

**CITY OF HOLMES BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUND	12
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND	16
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND	17
NOTES TO FINANCIAL STATEMENTS	18 - 38
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	39
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	40
SCHEDULE OF CONTRIBUTIONS AND NOTES	41

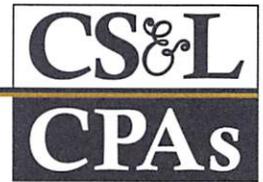
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**CITY OF HOLMES BEACH, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**TABLE OF CONTENTS - CONTINUED**

	<b><u>PAGE</u></b>
<b>REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED):</b>	
SCHEDULE OF ANNUAL MONEY - WEIGHTED RATE OF RETURN ON POLICE PENSION PLAN INVESTMENTS	42
SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS	
POLICE OFFICER'S PENSION TRUST FUND	43
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION	44
 <b>OTHER SUPPLEMENTAL INFORMATION:</b>	
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND	45
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND	46 - 47
 <b>OTHER AUDITOR'S REPORTS:</b>	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	48 - 49
MANAGEMENT LETTER	50 - 51
 INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE	52



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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, 2014, 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, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principles

As described in Note 1 to the financial statements, in 2014, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to these matters.

## 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 changes in net pension liability and related notes, contributions and notes, annual money-weighted rate of return on police pension plan investments, and funding progress and employer contributions on pages 3-9 and 39-44 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 45-47 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 February 11, 2015, 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.

February 11, 2015  
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, 2014. 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 \$13,166,258 (*net position*).
- The City's total net position increased by \$18,670.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$5,313,211, a decrease of \$6,870 in comparison with the prior year. Of this total amount, \$1,548,504 is restricted, \$3,326,350 is assigned and \$438,157, 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 advalorem 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 \$13,166,258 at the close of the most recent fiscal year.

A large portion of the City's net position \$8,184,304 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, 2014 with comparative balances for September 30, 2013 follows:

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Current and other assets	\$ 5,514,090	\$ 5,499,848
Capital assets	<u>8,184,304</u>	<u>8,079,416</u>
<b>Total assets</b>	<u>13,698,394</u>	<u>13,579,264</u>
Long-term liabilities outstanding	331,257	251,909
Other liabilities	<u>200,879</u>	<u>179,767</u>
Total liabilities	532,136	431,676
Net position:		
Net investment in capital assets	8,184,304	8,079,416
Restricted	1,548,504	1,303,991
Unrestricted	<u>3,433,450</u>	<u>3,764,181</u>
<b>Total net position</b>	<u><b>\$ 13,166,258</b></u>	<u><b>\$ 13,147,588</b></u>

An additional portion of the City's net position, \$1,548,504 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 \$3,433,450 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$18,670 during the current fiscal year.

The following is a summary of the information presented in the statement of activities as of September 30, 2014 with comparative totals for the year ended September 30, 2013:

### Changes in Net Position

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2014</b>	<b>2013</b>
Revenues:		
Program revenues:		
Charges for services	\$ 584,203	\$ 634,789
Operating grants and contributions	12,500	10,000
Capital grants and contributions	18,310	-0-
	615,013	644,789
General revenues:		
Ad valorem taxes	2,234,572	2,092,763
Franchise fees	482,441	438,509
Communication service tax	240,836	246,878
Storm water fees	226,566	223,966
State revenue sharing	134,330	133,884
Sales tax	276,000	257,381
Casualty insurance tax	40,668	38,606
Other taxes	344,091	315,278
Interest income	10,278	16,963
Disposition of assets	4,410	17,500
Miscellaneous	90,311	109,294
Total general revenues	4,084,503	3,891,022
<b>Total Revenues</b>	<b>4,699,516</b>	<b>4,535,811</b>
<b>Expenses:</b>		
General government	785,651	658,027
Public safety	2,322,992	2,009,510
Public works/building department	1,572,203	1,465,670
Total expenses	4,680,846	4,133,207
Increase in net position	18,670	402,604
<b>Net position – Beginning</b>	<b>13,147,588</b>	<b>12,744,984</b>
<b>Net position – Ending</b>	<b>\$ 13,166,258</b>	<b>\$ 13,147,588</b>

Net position increased in the amount \$18,670 from the prior year. Revenues were \$4,699,516 and increased \$163,507 from the prior year. The City experienced an increase in ad valorem taxes of approximately \$141,000. Expenses were \$4,680,846 and increased \$547,639 from the prior year. General government increased \$127,624, public safety increased \$313,482, and public works/building department increased \$106,533.

## **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 \$5,313,211, a decrease of \$6,870 in comparison with the prior year. Of this total, \$438,157 is *unassigned fund balance*, which is available for spending at the City's discretion. \$3,326,350 is assigned for emergency purposes, \$1,548,504 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 9% of total general fund expenditures, while total fund balance represents 113% of that same amount.

