

CITY OF HOLMES BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of September 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CS&L CPAs

CS&L CPAs, P. A.

March 20, 2026
Bradenton, Florida



City of Holmes Beach

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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, 2025. Readers should consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$21,483,271 (*net position*).
- The City's total net position decreased by \$3,856,266, largely due to hurricane-related repairs.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$4,652,242, a decrease of \$4,325,502 in comparison with the prior year. Of this total amount, \$351,321 is non-spendable, \$931,639 is restricted, and \$3,369,282 is assigned. As of September 30, 2025, the City had zero unassigned fund balance.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation and sick leave).

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

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

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

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

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

The basic governmental fund financial statements can be found on pages 13 to 16 of this report.

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

The basic fiduciary fund financial statements can be found on pages 17 to 18 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 19 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended September 30, 2025, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,483,271 at the close of the most recent fiscal year.

A condensed statement of net position at September 30, 2025 with comparative balances for September 30, 2024 follows:

	Net Position	
	Governmental Activities	
	2025	2024
Current and other assets	\$ 6,119,372	\$ 10,812,027
Capital assets	20,868,443	20,454,468
Total assets	26,987,815	31,266,495
Deferred Outflows	1,285,464	1,130,114
Long-term liabilities outstanding	3,901,459	4,303,328
Other liabilities	1,378,371	1,745,524
Total liabilities	5,279,830	6,048,852
Deferred Inflows	1,510,178	901,326
Net position:		
Net investment in capital assets	20,868,443	20,454,468
Restricted	931,639	902,692
Unrestricted	(316,811)	4,089,271
Total net position	\$ 21,483,271	\$ 25,446,431

A large portion of the City's net position, \$20,868,443, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens within the boundaries of the City; consequently, these assets are *not* available for future spending. The City also had significant assets in cash and investments at year-end. Investments are held in the State Local Government Surplus Trust Fund as allowed by Florida Statutes.

An additional portion of the City's net position, \$931,639 represents resources from storm water drainage fees, sales taxes, donors and transportation taxes that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position* which is in a deficit position of \$316,811. The deficit position is due largely to the impact of Hurricane Helene.

The City's net position decreased \$3,856,266 during the current fiscal year. The following is a summary of the information presented in the statement of activities as of September 30, 2025 with comparative totals for the year ended September 30, 2024:

Changes in Net Position

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for service	\$ 2,968,001	\$ 2,712,179
Operating grants and contributions	2,626,146	185,105
Capital grants and contributions	256,617	1,567,699
	5,850,764	4,464,983
General Revenues:		
Ad valorem taxes	6,504,586	6,278,775
Franchise fees	767,296	858,280
Communication service tax	188,634	192,912
Stormwater fees	806,066	812,776
State revenue sharing	142,374	143,440
Sales tax	307,522	315,245
Discretionary half cent sales tax	326,791	327,240
Casualty insurance tax	74,001	66,497
Other taxes	286,522	277,343
Interest income	447,291	641,059
Miscellaneous	525,801	93,556
Total general revenues	10,376,884	10,007,123
Total Revenues	16,227,648	14,472,106
Expenses:		
General government	1,699,198	1,772,792
Public safety	6,469,354	5,686,177
Public works/building department	11,915,362	5,020,697
Total expenses	20,083,914	12,479,666
Increase (decrease) in net position	(3,856,266)	1,992,440
Net position – Beginning	25,446,431	23,453,991
Change in accounting principle (Note 1)	(106,894)	-
Net position – Ending	\$ 21,483,271	\$ 25,446,431

Revenues were \$16,227,648 and increased \$1,755,542 from the prior year. The increase was largely due to grants from FEMA for Hurricane Helene. Expenses were \$20,083,914, which increased by \$7,604,248 in comparison to the prior year, largely due to hurricane-related expenses.

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 \$4,652,242, a decrease of \$4,325,502 in comparison with the prior year. Of this total, \$3,369,282 is assigned pursuant to the budget, \$931,639 is *restricted* for gas tax roadway expenditure projects, infrastructure, and other purposes, and \$351,321 is non-spendable for prepaid items.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents 22.64% of total general fund expenditures. The City had no unassigned balance. However, when combined with assigned fund balance, it was 16.39% of total general fund expenditures.

The fund balance of the City's general fund decreased \$4,325,502 during the current fiscal year. The revenues increased over prior year by \$1,738,665, resulting largely from an increase in ad valorem taxes of \$225,811, licenses and permits of \$348,226 and grant income of \$1,035,123. Other sources increased \$417,188 which included insurance proceeds.

Expenditures increased by \$4,861,080 from the prior year. Total City personal service costs increased approximately \$622,000, operating costs increased approximately \$6,638,000 and City capital outlay decreased by approximately \$2,399,000. Increases in operating costs included expenditures related to hurricane damages.

General Fund Budgetary Highlights

Original budgeted revenues were \$13,901,590 and were amended to \$14,027,792 during the year. Original budgeted expenditures were \$17,092,190 and were amended to \$17,218,392 during the year. Other financing sources were originally budgeted for \$15,000 and were not amended.

Actual revenues exceeded the final budget by \$2,178,129. This was principally due to licenses and permits exceeding expectations, as well as hurricane reimbursements from insurance proceeds and FEMA. Actual expenditures were less than final budgeted expenditures for all departments in total by \$2,308,522. These were largely due to personnel costs, operating expenditures and capital outlay. The General Fund budget is presented as required supplementary information on page 40.

Fiduciary Fund

The City's Police Officer's Pension Trust Fund presents a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 17 and 18. 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, 2025, the City's Pension Trust Fund reported fiduciary net position of \$14,787,056, an increase of \$1,706,898 from the prior year. The main components of the increase were due to net investment earnings impacted by net market improvements of \$1,510,525. This Pension Trust Fund includes only Police Officers. Other employees are included in the State of Florida Retirement System. Beginning October 1, 2006, all non-police officer employees hired are automatically enrolled in the State of Florida Retirement System plan.

Capital Assets

The City's investment in capital assets for the year ended September 30, 2025 amounts to \$20,843,443 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, and machinery and equipment. The City's capital assets for the current fiscal year increased by \$413,975; comprised of \$2,162,306 of capital additions, a loss on disposals of \$162,475 and \$1,585,856 of depreciation expense.

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

	Governmental Activities	
	2025	2024
Land	\$ 1,570,704	\$ 1,545,704
Building and improvements	960,785	1,005,047
Infrastructure	15,462,891	14,989,854
Vehicles	2,040,197	1,966,115
Machinery and equipment	833,866	947,748
Total (net of depreciation)	\$ 20,868,443	\$ 20,454,468

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

Long-Term Obligations

The City recognizes a net pension liability per GASB Statement No. 68. The net pension liability as of September 30, 2025 was \$2,986,067, which decreased \$613,897. Additionally, a long-term liability for compensated absences and post-employment benefits other than pensions, totaled \$767,694 and \$147,698 at September 30, 2025, respectively. The compensated absences increased by \$100,998. The post-employment benefits other than pensions increased \$4,136 based on the most recent actuarial study. See Note 4 of this report for additional information the City's long-term obligations.

Economic Factors and Next Year's Budgets and Rates

This year the City is seeing a 7.99% decrease in property values which in effect has decreased the tax base by \$568,000. Despite the decrease, the Mayor and Commission decided to reduce the millage rate from the rollback rate of 2.1812 mills to 1.99 mills allowing us to keep our reserves sufficient and reducing ad valorem taxes for the residents. The rollback rate calculation, required by Florida Statutes, reflects the millage rate that would be needed to generate the same amount of tax dollar income as received in the prior year.

The fiscal year 2025-2026 revenue budget includes a slight decrease in state sources based on estimates. There were increases in franchise fees, due to FP&L having a rate increase, building permits, and FEMA disaster reimbursement.

In the Public Works department, we decreased the contingency account by \$150,000. This contingency account is held for additional emergency storm water expenditures, algae cleanup, and the like. The department also removed any capital requests that it had originally planned for.

The Police department has increased their headcount by one officer. There was also a \$285,000 increase in retirement contributions.

