

CITY OF HOLMES BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**CITY OF HOLMES BEACH, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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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, 2015, 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, 2015, 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 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 27*. The City also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date: An Amendment of GASB No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9, budgetary comparison information on page 43, the schedules of changes in net pension liability and related ratios, contributions, annual money-weighted rate of return on police pension plan investments, notes to required supplementary information on pages 44 - 47, the schedules of the City's proportionate share of net pension liability, contributions and notes to required supplementary information on pages 48 - 52, and funding progress and employer contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with Management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, which includes the detailed schedules of revenues and expenditures - budget and actual - general fund, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill on pages 54 - 57, is presented for purposes of 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 May 28, 2016, 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.

May 28, 2016
Bradenton, Florida

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, 2015. 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 \$12,992,278 (*net position*). Beginning net position was restated and reduced by \$477,212 as a result of the implementation of GASB Statement No. 68.
- The City's total net position increased by \$303,232.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$5,276,123, a decrease of \$37,088 in comparison with the prior year. Of this total amount, \$1,330,245 is restricted, \$3,550,168 is assigned and \$374,996 is *available for spending* at the City's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Holmes Beach, Florida's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by ad valorem taxes, and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The City is engaged in only governmental activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes governmental funds and fiduciary funds.

Governmental funds. Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result, long-term assets and liabilities are not included. The City uses a general fund. The general fund is the general operating fund. All general tax revenues are accounted for in this fund. From this fund all general operating expenditures and capital expenditures are paid.

A reconciliation to facilitate the comparison between the governmental fund financial statements and the government-wide financial statements is presented.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 to 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and follow the accrual method of accounting. The City's sole fiduciary fund is a pension trust fund used to account for the Chapter 185 defined benefit pension fund. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Holmes Beach, Florida's own programs.

The basic fiduciary fund financial statements can be found on pages 16-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Holmes Beach, Florida, assets exceeded liabilities by \$12,992,278 at the close of the most recent fiscal year.

A large portion of the City's net position \$8,615,025 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, 2015 with comparative balances for September 30, 2014 follows:

	Net Position	
	Governmental	Governmental
	Activities	Activities
	2015	2014
Current and other assets	\$ 5,565,380	\$ 5,514,090
Capital assets	8,837,156	8,184,304
Total assets	14,402,536	13,698,394
Deferred Outflows	739,103	-0-
Long-term liabilities outstanding	1,679,729	331,257
Other liabilities	289,257	200,879
Total liabilities	1,968,986	532,136
Deferred Inflows	180,375	-0-
Net position:		
Net investment in capital assets	8,615,025	8,184,304
Restricted	1,330,245	1,548,504
Unrestricted	3,047,008	3,433,450
Total net position	\$ 12,992,278	\$ 13,166,258

An additional portion of the City's net position, \$1,330,245 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 \$3,047,008 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$303,232 during the current fiscal year.

The following is a summary of the information presented in the statement of activities as of September 30, 2015 with comparative totals for the year ended September 30, 2014:

Changes in Net Position

	Governmental Activities	Governmental Activities
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 814,268	\$ 584,203
Operating grants and contributions	42,000	12,500
Capital grants and contributions	68,046	18,310
	924,314	615,013
General revenues:		
Ad valorem taxes	2,409,379	2,234,572
Franchise fees	520,687	482,441
Communication service tax	239,064	240,836
Storm water fees	229,814	226,566
State revenue sharing	136,522	134,330
Sales tax	287,540	276,000
Casualty insurance tax	42,398	40,668
Other taxes	371,077	344,091
Interest income	17,414	10,278
Disposition of assets	-0-	4,410
Miscellaneous	192,767	90,311
Total general revenues	4,446,662	4,084,503
Total Revenues	5,370,976	4,699,516
Expenses:		
General government	896,677	785,651
Public safety	2,512,458	2,322,992
Public works/building department	1,658,609	1,572,203
Total expenses	5,067,744	4,680,846
Increase in net position	303,232	18,670
Net position – Beginning, as originally stated	13,166,258	13,147,588
Prior period adjustment	(477,212)	-0-
Net position – Beginning, as restated	12,689,046	13,147,588
Net position – Ending	\$ 12,992,278	\$ 13,166,258

Net position increased in the amount \$303,232 over the prior year. Revenues were \$5,370,976 and increased \$671,460 from the prior year. The City experienced an increase in ad valorem taxes of approximately \$175,000. Expenses were \$5,067,744 and increased \$386,898 from the prior year. General government increased \$111,026, public safety increased \$189,466, and public works/building department increased \$86,406.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's general fund reported an ending fund balance of \$5,276,123, a decrease of \$37,088 in comparison with the prior year. Of this total, \$374,996 is *unassigned fund balance*, which is available for spending at the City's discretion. \$3,550,168 is assigned for emergency purposes, \$1,330,245 is *restricted* for storm water drainage projects, gas tax roadway expenditure projects and other purposes, and \$20,714 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 6.5% of total general fund expenditures, while total fund balance represents 92% of that same amount.

The fund balance of the City's general fund decreased \$37,088 during the current fiscal year. The revenues increased by \$675,870, resulting from an increase in ad valorem taxes of approximately \$175,000, licenses and permits increased approximately \$176,000 and the City received proceeds relating to the Deepwater Horizon Oil Spill of approximately \$96,000. Expenditures increased \$1,002,309 from the prior year. The increase was largely due to Public Works which increased \$433,565 due to storm water and other capital improvement projects, and Public Safety which purchased police vehicles.