The fund balance of the City's general fund decreased \$6,870 during the current fiscal year. The revenues increased by \$159,295, resulting from an increase in ad valorem taxes of approximately \$141,000. Expenditures increased \$596,765 from the prior year. The increase was largely due to Public Works which increased \$289,118 due to replacement of an air conditioning unit and other capital improvement projects.

## **General Fund Budgetary Highlights**

Original budgeted revenues were \$4,373,600 and were amended to \$4,394,410. Original budgeted expenditures were \$5,637,377 and were amended to \$5,658,187. Actual revenues exceeded the final budget by \$300,696. This was principally due to licenses and permits, franchise fees, and state and county receipts. Actual expenditures were less than final budgeted expenditures by \$951,801 due mainly to capital outlay and operating costs being less than budget.

The General Fund budget is presented as required supplementary information on page 39.

### **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, 2014, the City's Pension Trust Fund reported fiduciary net position of \$7,601,185, an increase of \$664,297 from the prior year. The main components of the increase were contributions of \$349,399 and net investment earnings of \$619,177, as well as benefits paid of \$304,003. 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, 2014 amounts to \$8,184,304 (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 increased by \$104,888; comprised of \$369,745 of capital additions, \$263,395 of depreciation expense, less \$1,462 of net disposals.

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

	<b><u>Governmental Activities</u></b>	<b><u>Governmental Activities</u></b>
	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 931,290	\$ 931,290
Building and improvements	1,246,258	1,297,428
Infrastructure	5,664,803	5,575,671
Machinery and equipment	341,953	275,027
Total (net of depreciation)	<b><u>\$ 8,184,304</u></b>	<b><u>\$ 8,079,416</u></b>

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 \$255,914 and \$75,343 at September 30, 2014, respectively. The compensated absences increased by \$70,897 due to new employees and reduced use of compensated absences. The post-employment benefits other than pensions increased \$8,451 for the annual pension expenses based on the actuarial study.

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

### **Economic Factors and Next Year's Budgets and Rates**

This year the City of Holmes Beach is seeing approximately a 7% increase in property values, which in effect will increase the tax base by \$174,000. The fiscal year 2014-2015 millage rate was held the same as the previous year at 1.7500 mills in a year when the rollback rate was 1.6352 mills. This was an overall 7.86% 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 2014-2015 budget includes funding for infrastructure repairs, new software to integrate the departments and update programs, street repairs, Grassy Pointe Improvements, seawall repairs, and additional monies to continue on with master drainage improvement projects. Storm water improvement projects include Basin 2, 4, 12 and 13, with matching grant funds from SWFWMD. In this 2014-2015 budget year, salary adjustments were budgeted to include a cost of living adjustment for employees and the addition of one full time police officer.

Future budgets beyond 2014-2015 are anticipated to continue to increase slightly. Additionally, although growth and new construction activities were higher than expected in 2013-2014, we are seeing a 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, 2014

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 1,308,592
Restricted	1,548,504
Investments	2,453,550
Due from other governments	202,970
Other receivables	274
Prepaid expenses	200
Capital assets	
Land	931,290
Other capital assets, net of accumulated depreciation	7,253,014
Total Assets	13,698,394
<b>LIABILITIES</b>	
Accounts payable	132,490
Accrued expenses	3,677
Unearned revenue	64,712
Non current liabilities	
Due in less than one year	-
Due in more than one year	331,257
Total Liabilities	532,136
<b>NET POSITION</b>	
Net investment in capital assets	8,184,304
Restricted for:	
Storm water drainage	820,154
Restricted for streets and roads	710,198
Other	18,152
Unrestricted	3,433,450
<b>TOTAL NET POSITION</b>	<b>\$ 13,166,258</b>

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

CITY OF HOLMES BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<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	\$ 785,651	\$ 27,577	\$ 2,500	\$ -	\$ (755,574)
Public Safety	2,322,992	17,215	10,000	18,310	(2,277,467)
Public Works	1,572,203	539,411	-	-	(1,032,792)
Total Governmental Activities	<u>4,680,846</u>	<u>584,203</u>	<u>12,500</u>	<u>18,310</u>	<u>(4,065,833)</u>
General Revenues:					
					2,234,572
					482,441
					240,836
					226,566
					134,330
					276,000
					40,668
					344,091
					10,278
					4,410
					90,311
					<u>4,084,503</u>
					18,670
					13,147,588
					<u>\$ 13,166,258</u>

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

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**CITY OF HOLMES BEACH, FLORIDA  
BALANCE SHEET – GOVERNMENTAL FUND  
SEPTEMBER 30, 2014**

