

CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013



CITY COMMISSION

HONORABLE ROY JOHNSON, MAYOR

DISTRICT 1 – JOHN PENNY
DISTRICT 2 – PENNY CURRIE
DISTRICT 3 – DONNIE MOORE
DISTRICT 4 – ELIZABETH ALBERT

CITY MANAGER

JAMES A. MCCROSKEY

CITY ATTORNEY

SCOTT SIMPSON, ESQ.

DIRECTOR OF FINANCE

KURT D. SWARTZLANDER

Prepared by:
Holly Hill Finance Department

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TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | <u>Reference</u> | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|
| INTRODUCTORY SECTION | | |
| Title Page | | 1 |
| Table of Contents | | 3 |
| Organization Chart..... | | 9 |
| Certificate of Achievement for Excellence in Financial Reporting | | 13 |
| Letter of Transmittal | | 17 |
| FINANCIAL SECTION | | |
| Independent Auditors' Report | | 25 |
| Management's Discussion and Analysis | | 31 |
| Basic Financial Statements: | | |
| Statement of Net Position | Statement 1 | 45 |
| Statement of Activities | Statement 2 | 46 |
| Fund Financial Statements: | | |
| Balance Sheet-Governmental Funds | Statement 3 | 48 |
| Reconciliation of Balance Sheet to the Statement of Net Position | Statement 3A | 51 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | Statement 4 | 52 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | Statement 4A | 54 |
| Budgetary Comparison Schedule-General Fund..... | Statement 5 | 55 |
| Budgetary Comparison Schedule-Community Redevelopment Fund | Statement 6 | 57 |
| Statement of Fund Net Position-Proprietary Funds | Statement 7 | 58 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds..... | Statement 8 | 61 |
| Statement of Cash Flows - Proprietary Funds | Statement 9 | 62 |
| Statement of Fiduciary Net Position - Fiduciary Funds..... | Statement 10 | 64 |
| Statement of Changes in Fiduciary Net Position | Statement 11 | 65 |
| Notes to the Financial Statements | | 69 |
| Required Supplementary Information: | | |
| Schedules of Funding Progress..... | Schedule 1 | 109 |
| Schedules of Employer Contributions | Schedule 2 | 110 |

TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | <u>Reference</u> | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------|------------------|-------------|
| Combining and Individual Fund Statements and Schedules: | | |
| Combining Balance Sheet-Nonmajor Governmental Funds | Exhibit 1 | 114 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds | Exhibit 2 | 116 |
| Major Funds: | | |
| Budgetary Comparison Schedule – Community Redevelopment Agency Debt Service Fund..... | Exhibit 3 | 118 |
| Community Redevelopment Agency Capital Projects Fund..... | Exhibit 4 | 119 |
| Special Revenue Funds: | | |
| Budgetary Comparison Schedule-Nonmajor Impact Fees Trust Fund | Exhibit 5 | 120 |
| Budgetary Comparison Schedule-Nonmajor Law Enforcement Trust Fund | Exhibit 6 | 121 |
| Budgetary Comparison Schedule-Nonmajor Holly Hill Police Explorers Fund..... | Exhibit 7 | 122 |
| Budgetary Comparison Schedule-Nonmajor Recreation Activity Fund..... | Exhibit 8 | 123 |
| Budgetary Comparison Schedule-Nonmajor Red Light Traffic Enforcement Fund | Exhibit 9 | 124 |
| Budgetary Comparison Schedule-Nonmajor Community Development Block Grant Fund..... | Exhibit 10 | 125 |
| Budgetary Comparison Schedule-Nonmajor Local Law Enforcement Block Grant Fund | Exhibit 11 | 126 |
| Capital Projects Fund: | | |
| Budgetary Comparison Schedule-Nonmajor Capital Projects Fund | Exhibit 12 | 127 |

STATISTICAL SECTION

Financial Trends:

| | | |
|------------------------------------------------------------------------------|---------|-----|
| Net Position by Component, Last Nine Fiscal Years | Table 1 | 130 |
| Changes in Net Position, Last Nine Fiscal Years..... | Table 2 | 132 |
| Fund Balances, Governmental Funds, Last Ten Fiscal Years..... | Table 3 | 136 |
| Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years | Table 4 | 138 |

Revenue Capacity:

| | | |
|----------------------------------------------------------------------------------------------|---------|-----|
| Assessed Value and Estimate Actual Value of Taxable Property, Last Ten Fiscal Years | Table 5 | 140 |
| Direct and All Overlapping Property Tax Rates, Last Ten Fiscal Years | Table 6 | 142 |
| Principal Property Taxpayers, Current and Nine Years Ago | Table 7 | 144 |

TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 September 30, 2013
 CITY OF HOLLY HILL, FLORIDA

| | <u>Reference</u> | <u>Page</u> |
|---------------------------------------------------------------------------------------------|------------------|-------------|
| Property Tax Levies and Collections, Last Ten Fiscal Years..... | Table 8 | 147 |
| Water Produced and Consumed/Wastewater Treated, Last Ten Fiscal Years | Table 9 | 148 |
| Water and Sewer Utility Rates, Last Ten Fiscal Years | Table 10 | 149 |
| Ten Largest Water and Sewer Customers, Current and Nine Years Ago..... | Table 11 | 150 |
| Debt Capacity: | | |
| Ratios of Outstanding Debt by Type, Last Ten Fiscal Years | Table 12 | 152 |
| Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years | Table 13 | 154 |
| Direct and Overlapping Governmental Activities Debt | Table 14 | 155 |
| Legal Debt Margin Information | Table 15 | 157 |
| Pledged Revenue Coverage, Last Ten Fiscal Years | Table 16 | 158 |
| Demographic and Economic Information: | | |
| Demographic and Economic Statistics, Last Ten Years | Table 17 | 161 |
| Principal Employers, Current and Nine Years Ago | Table 18 | 162 |
| Operating Information: | | |
| Full-Time Equivalent City Government Employees by Function/Program, Last Ten Years | Table 19 | 164 |
| Operating Indicators by Function/Program, Last Ten Years..... | Table 20 | 166 |
| Capital Asset Statistics by Function/Program, Last Ten Years..... | Table 21 | 168 |

COMPLIANCE SECTION

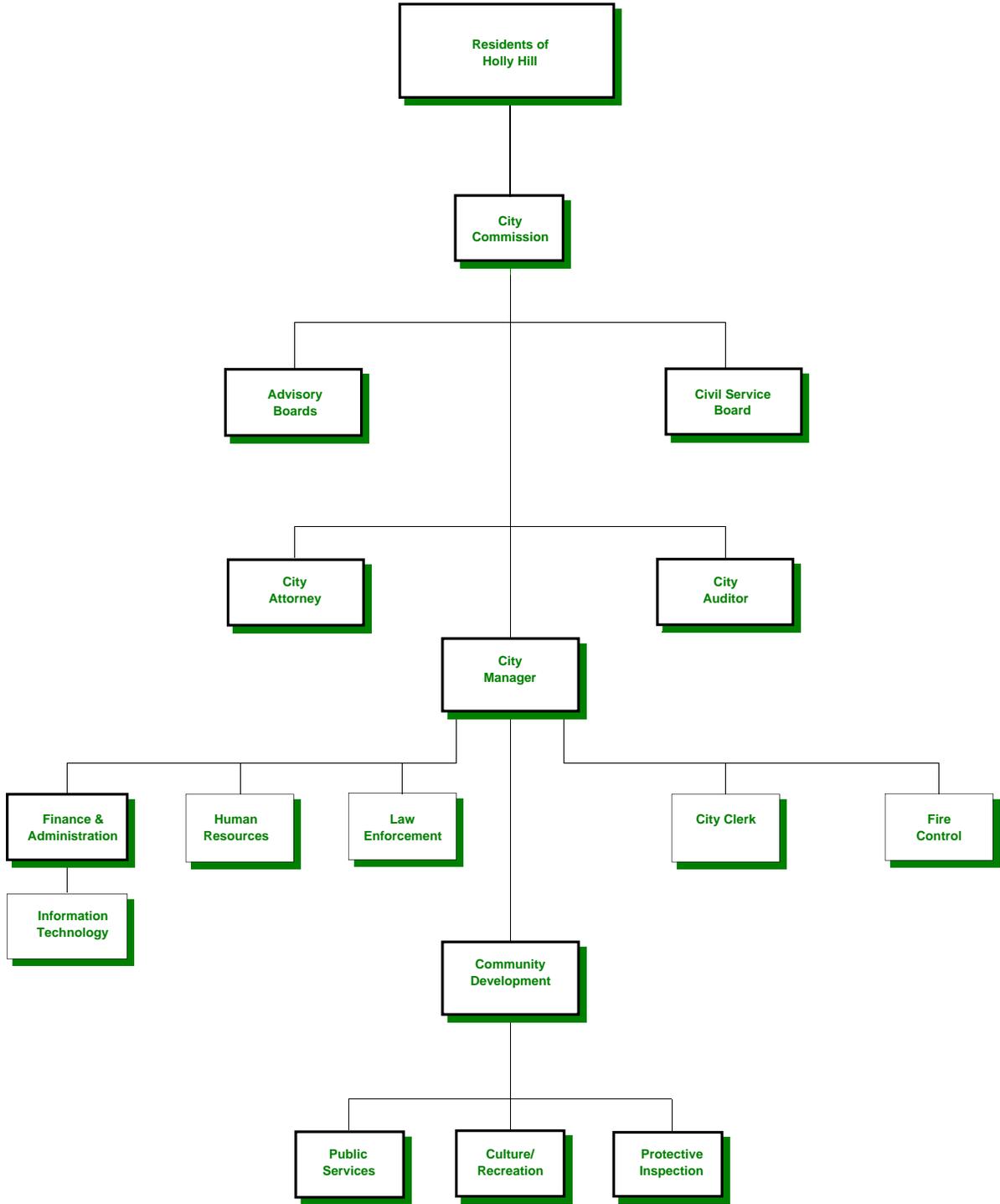
| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ... | 173 |
| Management Letter (with Auditee Response) | 175 |

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ORGANIZATION CHART

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**CITY OF HOLLY HILL
ORGANIZATION CHART
2012 - 2013**



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CITY OF HOLLY HILL, FLORIDA

CERTIFICATE OF ACHIEVEMENT AWARDED

For the Year Ended September 30, 2012

*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Holly Hill, Florida, for its comprehensive annual financial report for the fiscal year ended September 30, 2012.*

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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CERTIFICATE OF ACHIEVEMENT
For the Year Ended September 30, 2012
CITY OF HOLLY HILL, FLORIDA



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Holly Hill
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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LETTER OF TRANSMITTAL

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CITY OF HOLLY HILL

The City with a Heart

1065 Ridgewood Avenue ♥ Holly Hill, Florida 32117

www.hollyhillfl.org

March 18, 2014

Honorable Mayor, and
Members of the City Commission
City of Holly Hill, Florida

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. We hereby issue the comprehensive annual financial report of the City of Holly Hill for the fiscal year ended September 30, 2013.

This report consists of management's representations concerning the finances of the City of Holly Hill. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Holly Hill has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, fraud, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Holly Hill's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Holly Hill's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Brent Millikan & Company, P.A., a firm of licensed certified public accountants, has audited the City of Holly Hill's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Holly Hill for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Holly Hill's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

**Building,
Zoning,
Licensing &
Inspections**
386-248-9442
Fax 386-248-9498

**City
Clerk**
386-248-9441
Fax 386-248-9448

**City
Manager**
386-248-9425
Fax 386-248-9448

**Economic
Development**
386-248-9424
Fax 386-248-9448

Finance
386-248-9427
Fax 386-248-9448

**Human
Resources**
386-248-9440
Fax 386-248-9448

**Information
Technology**
386-248-9449
Fax 386-248-9448

**Public
Works**
386-248-9463
Fax 386-248-9448

Recreation
386-248-9460
Fax 386-248-9499

**Utility
Billing**
386-248-9432
Fax 386-248-9448

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Holly Hill's MD&A can be found immediately following the report of the independent auditors.

Profile of Government

The City of Holly Hill, incorporated in 1901, is located in east central Florida on the west bank of the Halifax River. The City of Holly Hill currently occupies a land area of 4.5 square miles. The City of Holly Hill is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commission. The City of Holly Hill has operated under the commission-manager form of government since 1901. Policy-making and legislative authority are vested in the City Commission consisting of the mayor and four other members. The City Commission is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The commission is elected on a non-partisan basis. Commission members serve two-year terms, with an election every even year. The mayor is elected to serve a two-year term and is limited to two terms. The City of Holly Hill provides a full range of services, including police, fire and rescue, street construction and maintenance, planning and zoning, parks and recreation, cultural events, and general administrative services. In addition, water and sewer service, storm water management services and solid waste collection are provided under an Enterprise Fund concept with user charges established by the City Commission to ensure adequate coverage of operating expenses and payments on outstanding debt. The City of Holly Hill provides water and sewer service outside the city limits, including to the City of Ormond Beach, City of Daytona Beach and certain unincorporated parts of Volusia County. The City of Holly Hill contracts with private enterprise for solid waste collection.

The annual budget serves as the foundation for the City of Holly Hill's financial planning and control. All departments of the City of Holly Hill are required to submit requests for appropriation to the City Manager by early April. Requests for personnel and Capital Improvements must be submitted in May. The City Manager uses these requests as the starting point for developing a proposed budget. Budget workshops are held in June and July. In late July, the city commission sets a proposed millage rate by resolution. The City Manager presents the proposed budget to the commission at the first public hearing in September. The commission is required to hold two public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Holly Hill's fiscal year. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Commission. Budget-to-actual comparisons are provided in this report. The general fund and three major fund comparisons are presented as part of the required supplemental information for the City. City funds, other than the general fund and other major funds, with appropriated annual budget comparisons, are presented in the combining and individual fund statements section.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Holly Hill operates.

Local Economy - The City of Holly Hill is currently experiencing a challenging economic environment along with the rest of the country. The opportunity for additional growth still exists in an already dynamic business and industrial community. The City is actively encouraging new and expanded business

development in core commercial areas and promoting the upgrading of older residential areas by providing assistance whenever possible through its Community Redevelopment Area.

Long-Term Financial Planning and Budgeting – The City’s ad valorem millage rate for FY 2012-13 was 7.35, which was the current year rolled-back rate (or the rate which is required to produce the same level of ad valorem taxes levied in the prior year). While the millage increased from the prior year rate of 6.95, current year adjusted taxable value of property totaled \$450 million, compared to \$476 million one year earlier. To ensure that sound financial management policies and procedures are in place to assure maximum protections and use of public funds, in 2010 the City of Holly Hill adopted a resolution (2010-R-64) of Fiscal Integrity Principles. This resolution contained such items as establishing fund balance policies, criteria underlying salary and wage adjustments, current and long-term budgeting policies (including a capital improvement program), and required fiscal monitoring and reporting.

Relevant Financial Policies - The City Commission recognizes that maintaining a prudent level of unreserved fund balance is necessary to protect the city against reducing service levels, emergencies or natural disasters, unanticipated economic downturns, or unpredicted one-time expenditures. They also provide flexibility to respond to unexpected opportunities. Credit rating agencies also monitor levels of fund balance to evaluate a government's continued credit worthiness. To address these issues, the City Commission included in the Fiscal Integrity Principals Resolution a policy to maintain an unreserved fund balance in the General Fund and Utilities Fund (Water and Sewer) equivalent to 90 days operating expenses.

Major Initiatives – The City is in the beginning process of undergrounding utilities along the U.S. 1 corridor. The City also undertook a feasibility study to determine the best use for the recently acquired middle school property.

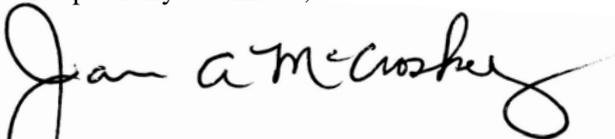
Awards - The Government Finance Officers’ Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Holly Hill, for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2012. This was the thirty fifth consecutive year that the City of Holly Hill has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine it’s eligibility for another certificate.

Acknowledgements - The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution they made in preparation of this report.

In closing, without the leadership and support of the members of the City Commission of the City of Holly Hill, preparation of this report would not have been possible.

Respectfully Submitted,


James McCroskey
City Manager


Kurt D. Swartzlander
Finance Director

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FINANCIAL SECTION

THIS SECTION IS COMPOSED OF THE FOLLOWING FIVE PARTS:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

***BUDGETARY COMPARISONS
MAJOR DEBT SERVICE AND CAPITAL PROJECTS FUNDS
AND
NONMAJOR GOVERNMENTAL FUNDS***

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INDEPENDENT AUDITORS' REPORT

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BM&C

BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, and
Members of the City Commission
City of Holly Hill, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Community Redevelopment Agency funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General and Community Redevelopment Agency funds, and schedules of funding progress and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holly Hill, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

To the Honorable Mayor, and
Members of the City Commission
City of Holly Hill, Florida
Page 3

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City of Holly Hill, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Holly Hill, Florida's internal control over financial reporting and compliance.

Brent Milliken & Co., P.A.

March 18, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Holly Hill, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with our letter of transmittal found in the preceding introductory section, and the City's financial statements, which follow this information. The City presents prior year comparative financial information when applicable and meaningful.

Financial Highlights

- The City's financial position has changed as a result of the current year's operations. Overall combined assets and deferred outflows of the City totaled \$79.0 million at the close of the 2013 fiscal year, compared to \$70.8 million at the close of 2012. Total assets and deferred outflows exceeded liabilities by approximately \$39.8 million (*combined net position*) compared with \$38.1 million one year earlier. The unrestricted component of the City's combined net position totaled \$12.5 million at year end. This represents the unrestricted amount available to be used to meet the City's ongoing obligations to its citizens and creditors.
- Net position of the City's governmental activities remained relatively stable and totaled \$20.6 million, a slight increase of \$0.1 million over last year's \$20.5 million. Net position of its business-type activities totaled \$19.2 million, an increase of \$1.6 million over last year's \$17.6 million.
- During 2013, the City's combined governmental activities operating expenses totaled \$9.22 million, which was \$130,674 below the \$9.35 million generated in governmental program charges, grants, contributions, taxes and other revenues for providing its various governmental program activities and programs. This compares favorably with excess revenues recognized in the prior years.
- The City's business-type activities produced net operating income of \$2.7 million in 2013 (compared to \$2.8 million for 2012) based on consumptive water/sewer/solid waste utility sales of \$8.5 million (\$8.1 million in 2012). The operating margins in these funds continue to be capable of providing direct financial support to the City's governmental funds. Net operating transfers to governmental activities funds remained unchanged and totaled \$616,800, in 2013 and in 2012.
- Total operating costs incurred by the City in providing its various programs increased to \$15.5 million in 2013, compared to \$14.6 million in 2012. Operating expenses in 2012 totaled \$8.4 million and \$6.1 million for the City's governmental activities and business-type activities, respectively.
- Unassigned fund equity in the General Fund increased by \$897,221 and totaled \$3.0 million and the end of 2013, compared to \$2.1 million at the end of 2012.
- Resources earned and available for appropriation in the current year (\$6,955,170) were 1.5% below amounts originally anticipated in the General Fund's operating budget. General Fund expenditures (\$8,290,163) were \$1,928,937 (18.9%) below the City's revised appropriations for the year.
- The City's net long-term debt outstanding increased by \$5,303,059 during the current fiscal year primarily from the issuance of \$6,540,000 in long-term revenue obligations.