The Code Enforcement department has reduced legal spending for special magistrate hearings and abatement by \$35,000. No capital expenditures were requested.

Storm water improvement projects will include \$300,000 in matching funds for fiscal year 2025-2026 by SWFWMD and \$1,064,900 from Florida Resiliency matching funds. This will be used for improvements to storm water on Gulf Drive. The 5th Cent tax includes budgets for engineering services for multi-use sidewalks and bike lanes. The Half Cent Discretionary budget includes curb replacement, street resurfacing, and striping for bike lanes.

The City is projecting to remain steady and possibly see some additional monies from FEMA disaster reimbursement due to the damage sustained during hurricanes Helene and Milton.

The City had to use some emergency cash reserves to cover costs from the storms but 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, 2025**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 305,428
Investments	
Unrestricted	4,236,375
Restricted	859,178
Due from other governments	367,070
Prepaid expenses	351,321
Capital assets	
Land	1,570,704
Other capital assets, net of accumulated depreciation	19,297,739
Total Assets	26,987,815
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of pension resources	1,285,464
LIABILITIES	
Accounts payable	1,295,294
Accrued expenses	52,621
Unearned revenue	30,456
Non current liabilities	
Due in less than one year	115,154
Due in more than one year	3,786,305
Total Liabilities	5,279,830
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of pension earnings	1,510,178
NET POSITION	
Net investment in capital assets	20,868,443
Restricted for:	
Restricted for streets and roads	269,679
Capital projects and purchases	654,054
Other	7,906
Unrestricted	(316,811)
Total Liabilities	(316,811)
TOTAL NET POSITION	\$ 21,483,271

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, 2025

<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	\$ 1,699,198	\$ 502,251	\$ 2,383,163	\$ 70,692	\$ 1,256,908
Public Safety	6,469,354	56,988	242,983	-	(6,169,383)
Public Works	11,915,362	2,408,762	-	185,925	(9,320,675)
Total Governmental Activities	20,083,914	2,968,001	2,626,146	256,617	(14,233,150)
General Revenues:					
					6,504,586
					767,296
					188,634
					806,066
					142,374
					307,522
					74,001
					326,791
					286,522
					447,291
					525,801
					10,376,884
					(3,856,266)
					25,446,431
					(106,894)
					25,339,537
					\$ 21,483,271

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

**CITY OF HOLMES BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2025**

	GENERAL FUND
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 305,428
Investments	
Unrestricted	4,236,375
Restricted	859,178
Due from other governments	367,070
Prepaid items	351,321
	\$ 6,119,372
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,295,294
Accrued expenses	52,621
Unearned revenue	30,456
	1,378,371
TOTAL LIABILITIES	
Deferred Inflows of Resources:	
Unavailable revenue	88,759
	88,759
Fund Balances:	
Nonspendable	351,321
Spendable:	
Restricted	931,639
Committed	-
Assigned	3,369,282
Unassigned	-
	4,652,242
TOTAL FUND BALANCES	
	\$ 6,119,372
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,119,372

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, 2025**

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

Fund Balance – Governmental Fund	\$	4,652,242
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		20,868,443
Deferred outflows of pension resources are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting		1,285,464
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences		(767,694)
Total OPEB liability		(147,698)
Net pension liability		(2,986,067)
Governmental funds follow the modified accrual basis and revenues are recognized when they become both measurable and available. Revenues received after 60 days are not deemed available. This has no impact on net position in the government-wide financial statements.		88,759
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>(1,510,178)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>21,483,271</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, 2025

	GENERAL FUND
REVENUES	
Ad valorem taxes	\$ 6,504,586
State and county receipts	1,334,824
Licenses and permits	2,591,063
Storm water fees	806,066
Franchise fees	767,296
Interest	447,291
Grants	2,616,298
Other sources	1,138,497
Total Revenues	16,205,921
EXPENDITURES	
General government:	
Personal services	896,367
Operating	715,861
Capital outlay	32,395
Total General Government	1,644,623
Public Safety:	
Personal services	4,284,679
Operating	1,550,712
Capital outlay	455,879
Total Public Safety	6,291,270
Public Works:	
Personal services	2,345,931
Operating	8,597,294
Capital outlay	1,674,032
Total Public Works	12,617,257
Total Expenditures	20,553,150
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,347,229)
OTHER FINANCING SOURCES	
Proceeds from disposal of capital assets	21,727
Total Other Financing Sources	21,727
NET CHANGE IN FUND BALANCE	(4,325,502)
FUND BALANCE, Beginning of year	8,977,744
FUND BALANCE, End of year	\$ 4,652,242

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

**CITY OF HOLMES BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

Net change in fund balance – total governmental fund \$ (4,325,502)

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.

Capital outlay	2,162,306
Loss on disposal	(162,475)
Depreciation	(1,585,856)

Some expenditures in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund. This represents the current year change in:

Compensated absences	(100,998)
Total OPEB liability	(4,136)
Net pension liability	613,897
Deferred outflows of pension resources	155,350
Deferred inflows of pension earnings	(608,852)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,856,266)

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, 2025

	POLICE RETIREMENT PLAN
ASSETS	
Investment, at fair value	
Money market funds	\$ 528,540
Bond funds	5,002,498
Equity funds	9,065,478
Net investments at fair value	14,596,516
Employer contribution receivable	194,085
Employee contribution receivable	3,535
TOTAL ASSETS	14,794,136
LIABILITIES	
Accounts payable	7,080
TOTAL LIABILITIES	7,080
FIDUCIARY NET POSITION	
Restricted for pension benefits	\$ 14,787,056

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, 2025**

	POLICE RETIREMENT PLAN
ADDITIONS	
CONTRIBUTIONS:	
Employee contributions	\$ 100,390
Employer contributions	681,227
State contributions	74,001
Total Contributions	855,618
INVESTMENT INCOME:	
Interest	670,467
Net realized and unrealized gains (losses)	882,577
Total Investment Earnings	1,553,044
Less investment expense	42,519
Net investment income	1,510,525
TOTAL ADDITIONS	2,366,143
DEDUCTIONS	
Administrative expenses	59,892
Benefits paid	599,353
TOTAL DEDUCTIONS	659,245
Increase (Decrease) in fiduciary net position	1,706,898
FIDUCIARY NET POSITION – RESTRICTED FOR PENSION BENEFITS	
Beginning of year	13,080,158
End of year	\$ 14,787,056

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The City of Holmes Beach, Florida (City) was incorporated in 1950 with the power to exercise all necessary municipal services. The present charter, which was last revised in 2019, 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, 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.

BASIS OF PRESENTATION

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND – GENERAL FUND

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

FIDUCIARY FUND – PENSION TRUST FUND

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

CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of longer than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are expensed as incurred. The City has elected to report general infrastructure assets on a prospective basis only.

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

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

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term obligations (including compensated absences, net pension liability, and total OPEB liability) are reported as liabilities. In the fund financial statements, no long-term obligations are reported as they are not due to be paid from current financial resources.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BUDGETARY INFORMATION

Annual budgets are generally adopted on a basis consistent with U.S. generally accepted accounting principles for the general fund, with the exception of storm and resiliency expenditures. Expenditures should not exceed total appropriations of the fund. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the City Commission, per Florida Statutes.

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.

ESTIMATES

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

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.

FUND BALANCE

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

FUND BALANCE – CONTINUED

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.