General Fund Budgetary Highlights

Original budgeted revenues were \$5,027,794 and were amended to \$5,061,457. Original budgeted expenditures were \$6,186,848 and were amended to \$6,220,511. Actual revenues exceeded the final budget by \$309,519. This was principally due to licenses and permits, franchise fees, state and county receipts, and other sources due to receipt of the BP Oil Claim monies. Actual expenditures were less than final budgeted expenditures by \$511,816 due mainly to capital outlay and operating costs being less than budget.

The General Fund budget is presented as required supplementary information on page 43.

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, 2015, the City’s Pension Trust Fund reported fiduciary net position of \$7,508,955, a decrease of \$92,230 from the prior year. The main components of the decrease were contributions of \$307,255 offset by net investment losses of \$70,091, as well as benefits paid of \$319,656. 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, 2015 amounts to \$8,837,156 (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 \$652,852; comprised of \$996,125 of capital additions, \$343,025 of depreciation expense, less \$248 of net disposals.

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

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2015</u>	<u>2014</u>
Land	\$ 931,290	\$ 931,290
Building and improvements	1,195,088	1,246,258
Infrastructure	6,120,844	5,664,803
Machinery and equipment	589,934	341,953
Total (net of depreciation)	<u>\$ 8,837,156</u>	<u>\$ 8,184,304</u>

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

Long-Term Obligations

The City purchased vehicles with a note during the year ended September 30, 2015. The balance outstanding as of September 30, 2015 was \$222,131. During 2015, the City also recognized net pension liability with the implementation of GASB Statements No. 68 and 71. The net pension liability as of September 30, 2015 was \$1,099,111. Additionally, the City records a long-term liability for compensated absences and post-employment benefits other than pensions, which were \$266,483 and \$92,004 at September 30, 2015, respectively. The compensated absences increased by \$10,569 due to new employees and reduced use of compensated absences. The post-employment benefits other than pensions increased \$16,661 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 redesigned the budget to show better visibility to correlate expenditures with appropriate revenue and reserves (restricted vs. non-restricted) and separated the building department from the public works department. After an in depth analysis we discovered an upcoming cash flow deficit. With that, we needed to increase the millage to 2.2500 mills in a year when the rollback rate was 1.6158 mills. This was an overall 39.25% increase in taxes for the Holmes Beach property owners compared to the previous five years at the millage rate of 1.7500 mills. 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 2015-2016 budget includes funding for infrastructure repairs, new software to integrate the department, street repairs, Grassy Pointe Improvements, seawall repairs, and additional monies to continue on with master drainage improvement projects. Storm water improvement projects include Basin 5 and 8, with matching grant funds from SWFWMD. The TDC will be matching funds spent by the City for the Grassy Pointe Improvements. We have included \$100,000 for a multi-use Trail through the City for 2015-2016 with additional costs in future years. In this 2015-2016 budget year, salary adjustments were budgeted to include a merit increase for employees and the addition of one full-time plan examiner/inspector and two part-time code enforcers.

Future budgets beyond 2016-2017 are anticipated to continue to increase slightly. Additionally, although growth and new construction activities were higher than expected in 2014-2015, we are seeing a steady increase for revenues in permitting. The City increased the amount being charged for permits which hasn't been done in many years. Also, the state legislature still 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. FP&L is proposing an increase to all Florida Users. This will have a small impact on the City due to the franchise fees being increased at a comparable rate to the additional cost the City will incur. 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 limited the use of debt.

Requests for Information

This financial report is designed to provide a general overview of the City of Holmes Beach, Florida's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City at, City of Holmes Beach, Florida, 5801 Marina Drive, Holmes Beach, Florida 34217.

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 1,552,465
Restricted	1,330,245
Investments	2,462,058
Due from other governments	199,898
Prepaid expenses	20,714
Capital assets	
Land	931,290
Other capital assets, net of accumulated depreciation	7,905,866
Total Assets	14,402,536
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of pension resources	739,103
LIABILITIES	
Accounts payable	205,690
Accrued expenses	5,390
Unearned revenue	78,177
Non current liabilities	
Due in less than one year	71,880
Due in more than one year	1,607,849
Total Liabilities	1,968,986
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of pension earnings	180,375
NET POSITION	
Net investment in capital assets	8,615,025
Restricted for:	
Storm water drainage	420,164
Restricted for streets and roads	883,572
Other	26,509
Unrestricted	3,047,008
TOTAL NET POSITION	\$ 12,992,278

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, 2015

<u>Functions/Programs</u>	Program Revenues			<u>Net (Expense) Revenue and Change In Net Position Total</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities:					
General Government	\$ 896,677	\$ 106,090	\$ 26,000	\$ 68,046	\$ (696,541)
Public Safety	2,512,458	12,512	16,000	-	(2,483,946)
Public Works	1,658,609	695,666	-	-	(962,943)
Total Governmental Activities	5,067,744	814,268	42,000	68,046	(4,143,430)
General Revenues:					
					2,409,379
					520,687
					239,064
					229,814
					136,522
					287,540
					42,398
					371,077
					17,414
					192,767
					4,446,662
					303,232
					13,166,258
					(477,212)
					12,689,046
					\$ 12,992,278

