Retirement | 28,225 | 28,225 | 27,305 | 920 |
| Life/health/workers comp insurance | 91,224 | 91,224 | 54,950 | 36,274 |
| Mayor and Council – expenses | 54,000 | 54,000 | 54,720 | (720) |
| Professional fees | 415,750 | 415,750 | 303,421 | 112,329 |
| Building maintenance | - | - | 2 | (2) |
| Office supplies | 12,000 | 12,000 | 8,895 | 3,105 |
| Operating supplies | 20,000 | 20,000 | 18,358 | 1,642 |
| Insurance | 33,000 | 33,000 | 30,679 | 2,321 |
| Advertising | 10,500 | 10,500 | 10,235 | 265 |
| Books, memberships, training | 14,500 | 14,500 | 6,267 | 8,233 |
| Miscellaneous | 9,200 | 9,200 | 4,048 | 5,152 |
| Elections expense | 10,000 | 10,000 | 4,714 | 5,286 |
| Leasing expense | 12,500 | 12,500 | 11,244 | 1,256 |
| Travel | 15,000 | 15,000 | 7,090 | 7,910 |
| Utilities | 15,500 | 15,500 | 12,873 | 2,627 |
| Outside agency funding | 25,000 | 25,000 | 22,500 | 2,500 |
| Contingencies | 105,000 | 105,000 | - | 105,000 |
| Capital outlay | 20,000 | 20,000 | 32,070 | (12,070) |
| TOTAL ADMINISTRATIVE | 1,276,675 | 1,276,675 | 981,904 | 294,771 |
| POLICE DEPARTMENT | | | | |
| Salaries | 1,460,917 | 1,460,917 | 1,404,198 | 56,719 |
| Payroll taxes | 107,170 | 107,170 | 108,250 | (1,080) |
| Retirement | 365,103 | 365,103 | 414,601 | (49,498) |
| Life/health/workers comp insurance | 510,580 | 510,580 | 369,363 | 141,217 |
| Operational expenses | 130,919 | 130,919 | 139,715 | (8,796) |
| Service contracts/leases | 10,900 | 10,900 | 3,486 | 7,414 |
| Professional fees | 37,550 | 37,550 | 41,465 | (3,915) |
| Maintenance | 40,000 | 40,000 | 22,712 | 17,288 |
| Insurance | 148,000 | 148,000 | 143,241 | 4,759 |
| Utility services | 19,000 | 19,000 | 18,262 | 738 |
| Radio/communications | 19,000 | 19,000 | 9,743 | 9,257 |
| Travel | 9,500 | 9,500 | 12,721 | (3,221) |
| Education | 15,000 | 15,000 | 12,447 | 2,553 |
| Records management system | 4,700 | 4,700 | - | 4,700 |
| Capital outlay | 125,000 | 125,000 | 243,860 | (118,860) |
| TOTAL POLICE DEPARTMENT | 3,003,339 | 3,003,339 | 2,944,064 | 59,275 |

