

**CITY OF HOLMES BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

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

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**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</b>	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
<b>FUND FINANCIAL STATEMENTS:</b>	
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
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
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**

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**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 – 47
SCHEDULE OF ANNUAL MONEY – WEIGHTED RATE OF RETURN ON POLICE OFFICER’S PENSION TRUST FUND INVESTMENTS	48
SCHEDULE OF THE CITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FRS	49
SCHEDULE OF THE CITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HIS	50
SCHEDULE OF THE CITY’S CONTRIBUTIONS – FRS	51
SCHEDULE OF THE CITY’S CONTRIBUTIONS – HIS	52
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – FRS/HIS	53
SCHEDULE OF CHANGES IN THE CITY’S TOTAL OPEB LIABILITY AND RELATED RATIOS	54
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	
DETAILED SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND	55
DETAILED SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND	56 – 58
<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	59 – 60
MANAGEMENT LETTER	61 – 62
INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE	63



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holmes Beach, Florida, as of and for the year ended September 30, 2020, 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, 2020, 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 - 48; the schedules of the City's proportionate share of net pension liability, contributions and notes to required supplementary information on pages 49 - 53; and the schedule of changes in the City's total OPEB liability and related ratios on page 54 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 55 - 58, 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 8, 2021, 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 S. Leonard,*  
*Bristow & Stanell, P.A.*  
**BRISTOW & STANELL, P. A.**

March 8, 2021  
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, 2020. 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 \$18,955,444 (*net position*).
- The City's total net position increased by \$763,228.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$9,108,047, an increase of \$105,911 in comparison with the prior year. Of this total amount, \$522,851 is restricted, \$5,900,965 is assigned and \$2,482,635 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, 2020, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,955,444 at the close of the most recent fiscal year.

A condensed statement of net position at September 30, 2020 with comparative balances for September 30, 2019 follows:

### Net Position

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 9,522,036	\$ 9,211,582
Capital assets	12,759,933	11,980,116
<b>Total assets</b>	<u>22,281,969</u>	<u>21,191,698</u>
Deferred outflows	1,051,711	1,251,995
Long-term liabilities outstanding	3,110,624	3,728,656
Other liabilities	413,989	209,446
<b>Total liabilities</b>	<u>3,524,613</u>	<u>3,938,102</u>
Deferred inflows	853,623	313,375
Net position:		
Net investment in capital assets	12,505,647	11,596,422
Restricted	522,851	677,918
Unrestricted	5,926,946	5,917,876
<b>Total net position</b>	<u>\$ 18,955,444</u>	<u>\$ 18,192,216</u>

A large portion of the City's net position \$12,505,647 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.

An additional portion of the City's net position, \$522,851 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 \$5,926,946 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$763,228 during the current fiscal year.



The following is a summary of the information presented in the statement of activities as of September 30, 2020 with comparative totals for the year ended September 30, 2019:

### Changes in Net Position

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 1,767,059	\$ 1,614,179
Operating grants and contributions	121,264	227,688
Capital grants and contributions	439,528	431,388
	2,327,851	2,273,255
<b>General revenues:</b>		
Ad valorem taxes	4,572,437	4,367,353
Franchise fees	607,335	621,820
Communication service tax	235,165	234,812
Stormwater fees	437,374	222,199
State revenue sharing	137,133	139,207
Sales tax	301,261	303,172
Discretionary half cent sales tax	301,536	295,114
Concession funds	100,000	192,290
Casualty insurance tax	44,430	43,018
Other taxes	291,241	306,788
Interest income	69,898	134,221
Miscellaneous	31,485	66,864
Total general revenues	7,129,295	6,926,858
<b>Total Revenues</b>	<b>9,457,146</b>	<b>9,200,113</b>
<b>Expenses:</b>		
General government	1,546,519	1,217,972
Public safety	3,626,262	3,630,991
Public works/building department	3,521,137	2,896,077
Total expenses	8,693,918	7,745,040
Increase in net position	763,228	1,455,073
<b>Net position – Beginning</b>	<b>18,192,216</b>	<b>16,737,143</b>
<b>Net position – Ending</b>	<b>\$ 18,955,444</b>	<b>\$ 18,192,216</b>

Net position increased by \$763,228 during the year ended September 30, 2020. Revenues were \$9,457,146 and increased \$257,033 from the prior year. The increase was due to increase in ad valorem taxes of \$205,084 and stormwater fees of \$215,175, offset by decreases in concession funds of \$92,290 and interest income of \$64,323. Expenses were \$8,693,918 and increased by \$948,878 largely due to increases in pension related expenses, drainage improvements 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 \$9,108,047, an increase of \$105,911 in comparison with the prior year. Of this total, \$2,482,635 is *unassigned fund balance*, which is available for spending at the City's discretion. \$5,900,965 is assigned pursuant to the budget, \$522,851 is *restricted* for storm water drainage projects, gas tax roadway expenditure projects, infrastructure, and other purposes, and \$201,596 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 26.55% of total general fund expenditures, while total fund balance represents 97.40% of that same amount.

The fund balance of the City's general fund increased \$105,911 during the current fiscal year. The revenues increased over prior year by \$252,843, resulting from an increase in ad valorem taxes of \$205,084 and stormwater fees of \$215,175 which were offset by decreases in state and county funding of \$105,000 and grants of \$160,000. Expenditures increased by \$568,819 from the prior year. Personnel services increased approximately \$215,000 and public works by \$655,000 (stormwater improvements), which were offset by a decrease in public safety capital outlay of approximately \$465,000 (police vehicles).

## **General Fund Budgetary Highlights**

Original budgeted revenues were \$8,947,664 and were amended to \$9,176,301 during the year. Original budgeted expenditures were \$10,779,877 and were amended to \$11,008,514. Other financing sources were originally budgeted for \$4,500 and were not amended. Actual revenues exceeded the final budget by \$276,155. This was principally due to licenses and permits, as well as code violations that were included in other sources. Actual expenditures were less than final budgeted expenditures by \$1,657,279 due mainly to public works capital outlay and general government operating expenditures (legal fees and contingencies) 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, 2020, the City’s Pension Trust Fund reported fiduciary net position of \$10,302,250, an increase of \$947,910 from the prior year. The main components of the increase were contributions of \$464,528 and net investment earnings of \$1,016,732, offset by benefits paid of \$514,050 and administrative expenses. 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, 2020 amounts to \$12,759,933 (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 \$779,817; comprised of \$1,399,922 of capital additions (park and stormwater improvements), and \$620,105 of depreciation expense.