Overview of the Financial Statements

The City's financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements (including government-wide financial statements, fund financial statements, and notes to the financial statements), and 3) required supplementary information, including budgetary comparisons and other selected financial and fiduciary fund data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the City's water and sewer utility and solid waste collection system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plans for the City's employees), to whom the resources in question belong.

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 basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the 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 the 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., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by 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 governmental activities of the City include general government services, public safety (police, fire and building inspection), highways and streets, stormwater management, economic development, and recreation and leisure services. The business-type activities of the City include its water and sewer utility and solid waste utility operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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 accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 51 and 54.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Redevelopment Agency (special revenue) Fund, the Community Redevelopment Capital Projects Fund, and the Community Redevelopment Agency Debt Service Fund, all of which are considered to be major funds. Data from the eight other governmental funds are combined into a single, aggregated presentation and include the remainder of the City's special revenue and capital projects funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for each of its governmental funds in accordance with state statutes. Budgetary comparison statements have been provided for each fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 48 to 57 of this report.

Proprietary funds. The City maintains only one of two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the fiscal activities of the City's municipal water and sewer utility fund, the stormwater management utility, and solid waste utility fund operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various departments and cost functions. The City does not presently use any internal service funds.

Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The proprietary fund financial statements provide separate financial information for the water and sewer utility, stormwater management utility, and solid waste utility operations, all of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 58 to 63 of this report.

Fiduciary funds. The City is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net position and changes in fiduciary net position. 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. Rather, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on pages 64 to 65 of this report.

Notes to the Financial Statements. The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 69 to 106 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide certain pension benefits to its employees and information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 109 to 110 of this report.

Government-Wide Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined net position increased to \$39,834,211 at the end of 2013 from \$38,087,927. Looking at the net position of the City's governmental and business-type activities separately, we can see that the City experienced an increase in the net position of its government activities (0.6%) and experienced an increase in its business-type activities (9.2%).

Net position of the City's governmental activities totaled \$20,591,644 and \$20,460,970 at the end of the 2013 and 2012 fiscal years, respectively. At the end of 2013, approximately 87.8% represents net position that is either restricted as to the purposes they can be used for, or its net investment in capital assets (land, buildings and equipment which is reported net of related debt). Consequently, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$2,522,450 at the end of 2013.

Net position of the City's business-type activities totaled \$19,242,567 and \$17,626,957 at the end of the 2013 and 2012 fiscal years, respectively. At the end of 2013, approximately 48.1% of its total net position (\$9,259,205) reflects its net investment in capital assets, amounts restricted for the payment of long-term debt, and impact fee collections that are restricted for future utility plant expansion.

The capital assets maintained in the business-type activities are used to provide water and sewer utility services, stormwater management services, and solid waste utility services to the City's utility customers; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that under normal circumstances the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Long-term debt obligations, including current maturities, associated with this capitalization totaled \$24,509,235 at the end of 2013. At the end of the current and prior fiscal years, the City reports positive balances in all three categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

The following is a comparative summary of net position at year end:

| Net Position | | | | | | |
|---------------------------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| September 30, 2013 and 2012 | | | | | | |
| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Assets: | | | | | | |
| Current and other assets..... | \$ 13,452,483 | 10,169,840 | 16,628,141 | 14,003,738 | 30,080,624 | 24,173,578 |
| Capital assets, net..... | <u>18,849,502</u> | <u>17,548,280</u> | <u>29,685,030</u> | <u>28,591,811</u> | <u>48,534,532</u> | <u>46,140,091</u> |
| Total assets | 32,301,985 | 27,718,120 | 46,313,171 | 42,595,549 | 78,615,156 | 70,313,669 |
| Deferred outflow of resources..... | - | - | <u>368,914</u> | <u>441,428</u> | <u>368,914</u> | <u>441,428</u> |
| Total assets and deferred outflows. | <u>32,301,985</u> | <u>27,718,120</u> | <u>46,682,085</u> | <u>43,036,977</u> | <u>78,984,070</u> | <u>70,755,097</u> |
| Liabilities: | | | | | | |
| Long-term debt outstanding..... | 9,535,000 | 4,871,283 | 24,509,235 | 23,869,893 | 34,044,235 | 28,741,176 |
| Other liabilities..... | <u>2,175,341</u> | <u>2,385,867</u> | <u>2,930,283</u> | <u>1,540,127</u> | <u>5,105,624</u> | <u>3,925,994</u> |
| Total liabilities | <u>11,710,341</u> | <u>7,257,150</u> | <u>27,439,518</u> | <u>25,410,020</u> | <u>39,149,859</u> | <u>32,667,170</u> |
| Net Position | | | | | | |
| Invested in capital assets, net of related debt..... | 9,314,502 | 12,676,997 | 5,175,795 | 7,180,534 | 14,490,297 | 19,857,531 |
| Restricted..... | 8,754,692 | 4,815,752 | 4,083,410 | 2,671,621 | 12,838,102 | 7,487,373 |
| Unrestricted | <u>2,522,450</u> | <u>2,968,221</u> | <u>9,983,362</u> | <u>7,774,802</u> | <u>12,505,812</u> | <u>10,743,023</u> |
| Total net position | <u>\$ 20,591,644</u> | <u>20,460,970</u> | <u>19,242,567</u> | <u>17,626,957</u> | <u>39,834,211</u> | <u>38,087,927</u> |

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During 2013, the City's combined net position increased \$1,746,284 while the City's overall gross revenues increased \$411,169. This increase is primarily due to increased service charges recognized in 2013 from the City's utility fund operations. Conversely, during 2012, the City's combined net position increased \$2,312,898 while the City's overall gross revenues decreased \$413,351. This decrease was primarily attributable to continued decreases in CRA tax increment fees and other intergovernmental revenues.

Overall, approximately 18.5% of the City's combined total revenues (\$17,287,854) come from property taxes, while almost 12.8% of every dollar raised comes from some source of other taxes collected by the City. Intergovernmental revenues (those received from other governments) amounts to approximately 1.7% of the City's revenues. Another 58.1% comes from fees charged for services, while the remaining 8.9% is a combination of state and federal financial assistance, operating and capital grants and donations, interest and other earnings.

The following is a comparative summary of changes in net position for 2013 and 2012:

Changes in Net Position
Fiscal Year Ended September 30, 2013 and 2012

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services..... | \$ 1,511,634 | 1,504,640 | 8,537,662 | 8,035,386 | 10,049,296 | 9,540,026 |
| Operating grants/other..... | 1,143,863 | 1,224,367 | - | - | 1,143,863 | 1,224,367 |
| Capital grants/other..... | 209,098 | 397,333 | 5,052 | 8,643 | 214,150 | 405,976 |
| General revenues: | | | | | | |
| Property taxes..... | 3,199,635 | 3,208,390 | - | - | 3,199,635 | 3,208,390 |
| Other taxes..... | 2,212,530 | 2,126,729 | - | - | 2,212,530 | 2,126,729 |
| Intergovernmental..... | 288,696 | 275,803 | - | - | 288,696 | 275,803 |
| Other revenues..... | 171,083 | 80,773 | 8,601 | 14,621 | 179,684 | 95,394 |
| Total revenues..... | <u>8,736,539</u> | <u>8,818,035</u> | <u>8,551,315</u> | <u>8,058,650</u> | <u>17,287,854</u> | <u>16,876,685</u> |
| Expenses: | | | | | | |
| General government..... | 2,298,533 | 2,348,014 | - | - | 2,298,533 | 2,348,014 |
| Public safety..... | 3,978,943 | 3,852,378 | - | - | 3,978,943 | 3,852,378 |
| Transportation..... | 578,257 | 289,592 | - | - | 578,257 | 289,592 |
| Economic environment..... | 1,242,706 | 886,764 | - | - | 1,242,706 | 886,764 |
| Culture/recreation..... | 949,879 | 866,369 | - | - | 949,879 | 866,369 |
| Interest on long-term debt..... | 174,347 | 204,683 | - | - | 174,347 | 204,683 |
| Water and sewer utilities..... | - | - | 4,001,497 | 4,243,185 | 4,001,497 | 4,243,185 |
| Stormwater management..... | - | - | 655,116 | 651,874 | 655,116 | 651,874 |
| Solid waste utilities..... | - | - | 1,662,292 | 1,220,928 | 1,662,292 | 1,220,928 |
| Total expenses..... | <u>9,222,665</u> | <u>8,447,800</u> | <u>6,318,905</u> | <u>6,115,987</u> | <u>15,541,570</u> | <u>14,563,787</u> |
| Excess before transfers..... | (486,126) | 370,235 | 2,232,410 | 1,942,663 | 1,746,284 | 2,312,898 |
| Transfers in (out)..... | 616,800 | 616,800 | (616,800) | (616,800) | - | - |
| Increase (decrease) in net position.. | 130,674 | 987,035 | 1,615,610 | 1,325,863 | 1,746,284 | 2,312,898 |
| Net position-beginning of year..... | <u>20,460,970</u> | <u>19,473,935</u> | <u>17,626,957</u> | <u>16,301,094</u> | <u>38,087,927</u> | <u>35,775,029</u> |
| Net position-end of year..... | <u>\$ 20,591,644</u> | <u>20,460,970</u> | <u>19,242,567</u> | <u>17,626,957</u> | <u>39,834,211</u> | <u>38,087,927</u> |

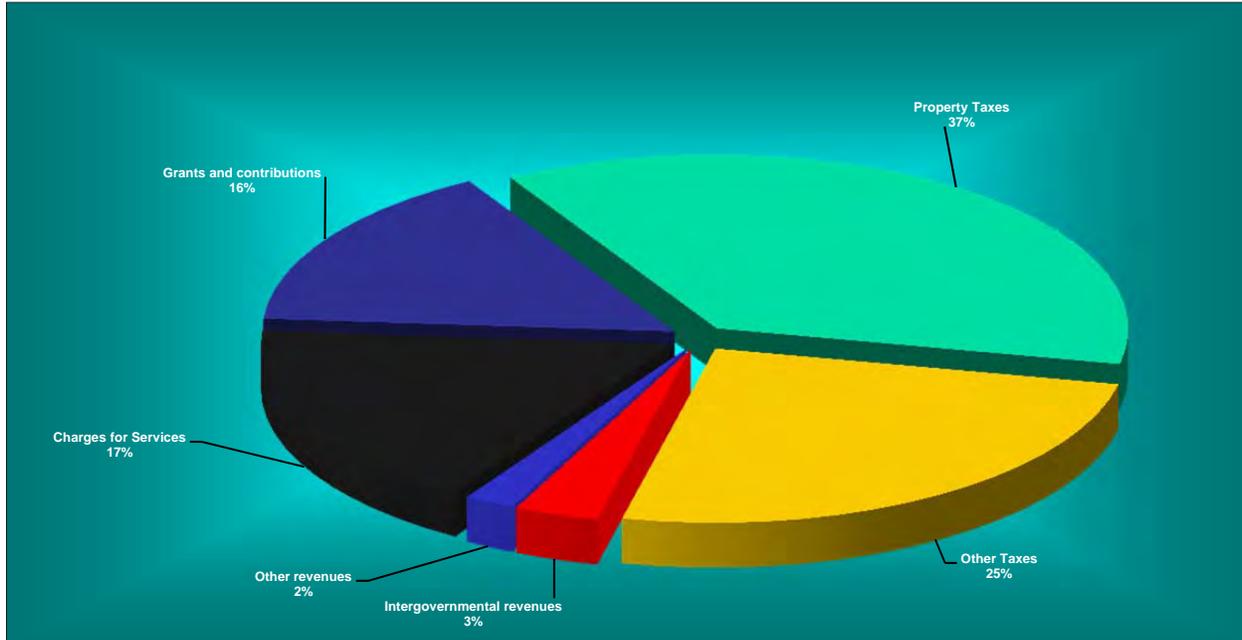
Governmental Activities

Total revenue for the City's governmental activities remained relatively stable in 2013. Overall, the City's governmental revenue totaled \$8,736,537, which represents a small decrease of \$81,496, or 0.9% below last year's reported governmental revenues of \$8,818,035. Amounts received from charges for services and property taxes both remained within 1% of amounts recognized in the prior year. Amounts received from operating and capital grants decreased by more than 16% during 2013 and totaled \$1.3 million, compared to \$1.6 million in the prior year primarily from the reduced amount of state and federal grant program activities. Amounts received from shared sales taxes, public service taxes, and other unrestricted intergovernmental sources increased from \$2.4 million to \$2.5 million in 2013, primarily from increases in the local business economy resulting in increased local business tax collections and shared state revenues.

While the City's other revenues remained stable, amounts earned from the assessment of ad valorem taxes remained similarly stable with a slight decrease of \$8,755, or 0.3% below amounts earned one year earlier. Ad valorem taxes totaling \$3,199,635 were earned in 2013, compared to \$3,208,390 earned in the prior year. The ad valorem millage rate for operating purposes was increased from 6.9500 mills with the 2011 levy (collected during fiscal 2012) to 7.3500 mills with the 2012 levy (collected during fiscal 2013). The decrease in tax collections was due primarily to the continued decline in the taxable value of property in the City, which dropped from \$476 million in 2012 to \$451 million in 2013.

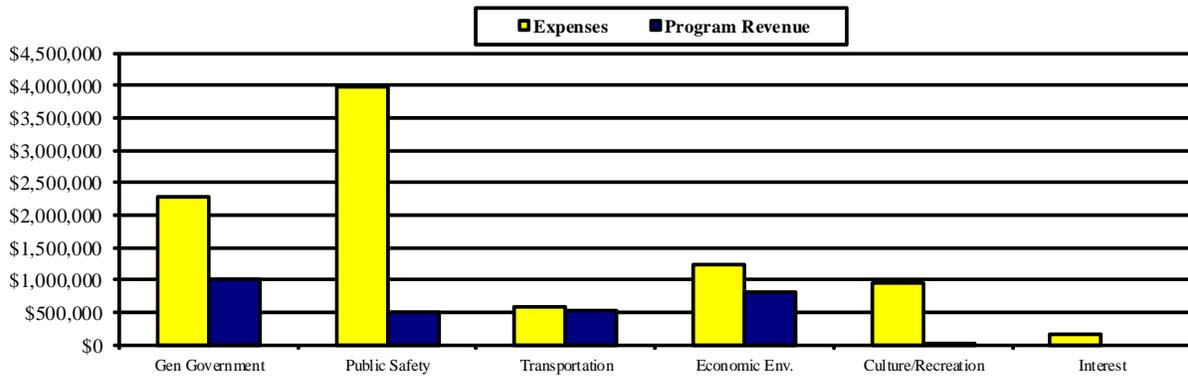
The following is a summary of the City's governmental revenues by source:

Revenues by Source – Governmental Activities



An individual comparison of the City's functional program revenues and costs of providing program services to its citizens is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are listed in the following graph:

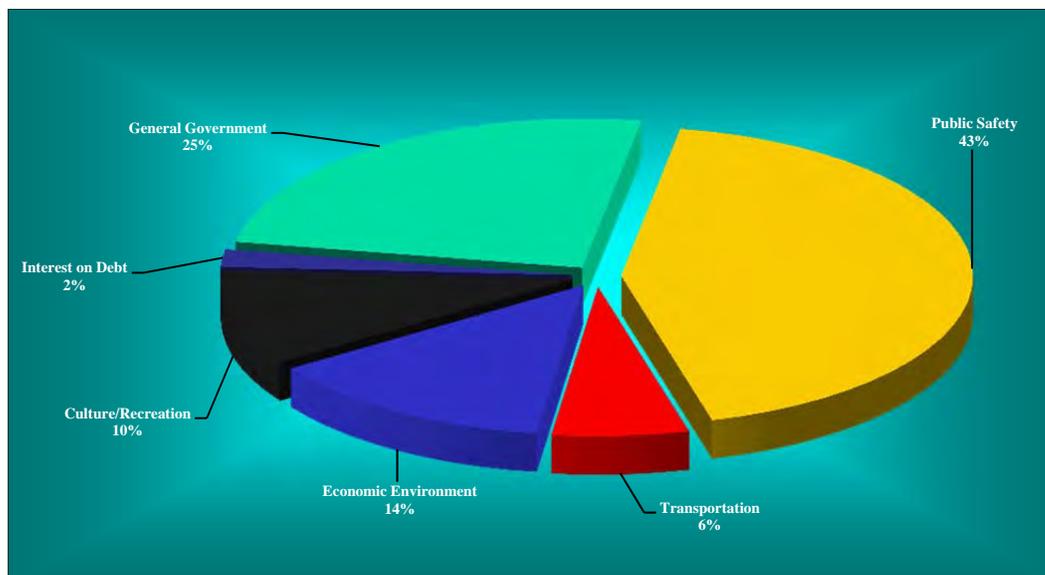
Expenses –versus- Program Revenue



Combined governmental activities expenses totaled \$9,222,665, which represents an increase of \$774,865 over last year's expenses of \$8,447,800. Over the last several years, a trend had emerged with respect to a widening gap between property taxes, which are often thought of as paying for core governmental services such as police and fire, and the actual costs of those public safety expenses. At year end, this gap was approximately \$779,308, compared to \$643,988 one year earlier.

The following is a summary of the City governmental expenses by function:

Expenses by Function - Governmental Activities



Business-type Activities

Business-type activities reported an increase in the City's net position of \$1,615,610 in 2013, compared to an increase of \$1,325,863 in 2012. Overall, net position from the City's business-type activities (\$19,242,567) account for approximately 48% of the City's combined net position at September 30, 2013.

The major sources of operating revenue for the City's business-type activities include charges for services for water and sewer utilities (\$5,772,142), stormwater management fees (\$803,372) and solid waste utilities (\$1,962,148). Combined operating revenues from these three activities increased in 2013 and totaled \$8,537,662, compared to \$8,035,386, in the prior year. Water and sewer utility revenues increased by \$232,536 over last year's revenue, while system charges for stormwater management and solid waste removal decreased by \$2,551 and increased by \$272,291, respectively in 2013. Investment earnings continued to decline in 2013 and totaled \$8,601, compared to \$14,621 one year earlier, as a result of the decreases in short-term interest rates experienced on a national level. Capital contributions decreased in the water and sewer utility fund in 2013 and totaled \$5,052, compared to \$8,643 in 2012 due to reduced construction activities in 2013. As a cost control measure, the City continues to contract its solid waste operations with an outside contractor and has done so since 1999.

Total expenses of the City's combined business-type activities totaled \$6,318,905 in 2013, compared to \$6,115,987 in 2012. During 2013, this increase was primarily attributable to increased contractual services in the City's solid waste utilities operations.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unreserved 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 the City completed the current fiscal year, its governmental funds reported combined fund balances of \$12,498,718, which was \$3,631,846 greater than the \$8,866,872 reported at the end of 2012. The majority of the increase in 2013 was the result of the recognition of revenue bond proceeds (other financing sources) in the amount of \$5,000,000 received in the Community Redevelopment Capital Projects fund, of which approximately \$4.9 million remained in a restricted construction fund.

