

CITY OF HOLMES BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**CITY OF HOLMES BEACH, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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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, 2013, 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, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Account principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedules of funding progress and employer contributions on pages 3-9 and 36-38 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 on pages 39- 41 is presented for additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was 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 is 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 January 25, 2014, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

January 25, 2014
Bradenton, Florida



City of Holmes Beach

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Holmes Beach, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. Readers should consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,147,588 (*net position*).
- The City's total net position increased by \$402,604.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$5,320,081, an increase of \$443,692 in comparison with the prior year. Of this total amount, \$1,303,991 is restricted, \$3,423,000 is assigned and \$592,890, 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 other supplementary 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 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. The General Fund is the general operating fund. All general tax revenues are accounted for in this fund. 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 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 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 of Holmes Beach, Florida'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. In the case of the City of Holmes Beach, Florida, assets exceeded liabilities by \$13,147,588 at the close of the most recent fiscal year.

A large portion of the City's net assets \$8,079,416 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 Qualified Public Depositories, or the State Local Government Surplus Trust Fund as allowed by Florida Statutes.

A condensed statement of net position at September 30, 2013 with comparative balances for September 30, 2012 follows:

	Net Position	
	Governmental	Governmental
	Activities	Activities
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 5,499,848	\$ 5,014,791
Capital assets	8,079,416	8,161,564
Total assets	<u>13,579,264</u>	<u>13,176,355</u>
Long-term liabilities outstanding	251,909	292,969
Other liabilities	<u>179,767</u>	<u>138,402</u>
Total liabilities	431,676	431,371
Net position:		
Invested in capital assets	8,079,416	8,161,564
Restricted	1,303,991	951,863
Unrestricted	<u>3,764,181</u>	<u>3,631,557</u>
Total net position	<u>\$ 13,147,588</u>	<u>\$ 12,744,984</u>

An additional portion of the City's net position, \$1,303,991 represents resources from storm water drainage fees and transportation taxes that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$3,764,181 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased by \$402,604 during the current fiscal year.

The following is a summary of the information presented in the statement of activities as of September 30, 2013 with comparative totals for the year ended September 30, 2012:

Changes in Net Position

	Governmental Activities	Governmental Activities
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 634,789	\$ 469,639
Operating grants and contributions	10,000	10,000
Capital grants and contributions	-0-	516,000
	644,789	995,639
General revenues:		
Ad valorem taxes	2,092,763	2,085,702
Franchise fees	438,509	430,965
Communication service tax	246,878	245,848
Storm water fees	223,966	221,209
State revenue sharing	133,884	136,803
Sales tax	257,381	242,277
Casualty insurance tax	38,606	37,511
Other taxes	315,278	311,212
Interest income	16,963	22,468
Disposition of assets	17,500	3,870
Miscellaneous	109,294	49,530
Total general revenues	3,891,022	3,787,395
Total Revenues	4,535,811	4,783,034
Expenses:		
General government	658,027	762,226
Public safety	2,009,510	2,072,106
Public works/building department	1,465,670	1,701,467
Total expenses	4,133,207	4,535,799
Increase in net position	402,604	247,235
Net position – Beginning	12,744,984	12,497,749
Net position – Ending	\$ 13,147,588	\$ 12,744,984

Net position increased in the amount \$402,604 from the prior year. Revenues were \$4,535,811 and decreased \$247,223 from the prior year. The City experienced an increase in charges for services due to building permits and a decrease in capital grants. Expenses were \$4,133,207 and decreased \$402,592 from the prior year. General government decreased \$104,199, public safety decreased \$62,596, and public works/building department decreased \$235,797.

Financial Analysis of the City's Funds

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

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 \$5,320,081, an increase of \$443,692 in comparison with the prior year. Of this total, \$592,890 is *unassigned fund balance*, which is available for spending at the City's discretion. \$3,423,000 is assigned for emergency purposes, \$1,303,991 is *restricted* for storm water drainage projects, and gas tax roadway expenditure projects, and \$200 is non-spendable for prepaid expenses.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14% of total general fund expenditures, while total fund balance represents 129% of that same amount.

The fund balance of the City's general fund increased by \$443,692 during the current fiscal year. The revenues decreased by \$229,721, resulting from a decrease in grants of approximately \$516,000, offset by an increase of \$20,796 in State and County receipts, an increase of \$158,116 in licenses and permits, and \$95,510 in other sources. Expenditures decreased \$1,244,314 from the prior year. The decrease in expenditures was due to decreased grant expenditures related to stormwater projects partially funded by grants.

General Fund Budgetary Highlights

There were no budget amendments during the year. Budgeted revenues were \$4,128,756. Budgeted expenditures were \$4,971,950. For the current fiscal year, actual revenues exceeded budgeted revenues by \$424,557. This was principally due to licenses and permits, franchise fees, and state and county receipts. Actual expenditures were less than budgeted expenditures by \$862,329 due mainly to capital outlay and operating costs being less than budget.

The General Fund budget is presented as required supplementary information on page 36.