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	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 1,308,592
Restricted	1,548,504
Investments	
Unrestricted	2,453,550
Due from other governments	202,970
Other receivables	274
Prepaid expenses	200
	<u>\$ 5,514,090</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 132,490
Accrued expenses	3,677
Unearned revenue	64,712
TOTAL LIABILITIES	<u>200,879</u>
 Fund Balances:	
Nonspendable	200
Spendable:	
Restricted	1,548,504
Assigned	3,326,350
Unassigned	438,157
	<u>5,313,211</u>
 TOTAL FUND BALANCES	<u>5,313,211</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,514,090</u>

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

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**CITY OF HOLMES BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

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

Fund Balance – Governmental Fund	\$ 5,313,211
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	8,184,304
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	<u>(331,257)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 13,166,258**

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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, 2014**

	<b>GENERAL FUND</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 2,234,572
State and County receipts	1,044,294
Licenses and permits	497,967
Storm water fees	226,566
Franchise fees	482,441
Interest	10,278
Grants	30,810
Other sources	168,178
Total Revenues	4,695,106
<b>EXPENDITURES</b>	
General government:	
Personal services	355,398
Operating	378,697
Capital outlay	2,478
Total General Government	736,573
Public Safety:	
Personal services	1,932,282
Operating	288,880
Capital outlay	79,992
Total Public Safety	2,301,154
Public Works:	
Personal services	881,644
Operating	499,740
Capital outlay	287,275
Total Public Works	1,668,659
Total Expenditures	4,706,386
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,280)
<b>OTHER FINANCING SOURCES</b>	
Proceeds from the sale of capital assets	4,410
<b>TOTAL OTHER FINANCING SOURCES</b>	4,410
<b>NET CHANGE IN FUND BALANCE</b>	(6,870)
<b>FUND BALANCE, October 1, 2013</b>	5,320,081
<b>FUND BALANCE, September 30, 2014</b>	\$ 5,313,211

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

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**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, 2014**

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

Net change in fund balance – total governmental fund \$ (6,870)

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. 104,888

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. (79,348)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 18,670**

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

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CITY OF HOLMES BEACH, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUND  
SEPTEMBER 30, 2014

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	<u>POLICE RETIREMENT PLAN</u>
<b>ASSETS</b>	
Investments, at fair value	
Money market funds	\$ 271,980
Bond funds	2,524,771
Equity funds	<u>4,804,434</u>
Net investments at fair value	<u>7,601,185</u>
 <b>FIDUCIARY NET POSITION</b>	
Restricted for pension benefits	<u>\$ 7,601,185</u>

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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, 2014**

	<b>POLICE RETIREMENT PLAN</b>
<b>ADDITIONS</b>	
CONTRIBUTIONS:	
Employee contributions	\$ 41,513
Employer contributions	267,218
State contributions	40,668
Total Contributions	349,399
INVESTMENT INCOME:	
Interest	142,523
Net realized and unrealized gains (losses)	541,857
Total Investment Earnings	684,380
Less investment expense	58,375
Net investment income	626,005
TOTAL ADDITIONS	975,404
<b>DEDUCTIONS</b>	
Administrative expenses	7,104
Benefits paid	304,003
TOTAL DEDUCTIONS	311,107
Increase (Decrease) in fiduciary net position	664,297
<b>FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS</b>	
Beginning of year	6,936,888
End of year	\$ 7,601,185

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

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**CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

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

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

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

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

- B. BASIS OF PRESENTATION – The City's basic financial statements 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

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

**B. BASIS OF PRESENTATION – CONTINUED**

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

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 City'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 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, 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.

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

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

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

**E. LONG-TERM OBLIGATIONS** – In the government-wide financial statements, other long-term obligations (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.

**F. BUDGETARY INFORMATION**

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

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

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

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 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

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

**J. 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, 2014

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

**J. FUND BALANCE – CONTINUED**

	General Fund
Non Spendable	\$ 200
 <u>Spendable:</u>	
<u>Restricted:</u>	
Stormwater utility fees for authorized projects	820,154
Fifth cent gas tax restricted for road expenditures	710,198
Other	18,152
	<u>1,548,504</u>
 Assigned (for emergency contingencies)	 3,326,350
Unassigned	<u>438,157</u>
 Total Fund Balances	 <u>\$ 5,313,211</u>

- K. INTERFUND RECEIVABLES/PAYABLES – Interfund receivables/payables arise from temporary interfund transfers. When a fund has an interfund receivable and an interfund payable to the same fund, the amounts are recorded in separate accounts. Internal activity and balances between governmental funds has been eliminated in the government-wide statement of net position.
- L. CHANGE IN ACCOUNTING PRINCIPLES – During 2014, the City implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities* which was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additionally, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* which was issued to establish standards of financial reporting for separately issued financial reports and specified the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented.