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

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 1,316,044	\$ 1,316,044
Building and improvements	1,041,208	1,082,148
Infrastructure	9,217,319	8,551,603
Machinery and equipment	1,185,362	1,030,321
Total (net of depreciation)	<b><u>\$ 12,759,933</u></b>	<b><u>\$ 11,980,116</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, 2020 was \$254,286. The City also recognizes a net pension liability with the implementation of GASB Statement No. 68. The net pension liability as of September 30, 2020 was \$2,374,835. Additionally, the City records a long-term liability for compensated absences and post-employment benefits other than pensions, which were \$377,330 and \$104,173 at September 30, 2020, respectively. The compensated absences increased by \$34,543. The post-employment benefits other than pensions decreased \$20,118 based on the most recent 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 4.6% increase in property values which in effect will increase the tax base by \$218,000. 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 16.9% over the rolled back rate of 2.1641. 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.

Due to COVID-19, the City's revenues were budgeted less than previous years after receiving estimates from the State. With that, the City had to make adjustments to our future spending and projects.

The fiscal year 2020-2021 budget includes a reduction in general revenue of approximately \$200,000, a reduction in gas tax and half cent discretionary revenue from sources and grants of \$222,000, and increase in storm water utility charges of \$420,000, and additional grant funding by HMGP for \$500,000 towards our City Center project. We have included funding for technology upgrades, infrastructure repairs, City Field improvements, and storm water improvements. This year includes \$65,000 of the \$150,000 budgeted for consultants to update our comprehensive plan, and we had a significant increase to our insurance costs due to the Bert Harris Claims. To date, the majority of the Bert Harris claims have been resolved with a few still outstanding, but our potential liability has dramatically decreased. Our police department has grant approval for two additional side-by-side vehicles for beach patrolling. The City completed updating City Field, with a brand new skate park, tot lot, bocce ball courts, shuffle board, pickle ball courts and an upgraded dog park. We received a significant amount of donations from our residents to make the enhancements that were needed to meet community requests. In this budget, we included funds for updates to our trolley shelters, along with lighting conduit and landscape design for our City Center project. The code department will be implementing Hamari software services to work with the vacation rental program compliance and added \$85,000 to legal spending for special magistrate hearings and abatement to make sure compliance requirements are met and enforced. Storm water improvement projects will include \$128,894 in matching funds for fiscal year 2020-2021 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 tax include budgets for bike and pedestrian improvements and crosswalk enhancements. The Half Cent Discretionary budget includes curb replacement, street resurfacing, and striping and signage for bike lanes. The general fund will have to contribute to both of these funds as well.

Future budgets beyond 2020-2021 are very unpredictable at this time due to COVID-19. The City is hoping to remain steady. 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, 2020**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 3,595,575
Restricted	471,963
Investments	4,773,601
Due from other governments	479,301
Prepaid expenses	201,596
Capital assets	
Land	1,316,044
Other capital assets, net of accumulated depreciation	11,443,889
Total Assets	22,281,969
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of pension resources	1,051,711
<b>LIABILITIES</b>	
Accounts payable	376,912
Accrued expenses	5,614
Unearned revenue	31,463
Non current liabilities	
Due in less than one year	137,599
Due in more than one year	2,973,025
Total Liabilities	3,524,613
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of pension earnings	853,623
<b>NET POSITION</b>	
Net investment in capital assets	12,505,647
Restricted for:	
Restricted for streets and roads	323,778
Capital projects and purchases	191,100
Other	7,973
Unrestricted	5,926,946
<b>TOTAL NET POSITION</b>	<b>\$ 18,955,444</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, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change In Net Position Total</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities:					
General Government	\$ 1,546,519	\$ 55,197	\$ -	\$ 261,261	\$ (1,230,061)
Public Safety	3,626,262	20,479	121,264	-	(3,484,519)
Public Works	3,521,137	1,691,383	-	178,267	(1,651,487)
Total Governmental Activities	<u>8,693,918</u>	<u>1,767,059</u>	<u>121,264</u>	<u>439,528</u>	<u>(6,366,067)</u>
General Revenues:					
					4,572,437
					607,335
					235,165
					437,374
					137,133
					301,261
					44,430
					301,536
					100,000
					291,241
					69,898
					31,485
					<u>7,129,295</u>
					763,228
					18,192,216
					<u>\$ 18,955,444</u>

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

**CITY OF HOLMES BEACH, FLORIDA  
BALANCE SHEET – GOVERNMENTAL FUND  
SEPTEMBER 30, 2020**

	<b>GENERAL FUND</b>
<b>ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 3,595,575
Restricted	471,963
Investments	
Unrestricted	4,773,601
Due from other governments	479,301
Prepaid items	201,596
 TOTAL ASSETS	 <b>\$ 9,522,036</b>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 376,912
Accrued expenses	5,614
Unearned revenue	31,463
TOTAL LIABILITIES	413,989
 Fund Balances:	
Nonspendable	201,596
Spendable:	
Restricted	522,851
Assigned	5,900,965
Unassigned	2,482,635
 TOTAL FUND BALANCES	 9,108,047
 TOTAL LIABILITIES AND FUND BALANCES	 <b>\$ 9,522,036</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, 2020**

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

Fund Balance – Governmental Fund	\$ 9,108,047
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	12,759,933
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	1,051,711
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	(3,110,624)
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>(853,623)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 18,955,444</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, 2020**

	<b>GENERAL FUND</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 4,572,437
State and county receipts	1,416,650
Licenses and permits	1,543,289
Storm water fees	437,374
Franchise fees	607,335
Interest	69,898
Grants	214,495
Other sources	590,978
Total Revenues	9,452,456
<b>EXPENDITURES</b>	
General government:	
Personal services	853,656
Operating	556,492
Capital outlay	11,312
Total General Government	1,421,460
Public Safety:	
Personal services	2,691,208
Operating	659,919
Capital outlay	122,486
Total Public Safety	3,473,613
Public Works:	
Personal services	1,162,452
Operating	1,874,586
Capital outlay	1,266,124
Total Public Works	4,303,162
Debt Service	
Principal	129,408
Interest	23,592
Total Debt Service	153,000
Total Expenditures	9,351,235
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	101,221
<b>OTHER FINANCING SOURCES</b>	
Gain on disposal of capital assets	4,690
Total Other Financing Sources	4,690
<b>NET CHANGE IN FUND BALANCE</b>	105,911
<b>FUND BALANCE, October 1, 2019</b>	9,002,136
<b>FUND BALANCE, September 30, 2020</b>	\$ 9,108,047

