

CITY OF HOLMES BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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

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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, 2021, 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, 2021, 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.

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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 42; 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 43 - 47; the schedules of the City's proportionate share of net pension liability, contributions and notes to required supplementary information on pages 48 - 52; and the schedule of changes in the City's total OPEB liability and related ratios on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

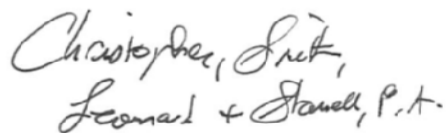
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, which includes the detailed schedules of revenues and expenditures - budget and actual - general fund on pages 54 - 57, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the City of Holmes Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

February 18, 2022
Bradenton, Florida



City of Holmes Beach

5801 Marina Drive Holmes Beach, Fl 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, 2021. 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 \$20,973,065 (*net position*).
- The City's total net position increased by \$2,017,621.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$10,925,306, an increase of \$1,817,259 in comparison with the prior year. Of this total amount, \$249,867 is nonspendable, \$594,312 is restricted, \$6,650,814 is assigned and \$3,430,313 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, 2021, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,973,065 at the close of the most recent fiscal year.

A condensed statement of net position at September 30, 2021 with comparative balances for September 30, 2020 follows:

Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 11,442,041	\$ 9,522,036
Capital assets	12,473,590	12,759,933
Net pension asset	295,642	-0-
Total assets	<u>24,211,273</u>	<u>22,281,969</u>
Deferred outflows	1,316,139	1,051,711
Long-term liabilities outstanding	1,607,783	3,110,624
Other liabilities	516,735	413,989
Total liabilities	<u>2,124,518</u>	<u>3,524,613</u>
Deferred inflows	2,429,829	853,623
Net position:		
Net investment in capital assets	12,356,903	12,505,647
Restricted	594,312	522,851
Unrestricted	8,021,850	5,926,946
Total net position	<u>\$ 20,973,065</u>	<u>\$ 18,955,444</u>

A large portion of the City's net position \$12,356,903 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, \$594,312 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 \$8,021,850 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$2,017,621 during the current fiscal year. The following is a summary of the information presented in the statement of activities as of September 30, 2021 with comparative totals for the year ended September 30, 2020:

Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 2,300,787	\$ 1,767,059
Operating grants and contributions	230,231	121,264
Capital grants and contributions	185,279	439,528
	2,716,297	2,327,851
General revenues:		
Ad valorem taxes	4,797,683	4,572,437
Franchise fees	653,760	607,335
Communication service tax	224,697	235,165
Stormwater fees	834,510	437,374
State revenue sharing	141,255	137,133
Sales tax	356,884	301,261
Discretionary half cent sales tax	353,025	301,536
Concession funds	-0-	100,000
Casualty insurance tax	55,692	44,430
Other taxes	307,120	291,241
Interest income	23,387	69,898
Miscellaneous	50,438	31,485
Total general revenues	7,798,451	7,129,295
Total Revenues	10,514,748	9,457,146
Expenses:		
General government	1,626,896	1,546,519
Public safety	3,696,697	3,626,262
Public works/building department	3,173,534	3,521,137
Total expenses	8,497,127	8,693,918
Increase in net position	2,017,621	763,228
Net position – Beginning	18,955,444	18,192,216
Net position – Ending	\$ 20,973,065	\$ 18,955,444

Net position increased by \$2,017,621 during the year ended September 30, 2021. Revenues were \$10,514,748 and increased \$1,057,602 from the prior year. The increase was largely due to increase in ad valorem taxes of \$225,246; stormwater fees of \$397,136, and charges for services of \$533,728. Included in the increase for charges for services was an increase in building permits of \$229,960 and vacation rental certificates of \$138,171. Expenses were \$8,497,127 which decreased by \$196,791 largely due to reduced maintenance costs and charges in actuarial calculations of net position obligations.

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 \$10,925,306, an increase of \$1,817,259 in comparison with the prior year. Of this total, \$3,430,313 is *unassigned fund balance*, which is available for spending at the City's discretion. \$6,650,814 is assigned pursuant to the budget, \$594,312 is *restricted* for storm water drainage projects, gas tax roadway expenditure projects, infrastructure, and other purposes, and \$249,867 is non-spendable for prepaid items.

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 39.44% of total general fund expenditures, while total fund balance represents 125.61% of that same amount.

The fund balance of the City's general fund increased \$1,817,259 during the current fiscal year. The revenues increased over prior year by \$1,048,537, resulting largely from an increase in ad valorem taxes of \$225,246; stormwater fees of \$397,136; and licenses and permits of \$383,064. Expenditures decreased by \$653,746 from the prior year. Total City personnel service costs increased approximately \$338,000, however, public works operating expenditures decreased by approximately \$409,000 due to reduced maintenance costs, and City capital outlay decreased by approximately \$885,000.

General Fund Budgetary Highlights

Original budgeted revenues were \$9,382,097 and were amended to \$9,426,535 during the year. Original budgeted expenditures were \$11,105,451 and were amended to \$11,149,889. Other financing sources were originally budgeted for \$4,500 and were not amended. Actual revenues exceeded the final budget by \$1,074,458. This was principally due to licenses and permits which exceeded budget by \$771,903. Actual expenditures were less than final budgeted expenditures by \$2,452,400 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 42.

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, 2021, the City's Pension Trust Fund reported fiduciary net position of \$11,949,478, an increase of \$1,647,228 from the prior year. The main components of the increase were contributions of \$497,441 and net investment earnings of \$1,723,484, offset by benefits paid of \$556,255 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, 2021 amounts to \$12,473,590 (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 decreased by \$286,343; comprised of \$515,224 of capital additions (park and stormwater improvements), a loss on disposals of \$71,471 and \$730,096 of depreciation expense.

The following is a condensed schedule of capital assets, net of accumulated depreciation at September 30:

	Governmental Activities	
	2021	2020
Land	\$ 1,357,244	\$ 1,316,044
Building and improvements	1,011,486	1,041,208
Infrastructure	9,133,411	9,217,319
Machinery and equipment	971,449	1,185,362
Total (net of depreciation)	\$ 12,473,590	\$ 12,759,933

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

Long-Term Obligations

In previous years, the City purchased vehicles and tasers for the Police Department with notes payable. The balance outstanding as of September 30, 2021 was \$116,687, which decreased \$137,599 due to payments on principal. The City also recognizes a net pension liability per GASB Statement No. 68. The net pension liability as of September 30, 2021 was \$984,015, which decreased \$1,390,820. The City also recorded a net pension asset of \$295,642 related to the Police Retirement Plan. Additionally, a long-term liability for compensated absences and post-employment benefits other than pensions, totaled \$396,933 and \$110,148 at September 30, 2021, respectively. The compensated absences increased by \$19,603. The post-employment benefits other than pensions increased \$5,975 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 7.1% increase in property values which in effect will increase the tax base by \$343,000. With the millage rate at 2.2500 mills, the City was able to maintain unrestricted reserves at a healthy level. This year the City was fortunate and able to keep the millage rate at 2.2500 mills which was an overall increase of 6.24% over the rolled back rate of 2.1178. The rollback rate calculation, required by Florida Statutes, reflects the millage rate that would be needed to generate the same amount of tax dollar income as received in the prior year.