Fiduciary Fund

The City'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, 2013, the City's Pension Trust Fund reported fiduciary net position of \$6,936,888, an increase of \$476,570 from the prior year. The main components of the increase were contributions of \$309,587 and investment earnings of \$714,899 netted with administrative costs and benefits paid of \$494,841. This Pension Trust Fund includes only Police Officers. Other employees are included in the State of Florida Retirement System or in a separate Defined Contribution Plan. 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, 2013 amounts to \$8,079,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The City's investment in capital assets for the current fiscal year decreased by \$82,148; comprised of \$203,463 of capital additions, \$252,283 of depreciation expense, less \$33,328 of net disposals.

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

	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
	<u>2013</u>	<u>2012</u>
Land	\$ 931,290	\$ 931,290
Building and improvements	1,297,428	1,348,598
Infrastructure	5,575,671	5,670,873
Machinery and equipment	275,027	210,803
Total (net of depreciation)	<u>\$ 8,079,416</u>	<u>\$ 8,161,564</u>

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

Long-Term Obligations

At the end of the current fiscal year, the City had no outstanding long-term debt. The City records a long-term liability for compensated absences and post-employment benefits other than pensions, which were \$185,017 and \$66,892 at September 30, 2013. The compensated absences decreased by \$48,487 due to pay outs as a result of retirements. The post-employment benefits other than pensions increased \$7,427 for the annual pension expenses based on the actuarial study.

Economic Factors and Next Year's Budgets and Rates

This year the City of Holmes Beach is seeing a slight increase in property values, which in effect will minimally increase the tax base. The fiscal year 2013-2014 millage rate was held the same as the previous year at 1.7500 mills in a year when the rollback rate was 1.6588 mills. This was an overall 6.89% increase in taxes for the Holmes Beach property owners. The rollback rate calculation, which is required by Florida Statutes, reflects the millage rate that would be needed to generate the same amount of tax dollar income as received in the prior year.

The fiscal year 2013-2014 budget includes funding for infrastructure repairs, new air conditioner for City Hall, City field projects, seawall repairs, and additional monies to continue on with master drainage improvement projects. Storm water improvement projects include Basin 2, 3, and 4 with matching grant funds from SWFWMD. In this 2013-2014 budget year, salary adjustments were budgeted to include a cost of living adjustment for employees and the addition of one full time and two part time employees. We also were able to increase our reserves by \$82,500 this year.

Future budgets beyond 2013-2014 are anticipated to continue increase slightly. Additionally, although growth and new construction activities were higher than expected in 2012-2013, we are seeing a slow but steady increase for revenues in permitting. Also, the state legislature is looking at legislative proposals that could have a possible negative effect on local revenues such as Business Tax Fees and Communication Service Taxes that come back to the City. These revenue challenges will be major impacts 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 no debt or outstanding financing.

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, 2013

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 1,616,315
Restricted	1,303,991
Investments	2,370,221
Due from other governments	208,846
Other receivables	275
Prepaid expenses	200
Capital assets	
Land	931,290
Other capital assets, net of accumulated depreciation	7,148,126
Total Assets	<u>13,579,264</u>
LIABILITIES	
Accounts payable	175,329
Accrued expenses	4,438
Non current liabilities	
Due in less than one year	-
Due in more than one year	251,909
Total Liabilities	<u>431,676</u>
NET POSITION	
Net investment in capital assets	8,079,416
Restricted for:	
Storm water drainage	743,528
Restricted for streets and roads	560,463
Unrestricted	3,764,181
TOTAL NET POSITION	<u>\$ 13,147,588</u>

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, 2013

<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	\$ 658,027	\$ 470	\$ -	\$ -	\$ (657,557)
Public Safety	2,009,510	8,290	10,000	-	(1,991,220)
Public Works	1,465,670	626,029	-	-	(839,641)
Total Governmental Activities	<u>4,133,207</u>	<u>634,789</u>	<u>10,000</u>	<u>-</u>	<u>(3,488,418)</u>
General Revenues:					
					2,092,763
					438,509
					246,878
					223,966
					133,884
					257,381
					38,606
					315,278
					16,963
					17,500
					109,294
					<u>3,891,022</u>
					402,604
					12,744,984
					<u>\$ 13,147,588</u>

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

CITY OF HOLMES BEACH, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2013

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 1,616,315
Restricted	1,303,991
Investments	
Unrestricted	2,370,221
Due from other governments	208,846
Other receivables	275
Prepaid expenses	200
	<u>\$ 5,499,848</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 175,329
Accrued expenses	4,438
TOTAL LIABILITIES	<u>179,767</u>
 Fund Balances:	
Nonspendable	200
Spendable:	
Restricted	1,303,991
Assigned	3,423,000
Unassigned	592,890
	<u>5,320,081</u>
 TOTAL FUND BALANCES	<u>5,320,081</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,499,848</u>

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

**CITY OF HOLMES BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

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

Fund Balance – Governmental Fund	\$ 5,320,081
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	8,079,416
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	<u>(251,909)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 13,147,588**