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, 2020**

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

Net change in fund balance – total governmental fund	\$	105,911
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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.		779,817
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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.		129,408
--	--	---------

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		(34,543)
Total OPEB liability		20,118
Net pension liability		503,049
Deferred outflows of pension resources		(200,284)
Deferred inflows of pension earnings		(540,248)
		(540,248)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>763,228</u></b>
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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, 2020

	<b>POLICE RETIREMENT PLAN</b>
<b>ASSETS</b>	
Investment, at fair value	
Money market funds	\$ 270,957
Bond funds	3,801,447
Equity funds	6,229,846
Net investments at fair value	10,302,250
<b>TOTAL ASSETS</b>	<b>10,302,250</b>
<b>FIDUCIARY NET POSITION</b>	
Restricted for pension benefits	<b>\$ 10,302,250</b>

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, 2020**

	<b>POLICE RETIREMENT PLAN</b>
<b>ADDITIONS</b>	
CONTRIBUTIONS:	
Employee contributions	\$ 67,629
Employer contributions	352,469
State contributions	44,430
Total Contributions	464,528
INVESTMENT INCOME:	
Interest	237,775
Net realized and unrealized gains (losses)	834,847
Total Investment Earnings	1,072,622
Less investment expense	55,890
Net investment income	1,016,732
TOTAL ADDITIONS	1,481,260
<b>DEDUCTIONS</b>	
Administrative expenses	19,300
Benefits paid	514,050
TOTAL DEDUCTIONS	533,350
Increase (Decrease) in fiduciary net position	947,910
<b>FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS</b>	
Beginning of year	9,354,340
End of year	\$ 10,302,250

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

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

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**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

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**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

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**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, 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**

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**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 – Prepaid items	\$ 201,596
 <u>Spendable:</u>	
<u>Restricted:</u>	
Half cent discretionary sales tax for infrastructure	323,778
Grassy Point	134,872
Other capital projects	56,228
Other	<u>7,973</u>
	<u>522,851</u>
Assigned	5,900,965
Unassigned	<u>2,482,635</u>
 Total Fund Balances	 <u>\$ 9,108,047</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**

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**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, 2020, 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**

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**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, 2020, is 48 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, 2020, is 63 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, 2019 through September 30, 2020.

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, and the Investment 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, 2020, no such disclosure has been made.

As of September 30, 2020, 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, 2020, the City had investments in the Florida PRIME in the amount of \$4,773,601. 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, 2020 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	1,967,211	15,444	-0-	-0-	1,982,655
Infrastructure	10,532,572	1,035,321	63,110	-0-	11,504,783
Vehicles	1,549,632	211,178	73,987	-0-	1,686,823
Machinery and equipment	1,039,264	137,979	83,061	-0-	1,094,182
Total capital assets being depreciated	<u>15,088,679</u>	<u>1,399,922</u>	<u>220,158</u>	<u>-0-</u>	<u>16,268,443</u>
Less accumulated depreciation for:					
Buildings and improvements	885,063	56,384	-0-	-0-	941,447
Infrastructure	1,980,969	306,495	-0-	-0-	2,287,464
Vehicles	890,886	120,124	220,158	-0-	790,852
Machinery and equipment	667,689	137,102	-0-	-0-	804,791
Total accumulated depreciation	<u>4,424,607</u>	<u>620,105</u>	<u>220,158</u>	<u>-0-</u>	<u>4,824,554</u>
Total capital assets, being depreciated, net	<u>10,664,072</u>	<u>779,817</u>	<u>-0-</u>	<u>-0-</u>	<u>11,443,889</u>
Governmental activities capital assets, net	<u>\$11,980,116</u>	<u>\$ 779,817</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,759,933</u>

Depreciation expense was allocated as follows: General Government \$53,002, Public Safety \$205,925 and Public Works \$361,178.

**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	\$ 1,399,922
Depreciation expense	<u>(620,105)</u>
	<b><u>\$ 779,817</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, 2020 was \$5,302.

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>
2021	<u>\$ 5,302</u>	<u>\$ -0-</u>	<u>\$ 5,302</u>
	<b><u>\$ 5,302</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 5,302</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 \$34,800 at September 30, 2020. The final payment is due November 20, 2020. The balance outstanding on the note as of September 30, 2020 was \$22,977.

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>
2021	<u>\$ 22,977</u>	<u>\$ 1,023</u>	<u>\$ 24,000</u>
	<b><u>\$ 22,977</u></b>	<b><u>\$ 1,023</u></b>	<b><u>\$ 24,000</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 \$339,321 at September 30, 2020. The final payment is due June 21, 2022. The balance outstanding on the note as of September 30, 2020 was \$226,007.

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>
2021	\$ 109,320	\$ 15,233	\$ 124,553
2022	<u>116,687</u>	<u>7,866</u>	<u>124,553</u>
	<b><u>\$ 226,007</u></b>	<b><u>\$ 23,099</u></b>	<b><u>\$ 249,106</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, 2020, 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	\$ 383,694	\$ -0-	\$ (129,408)	\$ 254,286	\$ 137,599
Compensated absences	342,787	209,523	(174,980)	377,330	-0-
Total OPEB liability (Note 7)	124,291	16,004	(36,122)	104,173	-0-
Net pension liability (Note 6)	<u>2,877,884</u>	<u>1,861,913</u>	<u>(2,364,962)</u>	<u>2,374,835</u>	<u>-0-</u>
	<b><u>\$ 3,728,656</u></b>	<b><u>\$ 2,087,440</u></b>	<b><u>\$ (2,705,472)</u></b>	<b><u>\$ 3,110,624</u></b>	<b><u>\$ 137,599</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**

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**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, 2020, ranged from 8.47% – 10.00% for regular employees and 14.60% – 16.98% 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 \$185,657 for the year ended September 30, 2020, and approximated 9.7% 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, 2020, the City reported a liability of \$2,140,675 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020, the City’s proportion was 0.0034243470% for FRS and 0.005376911% for HIS was consistent with its proportion measured in the previous year.