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

CITY OF HOLMES BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2015

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 1,552,465
Restricted	1,330,245
Investments	
Unrestricted	2,462,058
Due from other governments	199,898
Prepaid expenses	<u>20,714</u>
	<u>\$ 5,565,380</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 205,690
Accrued expenses	5,390
Unearned revenue	<u>78,177</u>
TOTAL LIABILITIES	289,257
 Fund Balances:	
Nonspendable	20,714
Spendable:	
Restricted	1,330,245
Assigned	3,550,168
Unassigned	<u>374,996</u>
 TOTAL FUND BALANCES	<u>5,276,123</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,565,380</u>

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

**CITY OF HOLMES BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

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

Fund Balance – Governmental Fund	\$ 5,276,123
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	8,837,156
Deferred outflows of pension resources are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting	739,103
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	(1,679,729)
Deferred inflows of pension earnings are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting	<u>(180,375)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 12,992,278</u></u>

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

CITY OF HOLMES BEACH, FLORIDA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	GENERAL FUND
REVENUES	
Ad valorem taxes	\$ 2,409,379
State and County receipts	1,081,822
Licenses and permits	674,083
Storm water fees	229,814
Franchise fees	520,687
Interest	17,414
Grants	110,046
Other sources	327,731
Total Revenues	5,370,976
EXPENDITURES	
General government:	
Personal services	414,010
Operating	420,929
Capital outlay	6,226
Total General Government	841,165
Public Safety:	
Personal services	2,102,812
Operating	262,141
Capital outlay	321,258
Total Public Safety	2,686,211
Public Works:	
Personal services	936,563
Operating	497,020
Capital outlay	668,641
Total Public Works	2,102,224
Debt Service	
Debt service	79,095
Total Debt Service	79,095
Total Expenditures	5,708,695
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(337,719)
OTHER FINANCING SOURCES	
Proceeds from long-term debt	300,631
TOTAL OTHER FINANCING SOURCES	300,631
NET CHANGE IN FUND BALANCE	(37,088)
FUND BALANCE, October 1, 2014	5,313,211
FUND BALANCE, September 30, 2015	\$ 5,276,123

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

**CITY OF HOLMES BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

Net change in fund balance – total governmental fund	\$	(37,088)
<p>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.</p>		
		652,852
<p>Amount of debt payments reported as an expenditure in the fund statements, but considered a reduction of the liability in the government-wide statements, and, therefore, not included as a expense item in the statement of activities.</p>		
		78,500
<p>The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to the general fund, but is considered a liability in the government-wide statements</p>		
		(300,631)
<p>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:</p>		
Compensated absences		(10,569)
OPEB liabilities		(16,661)
Net pension liability		(729,848)
Deferred outflows of pension resources		613,357
Deferred inflows of pension earnings		53,320
		53,320
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>303,232</u></u>

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

**CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2015**

	POLICE RETIREMENT PLAN
ASSETS	
Investments, at fair value	
Money market funds	\$ 328,403
Bond funds	2,551,067
Equity funds	4,649,725
Net investments at fair value	<u>7,529,195</u>
TOTAL ASSETS	<u>7,529,195</u>
LIABILITIES	
Prepaid contributions	<u>20,240</u>
TOTAL LIABILITIES	<u>20,240</u>
FIDUCIARY NET POSITION	
Restricted for pension benefits	<u><u>\$ 7,508,955</u></u>

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

CITY OF HOLMES BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	POLICE RETIREMENT PLAN
ADDITIONS	
CONTRIBUTIONS:	
Employee contributions	\$ 47,585
Employer contributions	217,272
State contributions	42,398
Total Contributions	307,255
INVESTMENT INCOME:	
Interest	186,341
Net realized and unrealized gains (losses)	(197,494)
Total Investment Earnings	(11,153)
Less investment expense	58,938
Net investment income	(70,091)
TOTAL ADDITIONS	237,164
DEDUCTIONS	
Administrative expenses	9,738
Benefits paid	319,656
TOTAL DEDUCTIONS	329,394
Increase (Decrease) in fiduciary net position	(92,230)
FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS	
Beginning of year	7,601,185
End of year	\$ 7,508,955

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- B. BASIS OF PRESENTATION – The City’s basic financial statements includes Government-wide (which reports the City as a whole) and Fund financial statements (which report only on the General and Fiduciary Funds). The basic financial statements present only governmental activities, as the City conducts no business type activities.

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 the City pays general operating expenditures and capital expenditures of the City.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION – CONTINUED

FIDUCIARY FUNDS

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

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 (including compensated absences, net pension liability, 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.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. FUND BALANCE – CONTINUED

	<u>General Fund</u>
Non Spendable	\$ 20,714
<u>Spendable:</u>	
<u>Restricted:</u>	
Stormwater utility fees for authorized projects	420,164
Fifth cent gas tax restricted for road expenditures	883,572
Other	<u>26,509</u>
	<u>1,330,245</u>
Assigned (for emergency contingencies)	3,550,168
Unassigned	<u>374,996</u>
Total Fund Balances	<u>\$ 5,276,123</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 2015, the City implemented GASB No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*, which was issued to establish financial reporting requirements for most governments that provide employees with pension coverage. Additionally, the statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the City’s participation in the Florida Retirement System (FRS) and Retiree Health Insurance Subsidy Program (HIS). The City also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68*. The implementation of these standards reduced the beginning net position at September 30, 2014 as reported in the Statement of Activities by \$477,212 which is the recognition of the City’s proportionate share of the FRS and HIS pension plan, as well as recognition of the Police Officer’s Pension Trust Fund net pension liability, at September 30, 2014.

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:

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015, 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 29 days.

Credit Quality

Florida PRIME is rated by the current Standard and Poors AAAM rating.