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, 2013

	GENERAL FUND
REVENUES	
Ad valorem taxes	\$ 2,092,763
State and County receipts	993,224
Licenses and permits	606,841
Storm water fees	223,966
Franchise fees	438,509
Interest	16,963
Grants	10,000
Other sources	153,545
Total Revenues	4,535,811
EXPENDITURES	
General government:	
Personal services	312,652
Operating	309,133
Capital outlay	4,990
Total General Government	626,775
Public Safety:	
Personal services	1,734,618
Operating	256,721
Capital outlay	111,966
Total Public Safety	2,103,305
Public Works:	
Personal services	832,088
Operating	460,945
Capital outlay	86,508
Total Public Works	1,379,541
Total Expenditures	4,109,621
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	426,190
OTHER FINANCING SOURCES	
Proceeds from the sale of capital assets	17,502
TOTAL OTHER FINANCING SOURCES	17,502
NET CHANGE IN FUND BALANCE	443,692
FUND BALANCE, October 1, 2012	4,876,389
FUND BALANCE, September 30, 2013	\$ 5,320,081

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 GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

Net change in fund balance – total governmental fund \$ 443,692

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. (82,148)

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 and OPEB liabilities. 41,060

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 402,604

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, 2013

	<u>POLICE RETIREMENT PLAN</u>
ASSETS	
Investments, at fair value	
Money market funds	\$ 116,268
Bond funds	2,363,165
Equity funds	<u>4,395,247</u>
Net investments at fair value	6,874,680
Employer receivable	<u>62,208</u>
Total receivables	<u>62,208</u>
TOTAL ASSETS	<u>6,936,888</u>
NET POSITION	
Restricted for pension benefits	<u><u>\$ 6,936,888</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, 2013

	POLICE RETIREMENT PLAN
ADDITIONS	
CONTRIBUTIONS:	
Employee contributions	\$ 34,982
Employer contributions	211,519
State contributions	38,606
Miscellaneous	24,480
Total Contributions	309,587
INVESTMENT INCOME:	
Interest	158,251
Net unrealized gain (loss) in fair value of investments	579,672
Gain (loss) on sale of investments	(23,024)
Total Investment Earnings	714,899
Less investment expense	53,075
Net investment income	661,824
TOTAL ADDITIONS	971,411
DEDUCTIONS	
Administrative expenses	20,871
Benefits paid	473,970
TOTAL DEDUCTIONS	494,841
Increase (Decrease) in net position	476,570
NET POSITION – RESTRICTED FOR PENSION BENEFITS	
Beginning of year	6,460,318
End of year	\$ 6,936,888

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

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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 1997, 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 include Government-wide (which reports the City as a whole) and Fund financial statements (which report only on the General and Fiduciary Funds). The Basic Financial Statements present only governmental activities, as the City conducts no business type activities.

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

Basis of Accounting Basic Financial Statements – Government Wide statements – Continued

statements exclude the City's fiduciary activities (pension trust fund.) For the most part, interfund activity has been removed from these statements. Government wide financial statements include a Statement of Net Position and a Statement of Activities. The Statement of Net Position reports all financial and capital resources of the District's governmental activities. It is presented in a net position format (assets, plus deferred outflows less liabilities plus deferred inflows equal net position) and shown with three 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 segments 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, liabilities, 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 are paid the general operating expenditures and capital expenditures of the City.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

FIDUCIARY FUNDS

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

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

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

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

- D. LONG-TERM OBLIGATIONS** – In the government-wide financial statements, other long-term obligations (compensated absences and 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.

E. BUDGETARY INFORMATION

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

- G. 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 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.

H. 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.

I. 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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. FUND BALANCE – CONTINUED

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

The City classified governmental fund balance as follows:

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

Spendable Fund Balance:

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

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

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. FUND BALANCE – CONTINUED

	General Fund
Non Spendable	\$ 200
 <u>Spendable:</u>	
<u>Restricted:</u>	
Stormwater utility fees for authorized projects	743,528
Fifth cent gas tax restricted for road expenditures	560,463
	<u>1,303,991</u>
 Assigned (for emergency contingencies)	 3,423,000
Unassigned	<u>592,890</u>
 Total Fund Balances	 <u>\$ 5,320,081</u>

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

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.

At September 30, 2013, the City's general fund cash and investments were fully insured or collateralized or held in the City's name pursuant to these guidelines.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

The City has investments with the Local Government Surplus Trust Funds Investment Pool (LGIP), now known as Florida PRIME, and the Fund B Surplus Funds Trust Fund (Fund B), which are administered by the Florida State Board of Administration. The City's investments in the Pools are through shares owned in the funds and not the underlying investments. The Florida PRIME is considered a 2a7 like pool. The account balance in the Florida PRIME approximates its fair value. Fund B is considered a fluctuating net asset value (NAV) pool with a fair value factor of 1.13262284 at September 30, 2013. The fair value of the City's investments in Fund B is derived by taking the account balance multiplied by the NAV factor. The Florida PRIME investments are subject to overnight withdrawal. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base.

Interest Rate Risk

The City does not have a specific policy concerning interest rate risk. The Florida PRIME has a weighted average days to maturity of 44 days. Fund B has an estimated weighted average life of 4.04 years.

Florida PRIME invests in top-tier, money market assets of the highest quality and has a Standard and Poors rating of AAAM. Fund B consists of assets that have defaulted, are in default or have extended payout times, or are subject to potentially elevated credit risk. Fund B is not rated by a nationally recognized statistical rating agency.