**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:

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

- 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, 2014, 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. 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. The account balance in the Florida PRIME approximates its fair value. 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 39 days.

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

At September 30, 2014, the City had investments in the Florida PRIME with a fair value of \$2,453,550. 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 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, road maintenance or improvement expenditures, and other uses.

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, 2014**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 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	6,448,853	230,251	-0-	6,679,104
Vehicles	566,570	91,784	12,718	645,636
Machinery and equipment	576,905	47,710	25,402	599,213
Total capital assets being depreciated	<u>9,501,418</u>	<u>369,745</u>	<u>38,120</u>	<u>9,833,043</u>
Less accumulated depreciation for:				
Buildings and improvements	611,662	51,170	-0-	662,832
Infrastructure	873,182	141,119	-0-	1,014,301
Vehicles	437,130	33,522	11,968	458,684
Machinery and equipment	431,318	37,584	24,690	444,212
Total accumulated depreciation	<u>2,353,292</u>	<u>263,395</u>	<u>36,658</u>	<u>2,580,029</u>
Total capital assets, being depreciated, net	<u>7,148,126</u>	<u>106,350</u>	<u>1,462</u>	<u>7,253,014</u>
Governmental activities capital assets, net	<b><u>\$ 8,079,416</u></b>	<b><u>\$ 106,350</u></b>	<b><u>\$ 1,462</u></b>	<b><u>\$ 8,184,304</u></b>

Depreciation expense was allocated as follows: General Government \$41,196, Public Safety \$53,453 and Public Works \$168,746.

**NOTE 4 – RECONCILIATION OF GOVERNMENTWIDE 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, 2014

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

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

Capital outlay as additions	\$ 369,745
Depreciation expense	(263,395)
Loss on disposition of assets	<u>(1,462)</u>
	<b><u>\$ 104,888</u></b>

**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, 2014, 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	\$ 185,017	\$ 214,114	\$ (143,217)	\$ 255,914	\$ -0-
OPEB liability	<u>66,892</u>	<u>8,451</u>	<u>-0-</u>	<u>75,343</u>	<u>-0-</u>
	<u>\$ 251,909</u>	<u>\$ 222,565</u>	<u>\$ (143,217)</u>	<u>\$ 331,257</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,

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**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, 2014 ranged between 19.06% – 19.82% for special risk employees and 6.95% – 7.37% 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 \$1,006,676. Current year City contributions were \$72,714.

Contributions for the year ended September 30, 2013, which equaled required contributions, were \$51,106, which approximated 5.7% of covered payroll. Contributions for the year ended September 30, 2012, which equaled required contributions, were \$41,554, which approximated 4.7% 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.

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**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 2013–2014 fiscal year, the HIS program was funded by required contributions consisting of 1.20% 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. The City Commission maintains authority for amending the defined contribution plan and contribution requirements. Total payroll covered by the plan was \$87,693.

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.

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**NOTE 6 – RETIREMENT PLANS – CONTINUED**

For the period ended September 30, 2014 there was \$8,196 of City contributions. No employees contributed to the plan. The plan is administered by the Florida Municipal Pension Trust Fund. As of September 30, 2014, membership consisted of 2 employees.

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

Plan Description and Summary of Significant Accounting Policies

The City has established a Police Retirement Pension Plan, which is a single-employer, defined benefit plan. Participation is mandatory (a condition of 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, and 11-01. Ordinance 11-01 restated the plan in full in July of 2011.

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

Plan Membership:

Retirees and beneficiaries receiving benefits	12
Terminated plan members entitled to, but not yet receiving, benefits	0
Active plan members	<u>13</u>
Total	<u>25</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.

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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

Benefit Provisions

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

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

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

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

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

Contribution Information

Total payroll covered by the plan for the year was \$691,879 of a total City payroll of \$1,996,773. Total required contributions by the City and State were 44.5%, which amounted to \$307,886. Employer contributions made by the City for the year were \$267,218 equivalent to 38.6% of the basic annual active member payroll of \$691,879. State contributions totaled \$40,668. Required contributions were 39.1%, net of state contributions. Employee contributions of 6% of basic annual compensation are required and were made in the amount

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Contribution Information – Continued

of \$41,513. 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 the 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, 2014 is \$191,292.

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$7,601,185, and the total cost was \$6,985,752 as of September 30, 2014.