At September 30, 2015, the City had investments in the Florida PRIME with a fair value of \$2,462,058. 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, 2015**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 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	6,679,104	607,652	-0-	7,286,756
Vehicles	645,636	344,597	-0-	990,233
Machinery and equipment	599,213	43,876	38,733	604,356
Total capital assets being depreciated	<u>9,833,043</u>	<u>996,125</u>	<u>38,733</u>	<u>10,790,435</u>
Less accumulated depreciation for:				
Buildings and improvements	662,832	51,170	-0-	714,002
Infrastructure	1,014,301	151,611	-0-	1,165,912
Vehicles	458,684	93,195	-0-	551,879
Machinery and equipment	444,212	47,049	38,485	452,776
Total accumulated depreciation	<u>2,580,029</u>	<u>343,025</u>	<u>38,485</u>	<u>2,884,569</u>
Total capital assets, being depreciated, net	<u>7,253,014</u>	<u>653,100</u>	<u>248</u>	<u>7,905,866</u>
Governmental activities capital assets, net	<u>\$ 8,184,304</u>	<u>\$ 653,100</u>	<u>\$ 248</u>	<u>\$ 8,837,156</u>

Depreciation expense was allocated as follows: General Government \$42,423, Public Safety \$114,484 and Public Works \$186,118.

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, 2015

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	\$ 996,125
Depreciation expense	(343,025)
Loss on disposition of assets	<u>(248)</u>
	<u>\$ 652,852</u>

NOTE 5 – Long-Term Liabilities

During 2015, the City financed the purchase of police vehicles under a note agreement in the amount of \$300,631. Annual payments are required on December 2nd of \$78,500 which includes interest at 2.98%. The note is guaranteed by the vehicles, which have a net book value of \$244,263 at September 30, 2015. The balance outstanding on the note as of September 30, 2015 was \$222,131, with the final payment due on December 2, 2017.

Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 71,880	\$ 6,620	\$ 78,500
2017	74,022	4,478	78,500
2018	<u>76,229</u>	<u>2,271</u>	<u>78,500</u>
	<u>\$ 222,131</u>	<u>\$ 13,369</u>	<u>\$ 235,500</u>

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

During the year ended September 30, 2015, 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	\$ 255,914	\$ 236,532	\$ (225,963)	\$ 266,483	\$ -0-
Note payable	-0-	300,631	(78,500)	222,131	71,880
OPEB liability	75,343	16,661	-0-	92,004	-0-
Net pension liability	<u>369,263</u>	<u>729,848</u>	<u>-0-</u>	<u>1,099,111</u>	<u>-0-</u>
	<u>\$ 700,520</u>	<u>\$ 1,283,672</u>	<u>\$ (304,463)</u>	<u>\$ 1,679,729</u>	<u>\$ 71,880</u>

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 SYSTEM

Plan Description

Employees (as noted above) of the City are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://myfloridacfo.com/Division/AA/Reports/default.htm>.

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

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

Benefits Provided

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

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

Plan Provisions

If first employed prior to July 1, 2011: Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. Normal retirement age for “special risk” employees is 55 or 25 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

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

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

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

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employee and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The City’s contractually required contribution rate for the year ended September 30, 2015, ranged from 7.26% – 7.37% for regular employees and 12.28% – 12.88% for employees in the DROP Program of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$79,077 for the year ended September 30, 2015.

**CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 – RETIREMENT PLANS – CONTINUED

Contributions for the year ended September 30, 2015, which equaled required contributions, were \$79,077 and approximated 7.6% of covered payroll. Contributions for the year ended September 30, 2014, which equaled required contributions, were \$59,943 and approximated 6.0% of covered payroll. Contributions for the year ended September 30, 2013, which equaled required contributions were \$51,106 and 5.7% of covered payroll.

The HIS Program is funded by required contributions ranging from 1.26% to 1.66% and is included in the contribution rates noted above.

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

At September 30, 2015, the City reported a liability of \$624,768 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 0.002% for FRS and 0.003% for HIS was consistent with its proportion measured as of June 30, 2015.

For the year ended September 30, 2015, the City recognized pension expense of \$29,060. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,421	\$ 6,834	\$ -0-	\$ -0-
Changes in assumptions	19,126	-0-	26,482	-0-
Net difference between projected and actual earnings on pension plan investments	101,498	170,307	182	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	4,190	-0-	18,175	3,234
City contributions subsequent to the June 30, 2015 measurement date	15,459	-0-	5,014	-0-
	<u>\$ 170,694</u>	<u>\$ 177,141</u>	<u>\$ 49,853</u>	<u>\$ 3,234</u>

Total deferred outflows were \$220,547 and total deferred inflows were \$180,375. \$15,459 (FRS) and \$5,014 (HIS) were reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

<u>Year ending September 30:</u>	<u>FRS</u>	<u>HIS</u>
2016	\$ (6,317)	\$ 5,789
2017	(6,317)	5,789
2018	(6,317)	5,789
2019	(6,317)	5,790
2020	(6,316)	5,790
Thereafter	<u>9,678</u>	<u>12,658</u>
	<u>\$ (21,906)</u>	<u>\$ 41,605</u>

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation (June 30, 2015 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.65 percent, including inflation at 2.60%

Mortality rates were based on the generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study performed in 2014 for the period July 1, 2008 – June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments was determined in October 2015 at the FRS Actuarial Assumptions conference based on a review of long-term assumptions developed both by Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults with the Florida State Board of Administration. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption, (2.60%).

