

**CITY OF HOLMES BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**TABLE OF CONTENTS**

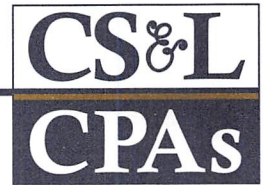
	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUND	12
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND	16
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND	17
NOTES TO FINANCIAL STATEMENTS	18 - 42
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	43
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE OFFICER'S PENSION TRUST FUND	44
SCHEDULE OF CONTRIBUTIONS - POLICE OFFICER'S PENSION TRUST FUND	45

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**TABLE OF CONTENTS - CONTINUED**

	<b><u>PAGE</u></b>
<b>REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED):</b>	
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - POLICE OFFICER'S PENSION TRUST FUND	46
SCHEDULE OF ANNUAL MONEY - WEIGHTED RATE OF RETURN ON POLICE OFFICER'S PENSION TRUST FUND INVESTMENTS	47
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - FRS	48
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HIS	49
SCHEDULE OF THE CITY'S CONTRIBUTIONS - FRS	50
SCHEDULE OF THE CITY'S CONTRIBUTIONS - HIS	51
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - FRS/HIS	52
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS	53
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND	54
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND	55 - 57
<b>OTHER AUDITOR'S REPORTS:</b>	
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	58 - 59
MANAGEMENT LETTER	60 - 61
INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE	62



---

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, 2019, 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, 2019, 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.

## 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 43; 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 44 - 47; the schedules of the City's proportionate share of net pension liability, contributions and notes to required supplementary information on pages 48 - 52; and the schedule of changes in the City's total OPEB liability and related ratios on page 53 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 54 - 57, 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 March 16, 2020, 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.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P. A.

March 16, 2020  
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, 2019. 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 inflows at the close of the most recent fiscal year by \$18,192,216 (*net position*).
- The City's total net position increased by \$1,455,073.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$9,002,136, an increase of \$870,129 in comparison with the prior year. Of this total amount, \$677,918 is restricted, \$5,858,127 is assigned and \$2,288,515 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, 2019, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,192,216 at the close of the most recent fiscal year.

A large portion of the City's net position \$11,596,422 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, 2019 with comparative balances for September 30, 2018 follows:

### Net Position

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 9,211,582	\$ 8,549,844
Capital assets	11,980,116	10,649,217
<b>Total assets</b>	<u>21,191,698</u>	<u>19,199,061</u>
Deferred outflows	1,251,995	959,844
Long-term liabilities outstanding	3,728,656	2,856,474
Other liabilities	209,446	417,837
<b>Total liabilities</b>	<u>3,938,102</u>	<u>3,274,311</u>
Deferred inflows	313,375	147,451
Net position:		
Net investment in capital assets	11,596,422	10,567,894
Restricted	677,918	1,292,108
Unrestricted	5,917,876	4,877,141
<b>Total net position</b>	<u><b>\$ 18,192,216</b></u>	<u><b>\$ 16,737,143</b></u>

An additional portion of the City's net position, \$677,918 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 \$5,917,876 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$1,455,073 during the current fiscal year.



The following is a summary of the information presented in the statement of activities as of September 30, 2019 with comparative totals for the year ended September 30, 2018:

### Changes in Net Position

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 1,614,179	\$ 1,275,294
Operating grants and contributions	227,688	71,842
Capital grants and contributions	431,388	355,926
	2,273,255	1,703,062
<b>General revenues:</b>		
Ad valorem taxes	4,367,353	3,972,502
Franchise fees	621,820	601,059
Communication service tax	234,812	243,867
Stormwater fees	222,199	218,829
State revenue sharing	139,207	138,383
Sales tax	303,172	309,501
Discretionary half cent sales tax	295,114	291,953
Concession funds	192,290	-0-
Casualty insurance tax	43,018	41,094
Other taxes	306,788	303,474
Interest income	134,221	100,127
Miscellaneous	66,864	115,653
Total general revenues	6,926,858	6,336,442
<b>Total Revenues</b>	<b>9,200,113</b>	<b>8,039,504</b>
<b>Expenses:</b>		
General government	1,217,972	1,041,957
Public safety	3,630,991	3,279,463
Public works/building department	2,896,077	2,489,623
Total expenses	7,745,040	6,811,043
Increase in net position	1,455,073	1,228,461
<b>Net position – Beginning</b>	<b>16,737,143</b>	<b>15,508,682</b>
<b>Net position – Ending</b>	<b>\$ 18,192,216</b>	<b>\$ 16,737,143</b>

Net position increased in the amount \$1,455,073 over the prior year. Revenues were \$9,200,113 and increased \$1,160,609 from the prior year. The increase was due to an increase in ad valorem taxes of \$394,851, charges for services of \$338,885, concession funds (a new revenue source) of \$192,290, and an increase in operating and capital grants and contributions of \$231,308. Expenses were \$7,745,040 and increased by \$933,997 largely due to increases in pension related expenses and salaries and related other 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 \$9,002,136, an increase of \$870,129 in comparison with the prior year. Of this total, \$2,288,515 is *unassigned fund balance*, which is available for spending at the City's discretion. \$5,858,127 is assigned pursuant to the budget, \$677,918 is *restricted* for storm water drainage projects, gas tax roadway expenditure projects, infrastructure, and other purposes, and \$177,576 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 26.06% of total general fund expenditures, while total fund balance represents 102.50% of that same amount.

The fund balance of the City's general fund increased \$870,129 during the current fiscal year. The revenues increased by \$1,160,109, resulting from an increase in ad valorem taxes of approximately \$394,000, grants and donations of \$231,000, concession funds of \$192,000 and charges for services of \$339,000. Expenditures increased by \$1,825,917 from the prior year. Personnel services increased approximately \$399,000, public safety had increases in capital outlay of approximately \$343,000 (police vehicles) as did public works which increased \$647,000 (stormwater improvements).

### **General Fund Budgetary Highlights**

Original budgeted revenues were \$8,561,328 and were not amended during the year. Original budgeted expenditures were \$9,514,714 and were amended to \$9,967,146. Other financing sources were originally budgeted for \$4,500 and were amended to \$456,932. Actual revenues exceeded the final budget by \$638,285. This was principally due to licenses and permits. Actual expenditures were less than final budgeted expenditures by \$1,184,730 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 43.