For the year ended September 30, 2020, the City recognized pension expense of \$430,493. At September 30, 2020, 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	\$ 56,802	\$ -0-	\$ 26,855	\$ 506
Changes in assumptions	268,681	-0-	70,594	38,174
Net difference between projected and actual earnings on pension plan investments	88,368	-0-	524	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	103,998	-0-	104,689	626
City contributions subsequent to the June 30, 2020 measurement date	<u>32,854</u>	<u>-0-</u>	<u>7,195</u>	<u>-0-</u>
	<u>\$ 550,703</u>	<u>\$ -0-</u>	<u>\$ 209,857</u>	<u>\$ 39,306</u>



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

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Total deferred outflows were \$760,560 and total deferred inflows were \$39,306. \$32,854 (FRS) and \$7,195 (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, 2021. 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>
2021	\$ 90,467	\$ 22,721
2022	90,467	22,721
2023	90,467	22,721
2024	90,467	22,721
2025	90,465	22,720
Thereafter	<u>65,516</u>	<u>49,752</u>
	<u>\$ 517,849</u>	<u>\$ 163,356</u>

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation (June 30, 2020 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.4 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	6.80 percent, including inflation at 2.40%

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-2010 with Projection Scale MP-2018.

The actuarial assumptions used in the July 1, 2020 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 the capital market outlook model developed during 2020 by the outside investment consultants to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2020 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	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equity	54.2%	8.0%
Real estate	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%

*Discount Rate*

The discount rate used to measure the total FRS pension liability was 6.80% which decreased from 6.90% from the previous actuarial study. The HIS rate decreased from 3.50% to 2.21% 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 2020:

- FRS: The discount rate and the long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.50% to 2.21%. 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.

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 6.80%, 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 (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
City's proportionate share of the FRS net pension liability	\$ 2,369,958	\$ 1,484,163	\$ 744,342

The following presents the City's proportionate share of the HIS net pension liability calculated using the discount rate of 2.21%, 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 (1.21%) or 1-percentage-point higher (3.21%) 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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
City’s proportionate share of the HIS net pension liability	\$ 758,899	\$ 656,512	\$ 572,709

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	14
Inactive plan members entitled to, but not yet receiving, benefits	3
Active plan members	<u>16</u>
Total	<u>33</u>

CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS

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**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 \$1,127,152 of a total City payroll of \$3,162,005. Total required contributions by the City and State, which are actuarially determined, were 34.80%, all of which were met. Employer contributions made by the City for the year were \$352,469. State contributions totaled \$44,430. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$67,629. 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, 2020 is \$-0-.

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$10,302,250, and the total cost was \$8,645,959 at September 30, 2020.

As of September 30, 2020, the asset allocations are as follows:

	<u>Percent of Total</u>
Cash and Cash Equivalents	2.63
Mortgage/Asset Backed Securities	15.16
U.S. Government Obligations	5.51
Corporate Bonds	12.44
Mutual Funds – Fixed Income	3.78
Equity Mutual Funds	<u>60.48</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, 2020:

<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, 2020 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 11.20%. 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 0.625% and 3.70% with maturities from 2021 to 2050. Mortgage/Asset Backed Securities have interest rates between 1.5% and 6.0% with maturities from 2025 to 2050. Corporate bonds have interest rates between 1.801% and 4.3% with maturities between 2023 and 2052.

Net Pension Liability

The components of the net pension liability of the City at September 30, 2020 were as follows:

Total Pension Liability	\$ 10,536,410
Plan Fiduciary Net Position	<u>(10,302,250)</u>
Sponsors Net Pension Liability	<u>\$ 234,160</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	97.78%

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balance as of September 30, 2019	\$ 10,515,597	\$ 9,354,340	\$ 1,161,257
Change due to:			
Service cost	337,475	–0–	337,475
Interest	767,240	–0–	767,240
Change in excess State money	4,648	–0–	4,648
Difference between expected and actual experience	(403,462)	–0–	(403,462)
Changes of assumptions	(172,928)	–0–	(172,928)
Changes of benefit terms	–0–	–0–	–0–
Contributions – Employer	–0–	352,469	(352,469)
Contributions – State	–0–	44,430	(44,430)
Contributions – Employee	–0–	67,629	(67,629)
Net investment income	–0–	1,034,751	(1,034,751)
Benefit payments, including refunds of employee contributions	(512,160)	(512,160)	–0–
Administrative expenses	<u>–0–</u>	<u>(39,209)</u>	<u>39,209</u>
Net Changes	<u>20,813</u>	<u>947,910</u>	<u>(927,097)</u>
Balance as of September 30, 2020	<u>\$ 10,536,410</u>	<u>\$ 10,302,250</u>	<u>\$ 234,160</u>

The Sponsor’s net pension liability was measured as of September 30, 2020.

**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, 2019, updated to September 30, 2020, 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

\* 6.79% 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 active lives mortality for females is based on the PubS.H-2010 for Employees, set forward one year and for males based on the PubS.H-2010 (Below Median) for Employees, set forward one year. Healthy retiree lives mortality for females is based on the PubS.H-2010 for Healthy Retirees, set forward one year and for males based on the PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Beneficiary lives mortality for females is based on the PubG.H-2010 (Below Median) for Healthy Retirees and for males based on the PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Disabled lives mortality are based 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees. All rates are projected generationally with Mortality Improvement Scale MP-2018.