As of September 30, 2014, the asset allocations are as follows:

	<u>Percent of Total</u>
Cash and Cash Equivalents	3.58
Mortgage/Asset Backed Securities	4.50
U.S. Government Obligations	11.22
Corporate Bonds	17.49
Foreign Stock	4.77
Common Equity Securities	30.31
Equity Mutual Funds	<u>28.13</u>
	<u>100.00</u>

The Pension Board establishes investment policies and allocation of invested assets and may amend the policy by majority vote. The following was the Board's adopted asset allocation policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	<u>40%</u>
Total	<u>100%</u>

Concentrations

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

CITY OF HOLMES BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Rate of Return

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 9.24%. 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 .1809% and 3.75% with maturities from 2016 to 2041. 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 .46% and 6.875% with maturities between 2016 and 2044.

Net Pension Liability

The components of the net pension liability of the City at September 30, 2014 were as follows:

Total Pension Liability	\$ 7,523,747
Plan Fiduciary Net Position	<u>(7,602,071)</u>
Sponsors Net Pension Liability	<u>\$ (78,324)</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	101.04%

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2013. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2014. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Investment rate of return	7.5%
Projected salary increases*	6.0%
COLA – Post Retirement	2.0%
Payroll Growth	Up to 5% per year

\* Includes inflation at 3.0%. 6% is up to assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation.

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

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

CITY OF HOLMES BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

Mortality is based on a RP-2000 Table with no projection. It is based on study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements (disabled lives set forward 5 years).

The disability rates are as follows:

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>
20	0.051%	9.30%
30	0.058%	7.90%
40	0.121%	4.30%
50	0.429%	1.10%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%

**Discount Rate**

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

CITY OF HOLMES BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's Net Pension Liability	\$ 920,091	\$ (78,324)	\$ (860,911)

Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Frozen Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years (as of 10/1/11)
Asset valuation method	4 year Average Market Return

Funded Status and Funding Progress

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)
\$ 6,571,435	\$ 7,161,379	\$ 589,944	91.76%	\$ 714,403	82.58%

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.

Three Year Trend Information

Year Ending	Annual Pension Cost APC	Percentage of APC* Contributed	Net Pension Obligation
09/30/14	\$ 308,063	100%	\$ (5,116)
09/30/13	\$ 250,376	100%	\$ (5,293)
09/30/12	\$ 201,829	100%	\$ (5,554)

CITY OF HOLMES BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**NOTE 6 – RETIREMENT PLANS – CONTINUED**

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:

	<b><u>09/30/14</u></b>
Actuarially Determined Contribution (A)	\$ 307,886*
Interest on NPO	(397)
Adjustment to (A)	<u>574</u>
Annual Pension Cost	308,063
Contributions Made	<u>307,886*</u>
Increase (decrease) to NPO	177
NPO Beginning of Year	<u>(5,293)</u>
NPO End of Year	<b><u>\$ (5,116)</u></b>

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

**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, 2014:

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

CITY OF HOLMES BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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

Funding Policy – Currently, the City’s OPEB benefits are unfunded. There is no separate Trust Fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its investment policy. For the fiscal year ended September 30, 2014, the City provided estimated contributions of \$27,504 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.

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>2014</u>
Normal Cost (service cost for one year)	\$ 21,302
Amortization of Unfunded Actuarial Accrued Liability	14,416
Interest on Normal Cost and Amortization	<u>1,429</u>
Annual Required Contribution (ARC)	37,147
Interest on NOO	2,676
Adjustment to (ARC)	<u>(3,868)</u>
Annual OPEB Cost (Expense)	35,955
Estimated Employer Contributions	(27,504)
Interest on Employer Contributions	<u>-0-</u>
Estimated Increase (decrease) in NOO	8,451
Estimated NOO at Beginning of Year	<u>66,892</u>
Estimated NOO at End of Year	<u><b>\$ 75,343</b></u>

**CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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, 2014 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>
9/30/14	\$ 35,955	\$ 27,504	76.50%	\$ 75,343
9/30/13	\$ 35,764	\$ 25,234	70.60%	\$ 66,892
9/30/12	\$ 28,583	\$ 9,420	32.96%	\$ 59,465

The funded status and funding progress as of September 30, 2014 was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial 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.

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.

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CITY OF HOLMES BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