Approximately 24% of this amount (\$3,016,441) constitutes unassigned fund balance, which is generally available for spending at the government's discretion. The remainder of fund balance is separately reported to indicate that it is not available for spending because it is 1) Non-Spendable – fund balances totaling \$33,795 are invested in nonspendable assets such as inventories and prepaid expenses, 2) Restricted – fund balances totaling \$8,754,692 are restricted from externally imposed sources or enabling legislation, 3) Committed – fund balances totaling \$130,978 are set aside pursuant to formal constraints imposed by the City Commission, and 4) Assigned – fund balances totaling \$562,812 are constrained by the City's intent to be used for specific purposes.

The general fund is the chief operating fund of the City. As of September 30, 2013, the unassigned fund balance in the general fund totaled \$3,016,441, compared to \$2,119,220 at the end of 2012, and \$4,071,072 at the end of 2011. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 36.4% (or 133 days) of total general fund expenditures (\$8,290,163), while total fund balance represents 45.75% of that same amount. City officials have established a target threshold of 25% (or 90 days) in unreserved funds compared to General Fund expenditures.

Fund balance in the general fund decreased by \$718,193 during the current fiscal year. This decrease was fully anticipated in that it was primarily attributed to the carryforward of approximately \$1.8 million in prior year budget surplus from 2012 to be included in 2013 budget appropriations. Fund balance in the Community Redevelopment Agency decreased in 2013 by \$668,811. This decrease was caused partially by the unanticipated decrease in incremental tax revenues and the scheduled depletion of the Community Redevelopment Capital Projects Fund, which in turn, significantly increased capital expenditures in the Community Redevelopment Agency Fund. The Community Redevelopment Agency Capital Projects Fund was reinstated in 2013 with the \$5 million in proceeds of the CRA Redevelopment Note, Series 2013. At the end of the year, \$4,861,034 remained unexpended and restricted for future CRA capital improvements. Similarly, amounts set aside for debt service sinking fund payments in the CRA Debt Service fund increased in 2013 to \$412,764 due to the inclusion of the Series 2013 Note sinking fund requirements. All other non-major governmental funds remained relatively stable for the year.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position in the Water and Sewer Fund at the end of the current fiscal year amounted to \$5,515,707, compared to \$3,561,874 one year earlier. This was primarily the result of the accumulation of net income of \$1.2 million for 2013. Combined net position of the fund totaled \$12,052,108 at year end.

Unrestricted net position in the Stormwater Management Fund remained relative stable throughout 2013 and totaled \$2,795,725, at the end of the year, compared to \$2,794,516 at the beginning of the year. Combined net position totaled \$5,507,590 at year end, which was primarily the result of the accumulation of net income of \$142,184 for 2013.

Unrestricted net position in the Solid Waste Fund increased by 18% during the year and totaled \$1,671,930 at the end of 2013, compared to \$1,418,412 at the beginning of the year. Combined net position totaled \$1,682,869 at year end, which was primarily the result of the accumulation of net income of \$252,390 for 2013.

No significant changes were recognized in the providing of full-service utility services to City customers in 2013.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2013 and 2012, the City’s investment in capital assets for its governmental and business type activities totaled \$48,534,531 and \$46,140,091, respectively. These amounts are stated net of accumulated depreciation. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

Capital Assets
September 30, 2013 and 2012

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-------------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Land..... | \$ 3,912,617 | 3,894,615 | 665,515 | 665,515 | 4,578,132 | 4,560,130 |
| Construction work in progress..... | 340,662 | 743,104 | 2,093,945 | 2,644,164 | 2,434,607 | 3,387,268 |
| Buildings..... | 3,796,865 | 3,863,910 | 4,223,851 | 4,445,174 | 8,020,716 | 8,309,084 |
| Improvements other than buildings..... | 4,020,136 | 3,264,172 | 16,365,216 | 14,088,442 | 20,385,352 | 17,352,614 |
| Machinery and equipment..... | 1,237,355 | 613,672 | 1,403,771 | 1,550,278 | 2,641,126 | 2,163,950 |
| Infrastructure..... | <u>5,541,867</u> | <u>5,168,807</u> | <u>4,932,731</u> | <u>5,198,238</u> | <u>10,474,598</u> | <u>10,367,045</u> |
| Net total..... | <u>\$ 18,849,502</u> | <u>17,548,280</u> | <u>29,685,029</u> | <u>28,591,811</u> | <u>48,534,531</u> | <u>46,140,091</u> |

During 2013, capital spending in the City’s governmental funds was primarily related to significant improvements made in the Community Redevelopment Agency, which totaled \$705,930, or approximately 33% of the total net additions of \$2.1 million. Capital spending for public safety projects totaled \$561,123 (or 27%), and for transportation related improvements totaled \$548,237 (or 26%) in 2013. The remainder of capital spending was for recreation projects (\$213,687) and for routine general government (\$81,778) additions.

Long-term Debt. At year end, the net carrying value of the City’s bonds, notes and other long-term obligations outstanding totaled \$34,701,473, of which \$34,044,235 is secured solely by a mix of specified revenue sources. The City’s long-term debt for all activities is reflected in the following schedule:

Outstanding Long-Term Debt
September 30, 2013 and 2012

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-------------------------------|--------------------------------|------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenue notes..... | \$ 9,535,000 | 4,835,000 | 9,059,235 | 9,719,893 | 18,594,235 | 14,554,893 |
| Revenue bonds..... | - | - | 15,450,000 | 14,150,000 | 15,450,000 | 14,150,000 |
| Capital lease obligation..... | - | 36,283 | - | - | - | 36,283 |
| Compensated absences..... | <u>533,472</u> | <u>554,147</u> | <u>123,766</u> | <u>118,990</u> | <u>657,238</u> | <u>673,137</u> |
| Net total..... | <u>\$ 10,068,472</u> | <u>5,425,430</u> | <u>24,633,001</u> | <u>23,988,883</u> | <u>34,701,473</u> | <u>29,414,313</u> |

The City has two outstanding revenue notes payable (Series 2012 and Series 2013) from its governmental activities in the aggregate amount of \$9,535,000 at year end. The proceeds of the Series 2012 obligation were used to refinance an existing (Series 2005) revenue note. The proceeds of the Series 2013 obligation will be used exclusively to fund capital improvement projects in the City’s Community Redevelopment Agency. These notes are payable in semi-annual installments through 2026, both of which are secured by revenues generated exclusively from the CRA tax increment financing district.

The City also has four outstanding water and sewer system improvement revenue bond obligations (Series 2005, 2011, 2012 and 2013) in the aggregate amount of \$15,450,000 at year end. The proceeds of these parity bonds were used to finance improvements to the City’s water and sewer utility system and to refund previously issued bonds outstanding for this same purpose. These bonds are payable from revenues generated from the water and sewer system and are payable serially through 2025 (Series 2005), 2030 (Series 2011), 2022 (Series 2012) and 2023 (Series 2013).

The City also has four low-interest rate revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$9,059,235 in aggregate, at year end. The proceeds of the FDEP loan issued in 1998 (\$1,128,612 currently outstanding), the FDEP loan issued in 2005 (\$476,453 currently outstanding), and the FDEP loan issued in 2007 (\$4,314,260 currently outstanding) were used to finance the construction of wastewater infiltration and inflow correction facilities. The proceeds of the FDEP loan issued in 2001 (\$3,139,910 currently outstanding) were used to finance construction of needed stormwater drainage improvements. These notes, which are subordinate to the bonds described above, are secured by the City’s water and sewer utility and stormwater utility revenues, respectively, and are payable in varying amounts through 2029.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 6.5% at the end of September 2013, which is substantially below the 8.5% rate experienced one year earlier. These estimates are consistent with the State of Florida's 6.9% and 8.4% unemployment rates at September 2013 and 2012, respectively, while the reported overall national unemployment rate is slightly lower at 7.0 and 7.6%, respectively.

Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

The overall Just Value of real and personal property on the 2013 levy increased 4.7% from \$609 million to \$638 million in October 2012 and 2013, respectively. However, the overall Taxable Value (Just Value less statutory exemptions) of real and personal property on the 2013 levy increased only 0.8% from \$451 million to \$454 million in October 2012 and 2013, respectively. Coupled with these conditions, the City is also facing many challenges in the fiscal year 2014 budget due to projected revenue decreases as a result of state legislated reform, a declining economy, and from the continued volatility in real estate property tax values. At the same time, the City is experiencing rising prices for many of the basic operating expenses, such as utilities, gas and fuel, and insurance costs.

The City Commission voted to increase the operating millage for the 2013 levy to 7.5300 mills, which was only 2.4% greater than the 7.35000 mills in the 2013 levy and 0.4% below the 2013 roll-back rate of 7.5586 mills. In developing its 2014 budget estimates, the City has anticipated appropriating \$555,800 in prior year surplus reserve funds in the General Fund to balance the City's combined overall financing needs, which are estimated to be approximately \$7.8 million for fiscal 2014. Similarly, the City has appropriated \$3,204,500 and \$5,000,000 in prior year surplus reserve funds in the Community Redevelopment Agency Fund and Community Redevelopment Agency Capital Projects Fund, respectively, in anticipation of balancing its combined overall financing needs in these funds, which are estimated to be approximately \$9.8 million combined for fiscal 2014.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Finance Director, City of Holly Hill, Florida, 1065 Ridgewood Avenue, Holly Hill, Florida 32117-2898.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Statement 1

| | Primary Government | | |
|------------------------------------------------------------------|-----------------------------|-----------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and cash equivalents..... | \$ 12,591,542 | 9,407,476 | 21,999,018 |
| Receivables, net of allowance for uncollectible accounts..... | 297,117 | 969,263 | 1,266,380 |
| Due from other governments..... | 430,977 | - | 430,977 |
| Inventories..... | 10,876 | 71,857 | 82,733 |
| Prepaid expenses..... | 22,919 | 320 | 23,239 |
| Temporarily restricted-cash and cash equivalents..... | - | 6,179,225 | 6,179,225 |
| Net pension asset..... | 99,052 | - | 99,052 |
| Capital assets: | | | |
| Land and construction in progress..... | 4,253,279 | 2,759,460 | 7,012,739 |
| Other capital assets, net of depreciation..... | <u>14,596,223</u> | <u>26,925,570</u> | <u>41,521,793</u> |
| Total assets..... | 32,301,985 | 46,313,171 | 78,615,156 |
| Deferred Outflow of Resources: | | | |
| Deferred charge on refundings..... | - | <u>368,914</u> | <u>368,914</u> |
| Total assets and deferred outflows..... | <u>32,301,985</u> | <u>46,682,085</u> | <u>78,984,070</u> |
| Liabilities: | | | |
| Accounts payable and accrued liabilities..... | 551,874 | 501,518 | 1,053,392 |
| Customer deposits and unearned income..... | 389,179 | 746,230 | 1,135,409 |
| Payable from Restricted Assets: | | | |
| Current maturities of long-term debt..... | - | 1,661,594 | 1,661,594 |
| Accounts payable and accrued liabilities..... | - | 1,349,585 | 1,349,585 |
| Compensated absences-current..... | 138,537 | 24,753 | 163,290 |
| Bonds, notes, and other payables: | | | |
| Due or payable within one year..... | 640,000 | - | 640,000 |
| Due or payable in more than one year..... | 8,895,000 | 22,847,641 | 31,742,641 |
| Net post-employment benefits obligation..... | 700,816 | 209,184 | 910,000 |
| Compensated absences-long term..... | <u>394,935</u> | <u>99,013</u> | <u>493,948</u> |
| Total liabilities | <u>11,710,341</u> | <u>27,439,518</u> | <u>39,149,859</u> |
| Net position: | | | |
| Net investment in capital assets..... | 9,314,502 | 5,175,795 | 14,490,297 |
| Restricted for: | | | |
| Public safety..... | 109,450 | - | 109,450 |
| Community redevelopment projects..... | 7,916,819 | - | 7,916,819 |
| Transportation..... | 252,876 | - | 252,876 |
| Recreation projects..... | 62,783 | - | 62,783 |
| Utility plant expansion..... | - | 2,695,690 | 2,695,690 |
| Debt service..... | 412,764 | 1,387,720 | 1,800,484 |
| Unrestricted | <u>2,522,450</u> | <u>9,983,362</u> | <u>12,505,812</u> |
| Total net position..... | <u>\$ 20,591,644</u> | <u>19,242,567</u> | <u>39,834,211</u> |

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2013
 CITY OF HOLLY HILL, FLORIDA

| | Expenses | Program Revenue | | |
|--------------------------------------------------------|----------------------|----------------------------|------------------------------------------|----------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government..... | \$ 2,298,533 | 1,016,014 | 550 | - |
| Public safety..... | 3,978,943 | 382,829 | 123,267 | - |
| Transportation..... | 578,257 | 92,495 | 247,999 | 184,545 |
| Economic environment..... | 1,242,706 | 5,765 | 772,047 | 24,553 |
| Culture/recreation..... | 949,879 | 14,531 | - | - |
| Interest on long-term debt | 174,347 | - | - | - |
| Total governmental activities..... | 9,222,665 | 1,511,634 | 1,143,863 | 209,098 |
| Business-type activities: | | | | |
| Water and Sewer..... | 4,001,497 | 5,772,142 | - | 5,052 |
| Stormwater Management..... | 655,116 | 803,372 | - | - |
| Solid Waste..... | 1,662,292 | 1,962,148 | - | - |
| Total business-type activities..... | 6,318,905 | 8,537,662 | - | 5,052 |
| Total primary government..... | \$ 15,541,570 | 10,049,296 | 1,143,863 | 214,150 |
| General revenues: | | | | |
| Property taxes, levied for general purposes..... | | | | |
| Property taxes, levied for tax increment district..... | | | | |
| Sales taxes..... | | | | |
| Public service taxes..... | | | | |
| Unrestricted state revenue sharing..... | | | | |
| Unrestricted intergovernmental revenues..... | | | | |
| Investment earnings..... | | | | |
| Miscellaneous revenue..... | | | | |
| Transfers..... | | | | |
| Total general revenues and transfers..... | | | | |
| Change in net position..... | | | | |
| Net position - beginning of year..... | | | | |
| Net position - ending..... | | | | |

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

Statement 2

| Net Revenue and Changes in Net Assets | | |
|---------------------------------------|-----------------------------|--------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| (1,281,969) | | (1,281,969) |
| (3,472,847) | | (3,472,847) |
| (53,218) | | (53,218) |
| (440,341) | | (440,341) |
| (935,348) | | (935,348) |
| (174,347) | | (174,347) |
| <u>(6,358,070)</u> | | <u>(6,358,070)</u> |
| | 1,775,697 | 1,775,697 |
| | 148,256 | 148,256 |
| | 299,856 | 299,856 |
| | <u>2,223,809</u> | <u>2,223,809</u> |
| <u>(6,358,070)</u> | <u>2,223,809</u> | <u>(4,134,261)</u> |
| 2,460,867 | - | 2,460,867 |
| 738,768 | - | 738,768 |
| 536,137 | - | 536,137 |
| 1,676,393 | - | 1,676,393 |
| 264,712 | - | 264,712 |
| 23,984 | - | 23,984 |
| 14,658 | 8,601 | 23,259 |
| 156,425 | - | 156,425 |
| 616,800 | (616,800) | - |
| <u>6,488,744</u> | <u>(608,199)</u> | <u>5,880,545</u> |
| 130,674 | 1,615,610 | 1,746,284 |
| <u>20,460,970</u> | <u>17,626,957</u> | <u>38,087,927</u> |
| <u>\$ 20,591,644</u> | <u>19,242,567</u> | <u>39,834,211</u> |

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | General | Community Redevelopment Agency | Community Redevelopment Capital Projects |
|-----------------------------------------------------|---------------------|--------------------------------------|---------------------------------------------------|
| Assets: | | | |
| Cash and cash equivalents..... | \$ 3,769,955 | 3,116,016 | 4,897,800 |
| Receivables (net): | | | |
| Accounts receivable..... | 289,926 | 1,779 | - |
| Due from other funds..... | 24,082 | - | - |
| Due from other governments..... | 292,304 | 138,673 | - |
| Inventories..... | 10,876 | - | - |
| Prepays/deposits..... | 6,519 | 16,400 | - |
| Total assets..... | <u>\$ 4,393,662</u> | <u>3,272,868</u> | <u>4,897,800</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable and other current liabilities..... | \$ 358,538 | 57,975 | 36,766 |
| Due to other funds..... | - | - | - |
| Deposits/unearned income..... | 246,471 | 142,708 | - |
| Total liabilities..... | <u>605,009</u> | <u>200,683</u> | <u>36,766</u> |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Prepays/inventories..... | 17,395 | 16,400 | - |
| Restricted for: | | | |
| Law enforcement..... | 2,039 | - | - |
| Fire protection..... | - | - | - |
| Building inspection..... | 8 | - | - |
| Transportation..... | 177,589 | - | - |
| Community redevelopment..... | - | 3,055,785 | 4,861,034 |
| Recreation..... | 16,822 | - | - |
| Debt service..... | - | - | - |
| Committed to: | | | |
| Capital projects fund..... | - | - | - |
| Assigned to: | | | |
| Recreation projects..... | - | - | - |
| Sidewalk construction..... | 1,612 | - | - |
| Law enforcement..... | - | - | - |
| Fire victim assistance..... | 947 | - | - |
| Subsequent year's budget appropriations..... | 555,800 | - | - |
| Unassigned..... | 3,016,441 | - | - |
| Total fund balances..... | <u>3,788,653</u> | <u>3,072,185</u> | <u>4,861,034</u> |
| Total liabilities and fund balances | <u>\$ 4,393,662</u> | <u>3,272,868</u> | <u>4,897,800</u> |

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

Statement 3

| CRA Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------|-----------------------------------|--------------------------------|
| 412,764 | 395,007 | 12,591,542 |
| - | 2,775 | 294,480 |
| - | - | 24,082 |
| - | - | 430,977 |
| - | - | 10,876 |
| - | - | 22,919 |
| <u>412,764</u> | <u>397,782</u> | <u>13,374,876</u> |
| - | 9,618 | 462,897 |
| - | 24,082 | 24,082 |
| - | - | 389,179 |
| <u>-</u> | <u>33,700</u> | <u>876,158</u> |
| - | - | 33,795 |
| - | 69,450 | 71,489 |
| - | 37,953 | 37,953 |
| - | - | 8 |
| - | 75,287 | 252,876 |
| - | - | 7,916,819 |
| - | 45,961 | 62,783 |
| 412,764 | - | 412,764 |
| - | 130,978 | 130,978 |
| - | 3,644 | 3,644 |
| - | - | 1,612 |
| - | 809 | 809 |
| - | - | 947 |
| - | - | 555,800 |
| - | - | 3,016,441 |
| <u>412,764</u> | <u>364,082</u> | <u>12,498,718</u> |
| <u>412,764</u> | <u>397,782</u> | <u>13,374,876</u> |

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RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION **Statement 3A**
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------|
| Fund balances - total governmental funds | | \$ 12,498,718 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds..... | | 18,849,502 |
| Delinquent tax revenue deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt..... | | 2,637 |
| Negative net pension obligation reported in the Municipal Firefighters' Pension Trust Fund..... | | 73,496 |
| Negative net pension obligation reported in the Municipal Police Officers' Retirement Trust Fund..... | | 25,556 |
| Net post-retirement benefits obligation which is actuarially due and payable in the current period which will be accumulated in future periods..... | | (700,816) |
| <p>Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities and other debt related deferred charges consist of the following:</p> | | |
| Bonds and notes payable..... | (9,535,000) | |
| Accrued interest payable..... | (88,977) | |
| Compensated absences..... | (533,472) | <u>(10,157,449)</u> |
| Net position of governmental activities | | <u>\$ 20,591,644</u> |