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1%	3.2%
Fixed income	18%	4.8%
Global equity	53%	8.5%
Real estate (property)	10%	6.8%
Private equity	6%	11.9%
Strategic investments	12%	6.7%

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

Discount Rate

The discount rate used to measure the total FRS pension liability was 7.65%, and the HIS pension liability was 3.80%. The HIS rate decreased from 4.29% to 3.80% in the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the FRS net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
City's proportionate share of the FRS net pension liability	\$ 746,690	\$ 288,161	\$ (93,411)

The following presents the City's proportionate share of the HIS net pension liability calculated using the discount rate of 3.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

	1% Decrease <u>(2.80%)</u>	Discount Rate <u>(3.80%)</u>	1% Increase <u>(4.80%)</u>
City's proportionate share of the HIS net pension liability	\$ 383,548	\$ 336,607	\$ 297,465

Pension Plan Fiduciary Net Position

The City's proportion of net position has been determined on the same basis of each Plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

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.

Subsequently, 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 name of the Plan is the Holmes Beach 401(A) Plan and the plan is administered by the Florida League of Cities, Inc. and the Florida Municipal Pension Trust Fund is the Trustee. The City may amend the plan by giving the trustee written notification of such Amendments as adopted. The plan does not have any age or service requirements. As of September 30, 2014, membership consisted of 2 employees and as of September 30, 2015, membership consisted of 1 employee.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Commission. For each employee in the pension plan, the City is required to contribute 9 percent of annual salary to an individual employee account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits and not to exceed 10 percent of their compensation. For the year ended September 30, 2015, there were no employee contributions and the City recognized pension expense of \$7,943. Total payroll covered by the plan was \$88,381.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions at 50% after five years and ten percent per year thereafter with full vesting after 10 years. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended September 30, 2015, the City did not apply any available forfeitures towards the City's pension expense.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

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

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.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

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 1st or 100 times the projected monthly retirement benefit. The post-retirement benefit is based on the option an employee selects at retirement.

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

Contribution Information

Total payroll covered by the plan for the year was \$932,530 of a total City payroll of \$2,168,220. Total required contributions by the City and State were 32.3%, all of which were met. Employer contributions made by the City for the year were \$217,272. State contributions totaled \$42,398. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$47,585. Basic member payroll subject to contributions includes base salary exclusive of overtime, plus incentives.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

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, 2015 is \$290,375.

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$7,529,195, and the total cost was \$7,443,988 as of September 30, 2015.

As of September 30, 2015, the asset allocations are as follows:

	<u>Percent of Total</u>
Cash and Cash Equivalents	4.36
Mortgage/Asset Backed Securities	3.65
U.S. Government Obligations	10.34
Corporate Bonds	19.89
Foreign Stock	3.47
Common Equity Securities	26.20
Equity Mutual Funds	<u>32.09</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, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	35%
Global Fixed Income	<u>5%</u>
Total	<u>100%</u>

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

Concentrations

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

Rate of Return

For the year ended September 30, 2015 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was (0.85%). 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 2044. Mortgage/Asset Backed Securities have interest rates between 3.5% and 6.0% with maturities from 2025 to 2042. Corporate bonds have interest rates between .48% and 6.875% with maturities between 2016 and 2045.

Net Pension Liability

The components of the net pension liability of the City at September 30, 2015 were as follows:

Total Pension Liability			\$ 8,003,538
Plan Fiduciary Net Position			<u>(7,529,195)</u>
Sponsors Net Pension Liability			<u>\$ 474,343</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability			94.07%
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance as of September 30, 2014	\$ 7,523,747	\$ 7,602,071	\$ (78,324)
Change due to:			
Service cost	215,036	-0-	215,036
Interest	568,119	-0-	568,119
Change in excess State money	2,616	-0-	2,616
Difference between expected and actual experience	13,676	-0-	13,676
Employer contributions	-0-	236,626	(236,626)
State contributions	-0-	42,398	(42,398)
Employee contributions	-0-	47,585	(47,585)
Net investment income	-0-	(64,124)	64,124
Benefit payments and refunds	(319,656)	(319,656)	-0-
Administrative expenses	-0-	(15,705)	15,705
Balance as of September 30, 2015	<u>\$ 8,003,538</u>	<u>\$ 7,529,195</u>	<u>\$ 474,343</u>

The Sponsor’s net pension liability was measured as of September 30, 2015.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending September 30, 2015. 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	1.2% per year

* Includes inflation at 3.0%. 6% is up to assumed retirement age. Projected salary at retirement is increased individually according to sick and vacation balances at July 1, 2011 to account for non-regular compensation.

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

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

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 morality 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, 2015 are summarized in the following table:

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Global Fixed Income	3.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
City’s Net Pension Liability	\$ 1,478,638	\$ 474,343	\$ (356,277)

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$34,111. At September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2014	\$ -0-	\$ -0-
Change due to:		
Difference between expected and actual experience	11,396	-0-
Net difference between projected and actual earnings on investments	<u>507,160</u>	<u>-0-</u>
Total change	<u>518,556</u>	<u>-0-</u>
Balance as of September 30, 2015	<u>\$ 518,556</u>	<u>\$ -0-</u>

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLANS – CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 129,070	\$ -0-
2017	\$ 129,070	\$ -0-
2018	\$ 129,070	\$ -0-
2019	\$ 129,069	\$ -0-
2020	\$ 2,277	\$ -0-
Thereafter	\$ -0-	\$ -0-

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, 2015:

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

Funding Policy – Currently, the City’s OPEB benefits are unfunded. There is no separate Trust Fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its investment policy. For the fiscal year ended September 30, 2015, the City provided estimated contributions of \$19,401 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees.