At September 30, 2013, the City had investments in the Florida PRIME with a fair value of \$2,352,056. Fair value of investments held in Fund B as of September 30, 2013 was \$18,165, including an unrealized gain of \$2,127. 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.

Restricted cash and investments in the General Fund represents funds for storm water fees and unspent local 5 cent gas tax collections which are required to be used for storm water improvements or road maintenance or improvement expenditures.

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

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 931,290	\$ -0-	\$ -0-	\$ 931,290
Total capital assets, not being depreciated	<u>931,290</u>	<u>-0-</u>	<u>-0-</u>	<u>931,290</u>
Capital assets being depreciated:				
Buildings and improvements	1,909,090	-0-	-0-	1,909,090
Infrastructure	6,401,450	47,403	-0-	6,448,853
Vehicles	563,574	54,129	51,133	566,570
Machinery and equipment	631,053	101,931	156,079	576,905
Total capital assets being depreciated	<u>9,505,167</u>	<u>203,463</u>	<u>207,212</u>	<u>9,501,418</u>
Less accumulated depreciation for:				
Buildings and improvements	560,492	51,170	-0-	611,662
Infrastructure	730,577	142,605	-0-	873,182
Vehicles	439,826	27,460	30,156	437,130
Machinery and equipment	543,998	31,048	143,728	431,318
Total accumulated depreciation	<u>2,274,893</u>	<u>252,283</u>	<u>173,884</u>	<u>2,353,292</u>
Total capital assets, being depreciated, net	<u>7,230,274</u>	<u>(48,820)</u>	<u>33,328</u>	<u>7,148,126</u>
Governmental activities capital assets, net	<u>\$ 8,161,564</u>	<u>\$ (48,820)</u>	<u>\$ 33,328</u>	<u>\$ 8,079,416</u>

Depreciation expense was allocated as follows: General Government \$40,700, Public Safety \$42,907 and Public Works \$168,676.

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

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

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

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

Capital outlay	\$ 203,463
Depreciation expense	(252,283)
Loss on disposition of assets	<u>(33,328)</u>
	<u>\$ (82,148)</u>

NOTE 5 – Long-Term Liabilities

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

During the year ended September 30, 2013, 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>
Compensated absences	\$ 233,504	\$ 193,891	\$ 242,378	\$ 185,017	\$ -0-
OPEB liability	<u>59,465</u>	<u>7,427</u>	<u>-0-</u>	<u>66,892</u>	<u>-0-</u>
	<u>\$ 292,969</u>	<u>\$ 201,318</u>	<u>\$ 242,378</u>	<u>\$ 251,909</u>	<u>\$ -0-</u>

NOTE 6 – RETIREMENT PLANS

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

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

A. FLORIDA RETIREMENT PLAN

(1) Plan Description

Employees (as noted above) of the City are covered by the State of Florida Retirement System (FRS), which is administered by the Department of Management Services, Division of Retirement under the Authority of Article X, Section 14 of the State Constitution and Florida Statutes,

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – RETIREMENT PLANS – CONTINUED

(1) Plan Description – Continued

Chapter 112 and 121. The system is a contributory, defined benefit, cost-sharing multiple-employer PERS (Public Employee Retirement System). The pension plan provides pension benefits and disability benefits.

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.

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.

“Regular” employees who retire at age 62 and “special risk” employees who retire at age 55 are entitled to a blended rate ranging from 1.6% to 3% of their final, five-year average compensation times the number of years they were members of the system. The final, five-year average compensation is the average salary of the employee during the highest five years of employment.

(2) Contributions Required and Made

The City’s required employer contributions for the year ended September 30, 2013 ranged between 14.90% – 19.06% for special risk employees and 5.18% – 6.95% for regular employees. Required contributions by employees of both the “regular” class and “special risk” class were 3.00%. Current year’s covered payroll, which equals total payroll, was \$898,846. Current year City contributions were \$51,106.

Contributions for the year ended September 30, 2012, which equaled required contributions, were \$41,554, which approximated 4.7% of covered payroll. Contributions for the year ended September 30, 2011, which equaled required contributions, were \$76,499, which approximated 9.4% of covered payroll.

(3) Funding Status and Progress

A separate plan financial statement is issued by the State Division of Retirement for the plan year, which ends on June 30, which provides detail on the plan funding status and progress. The report may be obtained by writing to the Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – RETIREMENT PLANS – CONTINUED

(4) Post Employment Benefits

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administrated retirement systems in paying health insurance costs. During the 2012–2013 fiscal year, the HIS program was funded by required contributions consisting of 1.11% assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in the State Retirement Plan footnote above. Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS subsidy, which is paid monthly, is \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

B. DEFINED CONTRIBUTION PLAN

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

In resolution 06–10 and ordinance 06–06 the City reinstated its membership in the Florida Retirement System for general employees. All employees (excluding police officers) hired on or after October 1, 2006 are enrolled under the FRS plan. Employees who were enrolled in the defined contribution public employee retirement system became eligible to convert to the Florida Retirement System up until October 1, 2006.