The fiscal year 2021-2022 budget includes an increase in state sources of approximately 15% since estimates were lower the previous year due to the pandemic. Other increases include electric franchise fees, due to FP&L having a rate increase, building permits due to an overwhelming amount of construction, local ordinances violation fines due to the increase in the parking ticket fees, a grant for \$216,000 for a new police boat, \$750,000 for state appropriations that will be used for storm water improvements, and \$1,078,088 which is 50% of the ARPA funds the City is has received. The HMGP grant funding for \$500,000 was delayed and anticipated to be received in fiscal year 2021/2022.

The City has included in the budget funding for technology upgrades, infrastructure repairs, a new boat for the Police department, and storm water improvements. The City had a significant increase to insurance costs due to the Bert Harris Claims, however, to date, all of the Bert Harris claims have been resolved which will significantly reduce the potential liability and lower the insurance premium next fiscal year.

The General Government budget added a consultant for records management and funding to complete the LDC Comp Plan. In the Public Works department's budget, the City included \$60,000 for the design, permit, and bid budget for the boardwalk at Grassy Point, and \$40,000 for a new boat for fish kill and clean up. Also included funding for an additional truck and a new dump truck due to their aging fleet and service needs. The Police department had several promotions and now has a lieutenant on staff which created a need to hire one additional police officer to maintain minimum staffing for all shifts. This resulted in an additional vehicle being added to the budget. The City also included and rolled over funds for updates to the trolley shelters, along with lighting conduit and landscape design for the City Center project. The Code Department continues to work with Hamari software services to work with the vacation rental program compliance and has included \$90,000 in legal spending for special magistrate hearings and abatement to make sure compliance requirements are met and enforced. The City has been winning almost all of the cases and starting to receive the fines that have been ordered by the magistrate.

Storm water improvement projects will include \$256,250 in matching funds for fiscal year 2021-2022 by SWFWMD. The 5th Cent tax include budgets for engineering services for multi-use sidewalks and bike lanes. The Half Cent Discretionary budget includes curb replacement, street resurfacing, and striping and signage for bike lanes

Future budgets beyond 2021-2022 are very unpredictable, due to COVID 19 and the variants. The City is hoping to remain steady or possibly have some revenue growth. 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 could 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, 2021**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 5,344,016
Restricted	534,082
Investments	4,781,035
Due from other governments	533,041
Prepaid expenses	249,867
Net pension asset	295,642
Capital assets	
Land	1,357,244
Other capital assets, net of accumulated depreciation	11,116,346
Total Assets	24,211,273
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of pension resources	1,316,139
LIABILITIES	
Accounts payable	467,598
Accrued expenses	13,258
Unearned revenue	35,879
Non current liabilities	
Due in less than one year	116,687
Due in more than one year	1,491,096
Total Liabilities	2,124,518
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of pension earnings	2,429,829
NET POSITION	
Net investment in capital assets	12,356,903
Restricted for:	
Restricted for streets and roads	478,617
Capital projects and purchases	105,337
Other	10,358
Unrestricted	8,021,850
TOTAL NET POSITION	\$ 20,973,065

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, 2021

<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	\$ 1,626,896	\$ 568,045	\$ 17,519	\$ 54,451	\$ (986,881)
Public Safety	3,696,697	40,026	212,712	-	(3,443,959)
Public Works	3,173,534	1,692,716	-	130,828	(1,349,990)
Total Governmental Activities	<u>8,497,127</u>	<u>2,300,787</u>	<u>230,231</u>	<u>185,279</u>	<u>(5,780,830)</u>
General Revenues:					
					4,797,683
					653,760
					224,697
					834,510
					141,255
					356,884
					55,692
					353,025
					307,120
					23,387
					50,438
					<u>7,798,451</u>
					2,017,621
					18,955,444
					<u>\$ 20,973,065</u>

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

**CITY OF HOLMES BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2021**

	GENERAL FUND
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 5,344,016
Restricted	534,082
Investments	
Unrestricted	4,781,035
Due from other governments	533,041
Prepaid items	249,867
 TOTAL ASSETS	 \$ 11,442,041
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 467,598
Accrued expenses	13,258
Unearned revenue	35,879
TOTAL LIABILITIES	516,735
 Fund Balances:	
Nonspendable	249,867
Spendable:	
Restricted	594,312
Committed	-
Assigned	6,650,814
Unassigned	3,430,313
 TOTAL FUND BALANCES	 10,925,306
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 11,442,041

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, 2021**

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

Fund Balance – Governmental Fund	\$	10,925,306
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		12,473,590
Long-term assets are not available to pay current period expenditures and, therefore, are not reported in the funds. This amount represents a net pension asset.		295,642
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		1,316,139
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds		(1,607,783)
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>(2,429,829)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>20,973,065</u>

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

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	GENERAL FUND
REVENUES	
Ad valorem taxes	\$ 4,797,683
State and county receipts	1,447,996
Licenses and permits	1,926,353
Storm water fees	834,510
Franchise fees	653,760
Interest	23,387
Grants	198,940
Other sources	618,364
Total Revenues	10,500,993
EXPENDITURES	
General government:	
Personal services	917,694
Operating	665,446
Capital outlay	49,381
Total General Government	1,632,521
Public Safety:	
Personal services	2,856,932
Operating	852,609
Capital outlay	91,613
Total Public Safety	3,801,154
Public Works:	
Personal services	1,271,164
Operating	1,465,110
Capital outlay	374,230
Total Public Works	3,110,504
Debt Service	
Principal	137,599
Interest	15,711
Total Debt Service	153,310
Total Expenditures	8,697,489
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,803,504
OTHER FINANCING SOURCES	
Gain on disposal of capital assets	13,755
Total Other Financing Sources	13,755
NET CHANGE IN FUND BALANCE	1,817,259
FUND BALANCE, October 1, 2020	9,108,047
FUND BALANCE, September 30, 2021	\$ 10,925,306

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, 2021**

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

Net change in fund balance – total governmental fund	\$ 1,817,259
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 is exceeded by depreciation expense and loss on disposal in the current period.	(286,343)
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.	137,599
The effects of long-term accounts and pension resources do not provide current financial resources and as such are not recorded in the governmental fund. This is the amount of change in the net pension asset.	295,642
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	(19,603)
Total OPEB liability	(5,975)
Net pension liability	1,390,820
Deferred outflows of pension resources	264,428
Deferred inflows of pension earnings	(1,576,206)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 2,017,621