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

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended September 30, 2013
 CITY OF HOLLY HILL, FLORIDA

| | General | Community Redevelopment Agency | Community Redevelopment Capital Projects |
|---------------------------------------------------------|---------------------|--------------------------------------|---------------------------------------------------|
| Revenue: | | | |
| Taxes..... | \$ 4,692,832 | 738,768 | - |
| Permits and fees | 950,928 | - | - |
| Intergovernmental..... | 971,671 | 772,047 | - |
| Charges for services | 120,514 | 5,765 | - |
| Fines and forfeitures..... | 72,666 | - | - |
| Investment income..... | 6,958 | 3,037 | - |
| Miscellaneous | 139,601 | 18,601 | 4,421 |
| Total revenue..... | 6,955,170 | 1,538,218 | 4,421 |
| Expenditures: | | | |
| Current: | | | |
| General government..... | 2,259,139 | - | - |
| Public safety | 4,231,813 | - | - |
| Transportation..... | 783,393 | - | - |
| Economic environment | - | 1,597,229 | - |
| Culture/recreation | 978,446 | - | - |
| Capital Outlay: | | | |
| Public safety | - | - | - |
| Transportation..... | - | - | - |
| Economic environment | - | - | 143,387 |
| Debt Service: | | | |
| Principal retirement | 36,283 | - | - |
| Interest and fiscal charges..... | 1,089 | - | - |
| Bond issuance costs..... | - | - | - |
| Total expenditures..... | 8,290,163 | 1,597,229 | 143,387 |
| Excess of revenue over (under) expenditures..... | (1,334,993) | (59,011) | (138,966) |
| Other Financing Sources (Uses): | | | |
| Revenue bonds issued..... | - | - | 5,000,000 |
| Transfers in | 616,800 | - | - |
| Transfers out..... | - | (609,800) | - |
| Payment to refunded bond escrow..... | - | - | - |
| Total other financing sources (uses)..... | 616,800 | (609,800) | 5,000,000 |
| Net changes in fund balances..... | (718,193) | (668,811) | 4,861,034 |
| Fund balances, beginning of year | 4,506,846 | 3,740,996 | - |
| Fund balances, end of year | <u>\$ 3,788,653</u> | <u>3,072,185</u> | <u>4,861,034</u> |

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

Statement 4

| CRA Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------|-----------------------------------|--------------------------------|
| - | - | 5,431,600 |
| - | 17,486 | 968,414 |
| - | 72,369 | 1,816,087 |
| - | - | 126,279 |
| - | 155,827 | 228,493 |
| - | - | 9,995 |
| <u>26</u> | <u>1,168</u> | <u>163,817</u> |
| <u>26</u> | <u>246,850</u> | <u>8,744,685</u> |
| - | - | 2,259,139 |
| - | 177,422 | 4,409,235 |
| - | - | 783,393 |
| - | - | 1,597,229 |
| - | 16,635 | 995,081 |
| - | 11,027 | 11,027 |
| - | 67,028 | 67,028 |
| - | - | 143,387 |
| 300,000 | - | 336,283 |
| 98,748 | - | 99,837 |
| <u>28,000</u> | <u>-</u> | <u>28,000</u> |
| <u>426,748</u> | <u>272,112</u> | <u>10,729,639</u> |
| <u>(426,722)</u> | <u>(25,262)</u> | <u>(1,984,954)</u> |
| - | - | 5,000,000 |
| 609,800 | - | 1,226,600 |
| - | - | (609,800) |
| <u>-</u> | <u>-</u> | <u>-</u> |
| <u>609,800</u> | <u>-</u> | <u>5,616,800</u> |
| 183,078 | (25,262) | 3,631,846 |
| <u>229,686</u> | <u>389,344</u> | <u>8,866,872</u> |
| <u><u>412,764</u></u> | <u><u>364,082</u></u> | <u><u>12,498,718</u></u> |

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

Statement 4A

For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Net change in fund balances - total governmental funds \$ 3,631,846

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation expense for the current period:

| | | |
|----------------------------------|------------------|-----------|
| Capital outlay expenditures..... | 2,110,755 | |
| Depreciation expense..... | <u>(808,306)</u> | 1,302,449 |

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of nets assets. Principal repayment in the current period

336,283

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

| | | |
|----------------------------------------------|----------------|-------------|
| Proceeds of long-term debt obligations..... | (5,000,000) | |
| Increase (decrease) in delinquent taxes..... | (6,919) | |
| Gains (losses) on asset sales..... | <u>(1,227)</u> | (5,008,146) |

Increase (decrease) in negative net pension obligations reported in the:

| | | |
|---------------------------------------------|----------------|---------|
| Police Officers' Retirement Trust Fund..... | (1,349) | |
| Municipal Firemen's Pension Trust Fund..... | <u>(4,457)</u> | (5,806) |

(Increase) decrease in net post-employment benefit obligation.....

(100,117)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is for the following:

| | | |
|-------------------------------------------------------------|-----------------|-----------------|
| Change in compensated absences liabilities..... | 20,675 | |
| Change in accrued interest on bonds and notes payable | <u>(46,510)</u> | <u>(25,835)</u> |

Change in net position of governmental activities

\$ 130,674

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Statement 5

For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | Original | Final | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|-------------------|-------------------|------------------|
| Revenue: | | | | |
| Taxes..... | \$ 4,666,000 | 4,679,800 | 4,692,832 | 13,032 |
| Permits and fees..... | 883,600 | 1,056,600 | 950,928 | (105,672) |
| Intergovernmental revenue..... | 931,700 | 954,900 | 971,671 | 16,771 |
| Charges for services..... | 114,000 | 119,900 | 120,514 | 614 |
| Fines and forfeitures..... | 59,000 | 72,200 | 72,666 | 466 |
| Investment income..... | 4,300 | 6,200 | 6,958 | 758 |
| Miscellaneous..... | 33,600 | 173,600 | 139,601 | (33,999) |
| Total revenues..... | 6,692,200 | 7,063,200 | 6,955,170 | (108,030) |
| Expenditures: | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative..... | 96,100 | 96,100 | 69,946 | 26,154 |
| Executive..... | 310,500 | 443,700 | 421,767 | 21,933 |
| Financial and Administrative..... | 1,525,100 | 1,509,000 | 1,405,995 | 103,005 |
| Legal Counsel..... | 115,000 | 112,700 | 91,837 | 20,863 |
| Comprehensive Planning..... | 55,000 | 55,000 | 53,529 | 1,471 |
| Nondepartmental..... | 216,500 | 246,900 | 216,065 | 30,835 |
| | <u>2,318,200</u> | <u>2,463,400</u> | <u>2,259,139</u> | <u>204,261</u> |
| Public Safety: | | | | |
| Law enforcement..... | 2,465,300 | 2,523,500 | 2,326,858 | 196,642 |
| Fire safety..... | 1,406,800 | 1,827,100 | 1,745,007 | 82,093 |
| Protective inspection..... | 155,600 | 195,000 | 159,948 | 35,052 |
| | <u>4,027,700</u> | <u>4,545,600</u> | <u>4,231,813</u> | <u>313,787</u> |
| Transportation..... | 2,098,500 | 1,752,500 | 783,393 | 969,107 |
| Culture/recreation..... | 1,044,300 | 1,420,100 | 978,446 | 441,654 |
| Debt Service: | | | | |
| Principal retirement..... | - | 36,300 | 36,283 | 17 |
| Interest and fiscal charges..... | - | 1,200 | 1,089 | 111 |
| | <u>-</u> | <u>37,500</u> | <u>37,372</u> | <u>128</u> |
| Total expenditures..... | 9,488,700 | 10,219,100 | 8,290,163 | 1,928,937 |
| Excess of revenue over (under) expenditures..... | (2,796,500) | (3,155,900) | (1,334,993) | 1,820,907 |

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Statement 5
(Continued)

| | Original | Final | Actual Amounts | Variance |
|--------------------------------------|---------------------|------------------|-------------------|--------------------|
| Other Financing Sources (Uses): | | | | |
| Transfers in..... | \$ 616,800 | 616,800 | 616,800 | - |
| Appropriated fund balance..... | <u>2,179,700</u> | <u>2,539,100</u> | <u>-</u> | <u>(2,539,100)</u> |
| Total financing sources (uses)..... | <u>2,796,500</u> | <u>3,155,900</u> | <u>616,800</u> | <u>(2,539,100)</u> |
| Net change in fund balance..... | - | - | (718,193) | (718,193) |
| Fund balance, beginning of year..... | <u>4,506,846</u> | <u>4,506,846</u> | <u>4,506,846</u> | <u>-</u> |
| Fund balance, end of year..... | <u>\$ 4,506,846</u> | <u>4,506,846</u> | <u>3,788,653</u> | <u>(718,193)</u> |

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

BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Statement 6

| | Original | Final | Actual Amounts | Variance |
|-----------------------------------------------------|---------------------|--------------------|-------------------|--------------------|
| Revenue: | | | | |
| Taxes..... | \$ 767,100 | 738,700 | 738,768 | 68 |
| Intergovernmental revenue..... | 833,700 | 772,000 | 772,047 | 47 |
| Charges for services..... | 1,000 | 5,600 | 5,765 | 165 |
| Investment income..... | 1,000 | 2,600 | 3,037 | 437 |
| Miscellaneous..... | - | 18,000 | 18,601 | 601 |
| Total revenues..... | <u>1,602,800</u> | <u>1,536,900</u> | <u>1,538,218</u> | <u>1,318</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Economic environment..... | <u>4,887,500</u> | <u>4,638,600</u> | <u>1,597,229</u> | <u>3,041,371</u> |
| Excess of revenue over (under) expenditures..... | <u>(3,284,700)</u> | <u>(3,101,700)</u> | <u>(59,011)</u> | <u>3,042,689</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (out)..... | (398,800) | (581,800) | (609,800) | (28,000) |
| Appropriated fund balance..... | <u>3,683,500</u> | <u>3,683,500</u> | - | <u>(3,683,500)</u> |
| Total financing sources (uses)..... | <u>3,284,700</u> | <u>3,101,700</u> | <u>(609,800)</u> | <u>(3,711,500)</u> |
| Net change in fund balance..... | - | - | (668,811) | (668,811) |
| Fund balance, beginning of year..... | <u>3,740,996</u> | <u>3,740,996</u> | <u>3,740,996</u> | - |
| Fund balance, end of year..... | <u>\$ 3,740,996</u> | <u>3,740,996</u> | <u>3,072,185</u> | <u>(668,811)</u> |

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | <u>Business-Type Activities - Enterprise Funds</u> | | | |
|------------------------------------------------------------------------|----------------------------------------------------|------------------------|------------------|---------------------|
| | Water and Sewer | Stormwater Drainage | Solid Waste | Total |
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents..... | \$ 4,793,985 | 2,811,705 | 1,801,786 | 9,407,476 |
| Accounts receivable (net)..... | 698,919 | 56 | 270,288 | 969,263 |
| Inventories..... | 42,979 | 28,878 | - | 71,857 |
| Prepaid expenses..... | 320 | - | - | 320 |
| Restricted-cash and cash equivalents..... | <u>5,969,852</u> | <u>209,373</u> | <u>-</u> | <u>6,179,225</u> |
| Total current assets..... | <u>11,506,055</u> | <u>3,050,012</u> | <u>2,072,074</u> | <u>16,628,141</u> |
| Noncurrent Assets: | | | | |
| Property and Equipment: | | | | |
| Land..... | 154,739 | 510,776 | - | 665,515 |
| Buildings and improvements..... | 36,907,070 | 8,595,241 | 54,651 | 45,556,962 |
| Machinery and equipment..... | 4,686,988 | 361,618 | 38,087 | 5,086,693 |
| Construction in progress..... | <u>2,093,945</u> | <u>-</u> | <u>-</u> | <u>2,093,945</u> |
| | 43,842,742 | 9,467,635 | 92,738 | 53,403,115 |
| Less: accumulated depreciation..... | <u>(19,826,201)</u> | <u>(3,810,085)</u> | <u>(81,799)</u> | <u>(23,718,085)</u> |
| Total property and equipment (net of accumulated depreciation)..... | <u>24,016,541</u> | <u>5,657,550</u> | <u>10,939</u> | <u>29,685,030</u> |
| Total assets..... | 35,522,596 | 8,707,562 | 2,083,013 | 46,313,171 |
| Deferred Outflow of Resources: | | | | |
| Deferred charge on refundings..... | <u>368,914</u> | <u>-</u> | <u>-</u> | <u>368,914</u> |
| Total assets and deferred outflow of resources..... | <u>\$ 35,891,510</u> | <u>8,707,562</u> | <u>2,083,013</u> | <u>46,682,085</u> |

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

Statement 7

| | Business-Type Activities - Enterprise Funds | | | |
|------------------------------------------------------------------|---------------------------------------------|------------------------|------------------|-------------------|
| | Water and Sewer | Stormwater Drainage | Solid Waste | Total |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities..... | \$ 93,861 | 7,513 | 400,144 | 501,518 |
| Compensated absences..... | <u>23,182</u> | <u>1,571</u> | <u>-</u> | <u>24,753</u> |
| Total current liabilities unrestricted..... | <u>117,043</u> | <u>9,084</u> | <u>400,144</u> | <u>526,271</u> |
| Current Liabilities Payable From Restricted Assets: | | | | |
| Current maturities of long-term debt..... | 1,379,068 | 282,526 | - | 1,661,594 |
| Accounts payable and accrued liabilities..... | 1,104,473 | - | - | 1,104,473 |
| Accrued interest..... | 229,964 | 15,148 | - | 245,112 |
| Customer deposits..... | <u>746,230</u> | <u>-</u> | <u>-</u> | <u>746,230</u> |
| Total current liabilities payable from restricted assets..... | <u>3,459,735</u> | <u>297,674</u> | <u>-</u> | <u>3,757,409</u> |
| Total current liabilities..... | <u>3,576,778</u> | <u>306,758</u> | <u>400,144</u> | <u>4,283,680</u> |
| Noncurrent Liabilities: | | | | |
| Revenue bonds payable (net)..... | 14,465,000 | - | - | 14,465,000 |
| Notes payable (net)..... | 5,525,257 | 2,857,384 | - | 8,382,641 |
| Post-retirement benefits payable..... | 179,638 | 29,546 | - | 209,184 |
| Compensated absences..... | <u>92,729</u> | <u>6,284</u> | <u>-</u> | <u>99,013</u> |
| Total noncurrent liabilities..... | <u>20,262,624</u> | <u>2,893,214</u> | <u>-</u> | <u>23,155,838</u> |
| Total liabilities..... | <u>23,839,402</u> | <u>3,199,972</u> | <u>400,144</u> | <u>27,439,518</u> |
| Net Position: | | | | |
| Net investment in capital assets..... | 2,647,216 | 2,517,640 | 10,939 | 5,175,795 |
| Restricted for debt service..... | 1,193,495 | 194,225 | - | 1,387,720 |
| Restricted for utility plant expansion..... | 2,695,690 | - | - | 2,695,690 |
| Unrestricted..... | <u>5,515,707</u> | <u>2,795,725</u> | <u>1,671,930</u> | <u>9,983,362</u> |
| Total net position..... | <u>12,052,108</u> | <u>5,507,590</u> | <u>1,682,869</u> | <u>19,242,567</u> |
| Total liabilities and net position..... | <u>\$ 35,891,510</u> | <u>8,707,562</u> | <u>2,083,013</u> | <u>46,682,085</u> |

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

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**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

Statement 8

For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | <u>Business-Type Activities - Enterprise Funds</u> | | | |
|------------------------------------------------|----------------------------------------------------|------------------------|------------------|-------------------|
| | Water and Sewer | Stormwater Drainage | Solid Waste | Total |
| Operating Revenue: | | | | |
| Charges for Services: | | | | |
| Water sales..... | \$ 2,771,815 | - | - | 2,771,815 |
| Sewer treatment charges..... | 2,799,422 | - | - | 2,799,422 |
| Waste disposal fees..... | - | - | 1,954,951 | 1,954,951 |
| Stormwater management fee..... | - | 803,372 | - | 803,372 |
| Other revenues..... | <u>200,905</u> | <u>-</u> | <u>7,197</u> | <u>208,102</u> |
| Total operating revenue..... | <u>5,772,142</u> | <u>803,372</u> | <u>1,962,148</u> | <u>8,537,662</u> |
| Operating Expenses: | | | | |
| Personal services..... | 1,200,121 | 130,907 | - | 1,331,028 |
| Depreciation and amortization | 1,195,535 | 295,872 | 1,128 | 1,492,535 |
| Utilities..... | 269,339 | 22,416 | 265 | 292,020 |
| Materials and supplies..... | 283,233 | 33,010 | - | 316,243 |
| Contractual services | 301,483 | 74,138 | 1,653,982 | 2,029,603 |
| Maintenance and repairs..... | 278,160 | 21,599 | - | 299,759 |
| Other charges | <u>41,530</u> | <u>1,013</u> | <u>6,917</u> | <u>49,460</u> |
| Total operating expenses | <u>3,569,401</u> | <u>578,955</u> | <u>1,662,292</u> | <u>5,810,648</u> |
| Operating income..... | <u>2,202,741</u> | <u>224,417</u> | <u>299,856</u> | <u>2,727,014</u> |
| Nonoperating Revenue (Expenses): | | | | |
| Interest earnings | 4,139 | 1,928 | 2,534 | 8,601 |
| Gain (loss) on disposal of capital assets..... | (7,845) | - | - | (7,845) |
| Interest and debt expense..... | <u>(424,251)</u> | <u>(76,161)</u> | <u>-</u> | <u>(500,412)</u> |
| Net nonoperating revenue (expenses)..... | <u>(427,957)</u> | <u>(74,233)</u> | <u>2,534</u> | <u>(499,656)</u> |
| Income before contributions and transfers | 1,774,784 | 150,184 | 302,390 | 2,227,358 |
| Capital contributions..... | 5,052 | - | - | 5,052 |
| Transfers in..... | - | 42,000 | - | 42,000 |
| Transfers (out)..... | <u>(558,800)</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>(658,800)</u> |
| Net increase (decrease) in net position.... | 1,221,036 | 142,184 | 252,390 | 1,615,610 |
| Net position, beginning of year..... | <u>10,831,072</u> | <u>5,365,406</u> | <u>1,430,479</u> | <u>17,626,957</u> |
| Net position, end of year..... | <u>\$ 12,052,108</u> | <u>5,507,590</u> | <u>1,682,869</u> | <u>19,242,567</u> |