Employees that did not convert to the FRS plan continue under the single–employer, defined contribution public employee retirement system. Total payroll covered by the plan was \$138,472.

The plan requires City contributions of 9% of member payroll. Employees are vested 50% after five years and ten percent per year thereafter with full vesting after 10 years. Forfeitures are used to reduce employer contributions. Employees may voluntarily contribute up to 10% of their compensation to the plan and are fully vested in these contributions.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – RETIREMENT PLANS – CONTINUED

For the period ended September 30, 2013 there was \$12,491 of City contributions. No employees contributed to the plan. The plan is administered by the Florida Municipal Pension Trust Fund. As of September 30, 2013, membership consisted of 2 employees.

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

The authority under which the Police Retirement Plan benefit provisions and employer and employee obligations to contribute was 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, and 11-01. Ordinance 11-01 restated the plan in full in July of 2011.

Summary of Significant Accounting Policies

The City's section 185 pension plan is accounted for in the accompanying financial statements as a pension trust fund. Plan administrative costs are paid by the plan. The City's Pension Board has the authority to amend or extend the provisions of the plan. The plan is administered by the Pension Board. Salem Trust Company is the Asset Custodian.

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.

Plan Investments

Plan investments are held by the Salem Trust Company. The total market value was \$6,874,680, and the total cost was \$6,130,247 at September 30, 2013.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – RETIREMENT PLANS – CONTINUED

As of September 30, 2013, the asset allocations are as follows:

	<u>Percent of Total</u>
Cash and Cash Equivalents	1.69
Mortgage/Asset Backed Securities	5.78
U.S. Government Obligations	7.07
Corporate Bonds	21.52
Foreign Stock	1.78
Common Equity Securities	47.37
Equity Mutual Funds	<u>14.79</u>
	<u>100.00</u>

Interest Rate Risk

The U.S. Government Obligations have interest rates between .189% and 3.75% with maturities from 2013 to 2043. Mortgage/Asset Backed Securities have interest rates between 3.5% and 6.0% with maturities from 2025 to 2042. Corporate bonds have interest rates between .48% and 6.875% with maturities between 2014 and 2043.

Benefit Provisions

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

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

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

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

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 6 – RETIREMENT PLANS – CONTINUED

Plan Descriptions and Contribution Information

The Police Retirement Plan is a single employer, public employee retirement system (PERS) defined benefit plan and is accounted for in the accompanying financial statements as a Pension Trust Fund. Participation is mandatory (a condition of employment) for all full-time policemen employed by the City. Total payroll covered by the plan for the year was \$583,041 of a total City payroll of \$1,879,934. Total required contributions by the City and State were 42.9%, which amounted to \$250,125. Employer contributions made by the City for the year were \$211,519 equivalent to 36.3% of the basic annual active member payroll of \$583,041. State contributions totaled \$38,606. Required contributions were 35.9%, net of state contributions. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$34,982. Basic member payroll subject to contributions includes base salary exclusive of overtime, plus incentives.

Funded Status and Funding Progress

The funded status of the Police Retirement Plan as of October 1, 2012, the most recent actuarial valuation date, is as follows:

ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a/c)
\$ 6,137,816	\$ 6,951,226	\$ 813,410	88.30%	\$ 539,468	150.78%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	10/01/12
Actuarial cost method	Frozen Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years (as of 10/1/12)
Asset valuation method	Market

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 6 – RETIREMENT PLANS – CONTINUED

Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	6.0%
COLA – Post Retirement	2.0%

* Includes inflation at 3.0%

Retirees and beneficiaries receiving benefits	8
Terminated plan members entitled to, but not yet receiving, benefits	3
Active plan members	<u>11</u>
Total	<u>22</u>

Three Year Trend Information

Year Ending	Annual Pension Cost APC	Percentage of APC* Contributed	Net Pension Obligation
09/30/13	\$ 201,829	100%	\$ (5,554)
09/30/12	\$ 201,829	100%	\$ (5,554)
09/30/11	\$ 227,204	100%	\$ (5,989)

Development of the Net Pension Obligation (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the “Florida Protection of Public Employee Retirement Benefits Act” (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has been funding the actuarially determined required contribution for all years from October 1, 1987, through the transition date, October 1, 1997. Thus the NPO on October 1, 1997, was -0-.

The development of the Net Pension Obligation (Asset) is as follows:

	<u>09/30/13</u>
Actuarially Determined Contribution (A)	\$ 201,385*
Interest on NPO	(449)
Adjustment to (A)	<u>893</u>
Annual Pension Cost	201,829*
Contributions Made	<u>201,394</u>
Increase (decrease) to NPO	435
NPO Beginning of Year	<u>(5,989)</u>
NPO End of Year	<u>\$ (5,554)</u>

* Beginning September 30, 2012, this includes both City and State Contributions.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

Membership in the Plan consisted of the following at September 30, 2013:

Active eligible	39
Retirees	<u>1</u>
	40

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, 2013, the City provided estimated contributions of \$25,234 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees.

Part of the City’s periodic contribution to the Florida Retirement System (FRS) on behalf of some general employees is a contribution toward the Health Insurance Subsidy (HIS) managed by FRS. Currently, HIS provides eligible employees with a lifetime benefit equal to \$5 per month per year of service (up to maximum of \$150 per month) after they retire, toward the payment of any insurance-related premiums.