	<u>General Fund</u>
Non-spendable – Prepaid items	\$ 351,321
Spendable:	
Restricted	
5th-cent tax for streets and roads	269,679
Half-cent discretionary sales tax for infrastructure	654,054
Other	7,906
	931,639
Assigned	3,369,282
Unassigned	-
	-
Total Fund Balances	\$ 4,652,242

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

ADOPTION OF A NEW ACCOUNTING STANDARD

Effective October 1, 2024, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB No. 101). GASB No. 101 updates the recognition and measurement guidance for compensated absences, including vacation, sick leave, and other paid leave benefits. Under GASB No.101, liabilities for compensated absences are recognized when the benefits are both attributable to services already rendered and are expected to be paid. The standard eliminates the requirement to segregate obligations into “vesting” and “non-vesting” components, instead emphasizing whether leave accumulates and whether it is more likely than not to be paid. This change required the restatement of the beginning balances of the governmental activities. The restatement effective October 1, 2024 for the statement of financial position and statement of activities are as follows:

Statement of Net Position:

Compensated absences at October 1, 2024, as originally stated	\$ 559,802
Change in accounting principle:	
GASB No. 101, <i>Compensated Absences</i>	106,894
Total restatement	106,894
Compensated absences at October 1, 2024, as restated	\$ 666,696

Statement of Activities:

Net Position at October 1, 2024, as originally stated	\$ 25,446,431
Change in accounting principle:	
GASB No. 101, <i>Compensated Absences</i>	(106,894)
Total restatement	(106,894)
Net position at October 1, 2024, as restated	\$ 25,339,537

NOTE 2 – CASH AND INVESTMENTS

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

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

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

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

All City cash accounts are in Qualified Public Depositories.

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

At September 30, 2025, the City's general fund cash and investments were fully insured or collateralized or held in the City's name pursuant to these guidelines.

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

Interest Rate Risk

The City does not have a specific policy concerning interest rate risk. The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2025, is 47 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2025, is 73 days.

Credit Quality

Credit risk is the possibility that an issuer of a fixed income security held by the Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, the Florida PRIME will lose money. Florida PRIME invests in top-tier, money market assets of the highest quality and has a Standard and Poors rating of AAAM.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2024 through September 30, 2025.

With regards to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. Through September 30, 2025, no such disclosure has been made.

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

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

At September 30, 2025, the City had investments in the Florida PRIME in the amount of \$5,095,553. For further information regarding the Local Government Surplus Trust Funds Investment Pool, readers should refer to the financial statements and disclosures of the Florida State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool.

The City of Holmes Beach Municipal Police Officers Pension Trust Fund's investments which are recorded at fair market value are enumerated in Note 5.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 was:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,545,704	\$ 25,000	\$ -	\$ -	\$ 1,570,704
Total capital assets, not being depreciated	<u>1,545,704</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>1,570,704</u>
Capital assets being depreciated:					
Buildings and improvements	2,218,368	31,261	-	-	2,249,629
Infrastructure	18,926,777	1,301,896	-	-	20,228,673
Vehicles	3,116,581	690,403	(698,200)	-	3,108,784
Machinery and equipment	1,984,516	113,746	(20,936)	-	2,077,326
Total capital assets being depreciated	<u>26,246,242</u>	<u>2,137,306</u>	<u>(719,136)</u>	<u>-</u>	<u>27,664,412</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,213,321)	(75,523)	-	-	(1,288,844)
Infrastructure	(3,936,923)	(828,859)	-	-	(4,765,782)
Vehicles	(1,150,466)	(453,847)	535,726	-	(1,068,587)
Machinery and equipment	(1,036,768)	(227,627)	20,935	-	(1,243,460)
Total accumulated depreciation	<u>(7,337,478)</u>	<u>(1,585,856)</u>	<u>556,661</u>	<u>-</u>	<u>(8,366,673)</u>
Total capital assets, being depreciated, net	<u>18,908,764</u>	<u>551,450</u>	<u>(162,475)</u>	<u>-</u>	<u>19,297,739</u>
Governmental activities capital assets, net	<u>\$ 20,454,468</u>	<u>\$ 576,450</u>	<u>\$ (162,475)</u>	<u>\$ -</u>	<u>\$ 20,868,443</u>

Depreciation expense was allocated as follows: General Government \$94,440, Public Safety \$532,572 and Public Works \$958,844.

NOTE 4 – LONG-TERM LIABILITIES

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

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

NOTE 4 – LONG-TERM LIABILITIES – CONTINUED

During the year ended September 30, 2025, the City’s long-term obligations changed as follows:

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 559,802	\$ 106,894	\$ 100,998 *	\$ -	\$ 767,694	\$ 115,154
Total OPEB liability	143,562	-	17,642	(13,506)	147,698	-
Net pension liability	3,599,964	-	3,594,803	(4,208,700)	2,986,067	-
	<u>\$ 4,303,328</u>	<u>\$ 106,894</u>	<u>\$ 3,713,443</u>	<u>\$ (4,222,206)</u>	<u>\$ 3,901,459</u>	<u>\$ 115,154</u>

* The change in compensated absences is reported net.

NOTE 5 – RETIREMENT PLANS

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

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

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 <https://www.myfloridacfo.com/transparency/state-financial-reports/FL-ACFR>.

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

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

Benefits Provided

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

Plan Provisions

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

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

NOTE 5 – RETIREMENT PLANS – CONTINUED
FLORIDA RETIREMENT SYSTEM – CONTINUED
Plan Provisions – Continued

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 \$7.50. The minimum payment is \$45 and the maximum payment is \$225 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, 2025, ranged from 13.63% – 14.03% for regular employees and 21.13% – 22.02% 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 \$372,565 for the year ended September 30, 2025, and approximated 13.32% of covered payroll. The HIS Program is funded by required contributions of 2.00% 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, 2025, the City reported a liability of \$1,979,642 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, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. 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, 2025, the City’s proportion was 0.003825352% for FRS and 0.006182501% for HIS was consistent with its proportion measured in the previous year. For the year ended September 30, 2025, the City recognized pension expense of \$189,522 for both plans. As of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
FLORIDA RETIREMENT SYSTEM – CONTINUED**

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 126,806	\$ -	\$ 4,730	\$ 1,257
Changes in assumptions	137,865	-	7,014	191,670
Net difference between projected and actual earnings on pension plan investments	-	198,216	-	660
Changes in proportion and differences between contributions and proportionate share of contributions	54,648	88,457	38,825	3,030
City contributions subsequent to the June 30, 2025 measurement date	71,060	-	15,243	-
	<u>\$ 390,379</u>	<u>\$ 286,673</u>	<u>\$ 65,812</u>	<u>\$ 196,617</u>

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

Total deferred outflows were \$456,191 and total deferred inflows were \$483,290 as of September 30, 2025. \$71,060 (FRS) and \$15,243 (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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending September 30:</u>	FRS	HIS
2026	\$ 9,477	\$ (25,198)
2027	9,477	(25,198)
2028	9,477	(25,198)
2029	9,477	(25,198)
2030	(5,262)	(25,198)
Thereafter	-	(20,058)
	<u>\$ 32,646</u>	<u>\$ (146,048)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation for FRS and July 1, 2024 for HIS (June 30, 2025 measurement date for both) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	6.70 percent, including inflation at 2.40%

Mortality assumptions for the FRS pension plan were based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021. The actuarial assumptions used in the July 1, 2025 valuation for FRS were based on the results of an actuarial experience study performed for the period July 1, 2018 – June 30, 2023. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that plan, but were based on certain results of the most recent experience study for the FRS plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.20%; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2025 by the FRS Actuarial Assumptions Conference.

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

NOTE 5 – RETIREMENT PLANS – CONTINUED
FLORIDA RETIREMENT SYSTEM – CONTINUED
Actuarial Assumptions – Continued

The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1.0%	3.20%
Fixed income	29.0%	5.50%
Global equity	45.0%	8.50%
Real estate	12.0%	8.40%
Private equity	11.0%	12.40%
Strategic investments	2.0%	6.50%

The discount rate used to measure the total FRS pension liability was 6.70%, and the HIS pension liability was 5.20%. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following changes in actuarial assumptions occurred in 2025 for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the City’s proportionate share of the FRS net pension liability calculated using the discount rate of 6.70%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1–percentage–point lower or 1–percentage – point higher than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
City’s proportionate share of the FRS net pension liability	\$ 2,329,868	\$ 1,187,203	\$ 229,210

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
FLORIDA RETIREMENT SYSTEM – CONTINUED**

The following presents the City’s proportionate share of the HIS net pension liability calculated using the discount rate of 5.20%, 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 or 1–percentage–point higher than the current rate:

	1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
City's proportionate share of the HIS net pension liability	\$ 893,602	\$ 792,439	\$ 707,595

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 annual comprehensive financial report.

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

Plan Membership:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to, but not yet receiving, benefits	1
Active plan members	<u>17</u>
Total	<u>35</u>

Basis of Accounting

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

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
POLICE RETIREMENT PLAN – CONTINUED**

Asset Valuation

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

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.