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, 2021

	<u>POLICE RETIREMENT PLAN</u>
ASSETS	
Investment, at fair value	
Money market funds	\$ 336,390
Bond funds	4,171,220
Equity funds	<u>7,441,868</u>
Net investments at fair value	<u>11,949,478</u>
TOTAL ASSETS	<u>11,949,478</u>
FIDUCIARY NET POSITION	
Restricted for pension benefits	<u><u>\$ 11,949,478</u></u>

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

**CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	POLICE RETIREMENT PLAN
ADDITIONS	
CONTRIBUTIONS:	
Employee contributions	\$ 71,338
Employer contributions	370,410
State contributions	55,693
Total Contributions	497,441
INVESTMENT INCOME:	
Interest	281,597
Net realized and unrealized gains (losses)	1,512,877
Total Investment Earnings	1,794,474
Less investment expense	70,990
Net investment income	1,723,484
TOTAL ADDITIONS	2,220,925
 DEDUCTIONS	
Administrative expenses	17,442
Benefits paid	556,255
TOTAL DEDUCTIONS	573,697
 Increase (Decrease) in fiduciary net position	 1,647,228
 FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS	
Beginning of year	10,302,250
End of year	\$ 11,949,478

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

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

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

The government-wide financial statements (Statement of Net Position and Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements exclude the City's fiduciary activities (pension trust fund).

CITY OF HOLMES BEACH, FLORIDA
FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

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

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

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND

GENERAL FUND

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

FIDUCIARY FUND

PENSION TRUST FUND

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. CASH AND CASH EQUIVALENTS

The City considers all checking, savings, and money market accounts to be cash and cash equivalents.

D. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 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 of the fund. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the City Commission, per Florida Statutes.

G. PROPERTY TAXES

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. PROPERTY TAXES – CONTINUED

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

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

H. ESTIMATES

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

I. NET POSITION

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

J. FUND BALANCE

The City follows Governmental Accounting Standards Board (GASB) Statement 54. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are Nonspendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The City classified governmental fund balance as follows:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. FUND BALANCE – CONTINUED

Spendable Fund Balance:

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

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

	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: center;">General Fund</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;"></td> </tr> </table>	General Fund	
General Fund			
Non Spendable – Prepaid items	\$ 249,867		
 <u>Spendable:</u>			
Restricted:			
Half cent discretionary sales tax for infrastructure	444,441		
Grassy Point	91,972		
Other capital projects	47,541		
Other	10,358		
	594,312		
Assigned	6,650,814		
Unassigned	3,430,313		
Total Fund Balances	\$10,925,306		

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 have been eliminated in the government-wide statement of net position.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

NOTE 2 – CASH AND INVESTMENTS

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

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

All City cash accounts are in Qualified Public Depositories.

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

At September 30, 2021, the City's general fund cash and investments were fully insured or collateralized or held in the City's name pursuant to these guidelines.

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

CITY OF HOLMES BEACH, FLORIDA
FINANCIAL STATEMENTS

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Interest Rate Risk

The City does not have a specific policy concerning interest rate risk. The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2021, is 49 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, 2021, is 64 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, 2020 through September 30, 2021.

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, 2021, no such disclosure has been made.

As of September 30, 2021, there were no redemption fees, 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, 2021, the City had investments in the Florida PRIME in the amount of \$4,781,035. 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, 2021 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	\$ 41,200	\$ -0-	\$ -0-	\$ 1,357,244
Total capital assets, not being depreciated	<u>1,316,044</u>	<u>41,200</u>	<u>-0-</u>	<u>-0-</u>	<u>1,357,244</u>
Capital assets being depreciated:					
Buildings and improvements	1,982,655	28,268	-0-	-0-	2,010,923
Infrastructure	11,504,783	257,648	-0-	-0-	11,762,431
Vehicles	1,686,823	45,770	78,244	-0-	1,654,349
Machinery and equipment	<u>1,094,182</u>	<u>142,338</u>	<u>164,200</u>	<u>-0-</u>	<u>1,072,320</u>
Total capital assets being depreciated	<u>16,268,443</u>	<u>474,024</u>	<u>242,444</u>	<u>-0-</u>	<u>16,500,023</u>
Less accumulated depreciation for:					
Buildings and improvements	941,447	57,990	-0-	-0-	999,437
Infrastructure	2,287,464	341,556	-0-	-0-	2,629,020
Vehicles	790,852	180,905	18,999	-0-	952,758
Machinery and equipment	<u>804,791</u>	<u>149,645</u>	<u>151,974</u>	<u>-0-</u>	<u>802,462</u>
Total accumulated depreciation	<u>4,824,554</u>	<u>730,096</u>	<u>170,973</u>	<u>-0-</u>	<u>5,383,677</u>
Total capital assets, being depreciated, net	<u>11,443,889</u>	<u>(256,072)</u>	<u>71,471</u>	<u>-0-</u>	<u>11,116,346</u>
Governmental activities capital assets, net	<u>\$12,759,933</u>	<u>\$ (214,872)</u>	<u>\$ 71,471</u>	<u>\$ -0-</u>	<u>\$ 12,473,590</u>

Depreciation expense was allocated as follows: General Government \$49,881, Public Safety \$295,474 and Public Works \$384,741.

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

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

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

The reconciliation between the net changes in fund balance – total governmental fund as reported in the statement of revenues, expenditures and changes in fund balances, and the changes in net position as reported in the statement of activities is included on page 15 of the basic financial statements. One line in that reconciliation explains that “Governmental Funds report capital outlays as expenditures. 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	\$ 515,224
Loss on disposal	(71,471)
Depreciation expense	<u>(730,096)</u>
	<u>\$ (286,343)</u>

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 were due July 31st with the final payment due in 2021. The note was paid in full during the year ended September 30, 2021.

During 2018, the City financed the purchase of police vehicles under a note agreement in the amount of \$90,037. Annual payments were required on November 20th in the amount of \$24,000 which includes interest at 4.45%. The note was guaranteed by the vehicles and the final payment was due November 20, 2020. The note was paid in full during the year ended September 30, 2021.

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 21st 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 \$248,836 at September 30, 2021. The final payment is due June 21, 2022. The balance outstanding on the note as of September 30, 2021 was \$116,687.