## **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, 2019, the City's Pension Trust Fund reported fiduciary net position of \$9,354,340, an increase of \$429,642 from the prior year. The main components of the increase were contributions of \$509,123 and net investment earnings of \$414,040, as well as benefits paid of \$475,470. 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, 2019 amounts to \$11,980,116 (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 \$1,330,899; comprised of \$1,862,119 of capital additions (police cars and stormwater improvements) and \$525,018 of depreciation expense.

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

	<b><u>Governmental Activities</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 1,316,044	\$ 1,316,044
Building and improvements	1,082,148	1,081,322
Infrastructure	8,551,603	7,613,474
Machinery and equipment	1,030,321	638,377
Total (net of depreciation)	<b><u>\$ 11,980,116</u></b>	<b><u>\$ 10,649,217</u></b>

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 payable. The balance outstanding as of September 30, 2019 was \$383,694. The City also recognizes a net pension liability with the implementation of GASB Statements No. 68. The net pension liability as of September 30, 2019 was \$2,877,884. Additionally, the City records a long-term liability for compensated absences and post-employment benefits other than pensions, which were \$342,787 and \$124,291 at September 30, 2019, respectively. The compensated absences decreased by \$36,045. The post-employment benefits other than pensions increased \$18,926 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 is seeing a 6.6% increase in property values which in effect will increase the tax base by \$327,000. With the millage rate at 2.2500 mills, the City was able to maintain unrestricted reserves at a healthy level. This year the City was fortunate and able to keep the millage rate at 2.2500 mills which was an overall increase of 6.0% over the rolled back rate of 2.1226. The rollback rate calculation 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 2019-2020 budget includes additional revenue from the vacation rental program changes and increases in the storm water utility fees. We have included funding for technology upgrades, infrastructure repairs, City Field improvements, storm water improvements, and an additional \$250,000 reserved as additional legal contingency for Bert Harris legal expenses and claims that may exceed our insurance policies in addition to the \$500,000 we have from the previous year. We have budgeted for the completion of our new website to meet ADA compliance. This year also includes an updated compensation study, consultants to update our comprehensive plan, and additional lobbyist costs. The City will be renewing City Field, with a brand new skate park, tot lot, bocce ball courts, shuffle board and an upgraded dog park. We included funds for resiliency planning and implementation along with storm preparation, cleanup and repairs. After reserving for three years, we will be purchasing a new tractor and excavator. The Code Department will be adding an additional Code Compliance officer to their staff and continue using Icompass Host Compliance services to work with the Vacation Rental program. Storm water improvement projects will include \$128,894 in matching funds for fiscal year 2019-2020 by SWFWMD. With the projected needs of the City, the General Fund will need to temporarily fund storm water until HMGP funding is received in future years. The 5th Cent and Half Cent Gas taxes have budgets for bike and pedestrian improvements, which includes crosswalk enhancements. We also have budgeted funds for dredging, Key Royale bridge repairs, curb replacements, street resurfacing, striping for bike lanes, and a new skate park.

Future budgets beyond 2019-2020 are anticipated to remain steady or 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, 2019**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 3,000,293
Restricted	630,492
Investments	4,717,646
Due from other governments	685,575
Prepaid expenses	177,576
Capital assets	
Land	1,316,044
Other capital assets, net of accumulated depreciation	10,664,072
Total Assets	21,191,698
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of pension resources	1,251,995
<b>LIABILITIES</b>	
Accounts payable	178,856
Accrued expenses	6,257
Unearned revenue	24,333
Non current liabilities	
Due in less than one year	129,408
Due in more than one year	3,599,248
Total Liabilities	3,938,102
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of pension earnings	313,375
<b>NET POSITION</b>	
Net investment in capital assets	11,596,422
Restricted for:	
Restricted for streets and roads	249,539
Capital projects and purchases	417,458
Other	10,921
Unrestricted	5,917,876
<b>TOTAL NET POSITION</b>	<b>\$ 18,192,216</b>

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, 2019

<u>Functions/Programs</u>	Program Revenues			<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	\$ 1,217,972	\$ 130,639	\$ 118,194	\$ 63,100	\$ (906,039)
Public Safety	3,630,991	22,651	109,494	-	(3,498,846)
Public Works	2,896,077	1,460,889	-	368,288	(1,066,900)
Total Governmental Activities	7,745,040	1,614,179	227,688	431,388	(5,471,785)
General Revenues:					
					4,367,353
					621,820
					234,812
					222,199
					139,207
					303,172
					43,018
					295,114
					192,290
					306,788
					134,221
					66,864
					6,926,858
					1,455,073
					16,737,143
					\$ 18,192,216

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

**CITY OF HOLMES BEACH, FLORIDA  
BALANCE SHEET – GOVERNMENTAL FUND  
SEPTEMBER 30, 2019**

	<b>GENERAL FUND</b>
<b>ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 3,000,293
Restricted	630,492
Investments	
Unrestricted	4,717,646
Due from other governments	685,575
Prepaid expenses	177,576
	<b>\$ 9,211,582</b>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 178,856
Accrued expenses	6,257
Unearned revenue	24,333
<b>TOTAL LIABILITIES</b>	<b>209,446</b>
 Fund Balances:	
Nonspendable	177,576
Spendable:	
Restricted	677,918
Assigned	5,858,127
Unassigned	2,288,515
	<b>9,002,136</b>
 <b>TOTAL FUND BALANCES</b>	<b>9,002,136</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,211,582</b>

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, 2019**

---

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

Fund Balance – Governmental Fund	\$ 9,002,136
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	11,980,116
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	1,251,995
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	(3,728,656)
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>(313,375)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 18,192,216</u></u></b>

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, 2019**

	<b>GENERAL FUND</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 4,367,353
State and county receipts	1,521,953
Licenses and permits	1,444,744
Storm water fees	222,199
Franchise fees	621,820
Interest	134,221
Grants	374,288
Other sources	513,035
Total Revenues	9,199,613
<b>EXPENDITURES</b>	
General government:	
Personal services	608,038
Operating	497,319
Capital outlay	1,840
Total General Government	1,107,197
Public Safety:	
Personal services	2,644,199
Operating	559,035
Capital outlay	587,126
Total Public Safety	3,790,360
Public Works:	
Personal services	1,239,762
Operating	1,218,944
Capital outlay	1,273,153
Total Public Works	3,731,859
Debt Service	
Principal	150,061
Interest	2,939
Total Debt Service	153,000
Total Expenditures	8,782,416
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	417,197
<b>OTHER FINANCING SOURCES</b>	
Gain on disposal of capital assets	500
Proceeds from long-term debt	452,432
Total Other Financing Sources	452,932
<b>NET CHANGE IN FUND BALANCE</b>	870,129
<b>FUND BALANCE</b> , October 1, 2018	8,132,007
<b>FUND BALANCE</b> , September 30, 2019	\$ 9,002,136