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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

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, (Note 6).

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>	
Normal Cost (service cost for one year)	\$ 21,302
Amortization of Unfunded Actuarial Accrued Liability	14,664
Interest on Normal Cost and Amortization	<u>1,439</u>
Annual Required Contribution (ARC)	37,405
Interest on NOO	3,014
Adjustment to (ARC)	<u>(4,357)</u>
Annual OPEB Cost (Expense)	36,062
Estimated Employer Contributions	(19,401)
Interest on Employer Contributions	<u>-0-</u>
Estimated Increase (decrease) in NOO	16,661
Estimated NOO at Beginning of Year	<u>75,343</u>
Estimated NOO at End of Year	<u>\$ 92,004</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2015 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>
9/30/15	\$ 36,062	\$ 19,401	53.80%	\$ 92,004
9/30/14	\$ 35,955	\$ 27,504	76.50%	\$ 75,343
9/30/13	\$ 35,764	\$ 25,234	70.60%	\$ 66,892

CITY OF HOLMES BEACH, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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

The funded status and funding progress as of September 30, 2015 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (c) = (b-a)	Funded Ratio (d)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (c)/e)
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.

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 an inflation rate of 3%, discount rate of 4% (assumed investment return), 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.

CITY OF HOLMES BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015

GENERAL FUND				
REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Ad valorem taxes	\$ 2,397,827	\$ 2,397,827	\$ 2,409,379	\$ 11,552
State and county receipts	994,755	994,755	1,081,822	87,067
Licenses and permits	519,500	519,500	674,083	154,583
Storm water fees	231,230	231,230	229,814	(1,416)
Franchise fees	429,400	429,400	520,687	91,287
Interest	14,000	14,000	17,414	3,414
Grants	342,500	373,500	110,046	(263,454)
Other sources	98,582	101,245	327,731	226,486
	<u>5,027,794</u>	<u>5,061,457</u>	<u>5,370,976</u>	<u>309,519</u>
EXPENDITURES				
General government:				
Personal services	430,290	430,290	414,010	16,280
Operating	525,700	525,700	420,929	104,771
Capital outlay	2,500	2,500	6,226	(3,726)
Total General Government	<u>958,490</u>	<u>958,490</u>	<u>841,165</u>	<u>117,325</u>
Public Safety:				
Personal services	2,088,034	2,088,034	2,102,812	(14,778)
Operating	323,650	369,513	262,141	107,372
Capital outlay	41,106	41,106	321,258	(280,152)
Total Public Safety	<u>2,452,790</u>	<u>2,498,653</u>	<u>2,686,211</u>	<u>(187,558)</u>
Code Enforcement:				
Personal services	71,703	71,703	59,723	11,980
Operating	22,350	22,350	11,386	10,964
Capital outlay	19,500	1,000	899	101
Total Code Enforcement	<u>113,553</u>	<u>95,053</u>	<u>72,008</u>	<u>23,045</u>
Public Works:				
Personal services	974,575	974,575	876,840	97,735
Operating	584,440	584,740	485,634	99,106
Capital outlay	1,103,000	1,109,000	667,742	441,258
Total Public Works	<u>2,662,015</u>	<u>2,668,315</u>	<u>2,030,216</u>	<u>638,099</u>
Debt Service:				
Debt service	-	-	79,095	(79,095)
Total Debt Service	<u>-</u>	<u>-</u>	<u>79,095</u>	<u>(79,095)</u>
Total Expenditures	<u>6,186,848</u>	<u>6,220,511</u>	<u>5,708,695</u>	<u>511,816</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,159,054)	(1,159,054)	(337,719)	821,335
OTHER FINANCING SOURCES				
Proceeds from the sale of capital assets	4,500	4,500	-	(4,500)
Proceeds from long-term debt	-	-	300,631	300,631
Total other financing sources	<u>4,500</u>	<u>4,500</u>	<u>300,631</u>	<u>296,131</u>
NET CHANGE IN FUND BALANCE	(1,154,554)	(1,154,554)	(37,088)	1,117,466
FUND BALANCE, October 1, 2014	5,313,211	5,313,211	5,313,211	-
FUND BALANCE, September 30, 2015	<u>\$ 4,158,657</u>	<u>\$ 4,158,657</u>	<u>\$ 5,276,123</u>	<u>\$ 1,117,466</u>

Note 1 – Budget Basis

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

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

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	<u>9/30/14</u>	<u>9/30/15</u>
Total pension liability		
Service cost	\$ 206,227	\$ 215,036
Interest	535,236	568,119
Change in excess state money	886	2,616
Differences between expected and actual experience	- 0 -	13,676
Benefit payments, including refunds of employee contributions	<u>(304,003)</u>	<u>(319,656)</u>
Net change in total pension liability	438,346	479,791
Total pension liability – beginning	<u>7,085,401</u>	<u>7,523,747</u>
Total pension liability – ending (a)	<u>\$ 7,523,747</u>	<u>\$ 8,003,538</u>
Plan fiduciary net position		
Contributions – employer	\$ 268,104	\$ 236,626
Contributions – state	40,668	42,398
Contributions – employee	41,513	47,585
Net investment income	637,333	(64,124)
Benefit payments, including refunds of employee contributions	(304,003)	(319,656)
Administrative expense	<u>(18,432)</u>	<u>(15,705)</u>
Net change in plan fiduciary net position	665,183	(72,876)
Plan fiduciary net position – beginning	<u>6,936,888</u>	<u>7,602,071</u>
Plan fiduciary net position – ending (b)	<u>\$ 7,602,071</u>	<u>\$ 7,529,195</u>
Net pension liability – ending (a) – (b)	<u>\$ (78,324)</u>	<u>\$ 474,343</u>
Plan fiduciary net position as a percentage of the total pension liability	101.04%	94.07%
Covered employee payroll	\$ 691,879	\$ 932,530
Net pension liability as a percentage of covered employee payroll	-11.32%	50.87%