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Statement 9

| | Business-type Activities - Enterprise Funds | | | |
|------------------------------------------------------------------------------------|---------------------------------------------|------------------------|------------------|--------------------|
| | Water and Sewer | Stormwater Drainage | Solid Waste | Total |
| Cash Flows From Operating Activities: | | | | |
| Cash received from customers..... | \$ 5,645,641 | 803,316 | 1,858,554 | 8,307,511 |
| Cash paid for personal services..... | (1,162,584) | (125,967) | - | (1,288,551) |
| Cash paid to suppliers..... | (1,133,206) | (161,979) | (1,380,322) | (2,675,507) |
| Net cash provided by operating activities. | <u>3,349,851</u> | <u>515,370</u> | <u>478,232</u> | <u>4,343,453</u> |
| Cash Flows From Noncapital and Related Financing Activities: | | | | |
| Loan payments to (from) other funds..... | 3,212 | | - | 3,212 |
| Transfers (in)..... | - | 42,000 | - | 42,000 |
| Transfers (out)..... | (558,800) | (50,000) | (50,000) | (658,800) |
| Net cash provided by (used in) noncapital and related financing activities..... | <u>(555,588)</u> | <u>(8,000)</u> | <u>(50,000)</u> | <u>(613,588)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Proceeds from capital debt..... | 1,540,000 | - | - | 1,540,000 |
| Capital contributions and grants..... | 5,052 | - | - | 5,052 |
| Acquisition and construction of capital asset | (1,580,125) | (31,600) | - | (1,611,725) |
| Debt reduction outlays..... | (624,527) | (276,131) | - | (900,658) |
| Interest paid on capital debt obligations..... | (304,997) | (77,485) | - | (382,482) |
| Net cash provided by (used in) capital and related financing activities..... | <u>(964,597)</u> | <u>(385,216)</u> | <u>-</u> | <u>(1,349,813)</u> |
| Cash Flows From Investing Activities: | | | | |
| Interest received..... | 4,139 | 1,928 | 2,534 | 8,601 |
| Net increase (decrease) in cash and cash equivalents..... | 1,833,805 | 124,082 | 430,766 | 2,388,653 |
| Cash and cash equivalents, beginning of year.... | <u>8,930,032</u> | <u>2,896,996</u> | <u>1,371,020</u> | <u>13,198,048</u> |
| Cash and cash equivalents, end of year..... | <u>\$ 10,763,837</u> | <u>3,021,078</u> | <u>1,801,786</u> | <u>15,586,701</u> |
| Cash and Cash Equivalents: | | | | |
| Unrestricted cash and cash equivalents..... | \$ 4,793,985 | 2,811,705 | 1,801,786 | 9,407,476 |
| Restricted cash and cash equivalents..... | 5,969,852 | 209,373 | - | 6,179,225 |
| Total cash and cash equivalents..... | <u>\$ 10,763,837</u> | <u>3,021,078</u> | <u>1,801,786</u> | <u>15,586,701</u> |

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - (Continued)
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Statement 9

| | Business-type Activities - Enterprise Funds | | | |
|---------------------------------------------------------------------------------------------|---------------------------------------------|------------------------|----------------|------------------|
| | Water and Sewer | Stormwater Drainage | Solid Waste | Total |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss)..... | \$ 2,202,741 | 224,417 | 426,393 | 2,853,551 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | | | |
| Depreciation..... | 1,195,535 | 295,872 | 1,128 | 1,492,535 |
| Provision for bad debts (recoveries)..... | 6,479 | (2,978) | 2,003 | 5,504 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable..... | (151,931) | 2,922 | (103,594) | (252,603) |
| Inventories..... | 17,146 | (8,689) | - | 8,457 |
| Prepaid expenses..... | (320) | - | - | (320) |
| Accounts payable/accrued liabilities.... | 22,554 | (1,513) | 152,302 | 173,343 |
| Compensated absences..... | 6,555 | 1,118 | - | 7,673 |
| Customer deposits..... | 25,430 | - | - | 25,430 |
| Post-employment benefit obligation.... | <u>25,662</u> | <u>4,221</u> | <u>-</u> | <u>29,883</u> |
| Net cash provided by operating activities. | <u>\$ 3,349,851</u> | <u>515,370</u> | <u>478,232</u> | <u>4,343,453</u> |

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Statement 10

| | |
|--------------------------------------------|----------------------|
| Assets: | |
| Cash and cash equivalents..... | \$ 526,243 |
| Receivables: | |
| Employer contributions receivable..... | - |
| State contributions receivable..... | 16,764 |
| Interest and dividends receivable..... | <u>36,712</u> |
| Total accounts receivable..... | 53,476 |
| Prepaid items..... | 2,839 |
| Investments, at fair value | |
| U.S. Treasury obligations..... | 1,235,008 |
| U. S. Government Agencies..... | 328,257 |
| Corporate/municipal debt obligations | 1,742,796 |
| Domestic corporate equities..... | 4,437,715 |
| International corporate equities..... | 1,119,619 |
| Mutual funds..... | <u>2,458,306</u> |
| Total investments..... | <u>11,321,701</u> |
| Total assets..... | 11,904,259 |
| Liabilities: | |
| Accounts payable..... | <u>26,520</u> |
| Net Position: | |
| Held in trust for pension benefits..... | <u>\$ 11,877,739</u> |

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

Statement 11

For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | |
|----------------------------------------------------------------------------------------------|----------------------|
| Additions: | |
| Contributions from: | |
| Employer | \$ 842,796 |
| State | 120,415 |
| Plan members, including buy-backs | <u>170,328</u> |
| Total contributions..... | 1,133,539 |
| Investment income: | |
| Net realized and unrealized appreciation (depreciation) in fair value of investments..... | 1,064,405 |
| Interest and dividend earnings | <u>284,590</u> |
| | 1,348,995 |
| Less: investment management fees | <u>(95,249)</u> |
| Total investment income | <u>1,253,746</u> |
| Total additions | 2,387,285 |
| Deductions: | |
| Benefit payments and refunds | 745,735 |
| Refunds/withdrawals | 573,445 |
| Administrative expenses | <u>39,317</u> |
| Total deductions..... | <u>1,358,497</u> |
| Net increase..... | 1,028,788 |
| Net position held in trust for pension benefits: | |
| Beginning of year | <u>10,848,951</u> |
| End of year | <u>\$ 11,877,739</u> |

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

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NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Holly Hill, Florida (the “City”), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City’s significant accounting policies:

A. Reporting Entity

The City is a municipal corporation created by the Laws of Florida, Chapter 67-1274, located in Volusia County. The City was originally incorporated under the general laws of Florida on July 1, 1901 (Records of Incorporation, Volusia County, Vol. I, p. 101). This incorporation was validated in 1903 by Laws of Florida, Chapter 5346 (1903). The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent upon the City (the primary government). In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City’s financial statements.

Blended Component Unit. The City of Holly Hill Community Redevelopment Fund was created by Ordinance No. 2426 to account for the receipt and expenditure of property tax revenues from the tax increment financing district created to support City redevelopment. Although legally separate, the same elected City Commission members serve as the governing board of the Community Redevelopment Fund. Since the City is financially accountable for the activities of the Fund, its governing board is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a special revenue fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, comprised of the Statement of Net Position and the Statement of Activities, report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component units. The primary government is reported in two columns to separately report governmental activities from business-type activities. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

The Statement of Net Position presents the overall government's financial position at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual business-type funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized and grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

Derived Tax Revenue, defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed takes place, or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Imposed Nonexchange Revenue, result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.

Government-mandated Nonexchange Transactions, frequently establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and the recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement (“expenditure-driven”) basis at the time the recipient has incurred allowable costs under the applicable program.

Voluntary Nonexchange Transactions, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

Proprietary fund and pension trust fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Based on the accounting and reporting standards set forth in Government Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the City has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989, as it pertains to the accounting for proprietary fund activity.

The City’s accounts are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the governmental and proprietary fund financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

The City reports the following major governmental funds:

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

Community Redevelopment Trust Fund - The Community Redevelopment Trust Fund is a special revenue fund established by the City for the economic development of designated areas of the City

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

that receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

Community Redevelopment Capital Projects Fund - The Community Redevelopment Capital Projects Fund is a capital projects fund used to account for the disposition of the restricted proceeds of the CRA Redevelopment Revenue Note, Series 2013.

Community Redevelopment Bond Debt Service Fund - The Community Redevelopment Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the CRA Redevelopment Refunding Revenue Note, Series 2012 and the CRA Redevelopment Revenue Note, Series 2013.

The City reports the following major proprietary funds:

Water and Sewer System - The Water and Sewer System Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water, along with the collection, treatment and disposal of sewage waste with the City. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

Stormwater Drainage Fund - The Stormwater Drainage Fund accounts for user charges assessed to citizens for the operation, maintenance and improvement of the City's stormwater drainage systems. Federal awards and state financial assistance are also a major source of revenue to assist with the financing of capital improvements to these facilities.

Solid Waste Fund - The Solid Waste Fund provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are primarily recovered by user charges.

Additionally, the City reports the following non-major fund types:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, or capital projects) which are legally restricted to finance particular functions or activities of the City. These funds include the Impact Fees Trust Fund, Law Enforcement Trust Fund, Holly Hill Police Explorers Fund, Recreation Activity Fund, Traffic Enforcement Fund, Community Development Block Grant Fund, and the Local Law Enforcement Block Grant Fund.

Capital Projects Funds - Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Pension Trust Funds - Pension trust funds (Municipal Police Officers' Retirement Fund and the Municipal Firefighters' Pension Trust Fund) are accounted for by the City to provide data on the accumulation of financial resources to pay pension benefits to qualified participants in the City's Police and Fire pension trust funds.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances due to and due from these different types of activities within the primary government.

The City reports as program revenues: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing activities. For the City, operating revenues come from water and sewer service fees and related charges, stormwater service fees, and refuse and recycling collection fees for sanitation services, which are the principal ongoing operations of the City's water/sewer utility, stormwater and solid waste operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. All of the City's investments are reported at fair value. All fiduciary (police and fire pension) fund investments are stated at fair value.

2. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances," when applicable.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items

The cost of inventories are accounted for on the consumption basis wherein inventories are charged as expenditures when used rather than when purchased. All inventories are valued at cost, which approximates market, by using the first-in, first-out valuation method. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

4. Restricted Assets

Certain proceeds of the City's revenue note obligations, as well as certain resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements because their use is limited by applicable legal indentures imposed by applicable bond covenants and other legal indentures. The restricted assets are used to report resources set aside to 1) provide a reserve for debt service, 2) provide a reserve for maintenance and replacement costs, and 3) acquire capital assets.

5. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City. The City has elected to report all known infrastructure assets and related depreciation expense on all infrastructure assets in the entity-wide statement of net position and statement of activities.

Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one-year. The capitalization policy for building and improvements other than buildings require assets with an initial cost to be \$5,000 or more before it is capitalized. For all infrastructure assets, costs must exceed \$5,000 before the assets are capitalized. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized if they meet the dollar threshold above for capitalization.

Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds in accordance with the applicable provisions of Financial Accounting Standard No. 62, and depreciated over the remaining useful life of the related asset.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property, are charged to operating expenses as incurred.

Depreciation is reported for the primary government using the straight-line method (half-year convention in year of acquisition) calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------------|--------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 10-50 years |
| Equipment | 3-30 years |
| Infrastructure..... | 20-50 years |

6. *Compensated Absences*

The portion of payroll costs paid subsequent to year-end attributable to services performed prior to year-end, including accumulated unpaid vacation and sick-leave, is recorded and recognized as a current liability. The portion of the liability for compensated absences attributable to periods beyond the current year is recognized as a long-term liability. Each of the City's major governmental funds employ personnel and are responsible for liquidating compensated absence obligations.

Employee vacation leave is based upon the number of years of employment with the City and a portion must be used as time off annually and the remainder can be used as time off or accrued. The maximum amount accrued varies with the general and fire personnel, and police personnel, which are 90 days and 93.5 days, respectively. Upon termination, the employee receives a cash benefit equal to the number of days accrued based on the employee's current wage rate.

Sick leave is granted to all full time employees. General and fire personnel can accumulate, at a rate of one day per month, up to a maximum of 90 days. Upon retirement or death, employees are paid 100% of their accumulated unpaid sick leave. Upon resignation, only those employees with 15 years of service are paid 50% of their accumulated unpaid sick leave. Police personnel are granted extended leave to be used for illnesses involving absences of three or more days. The extended leave accrues at a rate of four hours per month. There is no maximum accumulated amount; however payment is based on the number of years of service with a maximum of 825 hours.

7. *Deferred Revenue*

Deferred revenues are reported when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

8. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

proprietary fund type statement of net position. Bond discounts and debt issuance costs are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the effective interest method. Unamortized bond premium and discount are presented in aggregate on the financial statements as increases and/or reductions of the carrying cost of the related long-term debt, as applicable. Unamortized debt issuance costs are presented as other assets. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation (i.e. when the government to assesses, levies, charges, or otherwise mandates payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation). The City has classified Forfeitures as being restricted because their use is restricted by State Statute for police investigative expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund and fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

10. Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

11. Reclassifications

Certain amounts for 2012 have been reclassified to conform to the 2013 financial statement presentation.

E. New Accounting Standards

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), was implemented during the fiscal year ended September 30, 2013. GASB 60 addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of GASB 60 did not have a material impact on the City's financial statements as the City does not have any SCAs in place at September 30, 2013.

GASB Statement 61, *The Financial Reporting Entity: Omnibus* (GASB 61), was implemented during the fiscal year ended September 30, 2013. GASB 61 amends GASB 14 and GASB 34 to modify certain requirements for inclusion of component units in the financial reporting entity, to amend the criteria for reporting component units as if they were part of the primary government (i.e. blending) in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. There were no changes in the reporting of the City's component unit as a result of the adoption of GASB 61.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) was implemented during the fiscal year ended September 30, 2013. GASB 62 incorporates into GASB's authoritative literature, certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB 62 did not have a material impact on the City's financial statements.

GASB Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* (GASB 66) was issued to improve accounting and financial reporting for a governmental financial

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

reporting entity by resolving conflicting guidance that resulted from the issuance of GASB 54 and GASB 62. The requirements of GASB 66 are effective for fiscal year 2014. The City is currently evaluating the impact, if any, that GASB 66 may have on its financial statements.

GASB Statement 67, *Accounting and Financial Reporting for Pension Plans an amendment of GASB Statement No. 25* (GASB 67) was issued to establish standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. The requirements of GASB 67 are effective for fiscal year 2014. The City is currently evaluating the impact that GASB 67 may have on its financial statements.

GASB Statement 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* (GASB 68) was issued to establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The requirements of GASB 68 are effective for fiscal year 2015. The City is currently evaluating the impact that GASB 68 may have on its financial statements.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

Following the governmental fund balance sheet is a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

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

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or about July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the City Commission, as needed.
- A summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Sections 54 to 57 of the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
- The City Manager may transfer funds between line-item appropriations within a department at the request of a department head in accordance with Article I, Section 30-27 of the City's Code of Ordinances.
- Budgetary control is exercised at the department level.
- Every appropriation lapses at the close of the fiscal year.

B. Excess of Expenditures over Appropriations

During the year ended September 30, 2013, expenditures were incurred in excess of revised budgetary appropriations in the Community Redevelopment Agency Debt Service Fund in the amount of \$27,948. This excess resulted from a one-time charge for bond issuance costs associated with the issuance of the Community Redevelopment Agency Revenue Note, Series 2013, which was funded in its entirety from bond proceeds.

During the year ended September 30, 2013, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Law Enforcement Trust Fund in the amount of \$3,668, which was funded in its entirety from prior year surplus funds.

During the year ended September 30, 2013, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Holly Hill Police Explorers Fund in the amount of \$674, which was funded in its entirety from prior year surplus funds.

During the year ended September 30, 2013, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Recreation Activity (PAL) Fund in the amount of \$61, which was funded in its entirety from prior year surplus funds.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

During the year ended September 30, 2013, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Community Development Block Grant Fund in the amount of \$28, which was funded in its entirety from current year grant funds.

NOTE 4 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was 6.9500 mills for the (2011 tax year) fiscal year ended September 30, 2012.

The property tax calendar is as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Valuation Date | January 1 |
| Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. | July 1 |
| Within 35 days of certification of value, the City must advise the Property Appraiser of the prior year millage rate, current year proposed millage rate, current year rolled-back rate and the date, time and meeting place of the tentative budget hearing. | August 4 |
| City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. | September 18 |
| Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date). | November 1 |
| A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts: | November through March |

| <u>Month Paid</u> | <u>Discount Percent</u> |
|-------------------|-------------------------|
| November | 4 |
| December | 3 |
| January | 2 |
| February | 1 |
| March | 0 |

All unpaid taxes on real/tangible personal property become delinquent. April 1

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April/May

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date). June 1

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes August 28

NOTE 5 - DEPOSITS AND INVESTMENTS

At September 30, 2013, the City had the following investments and maturities:

| | Fair Value | Less Than 1 | Investment Maturities (Years) | | |
|----------------------------------|----------------------|-------------------|-------------------------------|-----------------|----------------|
| | | | From 1 to 5 | From 6 to 10 | Over 10 |
| SunTrust money market funds..... | \$ 13,307,177 | 13,307,177 | - | - | - |
| Pension Trust: | | | | | |
| Money Market..... | 526,243 | 526,243 | - | - | - |
| U.S. Treasury..... | 1,235,008 | 202,827 | 476,709 | 555,472 | - |
| U.S. Government Agencies..... | 328,257 | - | 232,331 | 4,364 | 91,562 |
| Corporate/municipal bonds..... | 1,742,796 | 355,915 | 948,704 | 427,096 | 11,081 |
| Corporate equities..... | 4,437,715 | 4,437,715 | - | - | - |
| International equities..... | 1,657,780 | 1,657,780 | - | - | - |
| Mutual funds..... | 1,920,145 | 1,920,145 | - | - | - |
| | <u>11,847,944</u> | <u>9,100,625</u> | <u>1,657,744</u> | <u>986,932</u> | <u>102,643</u> |
| Totals..... | <u>\$ 25,155,121</u> | <u>22,407,802</u> | <u>1,657,744</u> | <u>986,932</u> | <u>102,643</u> |

Interest Rate Risk. Generally, the City limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the City’s surplus funds are invested in custodial money market funds which are invested in U.S. government securities.

Investments held in the City’s Police and Fire pension trust funds (the “Police Plan” and “Fire Plan”, respectively) are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. While potential current period fair value losses can occur with these investments in any given year, the ultimate realization of fair value losses is mitigated by the holding of these investments to maturity. Investments in U.S. Treasuries typically include discounted, fixed-price notes and bonds with maturities ranging from one to thirty years. The fair value of these investments is less sensitive to interest rate increases since they are held to maturity. Investments in mortgage backed securities typically include long-term, fixed-rate collateralized mortgage obligations with maturities ranging from one to twenty years. Their fair values are particularly sensitive to prepayments by mortgagees, which may result from a decline in interest rates, and inversely sensitive to changes in interest rates. Investments in fixed rate domestic corporate bonds, with maturities ranging from one to ten years, are generally made to guaranty the production of cash flows necessary to fund the plan’s required payments and operating expenses. These fixed rate investments earn slightly higher rates of return, which are necessary to support the Plan’s blended interest rate assumptions. Their fair values are inversely sensitive to changes in interest rates. In recent years, the Fire pension Plan has invested in domestic corporate equities and mutual funds, which fair value varies in conjunction with changes in the NYSE and NASDAQ stock index prices.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Credit Risk. It is the City's policy to limit its investments in those allowed pursuant to the provisions of Section 218.415, Florida Statutes. Under that plan, the City's basic allowable investment instruments include: Local Government Investment Pool (a 2a-7 like fund); negotiable direct obligations of, or obligations for the principal and interest of which are unconditionally guaranteed by, the U.S. Government; interest bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision or in federal savings and loan associations located in this state and organized under federal law and federal supervision; money market accounts that invest in U.S. Government obligations; obligations of Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

Investments in the Fire Plan and Police Plan are limited by state statutes (Chapters 175 and 185, Florida Statutes, respectively) and by an investment policy adopted by the individual funds' Board of Trustees. The basic allowable investment instruments include obligations of, or obligations for which the principal and interest are guaranteed by the U.S. Government; time deposits or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings, building and loan association insured by the Federal Savings and Loan Insurance Corporation; money market accounts that invest in U.S. Government obligations; bonds issued by the State of Israel; and bonds, stocks or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the U.S., or the District of Columbia.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2013, the carrying amount of the City's deposits in demand deposit accounts totaled \$14,867,802, all of which is covered by depository insurance and/or collateral securities in accordance with the Act. Amounts do not include \$3,263 in cash funds on hand at the end of the fiscal year. The carrying amount of the City's \$13,307,177 investment in institutional money market accounts is uninsured and uncollateralized, all of which is invested in a RidgeWorth Investments U.S. Government Securities Money Market Fund (CUSIP 609005DF7) which is backed by the full faith and credit of the United States of America. The City no longer holds its investment in repurchase agreements.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

All investments held by the Police Plan and Fire Plan were uninsured, unregistered and held by the Plans' brokerage firms, who are also the counterparty for these particular securities. At September 30, 2013, the Plans' fixed income corporate bonds held ratings of A- or better by Standard & Poor's.