Retirement – Continued

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

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

Contribution Information

Total payroll covered by the plan for the year was \$1,666,244 of a total City payroll of \$4,711,250. Total required contributions by the City and State, which are actuarially determined, were 40.0%, all of which were met. Employer contributions made by the City for the year were \$681,227. State contributions totaled \$74,001. Employee contributions of 6% of basic annual compensation are required and were made in the amount of \$100,390. Basic member payroll subject to contributions includes base salary exclusive of overtime, plus incentives.

Deferred Retirement Option Program (DROP)

The DROP requires satisfaction of normal retirement requirements, not to exceed 5 years. Upon entering DROP, the retirement benefit will be credited with interest at an effective rate equal to the rate applicable to the Florida Retirement System DROP for the calendar quarter plus 2% with the total equaling a minimum of 3% and a maximum of 8% per annum compounded monthly on the prior month's ending balance. The DROP balance as of September 30, 2025 is \$110,549.

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
POLICE RETIREMENT PLAN – CONTINUED**

Investments

Police Retirement Plan investments are held by the Salem Trust Company. The total market value was \$14,596,516, and the total cost was \$10,608,608 at September 30, 2025.

As of September 30, 2025, the asset allocations are as follows:

Cash and Cash Equivalents	3.62%
Mortgage / Asset Backed Securities	17.11%
U.S. Government Obligations	7.21%
Corporate Bonds	6.77%
Mutual Funds – Fixed Income	3.19%
Equity Mutual Funds	62.10%
	100.00%

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, 2025:

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

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan’s fiduciary net position. For the year ended September 30, 2025 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 11.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The U.S. Government Obligations have interest rates between 1.540% and 4.250% with maturities from 2026 to 2050. Mortgage/Asset Backed Securities have interest rates between 2.500% and 6.000% with maturities from 2025 to 2055. Corporate bonds have interest rates between 1.512% and 6.400% with maturities between 2027 and 2036.

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the City at September 30, 2025 were as follows:

Total Pension Liability	\$ 15,789,650
Plan Fiduciary Net Position	(14,783,225)
Sponsors Net Pension Liability (Asset)	\$ 1,006,425
Plan Fiduciary Net Position as a percentage of Total Pension Liability (Asset)	93.63%

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
POLICE RETIREMENT PLAN – CONTINUED**

Net Pension Liability (Asset) – Continued

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance as of September 30, 2024	\$ 14,279,113	\$ 13,076,329	\$ 1,202,784
Change due to:			
Service cost	455,285	–	455,285
Interest	1,032,083	–	1,032,083
Excess state money addition	–	–	–
Share plan allocation	34,219	–	34,219
Difference between expected and actual experience	322,076	–	322,076
Changes of assumptions	266,228	–	266,228
Changes of benefit terms	–	–	–
Contributions – Employer	–	681,227	(681,227)
Contributions – State	–	74,001	(74,001)
Contributions – Employee	–	100,390	(100,390)
Net investment income	–	1,510,524	(1,510,524)
Benefit payments, including refunds of employee contributions	(599,354)	(599,354)	–
Administrative expenses	–	(59,892)	59,892
Net Changes	<u>1,510,537</u>	<u>1,706,896</u>	<u>(196,359)</u>
Balance as of September 30, 2025	<u>\$ 15,789,650</u>	<u>\$ 14,783,225</u>	<u>\$ 1,006,425</u>

Net pension liability was measured as of September 30, 2025.

Actuarial Assumptions

The total pension liability, net pension liability (asset), and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2024, updated to September 30, 2025, based on the results of a January 27, 2021 actuarial experience study. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Investment rate of return	7.15%
Projected salary increases*	Service based
COLA – Post Retirement	2.5%
Payroll Growth	1.2% per year

* 6.35% is up to assumed retirement age.

Any member who has reached Normal Retirement is assumed to continue employment for one additional year. Members are assumed to retire with an immediate benefit at the rate of 10% per year.

Healthy active lives mortality for females is based on the PubS.H–2010 for Employees, set forward one year and for males based on the PubS.H–2010 (Below Median) for Employees, set forward one year. Healthy retiree lives mortality for females is based on the PubS.H–2010 for Healthy Retirees, set forward one year and for males based on the PubS.H–2010 (Below Median) for Healthy Retirees, set forward one year. Beneficiary lives mortality for females is based on the PubG.H–2010 (Below Median) for Healthy Retirees and for males based on the PubG.H–2010 (Below Median) for Healthy Retirees, set

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
POLICE RETIREMENT PLAN – CONTINUED**

Actuarial Assumptions – Continued

back one year. Disabled lives mortality are based 80% PubG.H–2010 for Disabled Retirees/20% PubS.H–2010 for Disabled Retirees. All rates are projected generationally with Mortality Improvement Scale MP–2018. 75% of disablements are assumed to be in the line of duty. The disability rates are as follows:

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

The termination rates are as follows:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2025, the inflation rate assumption of the investment advisor was 2.50%. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan’s target asset allocation as of September 30, 2025 are summarized in the following table:

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

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
POLICE RETIREMENT PLAN – CONTINUED**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – Continued

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
City's Net Pension Liability (asset)	\$ 3,225,507	\$ 1,006,425	\$ (813,564)

Changes of Assumptions

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2024, FRS valuation report for special risk employees.

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

For the year ended September 30, 2025 the City recognized a pension expense of \$701,707. At September 30, 2025 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 606,872	\$ 1,042
Changes in assumption	222,401	-
Net difference between projected and actual earnings on investments	-	1,025,846
Total	\$ 829,273	\$ 1,026,888

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>	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 274,313	\$ 91,116
2027	\$ 181,878	\$ (546,533)
2028	\$ 137,470	\$ (457,510)
2029	\$ 137,470	\$ (113,869)
2030	\$ 98,142	\$ (92)

Fair Value

The investments held by the Police Pension Plan are measured at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2025:

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

**NOTE 5 – RETIREMENT PLANS – CONTINUED
POLICE RETIREMENT PLAN – CONTINUED**

Fair Value – Continued

	September 30, 2025	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money Market	\$ 528,540	\$ 528,540	\$ -	\$ -
Debt Securities:				
U.S. Government Obligations	1,052,380	-	1,052,380	-
Mortgage/Asset Backed Securities	2,497,284	-	2,497,284	-
Corporate Bonds	987,684	-	987,684	-
Mutual Funds – Fixed Income	465,150	-	465,150	-
Equity Securities	-	-	-	-
Mutual Funds – Equity	9,065,478	-	9,065,478	-
Total Investments by Fair Value	<u>\$ 14,596,516</u>	<u>\$ 528,540</u>	<u>\$ 14,067,976</u>	<u>\$ -</u>

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

AGGREGATE INFORMATION FOR CITY PENSION PLANS

The aggregate balances of the City pension plans as of September 30, 2025 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
Florida Retirement System	\$ 390,379	\$ 1,187,203	\$ 286,673	\$ 149,642
Health Insurance Subsidy	65,812	792,439	196,617	39,880
Police Retirement Plan	829,273	1,006,425	1,026,888	701,707
	<u>\$ 1,285,464</u>	<u>\$ 2,986,067</u>	<u>\$ 1,510,178</u>	<u>\$ 891,229</u>

NOTE 6 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Pursuant to the provision of Section 112.0801, Florida Statutes, retired Police Officers and General Employees, as well as their dependents, are permitted to remain covered under the City's medical plans as long as they pay the premium not exceeding the rate developed by blending the claims experience of all plan members for the plan and coverage elected. All costs are born by the participants. The Plan is a single employer defined benefit OPEB Plan.

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

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

NOTE 6 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Plan Description – Continued

Membership in the Plan consisted of the following at September 30, 2023, which is the actuarial valuation date:

Inactive plan members or beneficiaries currently receiving benefits	–
Inactive plan members entitled to, but not yet receiving, benefits	–
Active plan members	<u>53</u>
Total	<u>53</u>

Funding Policy

Currently, the City’s OPEB benefits are unfunded. There is no separate Trust Fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its investment policy. For the fiscal year ended September 30, 2025, the City did not provide contributions to the OPEB plan.