The State of Florida is treating this program as a Cost-Sharing Multiple-Employer defined benefit pension plan like FRS, rather than being classified as an Agent Multiple-Employer defined benefit OPEB plan. Accordingly, the State considers the HIS program to be reported pursuant to GASB Statement No. 27.

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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

Annual OPEB Cost and Net OPEB Obligations - The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

<u>Description</u>	<u>2013</u>
Normal Cost (service cost for one year)	\$ 21,302
Amortization of Unfunded Actuarial Accrued Liability	14,053
Interest on Normal Cost and Amortization	1,414
Annual Required Contribution (ARC)	36,769
Interest on NOO	2,254
Adjustment to (ARC)	<u>(3,259)</u>
Annual OPEB Cost (Expense)	35,764
Estimated Employer Contributions	(25,234)
Interest on Employer Contributions	<u>-0-</u>
Estimated Increase (decrease) in NOO	10,530
Estimated NOO at Beginning of Year	<u>56,362</u>
Estimated NOO at End of Year	<u>\$ 66,892</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2013 was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Estimated Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Estimated Net OPEB Obligation</u>
9/30/13	\$ 35,764	\$ 25,234	70.60%	\$ 66,892
9/30/12	\$ 28,583	\$ 9,420	32.96%	\$ 59,465
9/30/11	\$ 27,815	\$ 8,630	30.92%	\$ 40,302

The funded status and funding progress as of September 30, 2013 was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (c) = (b-a)</u>	<u>Funded Ratio (d)</u>	<u>Covered Payroll (e)</u>	<u>UAAL as a Percentage of Covered Payroll (c)/e</u>
10/01/12	\$-0-	\$ 252,731	\$ 252,731	0.00%	\$ 1,823,300	13.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions and the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made from the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, (when available), about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. Projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012 OPEB actuarial valuation, the projected unit credit cost method was used. The UAAL is amortized as a level dollar amount over a 30 year period. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% discount rate. Other assumptions include health care cost rates of 9% for 2012, decreasing 4% to 5% in 2020; participation rates for future retirees of 10%; participation rates of current retirees of 100% until age 65; spouse participation until age 65; police retirement age latest of age 50, plan eligibility or current age; general employee retirement age latest of age 62, plan eligibility or current age; life expectancy based on mortality tables at the National Center for Health Statistics website; and a withdrawal rate using non-group specific age-based turnover data provided in GASB Statement 45.

NOTE 8 – RISK MANAGEMENT

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

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

NOTE 9 – CONTINGENCIES

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Ad valorem taxes	\$ 2,081,305	\$ 2,081,305	\$ 2,092,763	\$ 11,458
State and county receipts	962,496	962,496	993,224	30,728
Licenses and permits	390,500	390,500	606,841	216,341
Storm water fees	227,905	227,905	223,966	(3,939)
Franchise fees	375,000	375,000	438,509	63,509
Interest	14,000	14,000	16,963	2,963
Grants	10,000	10,000	10,000	-
Other sources	67,550	67,550	171,047	103,497
	<u>4,128,756</u>	<u>4,128,756</u>	<u>4,553,313</u>	<u>424,557</u>
EXPENDITURES				
General government:				
Personal services	346,631	346,631	312,652	33,979
Operating	292,450	292,450	309,133	(16,683)
Capital outlay	5,500	5,500	4,990	510
Total General Government	<u>644,581</u>	<u>644,581</u>	<u>626,775</u>	<u>17,806</u>
Public Safety:				
Personal services	1,782,641	1,782,641	1,734,618	48,023
Operating	265,000	265,000	256,721	8,279
Capital outlay	58,400	58,400	111,966	(53,566)
Total Public Safety	<u>2,106,041</u>	<u>2,106,041</u>	<u>2,103,305</u>	<u>2,736</u>
Code Enforcement:				
Personal services	127,125	127,125	105,797	21,328
Operating	13,000	13,000	11,781	1,219
Capital outlay	1,500	1,500	-	1,500
Total Code Enforcement	<u>141,625</u>	<u>141,625</u>	<u>117,578</u>	<u>24,047</u>
Public Works:				
Personal services	806,253	806,253	726,291	79,962
Operating	706,200	706,200	449,164	257,036
Capital outlay	567,250	567,250	86,508	480,742
Total Public Works	<u>2,079,703</u>	<u>2,079,703</u>	<u>1,261,963</u>	<u>817,740</u>
Total Expenditures	<u>4,971,950</u>	<u>4,971,950</u>	<u>4,109,621</u>	<u>862,329</u>
NET CHANGE IN FUND BALANCE	(843,194)	(843,194)	443,692	1,286,886
FUND BALANCE, October 1, 2012	<u>4,876,389</u>	<u>4,876,389</u>	<u>4,876,389</u>	<u>-</u>
FUND BALANCE, September 30, 2013	<u>\$ 4,033,195</u>	<u>\$ 4,033,195</u>	<u>\$ 5,320,081</u>	<u>\$ 1,286,886</u>