Concentrations of Credit Risk – Pursuant to the provisions of the investment policies of the City's Police Plan and Fire Plan, both are prohibited from investing more than five percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2013, the Plans had no investments in any one organization that represents five percent or more of plan net position.

The overall composition of the Police Plan's investment portfolio is further restricted to the investment authority provided in Section 185.06, F.S., which is hereby varied only in the following respects:

1. The aggregate of the trust fund's investments in equities (common stocks or equivalents) at market shall not exceed 67.5 percent of the fund's assets (presently 62.5 percent), with a target range of 62.5 to 67.5 percent;
2. The aggregate of the trust fund's investments in negotiable fixed income securities, including securities issued by the United States government, agencies of the United States government, or bonds, or preferred stocks issued by domestic corporations having an initial rating of A or higher, at market, shall be at least 32.5 percent of the fund's assets, with a target range of 32.5 to 37.5 percent;
3. Short-term money market funds or instruments may be included within the above categories of investments, provided that if commercial paper is used, it must be rated at least A-2 or P-2; and
4. International investment of any kind, equities or fixed securities, shall not exceed 25 percent of the fund's assets.

All monies paid into or held in the Fire Plan shall be invested and reinvested by the Board and shall be limited to:

1. Annuity and life insurance contracts with life insurance companies in amounts sufficient to provide, in whole or in part, the benefits and premiums to which all of the members in the fund shall be entitled to.
2. Time or savings accounts of a national bank, a state bank insured by the bank insurance fund or a savings/building and loan association insured by the savings association insurance fund which is administered by the Federal Deposit Insurance Corporation or a state of federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
3. Obligations of the U.S. or obligations guaranteed as to principal and interest by the government of the U.S. or by an agency of the government of the U.S.
4. Bonds issued by the State of Israel.
5. Stocks, commingled funds, mutual funds and bonds or other evidences of indebtedness, provided that:
 - a. Except as provided in subsection (b) below, all individually held securities and all securities in a commingled or mutual fund must be issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the U.S., or the District of Columbia.
 - b. Up to 25 percent of the assets of the fund at market value may be invested in foreign securities.
 - c. The board shall not invest more than five percent of its assets in common stock, capital stock, or convertible securities of any on issuing company, nor shall the aggregate

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

investment in any one issuing company exceed five percent of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at market exceed 70 percent of the assets of the fund.

6. Real estate investment trusts (REITS) that trade on a major exchange, provided the board shall not invest more than 15 percent at cost of the assets of the fund in REITS.

Foreign Currency Risk

Investments in the City's Police Plan include international equity stocks and other investments. The Police Plan's exposure to foreign currency risk is as follows:

| <u>Country</u> | <u>Percentage</u> | <u>Foreign Currency</u> | <u>Investment/ Maturity</u> | <u>(US Dollar) Fair Value</u> |
|---------------------|-------------------|-------------------------|-----------------------------|-------------------------------|
| France | 1.17% | Euro | Equity/NA | \$ 98,405 |
| Netherlands | 1.06% | Euro | Equity/NA | 89,040 |
| Germany | 0.78% | Euro | Equity/NA | 65,625 |
| Spain | 0.44% | Euro | Equity/NA | 36,881 |
| Belgium | 0.28% | Euro | Equity/NA | 23,114 |
| Italy | <u>0.12%</u> | Euro | Equity/NA | <u>9,712</u> |
| | 3.85% | | | 322,777 |
| United Kingdom | 2.52% | British Pound | Equity/NA | 211,643 |
| Japan | 1.19% | Yen | Equity/NA | 99,813 |
| Canada | 1.13% | Canadian Dollar | Equity/NA | 94,662 |
| Switzerland | 0.74% | Swiss Franc | Equity/NA | 62,253 |
| U.S. Virgin Islands | 0.67% | US Dollar | Equity/NA | 56,161 |
| China | 0.49% | Yaun/Renminbi | Equity/NA | 41,342 |
| Singapore | 0.48% | Singapore Dollar | Equity/NA | 40,588 |
| Bermuda | 0.38% | Bermuda Dollar | Equity/NA | 31,976 |
| Israel | 0.34% | Sheqel | Equity/NA | 28,228 |
| Australia | 0.29% | Australian Dollar | Equity/NA | 24,535 |
| Russia | 0.25% | Ruble | Equity/NA | 20,910 |
| Taiwan | 0.20% | Taiwan Dollar | Equity/NA | 16,977 |
| Norway | 0.16% | Krone | Equity/NA | 13,018 |
| India | 0.10% | Rupee | Equity/NA | 8,545 |
| Cayman Islands | 0.10% | Cayman Islands Dollar | Equity/NA | 8,372 |
| Peru | 0.10% | Nuevo sol | Equity/NA | 8,221 |
| Brazil | 0.10% | Brazilian Real | Equity/NA | 8,011 |
| South Korea | 0.09% | Won | Equity/NA | 7,900 |
| Panama | 0.09% | Balboa | Equity/NA | 7,488 |
| Indonesia | <u>0.07%</u> | Rupiah | Equity/NA | <u>6,199</u> |
| | <u>13.35%</u> | | | <u>\$ 1,119,619</u> |

The Police Plan's investments in foreign currency were limited to international equity stocks at September 30, 2013. The Police Plan's investment policy permits it to invest up to 25 percent of total investments in foreign currency-denominated investments. The system's current position is 13.35 percent.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Investments in the City's Fire Plan include international mutual funds. The Fire Plan's exposure to foreign currency risk is as follows:

| <u>Country</u> | <u>Percentage</u> | <u>Foreign Currency</u> | <u>Investment/ Maturity</u> | <u>(US Dollar) Fair Value</u> |
|----------------|-------------------|-------------------------|-----------------------------|-------------------------------|
| France | 1.51% | Euro | N/A | \$ 50,802 |
| Germany | 1.49% | Euro | N/A | 50,210 |
| Spain | 0.55% | Euro | N/A | 18,513 |
| Netherlands | 0.51% | Euro | N/A | <u>17,167</u> |
| | 4.06% | | | 136,692 |
| Less than 0.4% | 1.63% | Various | N/A | 54,892 |
| United Kingdom | 3.41% | British Pound | N/A | 114,736 |
| Japan | 3.21% | Japanese Yen | N/A | 108,224 |
| Australia | 1.19% | Australian Dollar | N/A | 40,093 |
| Switzerland | 1.55% | Swiss Franc | N/A | 52,094 |
| Sweden | 0.52% | Swedish Krona | N/A | 17,544 |
| Hong Kong | <u>0.41%</u> | Hong Kong Dollar | N/A | <u>13,885</u> |
| Total | <u>15.98%</u> | | | <u>\$ 538,160</u> |

The Fire Plan's investments in foreign currency were limited to international mutual fund investments at September 30, 2013. The Fire Plan's investment policy permits it to invest up to 25 percent of total investments in foreign currency-denominated investments. The system's current position is 15.98 percent.

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables: Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) line for certain funds and aggregated columns. Below is a detail of receivables for the governmental and business-type activities anticipated to be collected within an operating cycle at September 30, 2013:

| <u>Governmental Activities:</u> | <u>General</u> | <u>Community Redevelopment Agency</u> | <u>Nonmajor</u> | <u>Total</u> |
|----------------------------------|-------------------|---------------------------------------|-----------------|-----------------|
| Delinquent taxes..... | \$ 2,637 | - | - | 2,637 |
| Franchise/utility tax payments.. | 257,341 | - | - | 257,341 |
| Utility service tax..... | 30,659 | - | - | 30,659 |
| Employee purchase program.... | 13,231 | - | - | 13,231 |
| Miscellaneous receivables..... | <u>45,569</u> | <u>1,779</u> | <u>2,775</u> | <u>50,123</u> |
| | 349,437 | 1,779 | 2,775 | 353,991 |
| Less: bad debt allowance..... | <u>(56,874)</u> | - | - | <u>(56,874)</u> |
| Total..... | <u>\$ 292,563</u> | <u>1,779</u> | <u>2,775</u> | <u>297,117</u> |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

| <u>Business-type Activities:</u> | <u>Water and Sewer</u> | <u>Stormwater Drainage</u> | <u>Solid Waste</u> | <u>Total</u> |
|----------------------------------|--------------------------------|--------------------------------|------------------------|-----------------|
| Customer receivables..... | \$ 759,705 | 7,377 | 280,278 | 1,047,360 |
| Other receivables..... | <u>3,824</u> | <u>-</u> | <u>-</u> | <u>3,824</u> |
| | 763,529 | 7,377 | 280,278 | 1,051,184 |
| Less: bad debt allowance..... | <u>(64,610)</u> | <u>(7,321)</u> | <u>(9,990)</u> | <u>(81,921)</u> |
| Total..... | <u>\$ 698,919</u> | <u>56</u> | <u>270,288</u> | <u>969,263</u> |

Payables: Amounts are aggregated into a single accounts payable and accrued liabilities line for certain funds and aggregated columns. Below is a detail of payables for the governmental and business-type activities anticipated to be paid within an operating cycle at September 30, 2013:

| <u>Governmental Activities:</u> | <u>General</u> | <u>Community Redevelopment Agency</u> | <u>CRA Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|---------------------------------|----------------|-----------------------------------------------|-------------------------------------|-----------------|-------------------|
| Trade accounts..... | \$ 102,172 | 44,746 | 36,766 | 7,294 | 190,978 |
| Confiscations..... | 52,114 | - | - | - | 52,114 |
| Accrued wages..... | 167,891 | 12,419 | - | - | 180,310 |
| Payroll taxes..... | - | - | - | - | - |
| Sales taxes..... | 69 | - | - | - | 69 |
| Intergovernmental payable..... | 626 | - | - | 2,324 | 2,950 |
| Contract retention..... | - | - | - | - | - |
| Other accrued benefits..... | <u>35,666</u> | <u>810</u> | <u>-</u> | <u>-</u> | <u>36,476</u> |
| Total-governmental funds..... | <u>358,538</u> | <u>57,975</u> | <u>36,766</u> | <u>9,618</u> | 462,897 |
| Accrued interest on debt..... | | | | | <u>88,977</u> |
| Total-governmental activities. | | | | | <u>\$ 551,874</u> |

| <u>Business-type Activities:</u> | <u>Water and Sewer</u> | <u>Stormwater Drainage</u> | <u>Solid Waste</u> | <u>Total</u> |
|----------------------------------------|--------------------------------|--------------------------------|------------------------|------------------|
| Current liabilities: | | | | |
| Trade accounts..... | \$ 47,456 | 2,678 | 400,144 | 450,278 |
| Accrued wages..... | <u>46,405</u> | <u>4,835</u> | <u>-</u> | <u>51,240</u> |
| Accrued wages..... | 93,861 | 7,513 | 400,144 | 501,518 |
| Payable from restricted assets: | | | | |
| Accounts and retainage payable..... | <u>1,104,473</u> | <u>-</u> | <u>-</u> | <u>1,104,473</u> |
| Total-business-type activities..... | <u>\$ 1,198,334</u> | <u>7,513</u> | <u>400,144</u> | <u>1,605,991</u> |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

NOTE 7 – CONTINGENT MORTGAGES RECEIVABLE

During 2007, the City acquired two parcels of improved real estate in conjunction with the exchange of a single parcel of unimproved vacant land. New residential structures existed on each of the acquired parcels, neither of which had ever been occupied. In 2009, the City opted to dispose of each property through its participation in a Down Payment Assistance Program (DAP), which provides financial assistance to qualifying low and moderate income individuals and families for the purchase of their first home. The DAP was developed to be in compliance with the U.S. Department of Housing and Urban Development (HUD) HOME regulations and to ensure that the goals of the Down Payment Assistance Program be carried out in a manner consistent with the HUD 24 CFR Part 92 requirements as well as local goals and objectives.

By its participation in the DAP “Silent Mortgage” program, the City accepted two separate mortgages in the principal amounts of \$40,750 and \$39,410, on June 19, 2009 and September 30, 2009, respectively. Each silent mortgage is a ten-year, zero percent interest, deferred mortgage which will be forgiven at a rate of 10% per annum beginning one year from the date of the original mortgage. Under the terms and conditions of each silent mortgage, the outstanding balance on the obligation must be repaid to the City at the point of sale, transfer, refinance, or failure to maintain owner occupancy of the property.

The aggregate balances due on the obligations in the event of default at September 30, 2013 totaled \$47,077.

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

Interfund Transfers - Transfers occur to move revenues from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the City must account for in other funds in accordance with budgetary authorizations. Interfund transfers between the City’s governmental and business-type funds during the fiscal year ended September 30, 2013, are as follows:

| Governmental Activities: | Transfer <u>To</u> | Transfer <u>From</u> |
|----------------------------------------|-----------------------|-------------------------|
| General: | | |
| Water and Sewer..... | \$ - | 516,800 |
| Solid Waste..... | - | 50,000 |
| Stormwater Drainage..... | - | 50,000 |
| Community Redevelopment Trust: | | |
| CRA Debt Service Fund (*)..... | 609,800 | |
| CRA Debt Service Fund : | | |
| Community Redevelopment Trust (*)..... | <u>-</u> | <u>609,800</u> |
| Totals - governmental activities..... | <u>\$ 609,800</u> | <u>1,226,600</u> |

(*) Eliminated in roll-up of governmental funds for presentation in the statement of activities.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

| Business-type Activities: | <u>Transfer To</u> | <u>Transfer From</u> |
|----------------------------------------|-------------------------|--------------------------|
| Water and Sewer: | | |
| General..... | \$ 516,800 | - |
| Stormwater Drainage (*)..... | 42,000 | - |
| Stormwater Drainage: | | |
| Water and Sewer (*) | - | 42,000 |
| General..... | 50,000 | - |
| Solid Waste | | |
| General..... | <u>50,000</u> | <u>-</u> |
| Totals - business-type activities..... | <u>658,800</u> | <u>42,000</u> |
| Totals - all activities..... | <u>\$ 1,268,600</u> | <u>1,268,600</u> |

(*) Eliminated in roll-up of business-type funds for presentation in the statement of activities.

Interfund Balances – From time to time, interfund borrowings occur from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. At September 30, 2013, the following interfund balances are reported:

| Governmental Activities: | <u>Due From</u> | <u>Due To</u> |
|-------------------------------------|----------------------|-------------------|
| Major fund: | | |
| General fund (*)..... | \$ 24,082 | - |
| Nonmajor fund: | | |
| Law enforcement trust fund (*)..... | <u>-</u> | <u>24,082</u> |
| Totals..... | <u>\$ 24,082</u> | <u>24,082</u> |

(*) Eliminated in roll-up of governmental funds for presentation in the statement of net position.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

NOTE 9 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2013, is as follows:

| | Balance 09/30/12 | Addition | Deletions | Balance 09/30/13 |
|------------------------------------------------|---------------------|--------------------|--------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land..... | \$ 3,894,615 | 18,002 | - | 3,912,617 |
| Construction work in progress..... | 743,104 | 316,387 | (718,829) | 340,662 |
| Total capital assets not being depreciated.... | <u>4,637,719</u> | <u>334,389</u> | <u>(718,829)</u> | <u>4,253,279</u> |
| Capital assets being depreciated: | | | | |
| Buildings..... | 5,413,749 | 72,826 | - | 5,486,575 |
| Improvements other than buildings..... | 4,931,883 | 971,703 | - | 5,903,586 |
| Machinery and equipment..... | 2,579,780 | 834,335 | (269,277) | 3,144,838 |
| Infrastructure..... | 9,173,918 | 616,331 | - | 9,790,249 |
| Total capital assets being depreciated..... | <u>22,099,330</u> | <u>2,495,195</u> | <u>(269,277)</u> | <u>24,325,248</u> |
| Less accumulated depreciation for: | | | | |
| Buildings..... | (1,549,839) | (139,871) | - | (1,689,710) |
| Improvements other than buildings..... | (1,667,711) | (215,739) | - | (1,883,450) |
| Machinery and equipment..... | (1,966,108) | (209,425) | 268,050 | (1,907,483) |
| Infrastructure..... | (4,005,111) | (243,271) | - | (4,248,382) |
| Total accumulated depreciation..... | <u>(9,188,769)</u> | <u>(808,306)</u> | <u>268,050</u> | <u>(9,729,025)</u> |
| Total capital assets being depreciated, net... | <u>12,910,561</u> | <u>1,686,889</u> | <u>(1,227)</u> | <u>14,596,223</u> |
| Governmental activities capital assets, net... | <u>\$17,548,280</u> | <u>2,021,278</u> | <u>(720,056)</u> | <u>18,849,502</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land..... | \$ 665,515 | - | - | 665,515 |
| Construction work in progress..... | 2,644,164 | 1,694,594 | (2,244,813) | 2,093,945 |
| Total capital assets not being depreciated.... | <u>3,309,679</u> | <u>1,694,594</u> | <u>(2,244,813)</u> | <u>2,759,460</u> |
| Capital assets being depreciated: | | | | |
| Buildings..... | 10,958,758 | 3,500 | - | 10,962,258 |
| Improvements other than buildings..... | 23,059,075 | 3,131,123 | (2,430) | 26,187,768 |
| Machinery and equipment..... | 5,146,684 | 61,246 | (121,237) | 5,086,693 |
| Infrastructure..... | 8,406,935 | - | - | 8,406,935 |
| Total capital assets being depreciated..... | <u>47,571,452</u> | <u>3,195,869</u> | <u>(123,667)</u> | <u>50,643,654</u> |
| Less accumulated depreciation for: | | | | |
| Buildings..... | (6,513,584) | (224,823) | - | (6,738,407) |
| Improvements other than buildings..... | (8,970,633) | (854,349) | 2,430 | (9,822,552) |
| Machinery and equipment..... | (3,596,406) | (147,857) | 61,341 | (3,682,922) |
| Infrastructure..... | (3,208,697) | (265,507) | - | (3,474,204) |
| Total accumulated depreciation..... | <u>(22,289,320)</u> | <u>(1,492,536)</u> | <u>63,771</u> | <u>(23,718,085)</u> |
| Total capital assets being depreciated, net... | <u>25,282,132</u> | <u>1,703,333</u> | <u>(59,896)</u> | <u>26,925,569</u> |
| Business-type capital assets, net..... | <u>\$28,591,811</u> | <u>3,397,927</u> | <u>(2,304,709)</u> | <u>29,685,029</u> |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|----------------------------------------------------------|---------------------|
| Governmental activities: | |
| General government..... | \$ 93,043 |
| Public safety..... | 101,168 |
| Transportation..... | 244,359 |
| Economic environment..... | 207,354 |
| Culture/recreation..... | <u>162,382</u> |
| Total depreciation expense - governmental activities... | <u>\$ 808,306</u> |
| Business-type activities: | |
| Water and Sewer Fund..... | \$ 1,195,535 |
| Stormwater Drainage..... | 295,872 |
| Solid Waste Fund..... | <u>1,129</u> |
| Total depreciation expense - business-type activities... | <u>\$ 1,492,536</u> |