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

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

Last 10 Fiscal Years
 (Dollar Amounts in Thousands)

	9/30/14	9/30/15
Actuarially determined contribution	\$ 307,886	\$ 256,168
Contributions in relation to the actuarially determined contributions	307,886	276,408
Contribution deficiency (excess)	\$ - 0 -	\$ (20,240)
 Covered employee payroll	\$ 691,879	* \$ 932,530
Contributions as a percentage of covered employee payroll	44.50%	29.64%

* – For the fiscal year 2014, the covered employee payroll figure was based on pensionable salary

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

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

Valuation Date: 10/1/2013

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:	25 Years (as of 10/01/2013)
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 according to sick and vacation balance at 07/01/11 to account for non-regular compensation.
Payroll Growth:	1.2% per year
Investment Rate of Return:	7.50% per year compounded annually, net of investment related expenses
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>% Termination During</u>
	<u>Age</u>	<u>the Year</u>
	20	9.30%
	30	7.90%
	40	4.30%
	50	1.10%

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

SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

<u>DATE (1)</u>	<u>PERCENTAGE</u>
9/30/14	9.24%
9/30/15	-0.85%

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

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

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – FRS
SEPTEMBER 30, 2015

FLORIDA RETIREMENT SYSTEM (FRS)
 Last Two Fiscal Years *

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.002213893%	0.002230980%
City's proportionate share of the net pension liability	\$ 135,080	\$ 288,161
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	13%	28%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%

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

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – HIS
SEPTEMBER 30, 2015

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
 Last Two Fiscal Years *

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.003342238%	0.003300574%
City's proportionate share of the net pension liability	\$ 312,507	\$ 336,607
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	31%	32%
Plan fiduciary net position as a percentage of total pension liability	0.99%	0.50%

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

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS - FRS
SEPTEMBER 30, 2015

FLORIDA RETIREMENT SYSTEM (FRS)
 Last Two Fiscal Years *

	<u>2014</u>	<u>2015</u>
Contractually required contribution **	\$ 48,494	\$ 54,393
Contributions in relation to the contractually required contribution	<u>48,494</u>	<u>54,393</u>
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807
Contributions as a percentage of covered-employee payroll	4.82%	5.22%

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

** - Contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS - HIS
SEPTEMBER 30, 2015

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
Last Two Fiscal Years *

	<u>2014</u>	<u>2015</u>
Contractually required contribution **	\$ 11,449	\$ 12,617
Contributions in relation to the contractually required contribution	<u>11,449</u>	<u>12,617</u>
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,006,676	\$ 1,041,807
Contributions as a percentage of covered-employee payroll	1.14%	1.21%

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

** - Contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

**CITY OF HOLMES BEACH FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – FRS/HIS
SEPTEMBER 30, 2015**

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for the FRS plan was determined by an actuarial valuation as of July 1, 2015, and for the HIS plan as of July 1, 2014 and updated procedures were used to determine liabilities as of July 1, 2015. Both plans used the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Estimated OPEB Obligation
2015	\$ 36,062	\$ 19,401	53.80%	\$ 92,004
2014	\$ 35,955	\$ 27,504	76.50%	\$ 75,343
2013	\$ 35,764	\$ 25,234	70.56%	\$ 66,892

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:	10/1/12
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, 2015

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Ad valorem taxes	\$ 2,397,827	\$ 2,397,827	\$ 2,409,379	\$ 11,552
Franchise fees	429,400	429,400	520,687	91,287
Communication service tax	234,131	234,131	239,064	4,933
Storm water utilities fees	231,230	231,230	229,814	(1,416)
Revenue sharing – state	135,102	135,102	136,522	1,420
Sales tax	281,022	281,022	287,540	6,518
Casualty insurance tax	37,500	37,500	42,398	4,898
Ninth cent gas tax	19,000	19,000	20,632	1,632
Four cent gas tax	76,000	76,000	112,889	36,889
Two cent gas tax	63,000	63,000	70,745	7,745
Local option 5 cent gas tax	140,000	140,000	161,495	21,495
Alcoholic beverage tax	5,000	5,000	5,316	316
Court fines	8,000	8,000	9,032	1,032
Police education receipts	1,000	1,000	1,505	505
Police service charges	2,500	2,500	1,975	(525)
Licenses and permits	519,500	519,500	674,083	154,583
Interest earned	14,000	14,000	17,414	3,414
Administrative fees	6,000	6,000	10,206	4,206
Violation of local ordinance	22,000	22,000	89,115	67,115
Lien request fees	3,750	3,750	25,025	21,275
Zoning variances	500	500	-	(500)
Code enforcement fines	2,500	2,500	11,920	9,420
Skate park memberships	400	400	-	(400)
Private donations	-	-	13,700	13,700
Other grant funds	342,500	373,500	110,046	(263,454)
Building official service fees	2,000	2,000	1,613	(387)
Tidemark lease	12,582	12,582	12,770	188
Miscellaneous	41,350	44,013	156,091	112,078
TOTAL REVENUES	\$ 5,027,794	\$ 5,061,457	\$ 5,370,976	\$ 309,519