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, 2019**

---

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

Net change in fund balance – total governmental fund	\$	870,129
--	----	---------

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.		1,330,899
--	--	-----------

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.		150,061
--	--	---------

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		(452,432)
--	--	-----------

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		36,045
Total OPEB liability		(18,926)
Net pension liability		(586,930)
Deferred outflows of pension resources		292,151
Deferred inflows of pension earnings		(165,924)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>1,455,073</u></b>
--	-----------	-------------------------

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, 2019**

---

	<b>POLICE RETIREMENT PLAN</b>
<b>ASSETS</b>	
Investment, at fair value	
Money market funds	\$ 221,191
Bond funds	3,564,604
Equity funds	<u>5,568,545</u>
Net investments at fair value	<u>9,354,340</u>
<b>TOTAL ASSETS</b>	<u>9,354,340</u>
<b>FIDUCIARY NET POSITION</b>	
Restricted for pension benefits	<u><u>\$ 9,354,340</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, 2019**

	<b>POLICE RETIREMENT PLAN</b>
<b>ADDITIONS</b>	
CONTRIBUTIONS:	
Employee contributions	\$ 70,425
Employer contributions	395,680
State contributions	43,018
Total Contributions	509,123
INVESTMENT INCOME:	
Interest	304,476
Net realized and unrealized gains (losses)	150,447
Total Investment Earnings	454,923
Less investment expense	40,883
Net investment income	414,040
TOTAL ADDITIONS	923,163
<b>DEDUCTIONS</b>	
Administrative expenses	18,051
Benefits paid	475,470
TOTAL DEDUCTIONS	493,521
Increase (Decrease) in fiduciary net position	429,642
<b>FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS</b>	
Beginning of year	8,924,698
End of year	\$ 9,354,340

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

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**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 statements exclude the City's fiduciary activities (pension trust fund).

CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. BASIS OF PRESENTATION – CONTINUED**

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

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.

**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.

CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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.

G. PROPERTY TAXES

Property taxes become due and payable on November 1<sup>st</sup> 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:

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**G. PROPERTY TAXES – CONTINUED**

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 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.



**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**J. FUND BALANCE – CONTINUED**

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.

	<u>General Fund</u>
Non Spendable	\$ 177,576
 <u>Spendable:</u>	
<u>Restricted:</u>	
Fifth cent gas tax restricted for road expenditures	249,539
Half cent discretionary sales tax for infrastructure	233,975
Grassy Point	144,624
Other capital projects	38,859
Other	<u>10,921</u>
	<u>677,918</u>
Assigned	5,858,127
Unassigned	<u>2,288,515</u>
 Total Fund Balances	 <u>\$ 9,002,136</u>

**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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 that qualifies for reporting in this category is a deferred inflow of pension earnings which is reported in the government-wide statement of net position.

**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, 2019, 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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**NOTE 2 – CASH AND INVESTMENTS – CONTINUED**

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, 2019, is 37 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, 2019, is 85 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.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2018 through September 30, 2019.

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, 2019, no such disclosure has been made.

As of September 30, 2019, 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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 2 – CASH AND INVESTMENTS – CONTINUED**

At September 30, 2019, the City had investments in the Florida PRIME in the amount of \$4,717,646. 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.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 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
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	1,912,875	54,336	-0-	-0-	1,967,211
Infrastructure	9,348,001	1,195,341	10,770	-0-	10,532,572
Vehicles	1,165,350	453,632	69,350	-0-	1,549,632
Machinery and equipment	881,216	158,810	762	-0-	1,039,264
Total capital assets being depreciated	<u>13,307,442</u>	<u>1,862,119</u>	<u>80,882</u>	<u>-0-</u>	<u>15,088,679</u>
Less accumulated depreciation for:					
Buildings and improvements	831,553	53,510	-0-	-0-	885,063
Infrastructure	1,734,527	257,212	10,770	-0-	1,980,969
Vehicles	849,452	104,785	63,351	-0-	890,886
Machinery and equipment	558,737	109,511	559	-0-	667,689
Total accumulated depreciation	<u>3,974,269</u>	<u>525,018</u>	<u>74,680</u>	<u>-0-</u>	<u>4,424,607</u>
Total capital assets, being depreciated, net	<u>9,333,173</u>	<u>1,337,101</u>	<u>6,202</u>	<u>-0-</u>	<u>10,664,072</u>
Governmental activities capital assets, net	<u>\$10,649,217</u>	<u>\$ 1,337,101</u>	<u>\$ 6,202</u>	<u>\$ -0-</u>	<u>\$ 11,980,116</u>

Depreciation expense was allocated as follows: General Government \$54,420, Public Safety \$155,409 and Public Works \$315,189.

**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

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

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

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

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.”

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	\$ 1,862,119
Loss on disposal of capital assets	(6,202)
Depreciation expense	<u>(525,018)</u>
	<b><u>\$ 1,330,899</u></b>

**NOTE 5 – LONG-TERM LIABILITIES**

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 31<sup>st</sup> with the final payment due in 2021. The balance outstanding on the note as of September 30, 2019 was \$10,294.

Annual installments on this note agreement for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,992	\$ -0-	\$ 4,992
2021	<u>5,302</u>	<u>-0-</u>	<u>5,302</u>
	<b><u>\$ 10,294</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 10,294</u></b>

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 20<sup>th</sup> in the amount of \$24,000 which includes interest at 4.45%. The note is guaranteed by the vehicles, which have a net book value of \$56,400 at September 30, 2019. The final payment is due November 20, 2020. The balance outstanding on the note as of September 30, 2019 was \$44,976.