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>
2022	<u>\$ 116,687</u>	<u>\$ 7,866</u>	<u>\$ 124,553</u>
	<u>\$ 116,687</u>	<u>\$ 7,866</u>	<u>\$ 124,553</u>

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

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

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

During the year ended September 30, 2021, 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	\$ 254,286	\$ –0–	\$ (137,599)	\$ 116,687	\$ 116,687
Compensated absences	377,330	336,489	(316,886)	396,933	–0–
Total OPEB liability (Note 7)	104,173	12,304	(6,329)	110,148	–0–
Net pension liability (Note 6)	<u>2,374,835</u>	<u>2,698,902</u>	<u>(4,089,722)</u>	<u>984,015</u>	<u>–0–</u>
	<u>\$ 3,110,624</u>	<u>\$ 3,047,695</u>	<u>\$ (4,550,536)</u>	<u>\$ 1,607,783</u>	<u>\$ 116,687</u>

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>.

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

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes.
- The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes.

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under FRS are computed on the basis of age and/or years of service, average final compensation and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

Plan Provisions

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

If first employed on or after July 1, 2011: Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for “special risk” employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employee and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The City’s contractually required contribution rate for the year ended September 30, 2021, ranged from 10.00% – 10.82% for regular employees and 16.98% – 18.34% 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 \$201,435 for the year ended September 30, 2021, and approximated 10.0% of covered payroll. The HIS Program is funded by required contributions of 1.66% and is included in the contribution rates noted above.

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

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

At September 30, 2021, the City reported a liability of \$984,015 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. 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, 2021, the City's proportion was 0.0038358920% for FRS and 0.005659781% for HIS was consistent with its proportion measured in the previous year.

For the year ended September 30, 2021, the City recognized pension expense of \$138,205. At September 30, 2021, 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>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 49,665	\$ -0-	\$ 23,232	\$ 291
Changes in assumptions	198,267	-0-	54,553	28,605
Net difference between projected and actual earnings on pension plan investments	-0-	-0-	724	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	177,144	1,010,893	102,048	104
City contributions subsequent to the June 30, 2021 measurement date	<u>42,653</u>	<u>-0-</u>	<u>8,467</u>	<u>-0-</u>
	<u>\$ 467,729</u>	<u>\$1,010,893</u>	<u>\$ 189,024</u>	<u>\$ 29,000</u>

Total deferred outflows were \$656,753 and total deferred inflows were \$1,039,893. \$42,653 (FRS) and \$8,467 (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, 2022. 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>
2022	\$ (127,604)	\$ 23,713
2023	(127,604)	23,713
2024	(127,604)	23,713
2025	(127,604)	23,713
2026	(127,602)	23,712
Thereafter	<u>52,201</u>	<u>32,993</u>
	<u>\$ (585,817)</u>	<u>\$ 151,557</u>

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation (June 30, 2021 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 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, 2021 valuation were based on the results of an actuarial experience study performed 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) an inferred real (in excess of inflation) return of 4.30%, consistent with the 4.17% real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2021 by the FRS Actuarial Assumptions Conference. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equity	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%

Discount Rate

The discount rate used to measure the total FRS pension liability was 6.80%. The HIS rate decreased from 2.21% to 2.16% 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.

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

The following changes in actuarial assumptions occurred in 2021:

- FRS: The maximum amortization period was decreased to 20 years for all current and future amortization bases.
- HIS: The municipal rate used to determine total pension liability decreased from 2.21% to 2.16%.

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:

	1% Decrease (5.80%)	Discount Rate (6.80%)	1% Increase (7.80%)
City’s proportionate share of the FRS net pension liability	\$ 1,295,817	\$ 289,758	\$ (551,195)

The following presents the City’s proportionate share of the HIS net pension liability calculated using the discount rate of 2.16%, 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 (1.16%) or 1–percentage–point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
City’s proportionate share of the HIS net pension liability	\$ 802,629	\$ 694,257	\$ 605,471

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.

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

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	15
Inactive plan members entitled to, but not yet receiving, benefits	3
Active plan members	<u>17</u>
Total	<u>35</u>

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

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

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

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

incurred disability benefit provides the accrued benefit but not to exceed 60% of the AFC.

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

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

Contribution Information

Total payroll covered by the plan for the year was \$1,188,964 of a total City payroll of \$3,364,353. Total required contributions by the City and State, which are actuarially determined, were 34.50%, all of which were met. Employer contributions made by the City for the year were \$370,410. State contributions totaled \$55,693. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$71,338. 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, 2021 is \$-0-.

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$11,949,478, and the total cost was \$8,947,891 at September 30, 2021.

As of September 30, 2021, the asset allocations are as follows:

	<u>Percent of Total</u>
Cash and Cash Equivalents	2.82
Mortgage/Asset Backed Securities	5.04
U.S. Government Obligations	16.92
Corporate Bonds	9.57
Mutual Funds – Fixed Income	3.37
Equity Mutual Funds	<u>62.28</u>
	<u>100.00</u>

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

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, 2021:

<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.

Rate of Return

For the year ended September 30, 2021 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 17.20%. 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 0.375% and 3.70% with maturities from 2021 to 2050. Mortgage/Asset Backed Securities have interest rates between 2.0% and 6.0% with maturities from 2025 to 2051. Corporate bonds have interest rates between .375% and 3.70% with maturities between 2025 and 2050.

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the City at September 30, 2021 were as follows:

Total Pension Liability	\$ 11,656,881
Plan Fiduciary Net Position	<u>(11,952,523)</u>
Sponsors Net Pension Liability (Asset)	<u>\$ (295,642)</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability (Asset)	102.54%

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) – (b)
Balance as of September 30, 2020	\$ 10,536,410	\$ 10,302,250	\$ 234,160
Change due to:			
Service cost	334,320	-0-	334,320
Interest	766,584	-0-	766,584
Change in excess State money	15,912	-0-	15,912
Difference between expected and actual experience	556,635	-0-	556,635
Changes of assumptions	3,275	-0-	3,275
Changes of benefit terms	-0-	-0-	-0-
Contributions – Employer	-0-	370,410	(370,410)
Contributions – State	-0-	55,694	(55,694)
Contributions – Employee	-0-	71,338	(71,338)
Net investment income	-0-	1,757,216	(1,757,216)
Benefit payments, including refunds of employee contributions	(556,255)	(556,255)	-0-
Administrative expenses	-0-	(48,130)	48,130
Net Changes	<u>1,120,471</u>	<u>1,650,273</u>	<u>(529,802)</u>
Balance as of September 30, 2021	<u>\$ 11,656,881</u>	<u>\$ 11,952,523</u>	<u>\$ (295,642)</u>

The Sponsor’s net pension liability was measured as of September 30, 2021.

Actuarial Assumptions

The total pension liability, net pension liability (asset), and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2020, updated to September 30, 2021, based on the results of a January 27, 2021 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	7.15%
Projected salary increases*	Service based
COLA – Post Retirement	2.5%
Payroll Growth	1.2% per year

* 6.83% is up to assumed retirement age.

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 10% 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

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

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	10.0%
5-9	2.0%
10-14	2.0%
15+	1.0%

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 2021, 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, 2021 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 7.15 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.