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. For 2020, the inflation rate assumption of the investment advisor was 2.50%. 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, 2020 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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
City’s Net Pension Liability	\$ 1,670,025	\$ 234,160	\$ (945,506)

Changes of Assumptions:

For the September 30, 2020 measurement date, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used by the Florida Retirement System in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

For the year ended September 30, 2020 the Sponsor will recognize a pension expense of \$358,610. At September 30, 2020 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	\$ 68,743	\$ 483,244
Changes in assumptions	222,408	138,344
Net difference between projected and actual earnings on investments	-0-	192,729
Total	<u>\$ 291,151</u>	<u>\$ 814,317</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>
2021	\$ 66,214	\$ (203,579)
2022	\$ 99,688	\$ (203,579)
2023	\$ 94,357	\$ (203,579)
2024	\$ 30,892	\$ (203,580)

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, 2020:

	<u>September 30, 2020</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	\$ 270,957	\$ 270,957	\$ -0-	\$ -0-
Debt securities:				
U.S. Government Obligations	567,887	-0-	567,887	-0-
Mortgage/Asset Backed Securities	1,561,563	-0-	1,561,563	-0-
Corporate Bonds	1,282,105	-0-	1,282,105	-0-
Mutual Funds – Fixed Income	389,892	-0-	389,892	-0-
Equity securities:				
Mutual Funds – Equity	<u>6,229,846</u>	<u>-0-</u>	<u>6,229,846</u>	<u>-0-</u>
Total investments by fair value	<u>\$ 10,302,250</u>	<u>\$ 270,957</u>	<u>\$ 10,031,293</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, 2020. 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	\$ 550,703	\$ 1,484,163	\$ -0-	\$ 345,038
Health Insurance Subsidy	209,857	656,512	39,306	85,455
Police Retirement Plan	<u>291,151</u>	<u>234,160</u>	<u>814,317</u>	<u>358,610</u>
	<u>\$1,051,711</u>	<u>\$2,374,835</u>	<u>\$ 853,623</u>	<u>\$ 789,103</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, 2019:

Inactive plan members or beneficiaries currently receiving benefits	0
Inactive plan members entitled to, but not yet receiving, benefits	0
Active plan members	<u>48</u>
Total	<u>48</u>

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

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**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, 2020, the City did not provide contributions to the OPEB plan.

Total OPEB Liability

The City's total OPEB liability of \$104,173 was measured as of September 30, 2020, and was determined by an actuarial valuation as of October 1, 2019. The measurement period for OPEB expense was October 1, 2019 to September 30, 2020. The reporting period is October 1, 2019 to September 30, 2020. The valuation was performed using the Alternative Measurement Method.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2019 actuarial valuation (measurement date of September 30, 2020) 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	2.14%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Year to ultimate	55

For all lives, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019.

Discount

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. 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.

Changes of assumptions: The discount rate of 2.14% for the current measurement period was decreased from 3.58% for the reporting period ended September 30, 2019.

Also reflected as assumption changes are updated health care costs and premiums, updated health care cost trend rates, and updated mortality tables.

**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, 2019	\$	124,291
Service cost		11,521
Interest		4,483
Differences between expected and actual experience		(8,801)
Changes of assumptions		(23,729)
Changes of benefit terms		-0-
Contributions – Employer		-0-
Benefit payments		(3,592)
Other changes		-0-
Net changes		<u>(20,118)</u>
Reporting period ending September 30, 2020		<u>\$ 104,173</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 (1.14%) or one percentage-point higher (3.14%) than the current discount rate:

	1% Decrease <u>1.14%</u>	Current Discount Rate <u>2.14%</u>	1% Increase <u>3.14%</u>
Total OPEB Liability	\$ 117,467	\$ 104,173	\$ 92,930

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 (6.50% decreasing to 3.00%) or one percentage-point higher (8.50% decreasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease <u>3.00% – 6.50%</u>	Healthcare Cost Trend Rates <u>4.00% – 7.50%</u>	1% Increase <u>5.00% – 8.50%</u>
Total OPEB Liability	\$ 91,637	\$ 104,173	\$ 119,053

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, 2020, the City recognized OPEB expense in the amount of \$(13,426).

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

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**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.

Management of the City is evaluating the risks associated with the COVID-19 pandemic. Management of the City is in the process of implementing risk mitigation as to the risk of impact, if any, of COVID-19 related to all aspects of the City’s operations. However, the City cannot, at this time, make a determination on the ultimate impacts of the COVID-19 pandemic.

**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, 2020**

<b>GENERAL FUND</b>				
<b>REVENUES</b>	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Ad valorem taxes	\$ 4,494,881	\$ 4,494,881	\$ 4,572,437	\$ 77,556
State and county receipts	1,486,913	1,486,913	1,416,650	(70,263)
Licenses and permits	1,425,563	1,425,563	1,543,289	117,726
Storm water fees	420,000	420,000	437,374	17,374
Franchise fees	620,200	620,200	607,335	(12,865)
Interest	115,000	115,000	69,898	(45,102)
Grants	133,894	133,894	214,495	80,601
Other sources	251,213	479,850	590,978	111,128
Total Revenues	8,947,664	9,176,301	9,452,456	276,155
<b>EXPENDITURES</b>				
General government:				
Personal services	869,307	869,307	853,656	15,651
Operating	1,095,151	1,095,151	556,492	538,659
Capital outlay	16,500	16,500	11,312	5,188
Total General Government	1,980,958	1,980,958	1,421,460	559,498
Public Safety:				
Personal services	2,593,062	2,593,062	2,419,599	173,463
Operating	580,430	580,430	523,703	56,727
Capital outlay	87,965	87,965	82,555	5,410
Total Public Safety	3,261,457	3,261,457	3,025,857	235,600
Code Compliance:				
Personal services	308,139	308,139	271,609	36,530
Operating	112,525	112,525	136,216	(23,691)
Capital outlay	50,800	50,800	39,931	10,869
Total Code Compliance	471,464	471,464	447,756	23,708
Public Works:				
Personal services	727,776	727,776	689,477	38,299
Operating	1,604,051	1,641,647	1,607,403	34,244
Capital outlay	1,672,892	1,863,933	1,206,321	657,612
Total Public Works	4,004,719	4,233,356	3,503,201	730,155
Building Department:				
Personal services	597,479	597,479	472,975	124,504
Operating	255,800	255,800	267,183	(11,383)
Capital outlay	59,000	59,000	59,803	(803)
Total Building Department	912,279	912,279	799,961	112,318
Debt Service:				
Debt service	149,000	149,000	153,000	(4,000)
Total Debt Service	149,000	149,000	153,000	(4,000)
Total Expenditures	10,779,877	11,008,514	9,351,235	1,657,279
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,832,213)	(1,832,213)	101,221	1,933,434
<b>OTHER FINANCING SOURCES</b>				
Gain on disposal of capital assets	4,500	4,500	4,690	190
Total other financing sources	4,500	4,500	4,690	190
<b>NET CHANGE IN FUND BALANCE</b>	(1,827,713)	(1,827,713)	105,911	1,933,624
<b>FUND BALANCE, October 1, 2019</b>	9,002,136	9,002,136	9,002,136	-
<b>FUND BALANCE, September 30, 2020</b>	<b>\$ 7,174,423</b>	<b>\$ 7,174,423</b>	<b>\$ 9,108,047</b>	<b>\$ 1,933,624</b>