Annual installments on this note agreement for the fiscal years ending September 30 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 21,999	\$ 2,001	\$ 24,000
2021	<u>22,977</u>	<u>1,023</u>	<u>24,000</u>
	<b><u>\$ 44,976</u></b>	<b><u>\$ 3,024</u></b>	<b><u>\$ 48,000</u></b>

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 5 – LONG-TERM LIABILITIES – CONTINUED**

During 2019, the City financed the purchase of eight additional police vehicles under a note agreement in the amount of \$452,432. Annual payments are required on June 21<sup>st</sup> in the amount of \$124,553 which includes interest of 6.74%. The note is guaranteed by the vehicles, which have a net book value of \$429,808 at September 30, 2019. The final payment is due June 21, 2022. The balance outstanding on the note as of September 30, 2019 was \$328,424.

Annual installments on this note agreement for the fiscal years ending September 30 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 102,417	\$ 22,136	\$ 124,553
2021	109,320	15,233	124,553
2022	<u>116,687</u>	<u>7,866</u>	<u>124,553</u>
	<b><u>\$ 328,424</u></b>	<b><u>\$ 45,235</u></b>	<b><u>\$ 373,659</u></b>

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, 2019, the City's long-term obligations changed as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note payable – direct borrowings	\$ 81,323	\$ 452,432	\$ (150,061)	\$ 383,694	\$ 129,408
Compensated absences	378,832	278,918	(314,963)	342,787	–0–
Total OPEB liability (Note 7)	105,365	21,803	(2,877)	124,291	–0–
Net pension liability (Note 6)	<u>2,290,954</u>	<u>2,098,044</u>	<u>(1,511,114)</u>	<u>2,877,884</u>	<u>–0–</u>
	<b><u>\$ 2,856,474</u></b>	<b><u>\$ 2,851,197</u></b>	<b><u>\$ (1,979,015)</u></b>	<b><u>\$ 3,728,656</u></b>	<b><u>\$ 129,408</u></b>

**NOTE 6 – RETIREMENT PLANS**

The City provides retirement benefits to employees under two 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 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>.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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.

**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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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, 2019, ranged from 8.26% – 8.47% for regular employees and 14.03% – 14.60% 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 \$150,337 for the year ended September 30, 2019, and approximated 8.9% of covered payroll.

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, 2019, the City reported a liability of \$1,716,627 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, 2019, 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, 2019, the City’s proportion was 0.0033080940% for FRS and 0.005160115% for HIS was consistent with its proportion measured in the previous year.

For the year ended September 30, 2019, the City recognized pension expense of \$380,056. At September 30, 2019, 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	\$ 67,573	\$ 707	\$ 7,013	\$ 707
Changes in assumptions	292,611	–0–	66,853	47,189
Net difference between projected and actual earnings on pension plan investments	–0–	63,030	373	–0–
Changes in proportion and differences between contributions and proportionate share of contributions	107,732	–0–	113,485	1,147
City contributions subsequent to the June 30, 2019 measurement date	<u>23,724</u>	<u>–0–</u>	<u>6,394</u>	<u>–0–</u>
	<u>\$ 491,640</u>	<u>\$ 63,737</u>	<u>\$ 194,118</u>	<u>\$ 49,043</u>



**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Total deferred outflows were \$685,758 and total deferred inflows were \$136,229. \$23,724 (FRS) and \$6,394 (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, 2020. 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>
2020	\$ 60,395	\$ 19,285
2021	60,395	19,285
2022	60,395	19,285
2023	60,395	19,285
2024	60,395	19,285
Thereafter	<u>102,204</u>	<u>42,256</u>
	<u>\$ 404,179</u>	<u>\$ 138,681</u>

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation (June 30, 2019 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	6.90 percent, including inflation at 2.60%

Mortality assumptions for the FRS pension plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS program were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study performed in 2019 for the period July 1, 2013 – June 30, 2018. 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 4.30%, consistent with one capital market outlook model developed in 2019 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 2019 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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1%	3.3%
Fixed income	18%	4.1%
Global equity	54%	8.0%
Real estate	10%	6.7%
Private equity	11%	11.2%
Strategic investments	6%	5.9%

*Discount Rate*

The discount rate used to measure the total FRS pension liability was 6.90%, and the HIS pension liability was 3.50%. The HIS rate decreased from 3.87% to 3.50% 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 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 2019:

- FRS: The discount rate and the long-term expected rate of return was decreased from 7.00% to 6.90%. Additionally, the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- HIS: The municipal rate used to determine total pension liability decreased from 3.87% to 3.50%.

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 6.90%, 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
City's proportionate share of the FRS net pension liability	\$ 1,969,404	\$ 1,139,262	\$ 445,952

The following presents the City's proportionate share of the HIS net pension liability calculated using the discount rate of 3.50%, 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 (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
City’s proportionate share of the HIS net pension liability	\$ 659,092	\$ 577,365	\$ 509,296

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.

**B. 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 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, 16-12 and 19-17. 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:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to, but not yet receiving, benefits	1
Active plan members	<u>17</u>
Total	<u>31</u>

CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS

---

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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.

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 1<sup>st</sup> 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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Contribution Information

Total payroll covered by the plan for the year was \$1,173,755 of a total City payroll of \$2,902,967. Total required contributions by the City and State, which are actuarially determined, were 37.1%, all of which were met. Employer contributions made by the City for the year were \$395,680. State contributions totaled \$43,018. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$70,425. Basic member payroll subject to contributions includes base salary exclusive of overtime, plus incentives.

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, 2019 is \$-0-.

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$9,354,340, and the total cost was \$8,326,100 at September 30, 2019.

As of September 30, 2019, the asset allocations are as follows:

	<u>Percent of Total</u>
Cash and Cash Equivalents	2.36
Mortgage/Asset Backed Securities	8.86
U.S. Government Obligations	16.26
Corporate Bonds	8.62
Mutual Funds – Fixed Income	4.37
Equity Mutual Funds	<u>59.53</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, 2019:

<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  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Rate of Return

For the year ended September 30, 2019 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 4.79%. 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 1.75% and 3.70% with maturities from 2021 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 2.30% and 3.95 with maturities between 2024 and 2038.