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.15%, as well 1% higher and 1% lower than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
City’s Net Pension Liability (asset)	\$ 1,294,487	\$ (295,642)	\$ (1,600,460)

Changes of Assumptions:

For measurement date September 30, 2021, the Board approved the following assumption changes based on the January 27, 2021 actuarial experience study: 1) The investment rate of return was lowered from 7.25% to 7.15% per year compounded annually, net of investment related expenses; 2) The assumed rate of individual salary increases for members with 10 to 14 years of service was reduced from 5.5% to 5.0% per year and the assumed rate of individual salary increases for members with 15 or more years of service was reduced from 5.5% to 4.5% per year; 3) The assumed rate of early retirement was increased from 5.0% for each year eligible to 10.0% for each year eligible for early retirement; 4) The assumed rate of pre-retirement withdrawal was increased for those members with less than 5 years of service and reduced for those with 5 to 9 years of service.

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

For the year ended September 30, 2021 the Sponsor recognized a pension expense of \$103,686. At September 30, 2021 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 492,703	\$ 362,433
Changes in assumptions	166,683	103,758
Net difference between projected and actual earnings on investments	-0-	<u>923,745</u>
Total	<u>\$ 659,386</u>	<u>\$ 1,389,936</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>
2022	\$ 110,767	\$ (324,175)
2023	\$ 105,436	\$ (324,175)
2024	\$ 41,970	\$ (324,175)
2025	\$ 214,659	\$ (324,176)
2026	\$ 186,554	\$ (93,235)

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.

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

NOTE 6 – RETIREMENT PLANS – CONTINUED

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, 2021:

	September 30, 2021	Fair Value Measurements Using		
		Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level:				
Money Market	\$ 336,390	\$ 336,390	\$ -0-	\$ -0-
Debt securities:				
U.S. Government Obligations	2,022,183	-0-	2,022,183	-0-
Mortgage/Asset Backed Securities	602,417	-0-	602,417	-0-
Corporate Bonds	1,143,670	-0-	1,143,670	-0-
Mutual Funds – Fixed Income	402,950	-0-	402,950	-0-
Equity securities:				
Mutual Funds – Equity	<u>7,441,868</u>	<u>-0-</u>	<u>7,441,868</u>	<u>-0-</u>
Total investments by fair value	<u>\$ 11,949,478</u>	<u>\$ 336,390</u>	<u>\$11,613,088</u>	<u>\$ -0-</u>

Money market is classified in Level 1 of the fair value hierarchy and valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City did not have any investments measured as Level 3, or any liabilities measured at fair value.

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>Net Pension (Asset)</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
Florida Retirement System	\$ 467,729	\$ 289,758	\$ -0-	\$ 1,010,893	\$ (100,538)
Health Insurance Subsidy	189,024	694,257	-0-	29,000	48,272
Police Retirement Plan	<u>659,386</u>	<u>-0-</u>	<u>(295,642)</u>	<u>1,389,936</u>	<u>(322,418)</u>
	<u>\$ 1,316,139</u>	<u>\$ 984,015</u>	<u>\$ (295,642)</u>	<u>\$ 2,429,829</u>	<u>\$ (374,684)</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.

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FINANCIAL STATEMENTS**

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

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>

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, 2021, the City did not provide contributions to the OPEB plan.

Total OPEB Liability

The City's total OPEB liability of \$110,148 was measured as of September 30, 2021, 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, 2020 to September 30, 2021. 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, 2021) 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	2.43%
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 2.43%. 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.

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

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

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 2.43% for the current measurement period was increased from 2.14% for the reporting period ended September 30, 2020.

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, 2020	\$ 104,173
Service cost	9,892
Interest	2,412
Differences between expected and actual experience	-0-
Changes of assumptions	(3,593)
Changes of benefit terms	-0-
Contributions – Employer	-0-
Benefit payments	(2,736)
Other changes	-0-
Net changes	5,975
Reporting period ending September 30, 2021	\$ 110,148

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 (1.43%) or one percentage–point higher (3.43%) than the current discount rate:

	1% Decrease <u>1.43%</u>	Current Discount Rate <u>2.43%</u>	1% Increase <u>3.43%</u>
Total OPEB Liability	\$ 123,285	\$ 110,148	\$ 98,948

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	\$ 90,720	\$ 110,148	\$ 126,086

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, 2021, the City recognized OPEB expense in the amount of \$10,361.

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

NOTE 8 – RISK MANAGEMENT

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

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

NOTE 9 – CONTINGENCIES

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

Management of the City continues to evaluate the risks associated with the COVID–19 pandemic. Management of the City continues to implement 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.

NOTE 10 – SUBSEQUENT EVENTS

The City entered into a grant agreement under the American Rescue Plan Act in 2021. Under the agreement, the City was awarded \$2,156,175 of which \$1,078,087 was received in October 2021. The remaining funds under the grant agreement are also expected to be received in the upcoming fiscal year.

**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, 2021

	GENERAL FUND			
REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Ad valorem taxes	\$ 4,701,191	\$ 4,701,191	\$ 4,797,683	\$ 96,492
State and county receipts	1,140,979	1,140,979	1,447,996	307,017
Licenses and permits	1,154,450	1,154,450	1,926,353	771,903
Storm water fees	847,143	847,143	834,510	(12,633)
Franchise fees	586,600	586,600	653,760	67,160
Interest	35,000	35,000	23,387	(11,613)
Grants	633,859	678,297	198,940	(479,357)
Other sources	282,875	282,875	618,364	335,489
Total Revenues	<u>9,382,097</u>	<u>9,426,535</u>	<u>10,500,993</u>	<u>1,074,458</u>
EXPENDITURES				
General government:				
Personal services	930,243	930,243	917,694	12,549
Operating	1,040,585	1,040,585	665,446	375,139
Capital outlay	13,500	13,500	49,381	(35,881)
Total General Government	<u>1,984,328</u>	<u>1,984,328</u>	<u>1,632,521</u>	<u>351,807</u>
Public Safety:				
Personal services	2,701,673	2,701,673	2,543,452	158,221
Operating	699,534	704,534	645,328	59,206
Capital outlay	23,000	44,000	87,974	(43,974)
Total Public Safety	<u>3,424,207</u>	<u>3,450,207</u>	<u>3,276,754</u>	<u>173,453</u>
Code Compliance:				
Personal services	317,846	317,846	313,480	4,366
Operating	251,820	251,820	207,281	44,539
Capital outlay	5,000	5,000	3,639	1,361
Total Code Compliance	<u>574,666</u>	<u>574,666</u>	<u>524,400</u>	<u>50,266</u>
Public Works:				
Personal services	864,360	864,360	725,269	139,091
Operating	827,433	1,548,333	1,245,802	302,531
Capital outlay	2,360,050	1,639,150	374,230	1,264,920
Total Public Works	<u>4,051,843</u>	<u>4,051,843</u>	<u>2,345,301</u>	<u>1,706,542</u>
Building Department:				
Personal services	629,577	629,577	545,895	83,682
Operating	245,830	245,830	219,308	26,522
Capital outlay	46,000	64,438	-	64,438
Total Building Department	<u>921,407</u>	<u>939,845</u>	<u>765,203</u>	<u>174,642</u>
Debt Service:				
Debt service	149,000	149,000	153,310	(4,310)
Total Debt Service	<u>149,000</u>	<u>149,000</u>	<u>153,310</u>	<u>(4,310)</u>
Total Expenditures	<u>11,105,451</u>	<u>11,149,889</u>	<u>8,697,489</u>	<u>2,452,400</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,723,354)	(1,723,354)	1,803,504	3,526,858
OTHER FINANCING SOURCES				
Gain on disposal of capital assets	4,500	4,500	13,755	9,255
Total other financing sources	<u>4,500</u>	<u>4,500</u>	<u>13,755</u>	<u>9,255</u>
NET CHANGE IN FUND BALANCE	(1,718,854)	(1,718,854)	1,817,259	3,536,113
FUND BALANCE, October 1, 2020	9,108,047	9,108,047	9,108,047	-
FUND BALANCE, September 30, 2021	<u>\$ 7,389,193</u>	<u>\$ 7,389,193</u>	<u>\$ 10,925,306</u>	<u>\$ 3,536,113</u>