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, 2014**

<b>GENERAL FUND</b>				
<b>REVENUES</b>	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Ad valorem taxes	\$ 2,223,157	\$ 2,223,157	\$ 2,234,572	\$ 11,415
State and county receipts	968,818	968,818	1,044,294	75,476
Licenses and permits	447,500	447,500	497,967	50,467
Storm water fees	228,950	228,950	226,566	(2,384)
Franchise fees	396,100	396,100	482,441	86,341
Interest	14,000	14,000	10,278	(3,722)
Grants	10,000	30,810	30,810	-
Other sources	85,075	85,075	168,178	83,103
	<u>4,373,600</u>	<u>4,394,410</u>	<u>4,695,106</u>	<u>300,696</u>
<b>EXPENDITURES</b>				
General government:				
Personal services	374,577	374,577	355,398	19,179
Operating	478,250	478,250	378,697	99,553
Capital outlay	1,000	1,000	2,478	(1,478)
Total General Government	<u>853,827</u>	<u>853,827</u>	<u>736,573</u>	<u>117,254</u>
Public Safety:				
Personal services	1,998,390	1,998,390	1,932,282	66,108
Operating	289,600	289,600	288,880	720
Capital outlay	54,700	75,510	79,992	(4,482)
Total Public Safety	<u>2,342,690</u>	<u>2,363,500</u>	<u>2,301,154</u>	<u>62,346</u>
Code Enforcement:				
Personal services	70,238	70,238	56,164	14,074
Operating	13,900	13,900	11,436	2,464
Capital outlay	1,000	1,000	966	34
Total Code Enforcement	<u>85,138</u>	<u>85,138</u>	<u>68,566</u>	<u>16,572</u>
Public Works:				
Personal services	905,422	905,422	825,480	79,942
Operating	690,200	670,200	488,304	181,896
Capital outlay	760,100	780,100	286,309	493,791
Total Public Works	<u>2,355,722</u>	<u>2,355,722</u>	<u>1,600,093</u>	<u>755,629</u>
Total Expenditures	<u>5,637,377</u>	<u>5,658,187</u>	<u>4,706,386</u>	<u>951,801</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,263,777)	(1,263,777)	(11,280)	1,252,497
<b>OTHER FINANCING SOURCES</b>				
Proceeds from the sale of capital assets	2,000	2,000	4,410	2,410
Total other financing sources	<u>2,000</u>	<u>2,000</u>	<u>4,410</u>	<u>2,410</u>
<b>FUND BALANCE, October 1, 2013</b>	<u>5,320,081</u>	<u>5,320,081</u>	<u>5,320,081</u>	<u>-</u>
<b>FUND BALANCE, September 30, 2014</b>	<u><b>\$ 4,058,304</b></u>	<u><b>\$ 4,058,304</b></u>	<u><b>\$ 5,313,211</b></u>	<u><b>\$ 1,254,907</b></u>

**Note 1 – Budget Basis**

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

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

Last 10 Fiscal Years  
(Dollar Amounts in Thousands)

	<u>9/30/14</u>
Total Pension Liability	
Service Cost	\$ 206,227
Interest	535,236
Change in Excess State Money	886
Changes of Assumptions	-0-
Benefit Payments, Including Refunds of Employee Contributions	(304,003)
Net Change in Total Pension Liability	438,346
Total Pension Liability - Beginning	7,085,401
Total Pension Liability - Ending	\$ 7,523,747
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 268,104
Contributions - State	40,668
Contributions - Employee	41,513
Net Investment Income	637,333
Benefit Payments, Including Refunds of Employee Contributions	(304,003)
Administrative Expense	(18,432)
 Net Change in Plan Fiduciary Net Position	 665,183
 Plan Fiduciary Net Position - Beginning	 6,936,888
Plan Fiduciary Net Position - Ending (b)	\$ 7,602,071
 Net Pension Liability - Ending (a) - (b)	 \$ (78,324)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 101.04%
 Covered Employee Payroll	 \$ 691,879
Net Pension Liability as a Percentage of Covered Employee Payroll	 -11.32%

Pursuant to GASB 67, until a full 10-year trend is compiled, information will be presented for those years available.

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

Last 10 Fiscal Years  
(Dollar Amounts in Thousands)

	<u>9/30/14</u>
Actuarially Determined Contribution	\$ 307,886
Contributions in Relation to the Actuarially Determined Contributions	<u>307,886</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>
Covered Employee Payroll	\$ 691,879
Contributions as a Percentage of Covered Employee Payroll	44.50%

Notes to Schedule

Valuation Date: 10/01/2012  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Frozen Entry Age  
 Amortization Method: Level Percentage of Pay, Closed  
 Remaining Amortization Period: 27 Years (as of 10/01/2011)  
 Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Inflation: 3.00%  
 Salary Increases: 6.00% per year up to the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation.

Payroll Growth: Up to 5% per year (1.2% used for 10/01/2012 valuation)  
 Investment Rate of Return: 7.50%  
 Normal Retirement: Earlier of age 55 and 10 years of service or 25 years of service regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Early Retirement: Commencing with the earliest Early Retirement Age (50 and 10), members are assumed to retire with an immediate benefit at the rate of 5% per year.

Mortality: RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Other Information:	<u>% Becoming Disabled</u>	<u>% Terminating During</u>
	<u>Age</u>	<u>the Year</u>
	20	9.30%
	30	7.90%
	40	4.30%
	50	1.10%

Pursuant to GASB 67, until a full 10-year trend is compiled, information will be presented for those years available.