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

| EXPENDITURES | GENERAL FUND | | | |
|--------------------------------------|--------------------|------------------|------------------|----------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE |
| CODE ENFORCEMENT | | | | |
| Salaries | \$ 102,649 | \$ 102,649 | \$ 104,886 | \$ (2,237) |
| Payroll taxes | 7,547 | 7,547 | 8,024 | (477) |
| Retirement | 19,982 | 19,982 | 8,409 | 11,573 |
| Life/health/workers comp insurance | - | - | 14,287 | (14,287) |
| Professional fees | 6,000 | 6,000 | 3,000 | 3,000 |
| Insurance | 11,500 | 11,500 | 11,568 | (68) |
| Vehicle maintenance | 2,500 | 2,500 | 1,999 | 501 |
| Office supplies | 1,200 | 1,200 | - | 1,200 |
| Operating supplies / work | 5,500 | 5,500 | 7,234 | (1,734) |
| Travel | 2,000 | 2,000 | 816 | 1,184 |
| Education | 3,000 | 3,000 | 880 | 2,120 |
| Communications / freight | 1,500 | 1,500 | - | 1,500 |
| Capital outlay | 1,000 | 1,000 | - | 1,000 |
| TOTAL CODE ENFORCEMENT | 164,378 | 164,378 | 161,103 | 3,275 |
| PUBLIC WORKS DEPARTMENT | | | | |
| Salaries | 446,456 | 446,456 | 427,136 | 19,320 |
| Payroll taxes | 33,848 | 33,848 | 32,677 | 1,171 |
| Retirement | 198,838 | 198,838 | 37,090 | 161,748 |
| Life/health/workers comp insurance | - | - | 136,376 | (136,376) |
| Maintenance – General | 132,500 | 132,500 | 114,950 | 17,550 |
| Maintenance – 1/2 cent | - | - | 130,209 | (130,209) |
| Professional fees | 109,589 | 109,589 | 94,517 | 15,072 |
| Professional fees–Stormwater | 123,903 | 123,903 | 84,244 | 39,659 |
| Office supplies | 2,000 | 2,000 | 1,151 | 849 |
| Insurance | 64,000 | 64,000 | 57,839 | 6,161 |
| Miscellaneous | 500 | 500 | 45,736 | (45,236) |
| Advertising | 6,500 | 6,500 | 1,829 | 4,671 |
| Operational supplies / work | 73,500 | 73,500 | 75,179 | (1,679) |
| Travel | 2,000 | 2,000 | 228 | 1,772 |
| Road maintenance & materials | 49,000 | 49,000 | 10,607 | 38,393 |
| Rents / leases | 5,000 | 5,000 | 3,459 | 1,541 |
| Education | 1,500 | 1,500 | 199 | 1,301 |
| Utilities | 85,000 | 85,000 | 75,697 | 9,303 |
| Hurricane cleanup | - | - | 102,578 | (102,578) |
| Capital outlay | 1,247,081 | 1,247,081 | 621,853 | 625,228 |
| TOTAL PUBLIC WORKS DEPARTMENT | 2,581,215 | 2,581,215 | 2,053,554 | 527,661 |

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | GENERAL FUND | | | |
|------------------------------------|---------------------|---------------------|---------------------|-------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE |
| EXPENDITURES | | | | |
| BUILDING DEPARTMENT | | | | |
| Salaries | \$ 387,614 | \$ 387,614 | \$ 378,805 | \$ 8,809 |
| Payroll taxes | 29,461 | 29,461 | 23,392 | 6,069 |
| Retirement | - | - | 30,361 | (30,361) |
| Life/health/workers comp insurance | 135,079 | 135,079 | 85,996 | 49,083 |
| Professional fees | 134,000 | 134,000 | 123,761 | 10,239 |
| Insurance | 37,000 | 37,000 | 34,703 | 2,297 |
| Maintenance | 2,000 | 2,000 | 389 | 1,611 |
| Printing | 5,500 | 5,500 | 1,676 | 3,824 |
| Advertising | 3,000 | 3,000 | 632 | 2,368 |
| Office supplies | 4,500 | 4,500 | 5,291 | (791) |
| Miscellaneous | 11,000 | 11,000 | 3,602 | 7,398 |
| Travel | 5,000 | 5,000 | 1,663 | 3,337 |
| Utilities | 5,000 | 5,000 | 5,900 | (900) |
| Education | 9,000 | 9,000 | 7,700 | 1,300 |
| Capital outlay | 5,000 | 5,000 | 4,511 | 489 |
| TOTAL CODE ENFORCEMENT | 773,154 | 773,154 | 708,382 | 64,772 |
| DEBT SERVICE | 128,100 | 128,100 | 107,492 | 20,608 |
| TOTAL EXPENDITURES | \$ 7,926,861 | \$ 7,926,861 | \$ 6,956,499 | \$ 970,362 |

OTHER AUDITOR'S REPORTS



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*

To the Honorable Mayor and City Commission
City of Holmes 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 the City of Holmes Beach, Florida (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 24, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christopher Smith, Leonard
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 24, 2019
Bradenton, Florida

MANAGEMENT LETTER

To the Honorable Mayor and City Commission
City of Holmes Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Holmes Beach, Florida (the City) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 24, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, 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, which are dated May 24, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

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 of Holmes Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City of Holmes Beach, Florida, was not in a state of financial emergency as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.544(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Holmes Beach, Florida. It is management's responsibility to monitor the City of Holmes Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 did not have any such recommendations.

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 have any such findings.

Purpose of this Letter

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

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 24, 2019
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

To the Honorable Mayor and City Commission
City of Holmes Beach, Florida

We have examined the City of Holmes Beach, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. 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 an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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 aforementioned compliance requirements for the year ended September 30, 2018.

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

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 24, 2019
Bradenton, Florida