Total OPEB Liability

The City’s total OPEB liability of \$147,698 was measured as of September 30, 2025, and was determined by an actuarial valuation as of September 30, 2023. The measurement period for OPEB expense was October 1, 2024 to September 30, 2025.

The reporting period is October 1, 2024 to September 30, 2025. The valuation was performed using the Alternative Measurement Method. Under this method, all deferred outflows/(inflows) of resources are fully recognized immediately.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2023 actuarial valuation (measurement date of September 30, 2025) was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.50%
Discount rate	4.50%
Initial trend rate	7.00%
Ultimate trend rate	4.00%
Year to ultimate	51

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

Discount

Given the City’s decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.50%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years.

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

NOTE 6 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Discount – Continued

Eligible bonds must be rated at least AA by Standard and Poor’s Rating Services, Aa2 by Moody’s or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Changes of assumptions

The discount rate of 4.50% for the current measurement period was decreased from the prior year rate of 4.06% for the reporting period ended September 30, 2025.

Changes in the Total OPEB Liability

Changes in the City’s total OPEB Liability during the year are as follows:

Reporting period ending September 30, 2024	\$	143,562
Service cost		11,457
Interest		6,185
Differences between expected and actual experience		–
Changes in assumptions		(8,073)
Changes of benefit terms		–
Contributions – Employer		–
Benefit payments		(5,433)
Other changes		–
Net changes		4,136
Reporting period ending September 30, 2025	\$	147,698

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage–point lower or one percentage–point higher than the current discount rate:

	1% Decrease 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Total OPEB Liability	\$ 166,942	\$ 147,698	\$ 131,372

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage–point lower or one percentage–point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% – 6.00%	Healthcare Cost Trend Rates 4.00% – 7.00 %	1% Increase 5.00% – 8.00%
Total OPEB Liability	\$ 127,825	\$ 147,698	\$ 171,546

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Under the Alternative Measurement Method, changes in the total OPEB liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes are immediately recognized through OPEB expense. For the year ended September 30, 2025, the City recognized OPEB (revenue)/ expense in the amount of \$11,419.

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

NOTE 7 – 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 8 – COMMITMENTS AND 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 (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	GENERAL FUND			
REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Ad valorem taxes	\$ 6,703,543	\$ 6,703,543	\$ 6,504,586	\$ (198,957)
State and county receipts	1,330,685	1,330,685	1,334,824	4,139
Licenses and permits	1,855,835	1,930,835	2,591,063	660,228
Storm water fees	835,996	835,996	806,066	(29,930)
Franchise fees	671,400	671,400	767,296	95,896
Interest	600,000	600,000	447,291	(152,709)
Grants	1,059,357	1,059,357	2,616,298	1,556,941
Other sources	844,774	895,976	1,138,497	242,521
Total Revenues	<u>13,901,590</u>	<u>14,027,792</u>	<u>16,205,921</u>	<u>2,178,129</u>
EXPENDITURES				
General government:				
Personal services	938,003	938,003	896,367	41,636
Operating	1,197,282	1,197,282	686,666	510,616
Capital outlay	93,000	93,000	32,395	60,605
Total General Government	<u>2,228,285</u>	<u>2,228,285</u>	<u>1,615,428</u>	<u>612,857</u>
Public Safety:				
Personal services	3,986,255	3,986,255	3,832,525	153,730
Operating	1,199,128	1,199,128	1,060,012	139,116
Capital outlay	311,000	336,000	406,110	(70,110)
Total Public Safety	<u>5,496,383</u>	<u>5,521,383</u>	<u>5,298,647</u>	<u>222,736</u>
Code Compliance:				
Personal services	455,375	455,375	452,154	3,221
Operating	300,151	300,151	215,739	84,412
Capital outlay	50,000	50,000	49,769	231
Total Code Compliance	<u>805,526</u>	<u>805,526</u>	<u>717,662</u>	<u>87,864</u>
Public Works:				
Personal services	1,741,222	1,741,222	1,431,386	309,836
Operating	3,122,840	3,127,011	2,907,634	219,377
Capital outlay	2,323,900	2,370,931	1,585,383	785,548
Total Public Works	<u>7,187,962</u>	<u>7,239,164</u>	<u>5,924,403</u>	<u>1,314,761</u>
Building Department:				
Personal services	1,028,816	1,028,816	914,545	114,271
Operating	340,218	340,218	350,536	(10,318)
Capital outlay	5,000	55,000	88,649	(33,649)
Total Building Department	<u>1,374,034</u>	<u>1,424,034</u>	<u>1,353,730</u>	<u>70,304</u>
Total Expenditures	<u>17,092,190</u>	<u>17,218,392</u>	<u>14,909,870</u>	<u>2,308,522</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,190,600)	(3,190,600)	1,296,051	4,486,651
OTHER FINANCING SOURCES				
Gain on disposal of capital assets	15,000	15,000	21,727	6,727
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>21,727</u>	<u>6,727</u>
NET CHANGE IN FUND BALANCE	(3,175,600)	(3,175,600)	1,317,778	4,493,378
FUND BALANCE, Beginning of year	<u>8,977,744</u>	<u>8,977,744</u>	<u>8,977,744</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ 5,802,144</u>	<u>\$ 5,802,144</u>	<u>\$ 10,295,522</u>	<u>\$ 4,493,378</u>

Note 1 – Budget Basis

The general fund budget is presented on a basis consistent with U.S. generally accepted accounting principles, with the exception of storm and resiliency expenditures.

CITY OF HOLMES BEACH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

**Note 2 – Reconciliation of Differences Between Non-GAAP Budgetary Basis and GAAP
 (Modified Accrual) Basis**

	Actual On GAAP Basis	To Budgetary Basis	Actual On Budgetary Basis
Total Expenditures	<u>20,553,150</u>	<u>(5,643,280)</u>	<u>14,909,870</u>
Excess of Revenue Over (Under) Expenditures Before Other Financing Sources (Uses)	(4,347,229)	5,643,280	1,296,051
Other Financing Sources	<u>21,727</u>	<u>-</u>	<u>21,727</u>
Net Changes in Fund Balance	(4,325,502)	5,643,280	1,317,778
Fund Balance – Beginning	<u>8,977,744</u>	<u>-</u>	<u>8,977,744</u>
Fund Balance – Ending	<u>\$ 4,652,242</u>	<u>\$ 5,643,280</u>	<u>\$ 10,295,522</u>