Note 1 – Budget Basis

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

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

	Available Fiscal Years *							
	(Dollar Amounts in Thousands)							
	<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>	<u>9/30/21</u>
Total pension liability								
Service cost	\$ 206,227	\$ 215,036	\$ 247,872	\$ 267,086	\$ 316,459	\$ 352,077	\$ 337,476	\$ 334,320
Interest	535,236	568,119	606,206	657,640	693,452	743,234	767,240	766,584
Change in excess state money	886	2,616	3,177	-	-	4,548	4,648	15,912
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)	556,635
Changes of assumptions	-	-	312,649	19,020	-	327,905	(172,929)	3,275
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)	(324,018)	(822,244)	(463,857)	(475,345)	(512,160)	(556,255)
Net change in total pension liability	438,346	479,791	918,854	248,933	633,880	710,392	20,813	1,120,471
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	10,536,410
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>	<u>\$ 11,656,881</u>
Plan fiduciary net position								
Contributions – employer	\$ 268,104	\$ 236,626	\$ 201,051	\$ 242,518	\$ 347,220	\$ 395,680	\$ 352,469	\$ 370,410
Contributions – state	40,668	42,398	42,959	38,221	41,094	43,018	44,430	55,694
Contributions – employee	41,513	47,585	51,191	57,686	64,861	70,425	67,629	71,338
Net investment income	637,333	(64,124)	509,296	893,423	599,254	424,318	1,034,751	1,757,216
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)	(324,018)	(822,244)	(463,857)	(475,345)	(512,160)	(556,255)
Administrative expense	(18,432)	(15,705)	(25,649)	(28,111)	(29,392)	(28,454)	(39,209)	(48,130)
Net change in plan fiduciary net position	665,183	(72,876)	454,830	381,493	559,180	429,642	947,910	1,650,273
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	10,302,250
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>	<u>\$ 11,952,523</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>	<u>\$ (295,642)</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%	102.54%
Covered employee payroll (1)	\$ 691,879	\$ 932,530	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755	\$ 1,127,152	\$ 1,188,964
Net pension liability as a percentage of covered employee payroll	-11.32%	50.87%	109.98%	83.81%	81.45%	98.94%	20.77%	-24.87%

* 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, 2021 measurement date, the Board approved the following assumption changes based on the January 27, 2021 actuarial experience study:

- 1) The investment rate of return was lowered from 7.25% to 7.15% per year compounded annually, net of investment related expenses.
- 2) The assumed rate of individual salary increases for Members with 10 to 14 years of service was reduced from 5.5% to 5.0% per year and the assumed rate of individual salary increases for Members with 15 or more years of service was reduced from 5.5% to 4.5% per year.
- 3) The assumed rate of early retirement was increased from 5.0% for each year eligible to 10.0% for each year eligible for early retirement.
- 4) The assumed rate of pre-retirement withdrawal was increased for those Members with less than 5 years of service and reduced for those with 5 to 9 years of service.

**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>	<u>9/30/21</u>
Actuarially determined contribution	\$ 307,886	\$ 256,168	\$ 261,073	\$ 280,740	\$ 387,002	\$ 435,463	\$ 392,249	\$ 410,192
Contributions in relation to the actuarially determined contributions	307,886	276,408	240,833	280,739	387,002	435,462	392,251	410,192
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (20,240)</u>	<u>\$ 20,240</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ -</u>
Covered employee payroll (1)	\$ 691,879	\$ 932,530	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755	\$ 1,127,152	\$ 1,188,964
Contributions as a percentage of covered employee payroll	44.50%	29.64%	28.23%	29.20%	35.80%	37.10%	34.80%	34.50%

* 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:

10/1/2019

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: Entry Age Normal (previously Frozen Entry Age).
 Amortization Method: New UAAL amortization bases are amortized over 15 years.
 Mortality Rates: All rates are projected generationally with Mortality Improvement Scale MP-2018. These rates are those outlined in Milliman's July 1, 2021 FRS valuation report for special risk employees.

Mortality – Healthy Active Lives: Female: PubS.H-2010 for Employees, set forward one year.
 Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

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

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

Mortality – Disabled Lives: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

Termination Rate:

<u>Years of Service</u>	<u>Termination Rate</u>
< 5	10.0%
5 – 9	2.0%
10 – 14	2.0%
15 +	1.0%

This assumption was adopted based on the results of the January 27, 2021 actuarial experience study. The previous assumption for < 5 was 8% and for 5-9 was 5%.

Disability Rate:

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

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

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

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

Retirement Age: Earlier of age 55 and 10 years of service or 25 years of service regardless of age. This assumption was confirmed in the January 27, 2021 actuarial experience study.

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 10% (previously 5%) per year. This assumption was adopted based on the results of the January 27, 2021 actuarial experience study.

Interest Rate: 7.15% (prior year 7.25%) 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	5.0%
15 +	4.5%

This assumption was adopted based on the results of the January 27, 2021 actuarial experience study.

The previous assumption for 10–14 years of service was 5.5% and for 15+ years of service was 5.5%.

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.

Inflation: 2.50%

Discount Rate: 7.15%

Investment Rate of Return: 7.15%

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 2021, 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.