**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)						
	<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>	<u>9/30/20</u>
Total pension liability							
Service cost	\$ 206,227	\$ 215,036	\$ 247,872	\$ 267,086	\$ 316,459	\$ 352,077	\$ 337,476
Interest	535,236	568,119	606,206	657,640	693,452	743,234	767,240
Change in excess state money	886	2,616	3,177	-	-	4,548	4,648
Share plan allocation	-	-	-	-	1,312	(1,312)	-
Differences between expected and actual experience	-	13,676	72,968	127,431	86,514	(240,715)	(403,462)
Changes of assumptions	-	-	312,649	19,020	-	327,905	(172,929)
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)	(324,018)	(822,244)	(463,857)	(475,345)	(512,160)
Net change in total pension liability	438,346	479,791	918,854	248,933	633,880	710,392	20,813
Total pension liability – beginning	7,085,401	7,523,747	8,003,538	8,922,392	9,171,325	9,805,205	10,515,597
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>	<u>\$ 10,536,410</u>
Plan fiduciary net position							
Contributions – employer	\$ 268,104	\$ 236,626	\$ 201,051	\$ 242,518	\$ 347,220	\$ 395,680	\$ 352,469
Contributions – state	40,668	42,398	42,959	38,221	41,094	43,018	44,430
Contributions – employee	41,513	47,585	51,191	57,686	64,861	70,425	67,629
Net investment income	637,333	(64,124)	509,296	893,423	599,254	424,318	1,034,751
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)	(324,018)	(822,244)	(463,857)	(475,345)	(512,160)
Administrative expense	(18,432)	(15,705)	(25,649)	(28,111)	(29,392)	(28,454)	(39,209)
Net change in plan fiduciary net position	665,183	(72,876)	454,830	381,493	559,180	429,642	947,910
Plan fiduciary net position – beginning	6,936,888	7,602,071	7,529,195	7,984,025	8,365,518	8,924,698	9,354,340
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>	<u>\$ 10,302,250</u>
Net pension liability – ending (a) – (b)	<u>\$ (78,324)</u>	<u>\$ 474,343</u>	<u>\$ 938,367</u>	<u>\$ 805,807</u>	<u>\$ 880,507</u>	<u>\$ 1,161,257</u>	<u>\$ 234,160</u>
Plan fiduciary net position as a percentage of the total pension liability	101.04%	94.07%	89.48%	91.21%	91.02%	88.96%	97.78%
Covered employee payroll (1)	\$ 691,879	\$ 932,530	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755	\$ 1,127,152
Net pension liability as a percentage of covered employee payroll	-11.32%	50.87%	109.98%	83.81%	81.45%	98.94%	20.77%

\* 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:*

For the September 30, 2020 measurement date, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used by the Florida Retirement System in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics. For the September 30, 2019 measurement date, amounts reported as changes of assumptions resulted from lowering the investment return from 7.50% to 7.25% per year compounded annually, net of investment related expenses.



**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>	<u>9/30/20</u>
Actuarially determined contribution	\$ 307,886	\$ 256,168	\$ 261,073	\$ 280,740	\$ 387,002	\$ 435,463	\$ 392,249
Contributions in relation to the actuarially determined contributions	<u>307,886</u>	<u>276,408</u>	<u>240,833</u>	<u>280,739</u>	<u>387,002</u>	<u>435,462</u>	<u>392,251</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (20,240)</u>	<u>\$ 20,240</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (2)</u>
Covered employee payroll (1)	\$ 691,879	\$ 932,530	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755	\$ 1,127,152
Contributions as a percentage of covered employee payroll	44.50%	29.64%	28.23%	29.20%	35.80%	37.10%	34.80%

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

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

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

Valuation Date: 10/1/2018

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: Assumption/Method Changes: 20 years.  
 Benefit Changes: 30 years.

Mortality Rates: All rates are projected generationally with Mortality Improvement Scale MP-2018. These rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics.

Mortality – Healthy Active Lives: Female: PubS.H-2010 for Employees, set forward one year.  
 Prior year assumption: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.  
 Male: PubS.H-2010 (Below Median) for Employees, set forward one year.  
 Prior year assumption: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Mortality – Healthy Active Lives: Female: PubS.H-2010 for Healthy Retirees, set forward one year.  
 Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.  
 Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.  
 Prior year assumption: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality – Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees.  
 Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.  
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.  
 Prior year assumption: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality – Disabled Lives: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.  
 Prior year assumption (Female): 60% RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale.  
 Prior year assumption (Male): 60% RP2000 Disabled Male setback four years/ 40% Annuitant White Collar with no setback, no projection scale.

Termination Rate:	Years of Service	Termination Rate
	< 5	8.0%
	5 – 9	5.0%
	10 – 14	2.0%
	15 +	1.0%

This assumption was adopted based on the results of the October 26, 2016 Actuarial Experience Study.

Disability Rate:	75% of disablements are assumed to be in line of duty.	
	Age	<u>% Becoming Disabled During the Year</u>
	20	0.051%
	30	0.058%
	40	0.121%
	50	0.429%

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

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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: Service based.

<u>Years of Service</u>	<u>Termination Rate</u>
< 1	10.0%
15 - 9	7.0%
10 - 14	5.5%
15 +	5.5%

This assumption was adopted based on the results of the October 26, 2016 Actuarial Experience Study.

Projected salary at retirement is increased individually according to the sick and vacation balances at 7/1/11 to account for non-regular compensation.

Payroll Growth: 1.20% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. Previously, the prior actuarial value of assets were brought forward utilizing the historical geometric 4-year average market value return.

Inflation: 2.50%

Discount Rate: 7.25%

Investment Rate of Return: 7.25%

Long-Term Expected Rate of Return: The Long-Term Expected Rate of Return on Pension Plan investments can be 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. For 2020, the inflation rate assumption of the investment advisor was 2.50%. 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.