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CITY OF HOLMES BEACH, FLORIDA  
SCHEDULE OF ANNUAL MONEY-WEIGHTED  
RATE OF RETURN ON POLICE  
PENSION PLAN INVESTMENTS

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SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

<u>DATE (1)</u>	<u>PERCENTAGE</u>
09/30/14	9.24%

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 FUNDING PROGRESS AND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE OFFICERS PENSION TRUST FUND**

**SCHEDULE OF FUNDING PROGRESS**

<b>ACTUARIAL VALUATION DATE</b>	<b>ACTUARIAL VALUE OF ASSETS (a)</b>	<b>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)</b>	<b>UNFUNDED AAL (UAAL) (b-a)</b>	<b>FUNDED RATIO (a/b)</b>	<b>COVERED PAYROLL (c)</b>	<b>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)</b>
10/01/13	\$ 6,571,435	\$ 7,161,379	\$ 589,944	91.76%	\$ 714,403	82.58%
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%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>YEAR ENDED SEPTEMBER 30</b>	<b>ANNUAL REQUIRED CONTRIBUTION</b>	<b>CITY CONTRIBUTION</b>	<b>STATE CONTRIBUTION</b>	<b>PERCENTAGE CONTRIBUTED</b>
2013	\$ 250,125	\$ 211,518	\$ 38,606	100.00%
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%

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 10/01/13  
Actuarial cost method Frozen Entry Age  
Amortization method Level percentage of pay, closed

Remaining amortization period 27 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%

\* 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>
2014	\$ 35,955	\$ 27,504	76.50%	\$ 75,343
2013	\$ 35,764	\$ 25,234	70.60%	\$ 66,892
2012	\$ 28,583	\$ 9,420	32.96%	\$ 59,465

**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, 2014**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,223,157	\$ 2,223,157	\$ 2,234,572	\$ 11,415
Franchise fees	396,100	396,100	482,441	86,341
Communication service tax	244,932	244,932	240,836	(4,096)
Storm water utilities fees	228,950	228,950	226,566	(2,384)
Revenue sharing – state	133,404	133,404	134,330	926
Sales tax	261,482	261,482	276,000	14,518
Casualty insurance tax	34,000	34,000	40,668	6,668
Ninth cent gas tax	18,000	18,000	18,960	960
Four cent gas tax	75,000	75,000	101,407	26,407
Two cent gas tax	63,000	63,000	65,651	2,651
Local option 5 cent gas tax	134,000	134,000	151,705	17,705
Alcoholic beverage tax	5,000	5,000	6,368	1,368
Court fines	4,500	4,500	12,779	8,279
Police education receipts	500	500	1,957	1,457
Police service charges	900	900	2,479	1,579
Licenses and permits	447,500	447,500	497,967	50,467
Interest earned	14,000	14,000	10,278	(3,722)
Administrative fees	5,000	5,000	8,149	3,149
Violation of local ordinance	14,000	14,000	54,267	40,267
Lien request fees	-	-	300	300
Zoning variances	500	500	-	(500)
Code enforcement fines	2,500	2,500	8,213	5,713
Skate park memberships	450	450	80	(370)
Private donations	-	-	12,975	12,975
Other grant funds	10,000	30,810	30,810	-
Building official service fees	1,500	1,500	6,161	4,661
Tidemark lease	12,000	12,000	12,582	582
Miscellaneous	43,225	43,225	56,605	13,380
<b>TOTAL REVENUES</b>	<b>\$ 4,373,600</b>	<b>\$ 4,394,410</b>	<b>\$ 4,695,106</b>	<b>\$ 300,696</b>