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

	Last Ten Fiscal Years (Dollar Amounts in Thousands)									
	9/30/16	9/30/17	9/30/18	9/30/19	9/30/20	9/30/21	9/30/22	9/30/23	9/30/24	9/30/25
Total pension liability										
Service cost	\$ 247,872	\$ 267,086	\$ 316,459	\$ 352,077	\$ 337,476	\$ 334,320	\$ 370,242	\$ 394,051	\$ 410,831	\$ 455,285
Interest	606,206	657,640	693,452	743,234	767,240	766,584	837,559	884,593	954,990	1,032,083
Change in excess state money	3,177	-	-	4,548	4,648	15,912	9,102	(40,889)	-	-
Share plan allocation	-	-	1,312	(1,312)	-	-	-	58,952	26,715	34,219
Changes in donation reserve	-	-	-	-	-	-	-	(3,150)	-	-
Differences between expected and actual experience	72,968	127,431	86,514	(240,715)	(403,462)	556,635	(5,209)	221,660	235,559	322,076
Changes of assumptions	312,649	19,020	-	327,905	(172,929)	3,275	-	-	-	266,228
Benefit payments, including refunds of employee contributions	(324,018)	(822,244)	(463,857)	(475,345)	(512,160)	(556,255)	(556,147)	(587,309)	(589,318)	(599,354)
Net change in total pension liability	918,854	248,933	633,880	710,392	20,813	1,120,471	655,547	927,908	1,038,777	1,510,537
Total pension liability - beginning	-	918,854	1,167,787	9,805,205	10,515,597	10,536,410	11,656,881	12,312,428	13,240,336	14,279,113
Total pension liability - ending (a)	<u>\$ 918,854</u>	<u>\$ 1,167,787</u>	<u>\$ 1,801,667</u>	<u>\$ 10,515,597</u>	<u>\$ 10,536,410</u>	<u>\$ 11,656,881</u>	<u>\$ 12,312,428</u>	<u>\$ 13,240,336</u>	<u>\$ 14,279,113</u>	<u>\$ 15,789,650</u>
Plan fiduciary net position										
Contributions - employer	\$ 201,051	\$ 242,518	\$ 347,220	\$ 395,680	\$ 352,469	\$ 370,410	\$ 430,183	\$ 412,468	\$ 471,103	\$ 681,227
Contributions - state	42,959	38,221	41,094	43,018	44,430	55,694	48,884	54,695	66,497	74,001
Contributions - employee	51,191	57,686	64,861	70,425	67,629	71,338	81,733	82,729	85,623	100,390
Net investment income	509,296	893,423	599,254	424,318	1,034,751	1,757,216	(2,335,781)	1,126,379	2,476,607	1,510,524
Benefit payments, including refunds of employee contributions	(324,018)	(822,244)	(463,857)	(475,345)	(512,160)	(556,255)	(556,147)	(587,309)	(589,318)	(599,354)
Administrative expense	(25,649)	(28,111)	(29,392)	(28,454)	(39,209)	(48,130)	(42,452)	(53,534)	(48,554)	(59,892)
Net change in plan fiduciary net position	454,830	381,493	559,180	429,642	947,910	1,650,273	(2,373,580)	1,035,428	2,461,958	1,706,896
Plan fiduciary net position - beginning	-	454,830	836,323	8,924,698	9,354,340	10,302,250	11,952,523	9,578,943	10,614,371	13,076,329
Plan fiduciary net position - ending (b)	<u>\$ 454,830</u>	<u>\$ 836,323</u>	<u>\$ 1,395,503</u>	<u>\$ 9,354,340</u>	<u>\$ 10,302,250</u>	<u>\$ 11,952,523</u>	<u>\$ 9,578,943</u>	<u>\$ 10,614,371</u>	<u>\$ 13,076,329</u>	<u>\$ 14,783,225</u>
Net pension liability - ending (a) - (b)	\$ 464,024	\$ 331,464	\$ 406,164	\$ 1,161,257	\$ 234,160	\$ (295,642)	\$ 2,733,485	\$ 2,625,965	\$ 1,202,784	\$ 1,006,425
Plan fiduciary net position as a percentage of the total pension liability	49.50%	71.62%	77.46%	88.96%	97.78%	102.54%	77.80%	80.17%	91.58%	93.63%
Covered employee payroll (1)	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755	\$ 1,127,152	\$ 1,188,964	\$ 1,362,219	\$ 1,378,811	\$ 1,427,053	\$ 1,666,244
Net pension liability as a percentage of covered employee payroll	54.39%	34.48%	37.57%	98.94%	20.77%	-24.87%	200.66%	190.45%	84.28%	60.40%

(1) The covered employee payroll numbers shown are in compliance with GASB No. 82, except for the 9/30/15 measurement period which includes DROP payroll.

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

	Last Ten Fiscal Years (Dollar Amounts in Thousands)									
	<u>9/30/16</u>	<u>9/30/17</u>	<u>9/30/18</u>	<u>9/30/19</u>	<u>9/30/20</u>	<u>9/30/21</u>	<u>9/30/22</u>	<u>9/30/23</u>	<u>9/30/24</u>	<u>9/30/25</u>
Actuarially determined contribution	\$ 261,073	\$ 280,740	\$ 387,002	\$ 435,463	\$ 392,249	\$ 410,192	\$ 469,965	\$ 452,250	\$ 510,885	\$ 714,819
Contributions in relation to the actuarially determined contributions	240,833	280,739	387,002	435,462	392,251	410,192	469,965	452,250	510,885	721,009
Contribution deficiency (excess)	<u>\$ 20,240</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,190)</u>
Covered employee payroll	\$ 853,180	\$ 961,437	\$ 1,081,011	\$ 1,173,755	\$ 1,127,152	\$ 1,188,964	\$ 1,362,219	\$ 1,378,811	\$ 1,427,053	\$ 1,666,244
Contributions as a percentage of covered employee payroll	28.23%	29.20%	35.80%	37.10%	34.80%	34.50%	34.50%	32.80%	35.80%	43.27%

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

Valuation Date: October 1, 2024

Actuarially determined contribution rates are calculated using an October 1, 2023 valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal.
Amortization Method: New UAAL amortization bases are amortized over 15 years.
Mortality Rates: All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018.
Mortality – Healthy Active Lives: Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Mortality – Healthy Retiree Lives: Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Mortality – Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Mortality – Disabled Lives: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

Termination Rate:	Years of Service	Termination Rate
	< 5	10.0%
	5 – 14	2.0%
	15 +	1.0%

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

Disability Rate:	Age	% Becoming Disabled During the Year
	20	0.051%
	30	0.058%
	40	0.121%
	50	0.429%

75% of disablements are assumed to be in the line of duty.
This assumption was confirmed in the January 27, 2021 actuarial experience study

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

Retirement Age:	Earlier of age 55 and 10 years of service or 25 years of service regardless of age. This assumption was confirmed in the January 27, 2021 actuarial experience study.										
Early Retirement:	Commencing with the earliest Early Retirement Age (50 and 10), members are assumed to retire with an immediate benefit at the rate of 10% per year. This assumption was adopted based on the results of the January 27, 2021 actuarial experience study.										
Interest Rate:	7.15% (prior year 7.25%) per year compounded annually, net of investment related expenses.										
Salary Increases:	Service based. <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Years of Service</th> <th style="text-align: center; border-bottom: 1px solid black;">Termination Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">< 1</td> <td style="text-align: center;">10.0%</td> </tr> <tr> <td style="text-align: center;">1 – 9</td> <td style="text-align: center;">7.0%</td> </tr> <tr> <td style="text-align: center;">10 – 14</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td style="text-align: center;">15 +</td> <td style="text-align: center;">4.5%</td> </tr> </tbody> </table> <p>This assumption was adopted based on the results of the January 27, 2021 actuarial experience study.</p>	Years of Service	Termination Rate	< 1	10.0%	1 – 9	7.0%	10 – 14	5.0%	15 +	4.5%
Years of Service	Termination Rate										
< 1	10.0%										
1 – 9	7.0%										
10 – 14	5.0%										
15 +	4.5%										
Payroll Growth:	1.20% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.										
Asset Valuation Method:	All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.										
Inflation:	2.50%										
Discount Rate:	7.15%										
Investment Rate of Return:	7.15%										
Long-Term Expected Rate of Return:	The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.										
Changes of Assumptions:	As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2024, FRS valuation report for special risk employees.										

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

Last Ten Fiscal Years

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

<u>DATE</u>	<u>PERCENTAGE</u>
9/30/16	6.83%
9/30/17	11.65%
9/30/18	7.23%
9/30/19	4.79%
9/30/20	11.20%
9/30/21	17.20%
9/30/22	-19.63%
9/30/23	11.92%
9/30/24	23.62%
9/30/25	11.64%

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

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

	FLORIDA RETIREMENT SYSTEM (FRS) Last Ten Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City's proportion of the net pension liability	0.002715044%	0.002845767%	0.003011937%	0.003308094%	0.003424347%	0.003835892%	0.004307421%	0.004175186%	0.003811247%	0.003825352%
City's proportionate share of the net pension liability	\$ 685,551	\$ 841,759	\$ 907,211	\$ 1,139,262	\$ 1,484,163	\$ 289,758	\$ 1,602,707	\$ 1,663,679	\$ 1,474,370	\$ 1,187,203
City's covered-employee payroll	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016	\$ 1,906,926	\$ 2,018,993	\$ 2,323,529	\$ 2,552,657	\$ 2,644,735	\$ 2,796,190
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	53%	60%	56%	67%	78%	14%	69%	65%	56%	42%
Plan fiduciary net position as a percentage of total pension liability	84.88%	83.89%	84.26%	82.61%	78.85%	96.40%	82.89%	82.38%	83.70%	87.26%