NOTE 10 – OPERATING LEASES

The City is committed under various non-cancelable operating leases, primarily for office equipment and a police vehicle (principally in the General Fund), none of which extend beyond five years. These leases are accounted for as operating leases and contain options to be cancelled in the event annual appropriations are not authorized. The minimum future rental payments required under operating leases that have initial or remaining lease terms in excess of one year at September 30, 2013 are as follows:

| Fiscal Year | Total |
|-------------------------|------------------|
| September 30, 2014..... | \$ 18,976 |
| September 30, 2015..... | 13,929 |
| September 30, 2016..... | 8,313 |
| September 30, 2017..... | <u>4,340</u> |
| Total..... | <u>\$ 45,558</u> |

Rental expense under these obligations totaled \$28,441 for the year ended September 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

NOTE 11 - LONG-TERM DEBT

The City's long-term debt outstanding at September 30, 2013, is as follows:

| A. Governmental Activities: | Balance Due | Current Maturities |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|
| Revenue Note Payable: | | |
| Promissory note payable to Sun Trust Bank of Volusia County: | | |
| 2.04% Community Redevelopment Agency (CRA) Redevelopment Revenue Refunding Note, Series 2012 dated April 25, 2012; principal and interest payments due semi- annually through 2026; secured by tax increment revenues | \$ 4,535,000 | 310,000 |
| Promissory note payable to BB&T: | | |
| 2.33% Community Redevelopment Agency (CRA) Redevelopment Revenue Note, Series 2013 dated April 24, 2013; principal and interest payments due semi-annually through 2026; secured by tax increment revenues | <u>5,000,000</u> | <u>330,000</u> |
| Total revenue note and capital lease | 9,535,000 | 640,000 |
| Compensated absences (current portion estimated) | <u>533,472</u> | <u>138,537</u> |
| Total governmental activities long-term debt | <u>\$10,068,472</u> | <u>778,537</u> |

A summary of changes in the City's governmental activities long-term debt for the year is as follows:

| | Balances 09/30/12 | Additions | Deletions | Balances 09/30/13 |
|------------------------------------------------------------|----------------------|------------------|------------------|----------------------|
| Revenue Notes Payable: | | | | |
| SunTrust Bank- 2.04% CRA | | | | |
| Redevelopment Revenue Refunding Note, Series 2012 | \$ 4,835,000 | 0 | (300,000) | 4,535,000 |
| BB&T- 2.33% CRA | | | | |
| Redevelopment Revenue Note, Series 2013 | 0 | 5,000,000 | 0 | 5,000,000 |
| Capital lease obligation | 36,283 | 0 | (36,283) | 0 |
| Compensated absences | <u>554,147</u> | <u>505,655</u> | <u>(526,330)</u> | <u>533,472</u> |
| Totals | <u>\$ 5,425,430</u> | <u>5,505,655</u> | <u>(862,613)</u> | <u>10,068,472</u> |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Aggregate debt service requirements to maturity on long-term debt obligations are as follows:

| Fiscal Year | Total |
|--------------------------------------|---------------------|
| September 30, 2014..... | \$ 847,834 |
| September 30, 2015..... | 846,389 |
| September 30, 2016..... | 846,983 |
| September 30, 2017..... | 847,299 |
| September 30, 2018..... | 847,121 |
| September 30, 2019 through 2023..... | 4,232,509 |
| September 30, 2024 through 2026..... | <u>2,544,791</u> |
| Total debt service requirements..... | 11,012,926 |
| Less: interest..... | <u>(1,477,926)</u> |
| Net principal amount..... | <u>\$ 9,535,000</u> |

Under the terms of its revenue note obligations, the City has agreed to maintain certain restricted funds and to comply with the covenants contained in such agreements which require specific actions to be taken by the City. The resolution also provides that monies on deposit in the various accounts may be invested in permitted investments, the definition of which includes various securities backed by the full faith and credit of the U.S. Government or its agencies, depository accounts fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, commercial paper, money market funds, and bankers' acceptances meeting requirements defined in the bond resolution, units of participation in the Local Government Surplus Funds Trust Fund, and any other investments allowed by Florida law.

Interest expense and related debt issuance costs incurred for governmental activities for the year ended September 30, 2013 totaled \$146,347 and \$28,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

| B. Business-Type Activities: | Balance Due | Current Maturities |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|
| Revenue Bonds Payable: | | |
| Water and Sewer System Improvement Revenue Bond, Series 2005 3.82% due in installments to October 2025 | \$ 1,095,000 | 65,000 |
| Water and Sewer System Improvement Revenue Bond, Series 2011 3.46, due in installments to October 2030 | 4,375,000 | 180,000 |
| Water and Sewer System Improvement Refunding Revenue Bond, Series 2012 1.95% due in installments to October 2022 | 8,440,000 | 740,000 |
| Water and Sewer System Improvement Revenue Bond, Series 2013 1.94% due in installments to October 2023 | 1,540,000 | 0 |
| Revenue Notes Payable: | | |
| State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-3.11% construction loan dated July 28, 1998, in the amount of \$2,647,500, due semi-annually beginning June 2001 through December 2020, secured with water and sewer service Charges | 1,128,612 | 126,317 |
| State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-2.12% construction loan dated November 21, 2005, in the amount of \$659,388 (amount drawn to date \$306,042), due semi-annually beginning April 2007 through October 2027, secured with water and sewer service charges | 476,453 | 30,831 |
| State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-2.17% construction loan dated October 17, 2007, in the amount of \$5,261,318 (amount drawn to date \$5,224,807), due semi- annually beginning September 2009 through September 2029, secured with water and sewer service charges..... | 4,314,260 | 236,920 |
| State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement - 3.27% construction loan (\$353,840) dated January 30, 2001; 3.16% loan (\$884,371) dated September 10, 2001; 2.12% loan (\$1,459,241) dated July 24, 2002; 1.99% loan (\$2,601,357) dated June 24,2003, in the aggregate amount of \$5,298,810 for local stormwater pollution control and drainage improvements, with combined total payments of \$176,808, due semi-annually, on January 15 and July 15, commencing on January 15, 2005... through 2023; secured with stormwater management service charges | <u>3,139,910</u> | <u>282,526</u> |
| Total bonds and notes payable | 24,509,235 | 1,661,594 |
| Compensated absences (current portion estimated)..... | <u>123,766</u> | <u>24,753</u> |
| Total business-type activities long-term debt | <u>\$24,633,001</u> | <u>1,686,347</u> |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

A summary of changes in the City's business-type activities long-term debt for the year is as follows:

| | Balances 09/30/12 | Additions | Deletions | Balances 09/30/13 |
|-----------------------------------------------------------------------------------|----------------------|------------------|--------------------|----------------------|
| Water and Sewer System Improvement Revenue Bond, Series 2005 | \$ 1,160,000 | 0 | (65,000) | 1,095,000 |
| Water and Sewer System Improvement Revenue Bond, Series 2011 | 4,550,000 | 0 | (175,000) | 4,375,000 |
| Water and Sewer System Improvement Refunding Revenue Bond, Series 2012..... | 8,440,000 | 0 | 0 | 8,440,000 |
| Water and Sewer System Improvement Revenue Bond, Series 2013 | 0 | 1,540,000 | 0 | 1,540,000 |
| Notes Payable - FDEP-Clean Water State Revolving Fund Loans..... | 9,719,893 | 0 | (660,658) | 9,059,235 |
| Compensated absences | <u>118,990</u> | <u>116,999</u> | <u>(112,223)</u> | <u>123,766</u> |
| Totals | <u>\$ 23,988,883</u> | <u>1,656,999</u> | <u>(1,012,881)</u> | <u>24,633,001</u> |

The annual debt service and mandatory term bond amortization requirements through maturity are as follows:

| Fiscal Year | Revenue Bonds | Revenue Notes | Total |
|--------------------------------------|---------------------|--------------------|--------------------|
| September 30, 2014..... | \$ 1,355,274 | 884,089 | 2,239,363 |
| September 30, 2015..... | 1,542,209 | 884,090 | 2,426,299 |
| September 30, 2016..... | 1,539,635 | 884,088 | 2,423,723 |
| September 30, 2017..... | 1,536,508 | 884,088 | 2,420,596 |
| September 30, 2018..... | 1,537,639 | 884,090 | 2,421,729 |
| September 30, 2019 through 2023..... | 7,677,649 | 4,099,560 | 11,777,209 |
| September 30, 2024 through 2028..... | 2,127,725 | 1,788,999 | 3,916,724 |
| September 30, 2029 through 2030..... | <u>978,959</u> | <u>164,632</u> | <u>1,143,591</u> |
| Total debt service requirements..... | 18,295,598 | 10,473,636 | 28,769,234 |
| Less: interest..... | <u>(2,845,598)</u> | <u>(1,414,401)</u> | <u>(4,259,999)</u> |
| Net principal amount..... | <u>\$15,450,000</u> | <u>9,059,235</u> | <u>24,509,235</u> |

Resolution No 92R-55, as amended, is the Master Resolution which provides the authorization for the issuance of all water and sewer system improvement and refunding revenue bonds to finance and refinance the cost of acquisition, construction and installation of certain capital additions, extensions and improvements to the water and sewer system of the city and to refund the outstanding obligations of the water and sewer system of the city; pledging the net revenues of said water and sewer system to secure payment of the bonds; providing for the issuance of additional bonds; and making certain covenants and agreements in connection therewith: providing for the rights, security and remedies of the holders thereof.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Pursuant to the applicable terms and conditions of the Master Resolution, the City covenants that it will not issue additional obligations unless they are payable on a parity with the all bonds issued under the Master resolution and only upon the conditions and within the limitations of the authorizing resolution. The Water and Sewer System Improvement Revenue Bond, Series 2005 (the "Series 2005 bond"), the Water and Sewer System Improvement Revenue Bond, Series 2011 (the "Series 2011 bond"), the Water and Sewer System Improvement Refunding Revenue Bond, Series 2012 (the "Series 2012 bond") and the Water and Sewer System Improvement Revenue Bond, Series 2013 (the "Series 2013 bond") are issued as parity bonds under the Master Resolution. The revenue bonds are payable from and secured by a first lien upon and pledge of the net revenues derived from the operation of the City's water and sewer system. The bonds do not constitute general indebtedness of the City, and the City is not obligated to levy any taxes for the payment thereof.

Under the terms of its Master Resolution and revenue note obligations, the City has also agreed to maintain certain restricted funds and to comply with the covenants contained in such agreements which require specific actions to be taken by the City. The resolution also provides that monies on deposit in the various bond accounts may be invested in permitted investments, the definition of which includes various securities backed by the full faith and credit of the U.S. Government or its agencies, depository accounts fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, commercial paper, money market funds, and bankers' acceptances meeting requirements defined in the bond resolution, units of participation in the Local Government Surplus Funds Trust Fund, and any other investments allowed by Florida law.

The notes payable to the State of Florida, Department of Environmental Protection, State Revolving Fund Loan are secured by pledged revenues of the City; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Series 2005, Series 2011, Series 2012 and Series 2013 bonds.

Total interest and debt expense incurred for business-type activities for the year ended September 30, 2013 was \$659,671. Of this amount, \$159,259 was capitalized and \$500,412 was charged to operations as expense.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. City of Holly Hill, Florida, Post-employment Benefits Plan (the "Plan") is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

Funding Policy. The contribution requirements of plan members and the City are based on composite health insurance premium costs which are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a twelve-year open period.

The following table shows the components of the City's annual OPEB for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan based on a the most recent actuarial valuation dated October 1, 2011:

| | <u>09/30/2011</u> | <u>09/30/2012</u> | <u>09/30/2013</u> |
|--------------------------------------------|-------------------|-------------------|-------------------|
| Annual required contribution (ARC) | \$ 429,000 | 200,000 | 220,000 |
| Interest on prior Net OPEB obligation..... | 26,000 | 30,000 | 10,000 |
| Prior Net OPEB obligation adjustment..... | <u>(76,000)</u> | <u>(406,000)</u> | <u>(60,000)</u> |
| Annual OPEB cost (expense)..... | 379,000 | (176,000) | (170,000) |
| Estimated net contributions made..... | <u>(46,000)</u> | <u>(40,000)</u> | <u>(40,000)</u> |
| Increase in net OPEB obligation..... | 333,000 | (216,000) | 130,000 |
| Net OPEB obligation-beginning of year..... | <u>663,000</u> | <u>996,000</u> | <u>780,000</u> |
| Net OPEB obligation-end of year | <u>\$ 996,000</u> | <u>780,000</u> | <u>910,000</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

| <u>Fiscal</u> <u>Year</u> <u>Ended</u> | <u>Annual</u> <u>OPEB</u> <u>Cost</u> | <u>Percent</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u> | <u>Net</u> <u>OPEB</u> <u>Obligation</u> |
|----------------------------------------------|---------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------|
| 09/30/11 | \$379,000 | 12.1% | \$996,000 |
| 09/30/12 | \$160,000 | 25.0% | \$780,000 |
| 09/30/13 | \$170,000 | 18.7% | \$910,000 |

Funded Status and Funding Progress. Based on the October 1, 2011 actuarial valuations, the funded status of the OPEB Plan was as follows:

| | |
|----------------------------------------------------------------------------------|---------------------|
| Actuarial accrued liability (AAL) | \$ 1,260,000 |
| Actuarial value of plan assets..... | <u>0</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 1,260,000</u> |
| Funded ratio (actuarial value of plan assets/AAL)..... | 0.00% |
| Covered payroll (annual payroll of active employees covered by the plan)..... | \$ 3,990,000 |
| UAAL as a percentage of covered payroll..... | 31.58% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2011 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 2.75% inflation rate, a 4.5% percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5% percent initially, reduced by 0.5% annual decreases to an ultimate rate of 5.0% in year 10. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 12-year open period, level-dollar payment.

NOTE 13 - PENSION PLANS

A. General Employees – Florida Retirement System

Plan Description. (Pre-01/01/96 and post-10/01/05 general employees) The City contributes to the Florida Retirement System (the “FRS”) of the State of Florida, a cost-sharing, multiple-employer public employee retirement system created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. This defined benefit pension plan, which is administered by the State of Florida, Department of Management Services, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, F.S. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000, or calling 850-488-5706.

Funding Policy. The FRS funding policy provides for required monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability reemerges, future plan benefit changes, assumption changes, and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

The City made the required employer contributions to the plan for the fiscal years ended September 30, 2013, 2012, and 2011, which were \$137,830, \$115,821, and \$207,410, respectively. Employees are required to contribute 3% of covered wages to the plan effective July 1, 2011. The employee's contributions to the plan for the fiscal years ended September 30, 2013, 2012, and 2011 were \$66,852, \$65,329, and \$14,310, respectively.

The following is a summary of employer contribution percentages for qualifying compensation paid to regular employees and Deferred Retirement Option Program (DROP) participants in effect during each of the past three fiscal years ended September 30, 2013, 2012, and 2011 by retirement plan periods (rates specified below include an additional 1.11% for the City's option to include health insurance subsidy contribution):

| | <u>Regular Employer</u> | <u>Regular Employee</u> | <u>DROP Employees</u> |
|----------------------------------------|-----------------------------|-----------------------------|---------------------------|
| Plan year beginning July 1, 2013 | 6.95% | 3.00% | 12.84% |
| Plan year beginning July 1, 2012 | 5.18% | 3.00% | 5.44% |
| Plan year beginning July 1, 2011 | 4.91% | 3.00% | 4.42% |
| Plan year beginning July 1, 2010 | 10.77% | 0.00% | 12.25% |

B. General Employees – Florida Municipal Pension Trust Fund

The City contributes to the Florida Municipal Pension Trust Fund which provides for an IRC Section 457(b) deferred compensation plan for employer and employee contributions. This plan is administered by Florida League of Cities, Inc., P. O. Box 1757, Tallahassee, FL 32302-1757. Originally, under Resolution No. 61 and Ordinance No. 2417, as amended, the City established this plan for all full time employees hired on or after January 1, 1996 by revoking its participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. At September 30, 2012, 22 participants were enrolled in the 457(b) plan.

The City, as the sponsoring employer, is responsible for amending pension provisions and contribution requirements for the plans. The plans were amended during the year to include recent income tax law provisions applicable to employee benefit plans that were applicable to the plans. The City has the power to amend plan provisions at any time.

All qualified employees at least 18 years of age become eligible to participate in the 457(b) plan on the first date of the month following the date of employment. Employees voluntarily contribute to the plan.

Employees immediately vest in the elective deferral contributions made to the Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service. An employee must complete at least six full months of service during the plan year and be employed on the last day of the plan year to vest in any employer contributions. Employees who terminate employment during the plan year for reasons due to death, total and permanent disability, or retirement, are considered fully vested in the employers contribution regardless of the number of full months of service earned during the plan year. Normal retirement benefits are available upon attaining age 60. The plan does not provide for an early retirement date prior to the normal retirement date of age 60.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Employee contributions to the 457(b) Plan for the fiscal years ended September 30, 2013, 2012, and 2011, were \$24,446, \$27,547, and \$48,572, respectively. Employer contributions to the 457(b) Plan for the fiscal years ended September 30, 2013, 2012, and 2011 were \$-0-, \$1,071, and \$530, respectively.

C. General Employees – ICMA

The City previously offered electing management employees participation in a Money Purchase Plan and Trust, created in accordance with Section 401(a) of the Internal Revenue Code. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 59½ (normal retirement age) the participants may elect to commence receiving benefits which equal accumulated employers' contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. The City contributed 10% of the employees' covered payroll to the Plan. For the years ended September 30, 2013, 2012, and 2011, the City's contributions to the Plan totaled \$51,000, \$-0-, and \$1,820, respectively.

The City also offers an alternative Section 457 plan to accommodate supplemental employee elective deferrals for employees covered in the City's defined benefit plans. The assets of this plan are also administered by the International City Managers Association Retirement Corporation. Supplemental employee contributions to the Plan for the fiscal years ended September 30, 2013, 2012, and 2011, totaled \$9,738, \$14,932, and \$23,194, respectively.

D. General Employees – Nationwide Retirement Solutions:

The City offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contribution, which is administered by Nationwide Retirement Solutions, P.O. Box 182797 Columbus, OH 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. The City may also contribute to the plan for participants, these contributions vest at the time such contributions are made to the plan. Employer Contributions to the 457 Plan for the fiscal years ended September 30, 2013, 2012, and 2011, totaled \$28,613, \$16,663, and \$6,782, respectively. Employee contribution to the 457 Plan for the fiscal years ended September 30, 2013, 2012, and 2011, totaled \$66,018, \$46,642, and \$195, respectively.