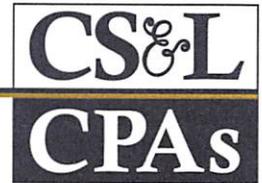
CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>ADMINISTRATIVE</b>				
Clerk's salaries	\$ 212,490	\$ 212,490	\$ 234,148	\$ (21,658)
Payroll taxes	19,449	19,449	21,154	(1,705)
Retirement	14,518	14,518	16,466	(1,948)
Life/health/workers comp insurance	85,400	85,400	40,912	44,488
Mayor and Council – expenses	42,720	42,720	42,720	–
Professional fees	213,900	213,900	176,206	37,694
Professional fees–Stormwater	122,000	122,000	84,008	37,992
Building maintenance	15,750	15,750	8,468	7,282
Office supplies	8,000	8,000	7,597	403
Operating supplies	17,200	17,200	22,254	(5,054)
Insurance	34,000	34,000	25,722	8,278
Advertising	11,000	11,000	7,849	3,151
Books, memberships, training	9,400	9,400	6,021	3,379
Miscellaneous	1,000	1,000	6,305	(5,305)
Elections expense	10,000	10,000	3,358	6,642
Leasing expense	8,000	8,000	9,682	(1,682)
Travel	13,500	13,500	5,653	7,847
Utilities	14,500	14,500	15,572	(1,072)
Contingency	–	–	–	–
Capital outlay	1,000	1,000	2,478	(1,478)
<b>TOTAL ADMINISTRATIVE</b>	<b>853,827</b>	<b>853,827</b>	<b>736,573</b>	<b>117,254</b>
<b>POLICE DEPARTMENT</b>				
Salaries	1,116,288	1,116,288	1,103,766	12,522
Payroll taxes	81,571	81,571	84,274	(2,703)
Retirement	352,181	352,181	327,218	24,963
Life/health/workers comp insurance	448,350	448,350	417,022	31,328
Operational expenses	92,500	92,500	100,406	(7,906)
Service contracts/leases	6,000	6,000	4,525	1,475
Professional fees	20,600	20,600	9,965	10,635
Maintenance	32,000	32,000	26,546	5,454
Insurance	98,000	98,000	97,139	861
Utility services	16,500	16,500	22,985	(6,485)
Radio/communications	10,000	10,000	15,493	(5,493)
Travel	6,500	6,500	5,050	1,450
Education	7,500	7,500	6,773	727
Capital outlay	54,700	75,510	79,992	(4,482)
<b>TOTAL POLICE DEPARTMENT</b>	<b>2,342,690</b>	<b>2,363,500</b>	<b>2,301,154</b>	<b>62,346</b>

CITY OF HOLMES BEACH, FLORIDA  
 DETAILED SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>EXPENDITURES</b>				
<b>CODE ENFORCEMENT</b>				
Salaries	\$ 42,113	\$ 42,113	\$ 41,928	\$ 185
Payroll taxes	3,145	3,145	3,203	(58)
Retirement	3,630	3,630	3,786	(156)
Life/health/workers comp insurance	21,350	21,350	7,246	14,104
Professional fees	1,000	1,000	2,010	(1,010)
Insurance	6,000	6,000	5,362	638
Vehicle maintenance	1,200	1,200	1,401	(201)
Office supplies	1,000	1,000	-	1,000
Advertising	-	-	-	-
Operating supplies / work	2,000	2,000	957	1,043
Travel	1,200	1,200	792	408
Education	1,500	1,500	915	585
Capital outlay	1,000	1,000	966	34
<b>TOTAL CODE ENFORCEMENT</b>	<b>85,138</b>	<b>85,138</b>	<b>68,566</b>	<b>16,572</b>
<b>PUBLIC WORKS DEPARTMENT</b>				
Salaries	588,652	588,652	580,658	7,994
Payroll taxes	44,649	44,649	44,438	211
Retirement	34,571	34,571	41,326	(6,755)
Life/health/workers comp insurance	237,550	237,550	159,058	78,492
Maintenance	70,000	70,000	25,372	44,628
Professional fees	311,000	311,000	178,866	132,134
Office supplies	2,500	2,500	2,203	297
Insurance	57,500	57,500	41,021	16,479
Capital outlay	780,100	780,100	286,309	493,791
Advertising	4,000	4,000	1,618	2,382
Operational supplies / work	85,000	85,000	89,916	(4,916)
Travel	2,300	2,300	3,862	(1,562)
Road maintenance & materials	21,000	21,000	39,545	(18,545)
Rents / leases	2,000	2,000	1,178	822
Education	3,300	3,300	4,761	(1,461)
Utilities	110,000	110,000	95,377	14,623
Miscellaneous	1,600	1,600	4,585	(2,985)
<b>TOTAL PUBLIC WORKS DEPARTMENT</b>	<b>2,355,722</b>	<b>2,355,722</b>	<b>1,600,093</b>	<b>755,629</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,637,377</b>	<b>\$ 5,658,187</b>	<b>\$ 4,706,386</b>	<b>\$ 951,801</b>

**OTHER AUDITOR'S REPORTS**



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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, 2014, 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 11, 2015.

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.

February 11, 2015  
Bradenton, Florida



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MANAGEMENT LETTER

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

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, 2014, and have issued our report thereon dated February 11, 2015.

**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 Reports**

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, section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 11, 2015, 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. Corrective actions have been taken to address findings and 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**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Holmes Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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 and as a result, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.544(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

#### Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Holmes Beach, Florida for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

#### Other Matters

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

Section 10.554(1)(i)3., 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

#### Purpose of this Letter

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

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

February 11, 2015  
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 compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 requirements for the year ended September 30, 2014.

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

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

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

February 11, 2015  
Bradenton, Florida