Net Pension Liability

The components of the net pension liability of the City at September 30, 2019 were as follows:

Total Pension Liability			\$ 10,515,597
Plan Fiduciary Net Position			<u>(9,354,340)</u>
Sponsors Net Pension Liability			<u>\$ 1,167,257</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability			88.96%
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance as of September 30, 2018	\$ 9,805,205	\$ 8,924,698	\$ 880,507
Change due to:			
Service cost	352,077	-0-	352,077
Interest	743,234	-0-	743,234
Change in excess State money	4,548	-0-	4,548
Share plan allocation	(1,312)	-0-	(1,312)
Difference between expected and actual experience	(240,715)	-0-	(240,715)
Changes of assumptions	327,905	-0-	327,905
Changes of benefit terms	-0-	-0-	-0-
Contributions – Employer	-0-	395,680	(395,680)
Contributions – State	-0-	43,018	(43,018)
Contributions – Employee	-0-	70,425	(70,425)
Net investment income	-0-	424,318	(424,318)
Benefit payments, including refunds of employee contributions	(475,345)	(475,345)	-0-
Administrative expenses	-0-	(28,454)	28,454
Net Changes	<u>710,392</u>	<u>429,642</u>	<u>280,750</u>
Balance as of September 30, 2019	<u>\$ 10,515,597</u>	<u>\$ 9,354,340</u>	<u>\$ 1,161,257</u>

The Sponsor's net pension liability was measured as of September 30, 2019.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**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, 2018, updated to September 30, 2019, 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	7.25%
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.

Healthy lives mortality for females is based on the RP2000 Generational, 100% Combined Healthy White Collar, Scale BB and for males based on the RP2000 Generational, 10% Combined Healthy White Collar/90% Combined Healthy Blue Collar, Scale BB. Healthy inactive lives mortality for females is based on RP2000 Generational, 100% Annuitant White Collar, Scale BB and for males based on 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, it is based on 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  
FINANCIAL STATEMENTS**

**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, 2019 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 7.25 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 7.25%, as well 1% higher and 1% lower than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
City’s Net Pension Liability	\$ 2,656,327	\$ 1,161,257	\$ (61,153)

Changes of Assumptions:

There were no changes of assumptions from the previous valuation.

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

For the year ended September 30, 2019 the Sponsor will recognize a pension expense of \$653,739. At September 30, 2019 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 125,521	\$ 200,595
Changes in assumptions	343,393	-0-
Net difference between projected and actual earnings on investments	<u>97,323</u>	<u>-0-</u>
Total	<u>\$ 566,237</u>	<u>\$ 200,595</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>
2020	\$ 139,928	\$ (40,119)
2021	\$ 49,855	\$ (40,119)
2022	\$ 83,329	\$ (40,119)
2023	\$ 77,998	\$ (40,119)
2024	\$ 14,532	\$ (40,119)

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, 2019:

	<u>September 30, 2019</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	\$ 221,191	\$ 221,191	\$ -0-	\$ -0-
Debt securities:				
U.S. Government Obligations	1,520,962	-0-	1,520,962	-0-
Mortgage/Asset Backed Securities	828,827	-0-	828,827	-0-
Corporate Bonds	806,247	-0-	806,247	-0-
Mutual Funds – Fixed Income	408,568	-0-	408,568	-0-
Equity securities:				
Mutual Funds – Equity	<u>5,568,545</u>	<u>-0-</u>	<u>5,568,545</u>	<u>-0-</u>
Total investments by fair value	<u>\$ 9,354,340</u>	<u>\$ 221,191</u>	<u>\$ 9,133,149</u>	<u>\$ -0-</u>

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, 2019. 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.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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

**C. 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	\$ 491,640	\$ 1,139,262	\$ 63,737	\$ 202,255
Health Insurance Subsidy	194,118	577,365	49,043	43,407
Police Retirement Plan	<u>566,237</u>	<u>1,161,257</u>	<u>200,595</u>	<u>215,041</u>
	<u>\$1,251,995</u>	<u>\$2,877,884</u>	<u>\$ 313,375</u>	<u>\$ 460,703</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 October 1, 2017:

Inactive plan members or beneficiaries currently receiving benefits	0
Inactive plan members entitled to, but not yet receiving, benefits	0
Active plan members	<u>45</u>
Total	<u>45</u>

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**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, 2019, the City provided estimated contributions of approximately \$1,600 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees.

Total OPEB Liability

The City's total OPEB liability of \$124,291 was measured as of September 30, 2019, and was determined by an actuarial valuation as of October 1, 2017. The measurement period for OPEB expense was October 1, 2018 to September 30, 2019. The reporting period is October 1, 2018 through September 30, 2019. The valuation was performed using the Alternative Measurement Method.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2017 actuarial valuation (measurement date of September 30, 2019) 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	3.58%
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 3.58%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

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, 2019.

Changes of assumptions: The discount rate of 3.58% for the current measurement period was decreased from 4.18% for the reporting period ended September 30, 2018.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

**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, 2018	\$ 105,365
Service cost	9,254
Interest	4,731
Differences between expected and actual experience	-0-
Changes of assumptions	7,818
Changes of benefit terms	-0-
Contributions – Employer	-0-
Benefit payments	(2,877)
Other changes	<u>-0-</u>
Net changes	<u>18,926</u>
Reporting period ending September 30, 2019	<u><b>\$ 124,291</b></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 (2.58%) or one percentage–point higher (4.58%) than the current discount rate:

	1% Decrease <u>2.58%</u>	Current Discount Rate 3.58%	1% Increase <u>4.58%</u>
Total OPEB Liability	\$ 139,047	\$ 124,291	\$ 111,647

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	\$ 109,267	\$ 124,291	\$ 141,988

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

Under the Alternative Measurement Method, changes in the total OPEB liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes are immediately recognized through OPEB expense. For the year ended September 30, 2019, the City recognized OPEB expense in the amount of \$23,403.