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE OFFICERS PENSION TRUST FUND**

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)
10/01/12	\$ 6,137,816	\$ 6,951,226	\$ 813,410	88.30%	\$ 539,468	150.78%
10/01/11	\$ 5,619,261	\$ 6,407,551	\$ 788,290	87.70%	\$ 546,761	144.17%
10/01/10	\$ 5,533,417	\$ 6,325,590	\$ 792,173	87.48%	\$ 736,641	107.54%
10/01/09	\$ 5,249,349	\$ 5,917,222	\$ 667,873	88.71%	\$ 731,663	91.28%
10/01/08	\$ 5,086,797	\$ 5,714,502	\$ 627,705	89.02%	\$ 615,810	101.93%
10/01/07	\$ 4,877,950	\$ 5,415,945	\$ 537,995	90.07%	\$ 633,577	84.91%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED SEPTEMBER 30	ANNUAL REQUIRED CONTRIBUTION	CITY CONTRIBUTION	STATE CONTRIBUTION	PERCENTAGE CONTRIBUTED
2012	\$ 201,384	\$ 163,873	\$ 37,511	100.00%
2011	\$ 260,014	\$ 226,724	\$ 33,290	100.00%
2010	\$ 260,220	\$ 221,874	\$ 38,350	100.00%
2009	\$ 223,157	\$ 183,440	\$ 39,717	100.00%
2008	\$ 192,531	\$ 161,588	\$ 30,943	100.00%
2007	\$ 212,485	\$ 196,464	\$ 23,160	103.36%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	10/01/12
Actuarial cost method	Frozen Entry Age
Amortization method	Level percentage of pay, closed
Remaining amortization period	26 years
Asset valuation method	Four-year smooth (market)
Actuarial assumptions:	
Investment rate of return	7.5%
Projected Salary Increases*	6.0%
Post retirement COLA	2.0% (for first 10 years)

* Includes inflation at 3.0%

**CITY OF HOLMES BEACH, FLORIDA
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Unit Credit</u>	<u>(c) = (b)-(a) Unfunded AAL (UAAL) (2)-(1)</u>	<u>(d) Funded Ratio (1)/(2)</u>	<u>(e) Covered Payroll</u>	<u>(c)/(e) UAAL as a Percentage of Covered Payroll (4)/(5)</u>
10/01/12	\$-0-	\$ 252,731	\$ 252,731	0.00%	\$ 1,823,300	13.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Estimated Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Estimated OPEB Obligation</u>
2013	\$ 35,764	\$ 25,234	70.60%	\$ 66,892
2012	\$ 28,583	\$ 9,420	32.96%	\$ 59,465
2011	\$ 27,815	\$ 8,603	30.92%	\$ 40,302

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the above Required Supplementary Information schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	10/01/12
Actuarial Cost Method	Projected unit credit
Amortization Method	Level-dollar payment
Remaining Amortization Period	30 years, open period
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment rate of return	4%
Initial Per Capita Cost Trend Rate	9%
Ultimate Per Capita Cost Trend Rate	5%

OTHER SUPPLEMENTAL INFORMATION

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

REVENUES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Ad valorem taxes	\$ 2,081,305	\$ 2,081,305	\$ 2,092,763	\$ 11,458
Franchise fees	375,000	375,000	438,509	63,509
Communication service tax	247,484	247,484	246,878	(606)
Storm water utilities fees	227,905	227,905	223,966	(3,939)
Revenue sharing – state	132,349	132,349	133,884	1,535
Sales tax	245,663	245,663	257,381	11,718
Casualty insurance tax	33,000	33,000	38,606	5,606
Ninth cent gas tax	18,500	18,500	25,060	6,560
Four cent gas tax	77,000	77,000	77,796	796
Two cent gas tax	64,000	64,000	64,542	542
Local option 5 cent gas tax	140,000	140,000	142,515	2,515
Alcoholic beverage tax	5,000	5,000	5,365	365
Court fines	4,000	4,000	5,791	1,791
Police education receipts	500	500	771	271
Police service charges	700	700	1,728	1,028
Licenses and permits	390,500	390,500	606,841	216,341
Interest earned	14,000	14,000	16,963	2,963
Administrative fees	5,000	5,000	4,880	(120)
Violation of local ordinance	9,000	9,000	15,649	6,649
Ordinance/zoning variances	500	500	-	(500)
Code enforcement fines	1,000	1,000	1,663	663
Skate park memberships	400	400	470	70
Private donations	-	-	28,788	28,788
Other grant funds	10,000	10,000	10,000	-
Building official service fees	1,500	1,500	1,876	376
Disposition of fixed assets	2,000	2,000	17,500	15,500
Tidemark lease	11,500	11,500	11,607	107
Miscellaneous	30,950	30,950	81,521	50,571
TOTAL REVENUES	\$ 4,128,756	\$ 4,128,756	\$ 4,553,313	\$ 424,557