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

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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%
9/30/20	11.20%

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

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

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

	FLORIDA RETIREMENT SYSTEM (FRS) Available Fiscal Years *						
	2014	2015	2016	2017	2018	2019	2020
City's proportion of the net pension liability	0.002213893%	0.002230980%	0.002715044%	0.002845767%	0.003011937%	0.003308094%	0.003424347%
City's proportionate share of the net pension liability	\$ 135,080	\$ 288,161	\$ 685,551	\$ 841,759	\$ 907,211	\$ 1,139,262	\$ 1,484,163
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016	\$ 1,906,926
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	13%	28%	53%	60%	56%	67%	78%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%	78.85%

\* – 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>	<u>2020</u>
City's proportion of the net pension liability	0.003342238%	0.003300574%	0.004262634%	0.004458865%	0.004754631%	0.005160115%	0.005376911%
City's proportionate share of the net pension liability	\$ 312,507	\$ 336,607	\$ 496,792	\$ 476,762	\$ 503,236	\$ 577,365	\$ 656,512
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016	\$ 1,906,926
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	31%	32%	39%	34%	31%	34%	34%
Plan fiduciary net position as a percentage of total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%	3.00%

\* - 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>	<u>2020</u>
Contractually required contribution	\$ 48,494	\$ 54,393	\$ 66,211	\$ 74,082	\$ 85,838	\$ 102,575	\$ 113,776
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>	<u>113,776</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	\$ 1,906,926
Contributions as a percentage of covered-employee payroll	4.82%	5.22%	5.14%	5.26%	5.29%	6.06%	5.97%

\* - 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>	<u>2020</u>
Contractually required contribution	\$ 11,449	\$ 12,617	\$ 21,849	\$ 23,598	\$ 25,794	\$ 28,654	\$ 30,985
Contributions in relation to the contractually required contribution	11,449	12,617	21,849	23,598	25,794	28,654	30,985
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	\$ 1,906,926
Contributions as a percentage of covered-employee payroll	1.14%	1.21%	1.70%	1.68%	1.59%	1.69%	1.62%

\* – 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 and HIS plan was determined by an actuarial valuation as of July 1, 2020. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. 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 6.80%. 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 2.21% 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 PUB-2010 with Projection Scale MP-2018.

The following changes in actuarial assumptions occurred in 2020:

- FRS: The discount rate and long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.50% to 2.21%. 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.

**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	9/30/20
Total OPEB liability			
Service cost	\$ 9,715	\$ 9,254	\$ 11,521
Interest	3,981	4,731	4,483
Differences between expected and actual experience	-	-	(8,801)
Changes of assumptions	(6,642)	7,818	(23,729)
Changes of benefit terms	-	-	-
Contributions – Employer	-	-	-
Benefit payments	(2,652)	(2,877)	(3,592)
Other changes	-	-	-
Net change in total OPEB liability	4,402	18,926	(20,118)
Total OPEB liability – beginning	100,963	105,365	124,291
Total OPEB liability – ending (a)	\$ 105,365	\$ 124,291	\$ 104,173
Covered employee payroll	\$ 2,368,574	\$ 2,427,789	\$ 2,719,900
Total OPEB liability as a percentage of covered employee payroll	4.45%	5.12%	3.83%

\* 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, 2020.

*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, 2020	2.14%
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, 2020**

	<b>GENERAL FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,494,881	\$ 4,494,881	\$ 4,572,437	\$ 77,556
Four cent gas tax	130,330	130,330	116,961	(13,369)
Ninth cent gas tax	20,876	20,876	19,007	(1,869)
Two cent gas tax	51,981	51,981	46,649	(5,332)
Local option 5 cent gas tax	161,096	161,096	99,890	(61,206)
Casualty insurance tax	38,221	38,221	44,430	6,209
Communication service tax	233,625	233,625	235,165	1,540
Revenue sharing – state	140,748	140,748	137,133	(3,615)
Sales tax	307,325	307,325	301,261	(6,064)
Discretionary 1/2 cent sales tax	292,711	292,711	301,536	8,825
Concession funds discretionary	100,000	100,000	100,000	-
Court fines	10,000	10,000	14,618	4,618
Licenses and permits	1,425,563	1,425,563	1,543,289	117,726
Storm water utilities fees	420,000	420,000	437,374	17,374
Franchise fees	620,200	620,200	607,335	(12,865)
Interest earned	115,000	115,000	69,898	(45,102)
Grants	133,894	133,894	214,495	80,601
Alcoholic beverage tax	5,000	5,000	8,734	3,734
Police service charges	5,000	5,000	5,861	861
Administrative fees	7,500	7,500	7,675	175
Violation of local ordinance	45,000	45,000	121,159	76,159
Lien request fees	18,000	18,000	29,475	11,475
Dock fees	27,625	27,625	26,810	(815)
Code compliance fines	4,000	4,000	11,080	7,080
Private donations	-	228,637	232,116	3,479
Building official service fees	-	-	2,592	2,592
Tidemark lease	13,538	13,538	10,286	(3,252)
Cell tower review fees	3,500	3,500	4,500	1,000
Manatee County beach patrol	10,000	10,000	15,000	5,000
School resource officers	98,000	98,000	99,181	1,181
Miscellaneous	14,050	14,050	16,509	2,459
<b>TOTAL REVENUES</b>	<b>\$ 8,947,664</b>	<b>\$ 9,176,301</b>	<b>\$ 9,452,456</b>	<b>\$ 276,155</b>

**CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>ADMINISTRATIVE</b>				
Clerk's salaries	\$ 590,595	\$ 590,595	\$ 597,516	\$ (6,921)
Payroll taxes	49,168	49,168	50,132	(964)
Retirement	52,984	52,984	54,365	(1,381)
Life/health/workers comp insurance	122,561	122,561	92,361	30,200
Mayor and Commission	54,000	54,000	59,282	(5,282)
Professional fees	672,150	672,150	386,873	285,277
Office supplies	11,000	11,000	10,999	1
Operating supplies	22,500	22,500	21,467	1,033
Insurance	52,000	52,000	48,921	3,079
Advertising	19,000	19,000	4,832	14,168
Books, memberships, training	23,000	23,000	8,898	14,102
Miscellaneous	10,500	10,500	4,385	6,115
Elections expense	10,000	10,000	4,869	5,131
Leasing expense	12,500	12,500	11,045	1,455
Travel	23,000	23,000	3,588	19,412
Utilities	14,500	14,500	13,621	879
Outside agency funding	25,000	25,000	25,000	-
Contingencies	200,000	200,000	11,994	188,006
Capital outlay	16,500	16,500	11,312	5,188
<b>TOTAL ADMINISTRATIVE</b>	<b>1,980,958</b>	<b>1,980,958</b>	<b>1,421,460</b>	<b>559,498</b>
<b>POLICE DEPARTMENT</b>				
Salaries	1,536,550	1,536,550	1,474,347	62,203
Payroll taxes	116,781	116,781	108,241	8,540
Retirement	476,796	476,796	429,088	47,708
Life/health/workers comp insurance	462,935	462,935	407,922	55,013
Operational expenses	153,400	153,400	140,085	13,315
Service contracts/leases	6,000	6,000	2,882	3,118
Professional fees	82,130	82,130	73,326	8,804
Maintenance	38,000	38,000	29,766	8,234
Insurance	225,000	225,000	221,900	3,100
Utility services	22,700	22,700	26,473	(3,773)
Radio/communications	19,000	19,000	9,810	9,190
Travel	11,500	11,500	360	11,140
Education	18,000	18,000	19,102	(1,102)
Records management system	4,700	4,700	-	4,700
Capital outlay	87,965	87,965	82,555	5,410
<b>TOTAL POLICE DEPARTMENT</b>	<b>3,261,457</b>	<b>3,261,457</b>	<b>3,025,857</b>	<b>235,600</b>

**CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<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	\$ 215,109	215,109	207,357	\$ 7,752
Payroll taxes	15,920	15,920	15,294	626
Retirement	18,730	18,730	18,747	(17)
Life/health/workers comp insurance	58,380	58,380	30,211	28,169
Professional fees	45,325	45,325	77,420	(32,095)
Insurance	28,000	28,000	28,502	(502)
Vehicle maintenance	5,000	5,000	4,331	669
Office supplies	4,000	4,000	1,607	2,393
Operating supplies / work	16,600	16,600	20,596	(3,996)
Travel	4,800	4,800	-	4,800
Education	4,800	4,800	1,841	2,959
Rents / leases	4,000	4,000	1,919	2,081
Capital outlay	50,800	50,800	39,931	10,869
<b>TOTAL CODE ENFORCEMENT</b>	<b>471,464</b>	<b>471,464</b>	<b>447,756</b>	<b>23,708</b>
<b>PUBLIC WORKS DEPARTMENT</b>				
Salaries	469,827	469,827	472,720	(2,893)
Payroll taxes	35,024	35,024	37,330	(2,306)
Retirement	48,276	48,276	48,711	(435)
Life/health/workers comp insurance	174,650	174,650	130,716	43,934
Maintenance – General	190,000	190,000	200,481	(10,481)
Maintenance – 1/2 cent	14,984	14,984	14,984	-
Maintenance – 5th cent	211,914	211,914	211,914	-
Professional fees	227,554	227,554	239,191	(11,637)
Professional fees–Stormwater	218,998	218,998	194,202	24,796
Office supplies	2,000	2,000	1,967	33
Insurance	100,000	100,000	99,096	904
Miscellaneous	500	500	344	156
Advertising	9,500	9,500	2,454	7,046
Operational supplies / work	88,000	88,000	98,033	(10,033)
Travel	2,000	2,000	-	2,000
Road maintenance & materials	25,000	25,000	19,955	5,045
Grassy Point	17,500	17,500	17,252	248
Rents / leases	-	-	2,782	(2,782)
Education	1,500	1,500	903	597
Utilities	79,600	79,600	78,910	690
FEMA reimbursable	30,000	30,000	11,753	18,247
Parks	285,000	322,596	316,801	5,795
Contingencies	100,000	100,000	96,381	3,619
Capital outlay	1,672,892	1,863,933	1,206,321	657,612
<b>TOTAL PUBLIC WORKS DEPARTMENT</b>	<b>4,004,719</b>	<b>4,233,356</b>	<b>3,503,201</b>	<b>730,155</b>

CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>EXPENDITURES</b>				
<b>BUILDING DEPARTMENT</b>				
Salaries	\$ 434,359	\$ 434,359	\$ 350,782	\$ 83,577
Payroll taxes	33,038	33,038	26,063	6,975
Retirement	38,867	38,867	31,645	7,222
Life/health/workers comp insurance	91,215	91,215	64,485	26,730
Professional fees	126,800	126,800	159,534	(32,734)
Insurance	77,000	77,000	77,009	(9)
Maintenance	2,000	2,000	514	1,486
Printing	3,500	3,500	4,048	(548)
Advertising	3,000	3,000	3,098	(98)
Office supplies	6,000	6,000	4,343	1,657
Miscellaneous	5,500	5,500	5,776	(276)
Travel	10,000	10,000	152	9,848
Utilities	8,000	8,000	7,507	493
Education	14,000	14,000	5,202	8,798
Capital outlay	59,000	59,000	59,803	(803)
<b>TOTAL CODE ENFORCEMENT</b>	<b>912,279</b>	<b>912,279</b>	<b>799,961</b>	<b>112,318</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>\$ 10,779,877</b>	<b>\$ 11,008,514</b>	<b>\$ 9,351,235</b>	<b>\$ 1,657,279</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, 2020, 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 8, 2021.

Internal Control over Financial Reporting

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

*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 8, 2021  
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, 2020, and have issued our report thereon dated March 8, 2021.

### 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 8, 2021, 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.

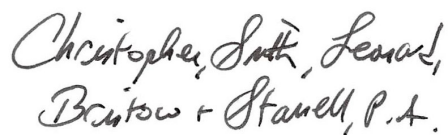
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## 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.**

March 8, 2021  
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT  
ON INVESTMENT COMPLIANCE

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

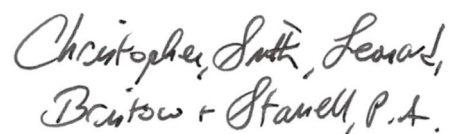
We have examined the City of Holmes Beach, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. Management is responsible for the City's compliance with the specified requirements. Our responsibility is 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, 2020.

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.

A handwritten signature in black ink that reads "Christopher Smith, Leonard, Bristow & Stanell, P.A.".

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

March 8, 2021  
Bradenton, Florida