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

	RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS) Last Ten Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City's proportion of the net pension liability	0.004262634%	0.004458865%	0.004754631%	0.005160115%	0.005376911%	0.005659781%	0.006192172%	0.006163208%	0.006151667%	0.006182501%
City's proportionate share of the net pension liability	\$ 496,792	\$ 476,762	\$ 503,236	\$ 577,365	\$ 656,512	\$ 694,257	\$ 655,850	\$ 978,800	\$ 922,810	\$ 792,439
City's covered-employee payroll	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016	\$ 1,906,926	\$ 2,018,993	\$ 2,323,529	\$ 2,552,657	\$ 2,644,735	\$ 2,796,190
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	39%	34%	31%	34%	34%	34%	28%	38%	35%	28%
Plan fiduciary net position as a percentage of total pension liability	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%	4.81%	4.12%	4.80%	6.36%

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

	FLORIDA RETIREMENT SYSTEM (FRS) Last Ten Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	\$ 66,211	\$ 74,082	\$ 85,838	\$ 102,575	\$ 113,776	\$ 146,131	\$ 183,805	\$ 200,853	\$ 215,817	\$ 228,400
Contributions in relation to the contractually required contribution	66,211	74,082	85,838	102,575	113,776	146,131	183,805	200,853	215,817	228,400
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016	\$ 1,906,926	\$ 2,018,993	\$ 2,323,529	\$ 2,552,657	\$ 2,644,735	\$ 2,796,190
Contributions as a percentage of covered-employee payroll	5.14%	5.26%	5.29%	6.06%	5.97%	7.24%	7.91%	7.87%	8.16%	8.17%

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

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	\$ 21,849	\$ 23,598	\$ 25,794	\$ 28,654	\$ 30,985	\$ 33,268	\$ 37,468	\$ 40,543	\$ 52,082	\$ 55,257
Contributions in relation to the contractually required contribution	21,849	23,598	25,794	28,654	30,985	33,268	37,468	40,543	52,082	55,257
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,287,870	\$ 1,407,097	\$ 1,624,162	\$ 1,693,016	\$ 1,906,926	\$ 2,018,993	\$ 2,323,529	\$ 2,552,657	\$ 2,644,735	\$ 2,796,190
Contributions as a percentage of covered-employee payroll	1.70%	1.68%	1.59%	1.69%	1.62%	1.65%	1.61%	1.59%	1.97%	1.98%

CITY OF HOLMES BEACH FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – FRS/HIS

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed for the period July 1, 2018, through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS program were based on certain results of the most recent experience study for the FRS pension plan.

The total pension liability for the FRS and HIS plan was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth for both plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. 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 5.20% was used to determine the total pension liability for the program. Mortality assumptions for the FRS plan was based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021.

The following changes in actuarial assumptions occurred in 2025 for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

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

	Available Fiscal Years *								
	9/30/18	9/30/19	9/30/20	9/30/21	9/30/22	9/30/23	9/30/24	9/30/25	
Total OPEB liability									
Service cost	\$ 9,715	\$ 9,254	\$ 11,521	\$ 9,892	\$ 8,611	\$ 7,964	\$ 8,755	\$ 11,457	
Interest	3,981	4,731	4,483	2,412	2,537	5,065	5,484	6,185	
Differences between expected and actual experience	-	-	(8,801)	-	(12,538)	-	(1,653)	-	
Changes of assumptions	(6,642)	7,818	(23,729)	(3,593)	(4,670)	(1,157)	27,765	(8,073)	
Changes of benefit terms	-	-	-	-	-	-	-	-	
Contributions – Employer	-	-	-	-	-	-	-	-	
Benefit payments	(2,652)	(2,877)	(3,592)	(2,736)	(3,609)	(4,599)	(4,541)	(5,433)	
Other changes	-	-	-	-	-	-	-	-	
Net change in total OPEB liability	4,402	18,926	(20,118)	5,975	(9,669)	7,273	35,810	4,136	
Total OPEB liability – beginning	100,963	105,365	124,291	104,173	110,148	100,479	107,752	143,562	
Total OPEB liability – ending (a)	<u>\$ 105,365</u>	<u>\$ 124,291</u>	<u>\$ 104,173</u>	<u>\$ 110,148</u>	<u>\$ 100,479</u>	<u>\$ 107,752</u>	<u>\$ 143,562</u>	<u>\$ 147,698</u>	
Covered employee payroll	\$ 2,368,574	\$ 2,427,789	\$ 2,719,900	\$ 2,787,898	\$ 3,375,882	\$ 3,460,279	\$ 4,080,231	\$ 4,182,237	
Total OPEB liability as a percentage of covered employee payroll	4.45%	5.12%	3.83%	3.95%	2.98%	3.11%	3.52%	3.53%	

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

Changes of Benefit Terms:

There were no changes in benefit terms during the year ended September 30, 2025.

Changes of Assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal year ending September 30, 2025	4.50%
Fiscal year ending September 30, 2024	4.06%
Fiscal year ending September 30, 2023	4.87%
Fiscal year ending September 30, 2022	4.77%
Fiscal year ending September 30, 2021	2.43%
Fiscal year ending September 30, 2020	2.14%
Fiscal year ending September 30, 2019	3.58%
Fiscal year ending September 30, 2018	4.18%
Fiscal year ending September 30, 2017	3.64%

Also for fiscal year 2024 reflected assumption changes to update health care costs and premiums.

Note to Required Supplementary Information:

The OPEB benefits are unfunded and there is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation.

SUPPLEMENTARY INFORMATION

CITY OF HOLMES BEACH, FLORIDA
DETAILED SCHEDULE OF REVENUES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Ad valorem taxes	\$ 6,703,543	\$ 6,703,543	\$ 6,504,586	\$ (198,957)
Four cent gas tax	89,466	89,466	91,496	2,030
Ninth cent gas tax	14,543	14,543	14,929	386
Two cent gas tax	54,069	54,069	55,379	1,310
Local option 5 cent gas tax	139,924	139,924	117,677	(22,247)
Casualty insurance tax	48,221	48,221	74,001	25,780
Communication service tax	219,113	219,113	188,634	(30,479)
Revenue sharing – state	140,863	140,863	142,374	1,511
Sales tax	291,445	291,445	307,522	16,077
Discretionary 1/2 cent sales tax	315,041	315,041	326,791	11,750
Court fines	18,000	18,000	16,021	(1,979)
Licenses and permits	1,855,835	1,930,835	2,591,063	660,228
Storm water utilities fees	835,996	835,996	806,066	(29,930)
Franchise fees	671,400	671,400	767,296	95,896
Interest earned	600,000	600,000	447,291	(152,709)
Grants	1,059,357	1,059,357	2,616,298	1,556,941
Alcoholic beverage tax	6,000	6,000	7,041	1,041
Police service charges	4,100	4,100	7,725	3,625
Administrative fees	11,000	11,000	9,592	(1,408)
Violation of local ordinance	225,000	225,000	248,144	23,144
Lien request fees	16,875	16,875	22,425	5,550
Dock fees	42,800	42,800	33,198	(9,602)
Code compliance fines	15,000	15,000	40,967	25,967
Code magistrate	15,000	15,000	152	(14,848)
Private donations	322,000	373,202	70,692	(302,510)
Building official service fees	3,600	3,600	6,439	2,839
Tidemark lease	15,450	15,450	15,538	88
Cell tower review fees	1,500	1,500	-	(1,500)
Manatee County beach patrol	46,000	46,000	92,824	46,824
School resource officers	102,949	102,949	102,949	-
Miscellaneous	17,500	17,500	480,811	463,311
TOTAL REVENUES	\$ 13,901,590	\$ 14,027,792	\$ 16,205,921	\$ 2,178,129