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
ADMINISTRATIVE				
Clerk's salaries	\$ 200,578	\$ 200,578	\$ 193,038	\$ 7,540
Payroll taxes	18,538	18,538	18,035	503
Retirement	11,975	11,975	10,978	997
Life/health/workers comp insurance	72,820	72,820	47,880	24,940
Mayor and Council – expenses	42,720	42,720	42,720	-
Professional fees	155,000	155,000	208,764	(53,764)
Professional fees–Stormwater	-	-	2,498	(2,498)
Building maintenance	15,750	15,750	11,052	4,698
Office supplies	8,000	8,000	7,253	747
Operating supplies	17,200	17,200	14,288	2,912
Insurance	36,000	36,000	22,471	13,529
Advertising	10,000	10,000	5,289	4,711
Books, memberships, training	9,500	9,500	5,243	4,257
Miscellaneous	1,000	1,000	1,924	(924)
Elections expense	5,000	5,000	-	5,000
Leasing expense	9,300	9,300	6,345	2,955
Travel	11,500	11,500	9,300	2,200
Utilities	14,200	14,200	14,707	(507)
Contingency	-	-	-	-
Capital outlay	5,500	5,500	4,990	510
TOTAL ADMINISTRATIVE	644,581	644,581	626,775	17,806
POLICE DEPARTMENT				
Salaries	1,090,119	1,090,119	1,058,166	31,953
Payroll taxes	82,247	82,247	80,950	1,297
Retirement	225,450	225,450	265,898	(40,448)
Life/health/workers comp insurance	384,825	384,825	329,603	55,222
Operational expenses	92,500	92,500	93,871	(1,371)
Service contracts/leases	6,000	6,000	5,427	573
Professional fees	5,000	5,000	13,559	(8,559)
Maintenance	32,000	32,000	19,526	12,474
Insurance	91,000	91,000	83,439	7,561
Utility services	16,000	16,000	18,889	(2,889)
Radio/communications	9,000	9,000	11,999	(2,999)
Travel	6,000	6,000	3,502	2,498
Education	7,500	7,500	6,510	990
Capital outlay	58,400	58,400	111,966	(53,566)
TOTAL POLICE DEPARTMENT	2,106,041	2,106,041	2,103,305	2,736

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CODE ENFORCEMENT				
Salaries	\$ 77,704	\$ 77,704	\$ 79,178	\$ (1,474)
Payroll taxes	5,868	5,868	6,057	(189)
Retirement	6,903	6,903	6,528	375
Life/health/workers comp insurance	36,650	36,650	14,032	22,618
Professional fees	500	500	1,986	(1,486)
Insurance	7,000	7,000	4,449	2,551
Vehicle maintenance	1,200	1,200	615	585
Office supplies	1,000	1,000	2,091	(1,091)
Advertising	-	-	582	(582)
Operating supplies / work	1,600	1,600	399	1,201
Travel	1,200	1,200	272	928
Education	500	500	1,389	(889)
Capital outlay	1,500	1,500	-	1,500
TOTAL CODE ENFORCEMENT	141,625	141,625	117,578	24,047
PUBLIC WORKS DEPARTMENT				
Salaries	529,823	529,823	517,662	12,161
Payroll taxes	40,149	40,149	39,647	502
Retirement	34,706	34,706	30,319	4,387
Life/health/workers comp insurance	201,575	201,575	138,665	62,910
Maintenance	68,000	68,000	30,429	37,571
Professional fees	342,500	342,500	180,910	161,590
Office supplies	2,500	2,500	3,008	(508)
Insurance	66,000	66,000	33,015	32,985
Capital outlay	567,250	567,250	86,508	480,742
Advertising	4,000	4,000	1,783	2,217
Operational supplies / work	83,000	83,000	74,002	8,998
Travel	2,300	2,300	496	1,804
Road maintenance & materials	21,000	21,000	24,525	(3,525)
Rents / leases	2,000	2,000	1,922	78
Education	3,300	3,300	2,505	795
Utilities	110,000	110,000	93,021	16,979
Miscellaneous	1,600	1,600	3,546	(1,946)
TOTAL PUBLIC WORKS DEPARTMENT	2,079,703	2,079,703	1,261,963	817,740
TOTAL EXPENDITURES	\$ 4,971,950	\$ 4,971,950	\$ 4,109,621	\$ 862,329

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 25, 2014
Bradenton, Florida

MANAGEMENT LETTER

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

We have audited the financial statements of City of Holmes Beach, Florida as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 25, 2014.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated January 25, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedules:

- 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. All prior year comments not addressed below have been corrected. Comment 2010-1 is continued from the two previous financial audits.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Holmes Beach complied with Section 218.415, Florida Statutes regarding the investment of public funds.
- The Rules of the Auditor General, Section 10.554(1)(i)3., require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendation:

2010-1. Cross Training

Comment

As noted in prior audits, the Treasurer performs most accounting functions and no other employee is trained to perform these functions.

The City has started the process of cross training for various accounting applications. We continue to recommend the completion of this process.

Management's Response

We continue to work on cross training employees.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the City of Holmes Beach has met one or more of the conditions described in Section 218.503(1), Florida Statutes and identification of the specific conditions met. In connection with our audit, we determined that the City of Holmes Beach did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b, Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Holmes Beach for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Holmes Beach'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.

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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,
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CHRISTOPHER, SMITH, LEONARD,
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January 25, 2014
Bradenton, Florida