Changes of Assumptions: For measurement date September 30, 2021, the Board approved the following assumption changes based on the January 27, 2021 actuarial experience study:

- 1) The investment rate of return was lowered from 7.25% to 7.15% per year compounded annually, net of investment related expenses.
- 2) The assumed rate of individual Salary Increases for Members with 10 to 14 years of service was reduced from 5.5% to 5.0% per year and the assumed rate of individual Salary Increases for Members with 15 or more years of service was reduced from 5.5% to 4.5% per year.
- 3) The assumed rate of Early Retirement was increased from 5.0% for each year eligible to 10.0% for each year eligible for Early Retirement.
- 4) The assumed rate of pre-retirement withdrawal was increased for those Members with less than 5 years of service and reduced for those with 5 to 9 years of service.

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

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

<u>DATE (1)</u>	<u>PERCENTAGE</u>
9/30/14	9.24%
9/30/15	-0.85%
9/30/16	6.83%
9/30/17	11.65%
9/30/18	7.23%
9/30/19	4.79%
9/30/20	11.20%
9/30/21	17.20%

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	2021
City's proportion of the net pension liability	0.002213893%	0.002230980%	0.002715044%	0.002845767%	0.003011937%	0.003308094%	0.003424347%	0.003835892%
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	\$ 289,758
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	\$ 2,018,993
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	13%	28%	53%	60%	56%	67%	78%	14%
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%	96.40%

* – 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>	<u>2021</u>
City's proportion of the net pension liability	0.003342238%	0.003300574%	0.004262634%	0.004458865%	0.004754631%	0.005160115%	0.005376911%	0.005659781%
City's proportionate share of the net pension liability	\$ 312,507	\$ 336,607	\$ 496,792	\$ 476,762	\$ 503,236	\$ 577,365	\$ 656,512	\$ 694,257
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	\$ 2,018,993
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	31%	32%	39%	34%	31%	34%	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%	3.56%

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

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

FLORIDA RETIREMENT SYSTEM (FRS) Available Fiscal Years *								
	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 48,494	\$ 54,393	\$ 66,211	\$ 74,082	\$ 85,838	\$ 102,575	\$ 113,776	\$ 146,131
Contributions in relation to the contractually required contribution	48,494	54,393	66,211	74,082	85,838	102,575	113,776	146,131
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	\$ 2,018,993
Contributions as a percentage of covered-employee payroll	4.82%	5.22%	5.14%	5.26%	5.29%	6.06%	5.97%	7.24%

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

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

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

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 11,449	\$ 12,617	\$ 21,849	\$ 23,598	\$ 25,794	\$ 28,654	\$ 30,985	\$ 33,268
Contributions in relation to the contractually required contribution	11,449	12,617	21,849	23,598	25,794	28,654	30,985	33,268
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	\$ 2,018,993
Contributions as a percentage of covered-employee payroll	1.14%	1.21%	1.70%	1.68%	1.59%	1.69%	1.62%	1.65%

* – 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 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, 2021. 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 2.16% 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 2021:

- FRS: The maximum amortization period was decreased to 20 years for all current and future amortization bases.
- HIS: The municipal rate used to determine total pension liability decreased from 2.21% to 2.16%.

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

Available Fiscal Years *

	<u>9/30/18</u>	<u>9/30/19</u>	<u>9/30/20</u>	<u>9/30/21</u>
Total OPEB liability				
Service cost	\$ 9,715	\$ 9,254	\$ 11,521	\$ 9,892
Interest	3,981	4,731	4,483	2,412
Differences between expected and actual experience	-	-	(8,801)	-
Changes of assumptions	(6,642)	7,818	(23,729)	(3,593)
Changes of benefit terms	-	-	-	-
Contributions – Employer	-	-	-	-
Benefit payments	(2,652)	(2,877)	(3,592)	(2,736)
Other changes	-	-	-	-
Net change in total OPEB liability	4,402	18,926	(20,118)	5,975
Total OPEB liability – beginning	100,963	105,365	124,291	104,173
Total OPEB liability – ending (a)	<u>\$ 105,365</u>	<u>\$ 124,291</u>	<u>\$ 104,173</u>	<u>\$ 110,148</u>
Covered employee payroll	\$ 2,368,574	\$ 2,427,789	\$ 2,719,900	\$ 2,787,898
Total OPEB liability as a percentage of covered employee payroll	4.45%	5.12%	3.83%	3.95%

* 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, 2021.

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, 2021	2.43%
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, 2021

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Ad valorem taxes	\$ 4,701,191	\$ 4,701,191	\$ 4,797,683	\$ 96,492
Four cent gas tax	100,738	100,738	124,584	23,846
Ninth cent gas tax	16,136	16,136	19,606	3,470
Two cent gas tax	40,179	40,179	49,690	9,511
Local option 5 cent gas tax	85,871	85,871	106,113	20,242
Casualty insurance tax	38,221	38,221	55,692	17,471
Communication service tax	219,157	219,157	224,697	5,540
Revenue sharing – state	136,363	136,363	141,255	4,892
Sales tax	249,366	249,366	356,884	107,518
Discretionary 1/2 cent sales tax	244,948	244,948	353,025	108,077
Court fines	10,000	10,000	16,450	6,450
Licenses and permits	1,154,450	1,154,450	1,926,353	771,903
Storm water utilities fees	847,143	847,143	834,510	(12,633)
Franchise fees	586,600	586,600	653,760	67,160
Interest earned	35,000	35,000	23,387	(11,613)
Grants	633,859	678,297	198,940	(479,357)
CARES Act	-	-	17,519	17,519
Alcoholic beverage tax	3,000	3,000	7,127	4,127
Police service charges	4,500	4,500	7,142	2,642
Administrative fees	4,500	4,500	11,975	7,475
Violation of local ordinance	75,000	75,000	238,270	163,270
Lien request fees	17,625	17,625	38,997	21,372
Dock fees	26,775	26,775	39,560	12,785
Code compliance fines	6,000	6,000	23,576	17,576
Private donations	-	-	54,451	54,451
Building official service fees	-	-	2,606	2,606
Tidemark lease	13,975	13,975	13,948	(27)
Cell tower review fees	4,500	4,500	3,000	(1,500)
Manatee County beach patrol	15,000	15,000	46,412	31,412
School resource officers	98,000	98,000	98,188	188
Miscellaneous	14,000	14,000	15,593	1,593
TOTAL REVENUES	\$ 9,382,097	\$ 9,426,535	\$ 10,500,993	\$ 1,074,458