**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS**

---

**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, 2019**

REVENUES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Ad valorem taxes	\$ 4,255,843	\$ 4,255,843	\$ 4,367,353	\$ 111,510
State and county receipts	1,525,214	1,525,214	1,521,953	(3,261)
Licenses and permits	1,019,950	1,019,950	1,444,744	424,794
Storm water fees	216,952	216,952	222,199	5,247
Franchise fees	607,000	607,000	621,820	14,820
Interest	84,000	84,000	134,221	50,221
Grants	608,995	608,995	374,288	(234,707)
Other sources	243,374	243,374	513,035	269,661
	<u>8,561,328</u>	<u>8,561,328</u>	<u>9,199,613</u>	<u>638,285</u>
<b>EXPENDITURES</b>				
General government:				
Personal services	660,929	660,929	608,038	52,891
Operating	847,240	797,240	497,319	299,921
Capital outlay	87,000	87,000	1,840	85,160
Total General Government	<u>1,595,169</u>	<u>1,545,169</u>	<u>1,107,197</u>	<u>437,972</u>
Public Safety:				
Personal services	2,568,615	2,568,615	2,461,589	107,026
Operating	521,449	521,449	485,157	36,292
Capital outlay	156,132	608,564	587,126	21,438
Total Public Safety	<u>3,246,196</u>	<u>3,698,628</u>	<u>3,533,872</u>	<u>164,756</u>
Code Compliance:				
Personal services	212,496	212,496	182,610	29,886
Operating	72,200	72,200	73,878	(1,678)
Capital outlay	2,200	2,200	-	2,200
Total Code Compliance	<u>286,896</u>	<u>286,896</u>	<u>256,488</u>	<u>30,408</u>
Public Works:				
Personal services	685,607	685,607	659,912	25,695
Operating	848,653	898,653	1,005,019	(106,366)
Capital outlay	1,745,740	1,745,740	1,264,754	480,986
Total Public Works	<u>3,280,000</u>	<u>3,330,000</u>	<u>2,929,685</u>	<u>400,315</u>
Building Department:				
Personal services	632,953	632,953	579,850	53,103
Operating	315,500	315,500	213,925	101,575
Capital outlay	9,000	9,000	8,399	601
Total Building Department	<u>957,453</u>	<u>957,453</u>	<u>802,174</u>	<u>155,279</u>
Debt Service:				
Debt service	149,000	149,000	153,000	(4,000)
Total Debt Service	<u>149,000</u>	<u>149,000</u>	<u>153,000</u>	<u>(4,000)</u>
Total Expenditures	<u>9,514,714</u>	<u>9,967,146</u>	<u>8,782,416</u>	<u>1,184,730</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(953,386)	(1,405,818)	417,197	1,823,015
<b>OTHER FINANCING SOURCES</b>				
Gain on disposal of capital assets	4,500	4,500	500	(4,000)
Proceeds from long-term debt	-	452,432	452,432	-
Total other financing sources	<u>4,500</u>	<u>456,932</u>	<u>452,932</u>	<u>(4,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(948,886)	(948,886)	870,129	1,819,015
<b>FUND BALANCE, October 1, 2018</b>	<u>8,132,007</u>	<u>8,132,007</u>	<u>8,132,007</u>	<u>-</u>
<b>FUND BALANCE, September 30, 2019</b>	<u><b>\$ 7,183,121</b></u>	<u><b>\$ 7,183,121</b></u>	<u><b>\$ 9,002,136</b></u>	<u><b>\$ 1,819,015</b></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	9/30/19
<b>Total pension liability</b>						
Service cost	\$ 206,227	\$ 215,036	\$ 247,872	\$ 267,086	\$ 316,459	\$ 352,077
Interest	535,236	568,119	606,206	657,640	693,452	743,234
Change in excess state money	886	2,616	3,177	-	-	4,548
Share plan allocation	-	-	-	-	1,312	(1,312)
Differences between expected and actual experience	-	13,676	72,968	127,431	86,514	(240,715)
Changes of assumptions	-	-	312,649	19,020	-	327,905
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)	(324,018)	(822,244)	(463,857)	(475,345)
<b>Net change in total pension liability</b>	<b>438,346</b>	<b>479,791</b>	<b>918,854</b>	<b>248,933</b>	<b>633,880</b>	<b>710,392</b>
Total pension liability – beginning	7,085,401	7,523,747	8,003,538	8,922,392	9,171,325	9,805,205
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>	<u>\$ 10,515,597</u>
<b>Plan fiduciary net position</b>						
Contributions – employer	\$ 268,104	\$ 236,626	\$ 201,051	\$ 242,518	\$ 347,220	\$ 395,680
Contributions – state	40,668	42,398	42,959	38,221	41,094	43,018
Contributions – employee	41,513	47,585	51,191	57,686	64,861	70,425
Net investment income	637,333	(64,124)	509,296	893,423	599,254	424,318
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)	(324,018)	(822,244)	(463,857)	(475,345)
Administrative expense	(18,432)	(15,705)	(25,649)	(28,111)	(29,392)	(28,454)
<b>Net change in plan fiduciary net position</b>	<b>665,183</b>	<b>(72,876)</b>	<b>454,830</b>	<b>381,493</b>	<b>559,180</b>	<b>429,642</b>
Plan fiduciary net position – beginning	6,936,888	7,602,071	7,529,195	7,984,025	8,365,518	8,924,698
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>	<u>\$ 9,354,340</u>
<b>Net pension liability – ending (a) – (b)</b>	<b>\$ (78,324)</b>	<b>\$ 474,343</b>	<b>\$ 938,367</b>	<b>\$ 805,807</b>	<b>\$ 880,507</b>	<b>\$ 1,161,257</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>101.04%</b>	<b>94.07%</b>	<b>89.48%</b>	<b>91.21%</b>	<b>91.02%</b>	<b>88.96%</b>
<b>Covered employee payroll (1)</b>	<b>\$ 691,879</b>	<b>\$ 932,530</b>	<b>\$ 853,180</b>	<b>\$ 961,437</b>	<b>\$ 1,081,011</b>	<b>\$ 1,173,755</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>-11.32%</b>	<b>50.87%</b>	<b>109.98%</b>	<b>83.81%</b>	<b>81.45%</b>	<b>98.94%</b>

\* 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:*

The discount rate changed from 7.50% to 7.25% in the 2019 actuarial valuation.