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025**

EXPENDITURES	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
ADMINISTRATIVE				
Clerk's salaries	\$ 624,681	\$ 624,681	\$ 578,370	\$ 46,311
Payroll taxes	53,190	53,190	48,630	4,560
Retirement	51,138	51,138	78,696	(27,558)
Life/health/workers comp insurance	138,377	138,377	120,824	17,553
Mayor and Commission	70,617	70,617	69,847	770
Professional fees	782,945	782,945	415,289	367,656
Office supplies	26,250	26,250	23,746	2,504
Operating supplies	32,500	32,500	36,045	(3,545)
Insurance	93,277	93,277	103,545	(10,268)
Advertising	15,000	15,000	6,085	8,915
Books, memberships, training	22,650	22,650	11,342	11,308
Miscellaneous	8,600	8,600	3,352	5,248
Elections expense	5,000	5,000	323	4,677
Leasing expense	16,000	16,000	9,283	6,717
Travel	19,000	19,000	4,308	14,692
Utilities	33,560	33,560	25,848	7,712
Outside agency funding	42,500	42,500	42,500	-
Contingencies	100,000	100,000	5,000	95,000
Capital outlay	93,000	93,000	32,395	60,605
TOTAL ADMINISTRATIVE	2,228,285	2,228,285	1,615,428	612,857
POLICE DEPARTMENT				
Salaries	2,383,696	2,383,696	2,245,546	138,150
Payroll taxes	181,615	181,615	164,094	17,521
Retirement	627,420	627,420	798,552	(171,132)
Life/health/workers comp insurance	793,524	793,524	624,333	169,191
Operational expenses	228,105	228,105	212,884	15,221
Service contracts/leases	5,000	5,000	2,616	2,384
Professional fees	256,475	256,475	237,520	18,955
Maintenance	69,303	69,303	105,826	(36,523)
Marine patrol	148,900	148,900	6,529	142,371
Insurance	367,124	367,124	373,624	(6,500)
Utility services	48,160	48,160	33,362	14,798
Radio/communications	25,000	25,000	36,550	(11,550)
Travel	20,000	20,000	17,073	2,927
Education	31,061	31,061	34,028	(2,967)
Capital outlay	311,000	336,000	406,110	(70,110)
TOTAL POLICE DEPARTMENT	5,496,383	5,521,383	5,298,647	222,736

**CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES				
CODE ENFORCEMENT				
Salaries	347,545	347,545	315,416	32,129
Payroll taxes	13,294	13,294	23,246	(9,952)
Retirement	47,281	47,281	37,719	9,562
Life/health/workers comp insurance	47,255	47,255	75,773	(28,518)
Professional fees	152,195	152,195	73,898	78,297
Insurance	69,216	69,216	73,304	(4,088)
Vehicle maintenance	8,000	8,000	4,825	3,175
Office supplies	7,000	7,000	8,210	(1,210)
Operating supplies / work	35,740	35,740	37,028	(1,288)
Advertising	9,500	9,500	11,192	(1,692)
Travel	7,000	7,000	667	6,333
Education	8,000	8,000	3,515	4,485
Rents / leases	3,500	3,500	3,100	400
Capital outlay	50,000	50,000	49,769	231
TOTAL CODE ENFORCEMENT	805,526	805,526	717,662	87,864
PUBLIC WORKS DEPARTMENT				
Salaries	1,073,347	1,073,347	994,647	78,700
Payroll taxes	82,111	82,111	72,763	9,348
Retirement	146,048	146,048	127,040	19,008
Life/health/workers comp insurance	439,716	439,716	236,936	202,780
Maintenance – General	1,400,500	1,400,500	1,033,204	367,296
Professional fees	274,700	274,700	324,501	(49,801)
Professional fees–Stormwater	247,500	247,500	617,773	(370,273)
Office supplies	17,500	17,500	15,797	1,703
Insurance	214,075	214,075	233,656	(19,581)
Miscellaneous	2,000	2,000	1,809	191
Advertising	7,000	7,000	19,102	(12,102)
Operational supplies / work	308,500	312,671	319,867	(7,196)
Travel	5,200	5,200	5,171	29
Road maintenance & materials	180,000	180,000	34,579	145,421
Rents / leases	6,300	6,300	1,528	4,772
Education	11,000	11,000	24,598	(13,598)
Utilities	151,065	151,065	130,669	20,396
Parks	17,500	17,500	10,807	6,693
Contingencies	250,000	250,000	74,978	175,022
Other	30,000	30,000	59,595	(29,595)
Capital outlay	2,323,900	2,370,931	1,585,383	785,548
TOTAL PUBLIC WORKS DEPARTMENT	7,187,962	7,239,164	5,924,403	1,314,761

CITY OF HOLMES BEACH, FLORIDA
 DETAILED SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

GENERAL FUND				
EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
BUILDING DEPARTMENT				
Salaries	666,796	666,796	651,890	14,906
Payroll taxes	56,010	56,010	37,052	18,958
Retirement	95,884	95,884	84,829	11,055
Life/health/workers comp insurance	210,126	210,126	140,774	69,352
Professional fees	151,250	151,250	185,960	(34,710)
Insurance	100,928	100,928	105,348	(4,420)
Maintenance	3,500	3,500	3,995	(495)
Printing	6,000	6,000	148	5,852
Advertising	5,000	5,000	6,890	(1,890)
Office supplies	15,000	15,000	4,858	10,142
Miscellaneous	13,500	13,500	9,909	3,591
Travel	11,000	11,000	11,834	(834)
Utilities	19,040	19,040	12,277	6,763
Education	15,000	15,000	9,317	5,683
Capital outlay	5,000	55,000	88,649	(33,649)
TOTAL BUILDING DEPARTMENT	1,374,034	1,424,034	1,353,730	70,304
 TOTAL EXPENDITURES	 \$ 17,092,190	 \$ 17,218,392	 \$ 14,909,870	 \$ 2,308,522

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Pass-Through Grantor/ Project	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
DEPARTMENT OF HOMELAND SECURITY				
Passed through the State of Florida Division of Emergency Management				
Disaster Grants-Public Assistance (Presidentially Declared Disasters) (HELENE)	97.036	Z4304	\$ -	\$ 2,383,163
Total Department of Homeland Security			<u>-</u>	<u>2,383,163</u>
DEPARTMENT OF JUSTICE				
Passed through Manatee County, Florida				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG-00656-MUMU	-	47,210
Total Department of Justice			<u>-</u>	<u>47,210</u>
Total Expenditures of Federal Awards			<u><u>\$ -</u></u>	<u><u>\$ 2,430,373</u></u>

The Independent Auditor's Report should be read in connection with this schedule.

CITY OF HOLMES BEACH FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. The City elected not to use the 15 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE B – CONTINGENCIES

Grant monies received and distributed by the City are for specific purpose and are subject to review by grantor agencies. Such agencies may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City does not believe that such allowances, if any, would have a material effect on the financial statements of the City. As of March 20, 2026, there were no material questioned or disallowed costs as a result of grant audits in the process or completed.

OTHER 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on 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 financial statements. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CS&L CPAs

CS&L CPAs, P. A.

March 20, 2026
Bradenton, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Holmes Beach, Florida's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink that reads "CS&L CPAs". The letters are cursive and somewhat stylized.

CS&L CPAs, P. A.

March 20, 2026
Bradenton, Florida

CITY OF HOLMES BEACH, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over federal major programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) ___ yes x no

Identification of Major Federal Programs: **AL Number**

Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance? x yes ___ no

**CITY OF HOLMES BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings

No matters were reported.

PRIOR YEAR FINDINGS

There were no prior audit findings.

Section III – Federal Program Findings and Questioned Costs

No matters were reported.

PRIOR YEAR FINDINGS

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

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, 2025, and have issued our report thereon dated March 20, 2026.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 20, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Holmes Beach, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City of Holmes Beach, Florida, was not in a state of financial emergency as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.544(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Holmes Beach, Florida. It is management's responsibility to monitor the City of Holmes Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a, Rules of the Auditor General, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the City's geographical boundaries during the fiscal year under audit.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred, or is likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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.

Handwritten signature in black ink that reads "CS&L CPAs". The letters are cursive and somewhat stylized.

CS&L CPAs, P. A.

March 20, 2026
Bradenton, Florida

**INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE**

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

We have examined the City of Holmes Beach, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied in all material respects, with the aforementioned compliance requirements for the year ended September 30, 2025.

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

A handwritten signature in blue ink that reads 'CS&L CPAs'.

CS&L CPAs, P. A.

March 20, 2026
Bradenton, Florida