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GENERAL FUND				
EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATIVE				
Clerk's salaries	\$ 619,618	\$ 619,618	\$ 648,904	\$ (29,286)
Payroll taxes	52,185	52,185	52,918	(733)
Retirement	67,350	67,350	63,182	4,168
Life/health/workers comp insurance	126,560	126,560	88,560	38,000
Mayor and Commission	64,530	64,530	64,130	400
Professional fees	583,525	583,525	458,072	125,453
Office supplies	13,000	13,000	9,528	3,472
Operating supplies	26,500	34,000	36,985	(2,985)
Insurance	84,000	84,000	81,807	2,193
Advertising	10,000	10,000	2,885	7,115
Books, memberships, training	23,000	23,000	5,908	17,092
Miscellaneous	8,500	8,500	7,184	1,316
Elections expense	10,000	10,000	385	9,615
Leasing expense	13,000	13,000	11,053	1,947
Travel	22,000	14,500	5,403	9,097
Utilities	22,060	22,060	16,201	5,859
Outside agency funding	-	-	30,035	(30,035)
Contingencies	225,000	225,000	-	225,000
Capital outlay	13,500	13,500	49,381	(35,881)
TOTAL ADMINISTRATIVE	1,984,328	1,984,328	1,632,521	351,807
POLICE DEPARTMENT				
Salaries	1,563,779	1,563,779	1,533,467	30,312
Payroll taxes	117,334	117,334	110,946	6,388
Retirement	502,325	502,325	455,033	47,292
Life/health/workers comp insurance	518,235	518,235	444,006	74,229
Operational expenses	149,555	153,555	151,980	1,575
Service contracts/leases	5,000	5,000	2,780	2,220
Professional fees	170,819	171,819	153,341	18,478
Maintenance	35,000	35,000	34,254	746
Insurance	241,000	241,000	233,168	7,832
Utility services	48,960	48,960	38,889	10,071
Radio/communications	15,000	15,000	6,672	8,328
Travel	11,500	11,500	4,821	6,679
Education	18,000	18,000	19,423	(1,423)
Records management system	4,700	4,700	-	4,700
Capital outlay	23,000	44,000	87,974	(43,974)
TOTAL POLICE DEPARTMENT	3,424,207	3,450,207	3,276,754	173,453

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GENERAL FUND				
EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
CODE ENFORCEMENT				
Salaries	\$ 227,231	227,231	233,489	\$ (6,258)
Payroll taxes	17,001	17,001	17,087	(86)
Retirement	24,334	24,334	23,042	1,292
Life/health/workers comp insurance	49,280	49,280	39,862	9,418
Professional fees	163,060	163,060	144,395	18,665
Insurance	41,400	41,400	40,239	1,161
Vehicle maintenance	6,500	6,500	2,820	3,680
Office supplies	4,200	4,200	1,483	2,717
Operating supplies / work	26,660	26,660	13,772	12,888
Travel	4,000	4,000	-	4,000
Education	3,000	3,000	1,901	1,099
Rents / leases	3,000	3,000	2,671	329
Capital outlay	5,000	5,000	3,639	1,361
TOTAL CODE ENFORCEMENT	574,666	574,666	524,400	50,266
PUBLIC WORKS DEPARTMENT				
Salaries	521,483	521,483	473,576	47,907
Payroll taxes	38,516	38,516	32,054	6,462
Retirement	55,366	55,366	45,700	9,666
Life/health/workers comp insurance	248,995	248,995	173,939	75,056
Maintenance – General	140,000	339,220	228,356	110,864
Maintenance – 1/2 cent	-	29,000	156,002	(127,002)
Maintenance – 5th cent	-	3,395	3,395	-
Professional fees	116,365	244,519	177,901	66,618
Professional fees–Stormwater	-	253,914	270,058	(16,144)
Office supplies	3,000	3,000	3,587	(587)
Insurance	107,000	107,000	100,831	6,169
Miscellaneous	2,000	2,000	536	1,464
Advertising	7,000	7,000	8,869	(1,869)
Operational supplies / work	87,000	87,000	86,438	562
Travel	3,000	3,000	-	3,000
Road maintenance & materials	40,000	40,000	55,424	(15,424)
Grassy Point	5,000	5,000	1,700	3,300
Rents / leases	3,900	3,900	1,312	2,588
Education	5,000	5,000	3,174	1,826
Utilities	86,940	86,940	88,812	(1,872)
FEMA reimbursable	30,000	30,000	4,824	25,176
Parks	91,228	198,445	54,583	143,862
Contingencies	100,000	100,000	-	100,000
Capital outlay	2,360,050	1,639,150	374,230	1,264,920
TOTAL PUBLIC WORKS DEPARTMENT	4,051,843	4,051,843	2,345,301	1,706,542

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

GENERAL FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES				
BUILDING DEPARTMENT				
Salaries	\$ 432,298	\$ 432,298	\$ 410,789	\$ 21,509
Payroll taxes	32,880	32,880	28,295	4,585
Retirement	45,129	45,129	40,583	4,546
Life/health/workers comp insurance	119,270	119,270	66,228	53,042
Professional fees	120,590	120,590	115,329	5,261
Insurance	63,500	63,500	60,708	2,792
Maintenance	1,500	1,500	751	749
Printing	5,000	5,000	2,660	2,340
Advertising	5,000	5,000	4,582	418
Office supplies	6,500	6,500	7,943	(1,443)
Miscellaneous	7,500	7,500	9,047	(1,547)
Travel	7,500	7,500	519	6,981
Utilities	12,740	12,740	8,087	4,653
Education	16,000	16,000	9,682	6,318
Capital outlay	46,000	64,438	-	64,438
TOTAL CODE ENFORCEMENT	921,407	939,845	765,203	174,642
DEBT SERVICE	149,000	149,000	153,310	(4,310)
TOTAL EXPENDITURES	\$ 11,105,451	\$ 11,149,889	\$ 8,697,489	\$ 2,452,400

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 18, 2022.

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.

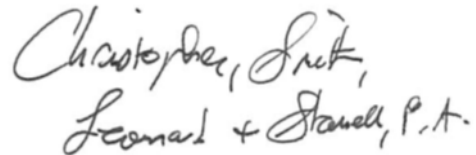
Compliance and Other Matters

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.

Handwritten signature in cursive script that reads "Christopher, Smith, Leonard & Stanell, P.A."

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

February 18, 2022
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, 2021, and have issued our report thereon February 18, 2022.

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 February 18, 2022, 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

Sections 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.

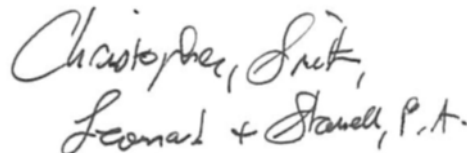
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 & STANELL, P. A.

February 18, 2022
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

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

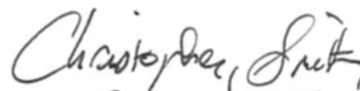
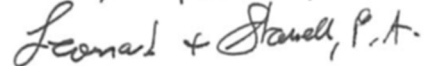
We have examined the City of Holmes Beach, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021. Management is responsible for the City's compliance with the specified requirements. Our responsibility is 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, 2021.

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

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

February 18, 2022
Bradenton, Florida