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATIVE				
Clerk's salaries	\$ 261,529	\$ 261,529	\$ 265,686	\$ (4,157)
Payroll taxes	23,200	23,200	23,658	(458)
Retirement	19,161	19,161	19,419	(258)
Life/health/workers comp insurance	83,680	83,680	62,527	21,153
Mayor and Council – expenses	42,720	42,720	42,720	-
Professional fees	259,000	259,000	212,368	46,632
Professional fees–Stormwater	116,700	116,700	109,513	7,187
Building maintenance	14,000	14,000	3,497	10,503
Office supplies	11,800	11,800	7,002	4,798
Operating supplies	18,700	18,700	16,617	2,083
Insurance	35,000	35,000	26,459	8,541
Advertising	10,000	10,000	4,799	5,201
Books, memberships, training	11,500	11,500	6,695	4,805
Miscellaneous	1,000	1,000	618	382
Elections expense	10,000	10,000	-	10,000
Leasing expense	9,500	9,500	8,121	1,379
Travel	14,000	14,000	4,380	9,620
Utilities	14,500	14,500	14,060	440
Contingency	-	-	6,800	(6,800)
Capital outlay	2,500	2,500	6,226	(3,726)
TOTAL ADMINISTRATIVE	958,490	958,490	841,165	117,325
POLICE DEPARTMENT				
Salaries	1,217,104	1,217,104	1,208,873	8,231
Payroll taxes	88,939	88,939	92,633	(3,694)
Retirement	326,151	326,151	279,193	46,958
Life/health/workers comp insurance	455,840	455,840	522,113	(66,273)
Operational expenses	107,000	107,000	75,967	31,033
Service contracts/leases	8,000	51,500	2,825	48,675
Professional fees	10,150	10,150	9,907	243
Maintenance	44,000	46,363	22,762	23,601
Insurance	107,500	107,500	98,268	9,232
Utility services	18,000	18,000	18,739	(739)
Radio/communications	15,000	15,000	10,626	4,374
Travel	6,500	6,500	11,584	(5,084)
Education	7,500	7,500	11,463	(3,963)
Capital outlay	41,106	41,106	321,258	(280,152)
TOTAL POLICE DEPARTMENT	2,452,790	2,498,653	2,686,211	(187,558)

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES				
CODE ENFORCEMENT				
Salaries	\$ 43,912	\$ 43,912	\$ 47,464	\$ (3,552)
Payroll taxes	3,283	3,283	3,635	(352)
Retirement	24,508	24,508	4,061	20,447
Life/health/workers comp insurance	-	-	4,563	(4,563)
Professional fees	8,950	8,950	1,638	7,312
Insurance	6,500	6,500	5,490	1,010
Vehicle maintenance	1,200	1,200	853	347
Office supplies	1,000	1,000	-	1,000
Operating supplies / work	2,000	2,000	2,141	(141)
Travel	1,200	1,200	848	352
Education	1,500	1,500	416	1,084
Capital outlay	19,500	1,000	899	101
TOTAL CODE ENFORCEMENT	113,553	95,053	72,008	23,045
PUBLIC WORKS DEPARTMENT				
Salaries	650,526	650,526	614,741	35,785
Payroll taxes	49,383	49,383	47,151	2,232
Retirement	45,946	45,946	44,016	1,930
Life/health/workers comp insurance	228,720	228,720	170,932	57,788
Maintenance	67,000	67,300	35,122	32,178
Professional fees	141,440	141,440	201,238	(59,798)
Office supplies	2,500	2,500	3,089	(589)
Insurance	47,000	47,000	37,648	9,352
Capital outlay	1,103,000	1,109,000	667,742	441,258
Advertising	3,500	3,500	5,654	(2,154)
Operational supplies / work	80,000	80,000	83,512	(3,512)
Travel	5,000	5,000	794	4,206
Road maintenance & materials	126,000	126,000	18,336	107,664
Rents / leases	2,000	2,000	1,127	873
Education	7,500	7,500	5,032	2,468
Utilities	100,000	100,000	88,632	11,368
Miscellaneous	2,500	2,500	5,450	(2,950)
TOTAL PUBLIC WORKS DEPARTMENT	2,662,015	2,668,315	2,030,216	638,099
DEBT SERVICE	-	-	79,095	(79,095)
TOTAL EXPENDITURES	\$ 6,186,848	\$ 6,220,511	\$ 5,708,695	\$ 511,816

CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF RECEIPTS AND EXPENDITURES OF
FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Amount Received the 2014-15 Fiscal Year</u>	<u>Amount Expended the 2014-15 Fiscal Year</u>
British Petroleum:		
Case Number: 2:13-cv-02836	\$ 96,750	\$ -

Note: This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The City did not receive or expend any funds from Federal awards or State financial assistance during the year ended September 30, 2015.

The independent auditor's report should be read in conjunction with this supplemental schedule.

OTHER AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holmes Beach, Florida (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2016.

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.

May 28, 2016
Bradenton, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Holmes Beach, Florida (the City) as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 28, 2016.

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 May 28, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial 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. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and 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 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. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and 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, 2015, 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, 2015. 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.

May 28, 2016
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, 2015. 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, 2015.

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.

May 28, 2016
Bradenton, Florida