**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>	<u>9/30/19</u>
Actuarially determined contribution	\$ 307,886	\$ 256,168	\$ 261,073	\$ 280,740	\$ 387,002	\$ 435,463
Contributions in relation to the actuarially determined contributions	307,886	276,408	240,833	280,739	387,002	435,462
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (20,240)</u>	<u>\$ 20,240</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>
Covered employee payroll (1)	\$ 691,879	\$ 932,530	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755
Contributions as a percentage of covered employee payroll	44.50%	29.64%	28.23%	29.20%	35.80%	37.10%

\* 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**

Valuation Date: 10/1/2017

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;">&lt; 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;">0.05%</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">0.06%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">0.12%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">0.43%</td> </tr> </tbody> </table>	<u>Age</u>	<u>% Becoming Disabled</u> <u>During the Year</u>	20	0.05%	30	0.06%	40	0.12%	50	0.43%	
<u>Age</u>	<u>% Becoming Disabled</u> <u>During the Year</u>											
20	0.05%											
30	0.06%											
40	0.12%											
50	0.43%											
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;">&lt; 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>	<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%											
	Projected salary at retirement is increased individually according to the sick and vacation balances at 7/1/11 to account for non-regular compensation.											
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:	7.25%											
Investment Rate of Return:	7.25%											

**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%
9/30/19	4.79%

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 *						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability	0.002213893%	0.002230980%	0.002715044%	0.002845767%	0.003011937%	0.003308094%
City's proportionate share of the net pension liability	\$ 135,080	\$ 288,161	\$ 685,551	\$ 841,759	\$ 907,211	\$ 1,139,262
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	13%	28%	53%	60%	56%	67%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%

\* – 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>	<u>2019</u>
City's proportion of the net pension liability	0.003342238%	0.003300574%	0.004262634%	0.004458865%	0.004754631%	0.005160115%
City's proportionate share of the net pension liability	\$ 312,507	\$ 336,607	\$ 496,792	\$ 476,762	\$ 503,236	\$ 577,365
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	31%	32%	39%	34%	31%	34%
Plan fiduciary net position as a percentage of total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%

\* - 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 *						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 48,494	\$ 54,393	\$ 66,211	\$ 74,082	\$ 85,838	\$ 102,575
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>	<u>102,575</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016
Contributions as a percentage of covered-employee payroll	4.82%	5.22%	5.14%	5.26%	5.29%	6.06%

\* – 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 *						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 11,449	\$ 12,617	\$ 21,849	\$ 23,598	\$ 25,794	\$ 28,654
Contributions in relation to the contractually required contribution	11,449	12,617	21,849	23,598	25,794	28,654
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016
Contributions as a percentage of covered-employee payroll	1.14%	1.21%	1.70%	1.68%	1.59%	1.69%

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

## 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 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS program were based on certain results of the most recent experience study for the FRS pension plan.

The total pension liability for the FRS plan was determined by an actuarial valuation as of July 1, 2019. The total pension liability for the HIS plan was determined by an actuarial valuation as of July 1, 2018 and update procedures were used to determine liabilities as of June 30, 2019. 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 6.90%. 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 3.50% was used to determine the total pension liability for the program. Mortality assumptions for the FRS plan was based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS program were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2019:

- FRS: The discount rate and long-term expected rate of return was decreased from 7.00% to 6.90%. Additionally, the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- HIS: The municipal rate used to determine total pension liability decreased from 3.87% to 3.50%.



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

	Available Fiscal Years *	
	9/30/18	9/30/19
Total OPEB liability		
Service cost	\$ 9,715	\$ 9,254
Interest	3,981	4,731
Differences between expected and actual experience	-	-
Changes of assumptions	(6,642)	7,818
Changes of benefit terms	-	-
Contributions – Employer	-	-
Benefit payments	(2,652)	(2,877)
Other changes	-	-
	4,402	18,926
Net change in total OPEB liability		
Total OPEB liability – beginning	100,963	105,365
Total OPEB liability – ending (a)	\$ 105,365	\$ 124,291
Covered employee payroll	\$ 2,368,574	\$ 2,427,789
Total OPEB liability as a percentage of covered employee payroll	4.45%	5.12%

\* 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, 2019.

*Changes of Assumptions:*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal year ending September 30, 2019	3.58%
Fiscal year ending September 30, 2018	4.18%
Fiscal year ending September 30, 2017	3.64%

*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, 2019**

	<b>GENERAL FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,255,843	\$ 4,255,843	\$ 4,367,353	\$ 111,510
Four cent gas tax	129,443	129,443	123,826	(5,617)
Ninth cent gas tax	21,626	21,626	20,853	(773)
Two cent gas tax	51,650	51,650	49,387	(2,263)
Concession funds 5th cent tax	-	-	110,550	110,550
Local option 5 cent gas tax	221,832	221,832	105,498	(116,334)
Casualty insurance tax	38,221	38,221	43,018	4,797
Communication service tax	239,118	239,118	234,812	(4,306)
Revenue sharing – state	138,516	138,516	139,207	691
Sales tax	303,857	303,857	303,172	(685)
Discretionary 1/2 cent sales tax	371,951	371,951	295,114	(76,837)
Concession funds discretionary	-	-	81,740	81,740
Court fines	8,000	8,000	14,776	6,776
Police education receipts	1,000	1,000	-	(1,000)
Licenses and permits	1,019,950	1,019,950	1,444,744	424,794
Storm water utilities fees	216,952	216,952	222,199	5,247
Franchise fees	607,000	607,000	621,820	14,820
Interest earned	84,000	84,000	134,221	50,221
Grants	608,995	608,995	374,288	(234,707)
Alcoholic beverage tax	5,000	5,000	7,224	2,224
Police service charges	3,800	3,800	7,875	4,075
Administrative fees	7,500	7,500	4,801	(2,699)
Violation of local ordinance	45,000	45,000	80,691	35,691
Lien request fees	17,000	17,000	23,025	6,025
Dock fees	25,075	25,075	22,570	(2,505)
Code compliance fines	2,500	2,500	8,349	5,849
Private donations	-	-	63,100	63,100
Building official service fees	-	-	2,848	2,848
Tidemark lease	12,949	12,949	13,539	590
FDOT maintenance agreement	-	-	14,468	14,468
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	97,000	97,000	93,494	(3,506)
Miscellaneous	14,050	14,050	156,551	142,501
<b>TOTAL REVENUES</b>	<b>\$ 8,561,328</b>	<b>\$ 8,561,328</b>	<b>\$ 9,199,613</b>	<b>\$ 638,285</b>

**CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>ADMINISTRATIVE</b>				
Clerk's salaries	\$ 417,394	\$ 417,394	\$ 417,196	\$ 198
Payroll taxes	35,756	35,756	35,514	242
Retirement	35,309	35,309	33,236	2,073
Life/health/workers comp insurance	118,470	118,470	67,212	51,258
Mayor and Commission	54,000	54,000	54,880	(880)
Professional fees	452,040	452,040	352,441	99,599
Office supplies	12,000	12,000	9,656	2,344
Operating supplies	20,000	20,000	20,085	(85)
Insurance	46,000	46,000	42,850	3,150
Advertising	13,700	13,700	3,487	10,213
Books, memberships, training	14,500	14,500	10,039	4,461
Miscellaneous	11,000	11,000	3,854	7,146
Elections expense	10,000	10,000	-	10,000
Leasing expense	12,500	12,500	9,299	3,201
Travel	15,500	15,500	8,601	6,899
Utilities	15,000	15,000	12,007	2,993
Outside agency funding	25,000	25,000	25,000	-
Contingencies	200,000	150,000	-	150,000
Capital outlay	87,000	87,000	1,840	85,160
<b>TOTAL ADMINISTRATIVE</b>	<b>1,595,169</b>	<b>1,545,169</b>	<b>1,107,197</b>	<b>437,972</b>
<b>POLICE DEPARTMENT</b>				
Salaries	1,506,056	1,506,056	1,488,216	17,840
Payroll taxes	114,448	114,448	110,534	3,914
Retirement	475,231	475,231	466,483	8,748
Life/health/workers comp insurance	472,880	472,880	396,356	76,524
Operational expenses	136,669	136,669	138,186	(1,517)
Service contracts/leases	9,500	9,500	3,415	6,085
Professional fees	54,580	54,580	55,763	(1,183)
Maintenance	38,000	38,000	37,808	192
Insurance	210,000	210,000	202,963	7,037
Utility services	20,000	20,000	20,890	(890)
Radio/communications	19,000	19,000	8,729	10,271
Travel	11,500	11,500	10,011	1,489
Education	17,500	17,500	7,392	10,108
Records management system	4,700	4,700	-	4,700
Capital outlay	156,132	608,564	587,126	21,438
<b>TOTAL POLICE DEPARTMENT</b>	<b>3,246,196</b>	<b>3,698,628</b>	<b>3,533,872</b>	<b>164,756</b>

**CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>GENERAL FUND</b>				
<b>EXPENDITURES</b>	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>CODE ENFORCEMENT</b>				
Salaries	\$ 150,296	\$ 150,296	\$ 142,492	\$ 7,804
Payroll taxes	11,115	11,115	10,604	511
Retirement	51,085	51,085	11,653	39,432
Life/health/workers comp insurance	-	-	17,861	(17,861)
Professional fees	38,500	38,500	35,362	3,138
Insurance	17,000	17,000	16,678	322
Vehicle maintenance	3,000	3,000	3,220	(220)
Office supplies	1,200	1,200	2,635	(1,435)
Operating supplies / work	6,000	6,000	11,101	(5,101)
Travel	2,000	2,000	2,152	(152)
Education	3,000	3,000	2,730	270
Communications / freight	1,500	1,500	-	1,500
Capital outlay	2,200	2,200	-	2,200
<b>TOTAL CODE ENFORCEMENT</b>	<b>286,896</b>	<b>286,896</b>	<b>256,488</b>	<b>30,408</b>
<b>PUBLIC WORKS DEPARTMENT</b>				
Salaries	449,117	449,117	439,931	9,186
Payroll taxes	33,440	33,440	32,676	764
Retirement	203,050	203,050	42,373	160,677
Life/health/workers comp insurance	-	-	144,932	(144,932)
Maintenance – General	124,000	124,000	149,683	(25,683)
Maintenance – 1/2 cent	-	-	2,948	(2,948)
Professional fees	226,688	276,688	273,587	3,101
Professional fees–Stormwater	164,215	164,215	164,215	-
Office supplies	2,000	2,000	1,684	316
Insurance	90,000	90,000	82,739	7,261
Miscellaneous	500	500	62,952	(62,452)
Advertising	8,000	8,000	1,934	6,066
Operational supplies / work	85,000	85,000	78,000	7,000
Travel	2,000	2,000	-	2,000
Road maintenance & materials	54,750	54,750	98,307	(43,557)
Rents / leases	5,000	5,000	1,080	3,920
Education	1,500	1,500	499	1,001
Utilities	85,000	85,000	87,391	(2,391)
Capital outlay	1,745,740	1,745,740	1,264,754	480,986
<b>TOTAL PUBLIC WORKS DEPARTMENT</b>	<b>3,280,000</b>	<b>3,330,000</b>	<b>2,929,685</b>	<b>400,315</b>

CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

GENERAL FUND				
EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>BUILDING DEPARTMENT</b>				
Salaries	\$ 435,335	\$ 435,335	\$ 438,787	\$ (3,452)
Payroll taxes	33,112	33,112	27,739	5,373
Retirement	-	-	35,289	(35,289)
Life/health/workers comp insurance	164,506	164,506	78,035	86,471
Professional fees	214,000	214,000	132,216	81,784
Insurance	53,000	53,000	49,904	3,096
Maintenance	2,000	2,000	541	1,459
Printing	5,500	5,500	4,813	687
Advertising	3,000	3,000	1,447	1,553
Office supplies	8,000	8,000	3,499	4,501
Miscellaneous	11,000	11,000	5,172	5,828
Travel	5,000	5,000	2,430	2,570
Utilities	5,000	5,000	7,087	(2,087)
Education	9,000	9,000	6,816	2,184
Capital outlay	9,000	9,000	8,399	601
<b>TOTAL CODE ENFORCEMENT</b>	<b>957,453</b>	<b>957,453</b>	<b>802,174</b>	<b>155,279</b>
<b>DEBT SERVICE</b>	<b>149,000</b>	<b>149,000</b>	<b>153,000</b>	<b>(4,000)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,514,714</b>	<b>\$ 9,967,146</b>	<b>\$ 8,782,416</b>	<b>\$ 1,184,730</b>

**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2020.

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*.

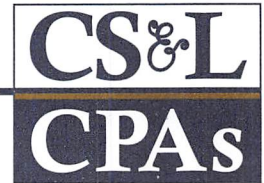
Purpose of This Report

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.

March 16, 2020  
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, 2019, and have issued our report thereon dated March 16, 2020.

### 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 March 16, 2020, 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 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.

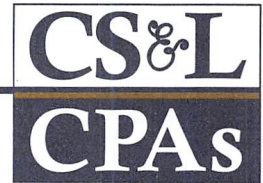
## Purpose of this Letter

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.

March 16, 2020  
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, 2019. 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, 2019.

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.

March 16, 2020  
Bradenton, Florida