E. Police Officers and Firefighters - Defined Benefit Pension Plans:

Plan Description. The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Police Officers' Retirement Trust Fund (the "Police Plan") and Firefighters' Retirement System (the "Fire Plan"). Both Plans issue publicly available stand-alone financial reports that include financial statements and required supplementary information for the plans. The Police Plan report may be obtained by writing to City of Holly Hill, Florida, Police Officers' Retirement Trust Fund, Post Office Box 251485, Holly Hill, FL 32125 or calling (386) 248-9475. The Fire Plan report may be obtained by writing to City of Holly Hill, Florida, Firefighters' Retirement System, 1065 Ridgewood Avenue, Holly Hill, FL 32117-2898 or calling (386) 248-9473.

All certified police officers and firefighters are eligible to participate in the respective plans upon employment. Benefits vest with eligible employees after six or ten years of participation depending on the employees hire date. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

for the Police Plan and the Fire Plan can be found in Chapters 185 and 175, Florida Statutes, respectively. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The act also provides that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff, local financial institutions, and third-party fund custodians.

All full-time, uniformed police officers are eligible (and required as a condition of employment) to participate in the Police Plan upon employment with the City, except for the Chief of Police who may opt out of the plan. Employees hired prior to July 1, 2011 vest with 100% full benefits after 6 years of service. Employees hired after June 30, 2011, vest with 100% full benefits after 10 years of service. Police officers are eligible for normal retirement after attaining age 55 with 6 years (pre-July 1, 2011 hire date) or 10 years (post June 30, 2011 hire date) of credited service, or 20 years of credited service, regardless of age. Police officers are eligible for early retirement after attaining age 50 with 6 years (pre-July 1, 2011 hire date) or 10 years (post June 30, 2011 hire date) of credited service.

All full-time uniformed firefighters are eligible (and required as a condition of employment) to participate in the Fire Plan upon employment with the City. Employees vest with 100% full benefits after 6 years of service. Firefighters are eligible for normal retirement after attaining age 50 with 6 years of credited service or completion of 25 years of credited service, regardless of age. Firefighters are eligible for early retirement after attaining age 48 with 6 years of service. An independent actuary appointed by the respective Board of Trustees actuarially determines benefits to be paid to retirees.

Current membership in the Police Plan and Fire Plan is composed of the following, as included in the most recent actuarial valuations both of which are dated October 1, 2013:

| | <u>Police Plan</u> | <u>Fire Plan</u> |
|----------------------------------------------|------------------------|----------------------|
| Service retirees receiving benefits | 13 | 9 |
| Beneficiaries receiving benefits | 2 | 0 |
| Vested terminated employees..... | 5 | 0 |
| Disability retirees receiving benefits | 2 | 0 |
| Employees receiving DROP benefits | 1 | 0 |
| Active employees | <u>24</u> | <u>13</u> |
| Total participants | <u>47</u> | <u>22</u> |

Summary of Significant Accounting Policies of the Plans. The accrual basis of accounting is utilized in presenting the pension trust funds combining statements of net position and combining statements of revenue, expenses and changes in net position. Plan receivables are short term and consist of contributions due from the City, State and/or from Plan members. Plan liabilities would generally include benefits due to plan members and beneficiaries and accrued investment and administrative expenses and are recognized when due and payable in accordance with the terms of the Plans. The difference between total plan assets and total plan liabilities at the reporting date are captioned net position held in trust for pension benefits reserved for employees' pension benefits and represent the net position held in trust for pension benefits.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Investments are reported at fair value and are managed by third party money managers. Investments that do not have an established market are reported at estimated fair value. Performance reporting, administrative expenses and the City's asset valuation are based on the custodians' determination of value.

Contribution Requirements and Contributions Made. The City provides contributions to the Police Plan and Fire Plan under the authority of Chapters 185 and 175, Florida Statutes, respectively, and pursuant to City ordinances. Employees covered under the plans are required to make contributions of 5% if hired before July 1, 2011, or 8% if hired after June 30, 2011 (Police Plan), and 8.0% (Fire Plan) of their compensation. The City is required to contribute the remaining amounts necessary to fund the Plans based on the funding amounts determined by the Plans' actuaries. During the most recent year, the City's pension contributions included the City's share of Fire Insurance Premium Taxes (\$43,786) and Casualty Insurance Premium Taxes (\$59,865) received annually from the State of Florida on behalf of each plan's covered employees. Additionally, amounts from the State Firefighter's Supplemental Compensation Trust Fund (\$16,764) were received from the State of Florida and used to reduce the City's required contribution.

For the year ended September 30, 2013, the Police Plan's actuarially determined required contribution of 71.3% of covered payroll (\$1,088,576) totaled \$776,154. Actual contributions from members representing 5% (if hired before July 1, 2011) or 8% (if hired after June 30, 2011) of covered payroll totaled \$63,672, which produced a required minimum employer contribution representing 65.5% of payroll or \$712,482. Amounts actually contributed by the City during the year ended September 30, 2013, totaled \$715,199, including state excise tax premium distributions of \$59,865, which was \$2,717 greater than the actuarially determined minimum contribution.

For the year ended September 30, 2013, the Fire Plan's actuarially determined required contribution of 53.1% of covered payroll (\$549,917) totaled \$292,006. Actual contributions from members representing 8% of covered payroll totaled \$43,993, which produced a required minimum employer contribution representing 45.1% of payroll or \$248,013. Amounts actually contributed by the City during the year ended September 30, 2013, totaled \$248,013, including state excise tax premium distributions and other state provided funds totaling \$60,550, which was equal to the actuarially determined minimum contribution.

The City has adopted GASB Statement No. 27 on pension accounting and reporting. This statement requires the computation of a net pension obligation (NPO) or asset which would result if the City's contributions to the pension funds did not equal the annual pension cost as computed by the plan actuaries. During the current year, the City evaluated both plans to determine the net pension obligations or assets at October 1, 2013 (the most recent valuation dates).

The City's annual pension cost and net pension obligations to the Police and Fire Plans (based on the most current valuations available-October 1, 2013) were as follows:

Municipal Police Officers' Retirement Trust Fund

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------------|------------------------------------------|----------------------------------------------|---------------------------------------|
| 09/30/2013 | \$ 716,547 | 100% | \$ (25,556) |
| 09/30/2012 | \$ 669,099 | 100% | \$ (26,905) |
| 09/30/2011 | \$ 433,929 | 100% | \$ (28,157) |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Municipal Firefighters' Pension Trust Fund

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 09/30/2013..... | \$ 252,470 | 98% | \$ (73,496) |
| 09/30/2012..... | \$ 128,921 | 110% | \$ (77,953) |
| 09/30/2011..... | \$ 67,286 | 96% | \$ (64,731) |

The Police and Fire Plans have been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (part VII, Chapter 112, Florida Statutes) in 1980. Accordingly, the City has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the Net Pension Obligation on October 1, 1997 was \$-0- for both plans.

The development of the revised Net Pension Obligation (NPO) in the Police Plan to date is as follows:

| | <u>09/30/11</u> | <u>09/30/12</u> | <u>09/30/13</u> |
|--------------------------------------|-----------------|-----------------|-----------------|
| Actuarially determined contribution. | \$ 432,572 | 667,847 | 715,194 |
| Interest on NPO | (2,214) | (2,112) | (2,018) |
| Adjustment | <u>3,571</u> | <u>3,364</u> | <u>3,371</u> |
| Annual Pension Cost | 433,929 | 669,099 | 716,547 |
| Contributions made | <u>432,571</u> | <u>667,847</u> | <u>715,198</u> |
| Increase (decrease) in NPO | 1,358 | 1,252 | 1,349 |
| NPO - beginning of year | <u>(29,515)</u> | <u>(28,157)</u> | <u>(26,905)</u> |
| NPO - end of year..... | <u>(28,157)</u> | <u>(26,905)</u> | <u>(25,556)</u> |

The development of the revised Net Pension Obligation (NPO) in the Fire Plan to date is as follows:

| | <u>09/30/11</u> | <u>09/30/12</u> | <u>09/30/13</u> |
|--------------------------------------|--------------------|-----------------|-----------------|
| Actuarially determined contribution. | \$ 64,875 | 126,366 | 248,013 |
| Interest on NPO | (5,036) | (4,855) | (5,846) |
| Adjustment | <u>7,447</u> | <u>7,410</u> | <u>10,303</u> |
| Annual Pension Cost | 67,286 | 128,921 | 252,470 |
| Contributions made | <u>64,875</u> | <u>142,143</u> | <u>248,013</u> |
| Increase in NPO..... | 2,411 | (13,222) | 4,457 |
| NPO - beginning of year | <u>(67,142)</u> | <u>(64,731)</u> | <u>(77,953)</u> |
| NPO - end of year..... | <u>\$ (64,731)</u> | <u>(77,953)</u> | <u>73,496</u> |

The above negative net pension obligations have been included in the accrual-based government-wide statements of net position and activities, as required.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

The actuarial valuations for both plans were prepared in accordance with GASB Statements No. 25 and 27. Significant actuarial assumptions used in the valuations for each plan (based on the most current valuations available-October 1, 2013) are as follows:

| | <u>Police Plan</u> | <u>Fire Plan</u> |
|--------------------------------------------------|--------------------------|--------------------------|
| Contribution rates as of 09/30/13: | | |
| City (and state) | 65.7% | 45.1% |
| Plan Members (hired prior to July 1, 2011) | 5.0% | 8.0% |
| Plan Members (hired after June 30, 2011)..... | 8.0% | 8.0% |
| Annual Pension Cost | \$716,547 | \$252,470 |
| Contributions made | \$715,198 | \$248,013 |
| Actuarial valuation dates | 10/01/11 | 10/01/11 |
| Actuarial cost method..... | Entry Age Normal | Entry Age Normal |
| Amortization method..... | Level % of Pay, Closed | Level % of Pay, Closed |
| Remaining amortization period | 27 Years (as of 10/1/11) | 27 Years (as of 10/1/11) |
| Asset valuation method | 4yr. Smooth | 4yr. Smooth |
| Actuarial assumptions: | | |
| Investment rate of return | 7.5% | 7.5% |
| Projected salary increases * | 6.0% | 6.0% |
| *Includes inflation at..... | 3.0% | 3.0% |
| Post retirement cost of living adjustment. | 2.0% | 0.0% |

Funded Status and Funding Progress - Based on the October 1, 2013 actuarial valuations, the funded status of the Police Plan and Fire Plan was as follows:

| | <u>Police Plan</u> | <u>Fire Plan</u> |
|---------------------------------------------------------------------------------------------|------------------------|----------------------|
| Actuarial value of plan assets..... | \$ 7,919,142 | \$ 3,317,417 |
| Actuarial accrued liability (AAL) – Entry Age..... | \$ 11,137,148 | \$ 4,738,350 |
| Unfunded actuarial accrued liability (UAAL) | \$ 3,218,006 | \$ 1,420,933 |
| Funded ratio (actuarial value of plan assets/AAL)..... | 71.11% | 70.01% |
| Estimated covered payroll (annual payroll of active Employees covered by the plan) | | |
| | \$ 1,125,038 | \$ 690,628 |
| UAAL as a percentage of covered payroll | 286.04% | 205.75% |

The summary valuation information pertinent to the required supplementary information schedules is provided above. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Related Party Transactions. The City held no securities which were included in the assets of the Police Plan or Fire Plan.

Required Supplementary Information. The required supplementary information pursuant to GASB No. 25 is contained in Schedules 1 and 2 presented immediately following these notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

NOTE 14 - FIDUCIARY FUND FINANCIAL STATEMENTS - POLICE AND FIRE PENSION TRUST FUNDS

The City does not provide for the separate reporting of the financial activities of the Police Officers' Retirement Trust Fund and Firefighters' Retirement System in the general purpose financial statements. Rather, the basic financial statements include a combined statement of fiduciary net position and statement of changes in fiduciary net position that presents a single column presented by fund type for both pension trust funds.

Presented below are the separate financial statements for each pension trust fund for the year ended September 30, 2013:

Statements of Fiduciary Plan Net Position
September 30, 2013

| | <u>Police</u> | <u>Fire</u> | <u>Total</u> |
|----------------------------------------------|---------------|-------------|--------------|
| Assets: | | | |
| Cash and cash equivalents..... | \$ 434,811 | 91,432 | 526,243 |
| Receivables: | | | |
| State contributions receivable..... | - | 16,764 | 16,764 |
| Interest and dividends receivable..... | 30,332 | 6,380 | 36,712 |
| Total accounts receivable..... | 30,332 | 23,144 | 53,476 |
| Prepaid expenses..... | - | 2,839 | 2,839 |
| Investments, at fair value | | | |
| U.S. Treasuries..... | 1,111,231 | 123,777 | 1,235,008 |
| U.S. government agencies..... | 227,878 | 100,379 | 328,257 |
| Corporate and municipal debt obligations ... | 1,057,650 | 685,146 | 1,742,796 |
| Domestic corporate equity securities..... | 4,437,715 | - | 4,437,715 |
| International equity securities..... | 1,119,619 | 538,161 | 1,657,780 |
| Mutual Funds..... | - | 1,920,145 | 1,920,145 |
| Total investments..... | 7,954,093 | 3,367,608 | 11,321,701 |
| Total assets..... | 8,419,236 | 3,485,023 | 11,904,259 |
| Liabilities: | | | |
| Accounts payable..... | 18,215 | 8,305 | 26,520 |
| Net position: | | | |
| Held in trust for pension benefits..... | \$ 8,401,021 | 3,476,718 | 11,877,739 |

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

Statement of Changes in Fiduciary Plan Net Position

For the Fiscal Year Ended September 30, 2013

| | <u>Police</u> | <u>Fire</u> | <u>Total</u> |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|----------------------|
| Additions: | | | |
| Contributions from: | | | |
| Employer..... | \$ 655,333 | 187,463 | 842,796 |
| State..... | 59,865 | 60,550 | 120,415 |
| Plan members | <u>126,335</u> | <u>43,993</u> | <u>170,328</u> |
| Total contributions..... | <u>841,533</u> | <u>292,006</u> | <u>1,133,539</u> |
| Investment income: | | | |
| Net realized and unrealized appreciation (depreciation) in fair value of investments | 766,378 | 298,027 | 1,064,405 |
| Interest and dividend earnings..... | <u>194,210</u> | <u>90,380</u> | <u>284,590</u> |
| Investment income | 960,588 | 388,407 | 1,348,995 |
| Less: investment management fees | <u>(74,382)</u> | <u>(20,867)</u> | <u>(95,249)</u> |
| Net investment income | <u>886,206</u> | <u>367,540</u> | <u>1,253,746</u> |
| Total additions | <u>1,727,739</u> | <u>659,546</u> | <u>2,387,285</u> |
| Deductions: | | | |
| Benefit payments and refunds | 563,416 | 182,319 | 745,735 |
| Lump sum DROP Payments | 243,880 | 312,438 | 556,318 |
| Refunds/withdrawals | 17,127 | - | 17,127 |
| Administrative expenses | <u>17,441</u> | <u>21,876</u> | <u>39,317</u> |
| Total deductions..... | <u>841,864</u> | <u>516,633</u> | <u>1,358,497</u> |
| Net increase..... | 885,875 | 142,913 | 1,028,788 |
| Net position held in trust for pension benefits: | | | |
| Beginning of year | <u>7,515,146</u> | <u>3,333,805</u> | <u>10,848,951</u> |
| End of year..... | <u>\$ 8,401,021</u> | <u>\$ 3,476,718</u> | <u>\$ 11,877,739</u> |

NOTE 15 - LEGAL MATTERS

The City is engaged in routine litigation incidental to the conduct of their respective business and municipal affairs. In the opinion of their Counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit their ability to perform their operations or materially affect their financial condition.

NOTE 16 - COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of other expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

NOTE 17 – 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; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 18, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Schedule 1

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded (Assets in Excess of) AAL (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------------------------|-------------------------------|-------------------------------------------------|--------------------------------------------|--------------------|---------------------|-----------------------------------------------------------------------------------|
| <u>Municipal Firefighters' Retirement System</u> | | | | | | |
| 10/01/2013 | \$ 3,317,417 | \$ 4,738,350 | \$ 1,420,933 | 70.01% | \$ 690,628 | 205.75% |
| 10/01/2012 | \$ 3,289,644 | \$ 4,908,256 | \$ 1,618,612 | 67.02% | \$ 486,099 | 332.98% |
| 10/01/2011 | \$ 2,992,822 | \$ 4,492,447 | \$ 1,499,625 | 66.62% | \$ 429,175 | 349.42% |
| 10/01/2010 | \$ 3,114,518 | \$ 4,340,101 | \$ 1,225,583 | 71.76% | \$ 513,599 | 238.63% |
| 10/01/2009 | \$ 3,067,387 | \$ 4,317,679 | \$ 1,250,292 | 71.04% | \$ 630,037 | 198.45% |
| 10/01/2008 | \$ 2,954,229 | \$ 4,396,537 | \$ 1,442,308 | 67.19% | \$ 628,094 | 229.63% |

| | | | | | | |
|---------------------------------------------------------|--------------|---------------|--------------|--------|--------------|---------|
| <u>Municipal Police Officers' Retirement Trust Fund</u> | | | | | | |
| 10/01/2013 | \$ 7,919,142 | \$ 11,137,148 | \$ 3,218,006 | 71.11% | \$ 1,125,038 | 286.04% |
| 10/01/2012 | \$ 7,240,497 | \$ 11,360,426 | \$ 4,119,929 | 63.73% | \$ 1,041,612 | 395.53% |
| 10/01/2011 | \$ 6,198,433 | \$ 10,602,319 | \$ 4,403,886 | 58.46% | \$ 1,060,484 | 415.27% |
| 10/01/2010 | \$ 6,291,928 | \$ 10,378,081 | \$ 4,086,153 | 60.63% | \$ 1,018,222 | 401.30% |
| 10/01/2009 | \$ 6,333,782 | \$ 10,155,787 | \$ 3,822,005 | 62.37% | \$ 1,154,107 | 331.17% |
| 10/01/2008 | \$ 6,685,951 | \$ 9,467,373 | \$ 2,781,422 | 70.62% | \$ 1,141,987 | 243.56% |

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Unit Credit (b) | Unfunded (Assets in Excess of) AAL (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------------------|-------------------------------|---------------------------------------------------|--------------------------------------------|--------------------|---------------------|-----------------------------------------------------------------------------------|
| <u>Other Post-Employment Benefits Plan</u> | | | | | | |
| 10/01/2013 | \$ - | n/a | n/a | n/a | n/a | n/a |
| 10/01/2012 | \$ - | n/a | n/a | n/a | n/a | n/a |
| 10/01/2011 | \$ - | \$ 1,260,000 | \$ 1,260,000 | 0.00% | \$ 3,990,000 | 31.58% |
| 10/01/2010 | \$ - | n/a | n/a | n/a | n/a | n/a |
| 10/01/2009 | \$ - | n/a | n/a | n/a | n/a | n/a |
| 10/01/2008 | \$ - | \$ 1,782,000 | \$ 1,782,000 | 0.00% | \$ 4,875,000 | 36.55% |

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS OF EMPLOYER AND OTHER
CONTRIBUTING ENTITIES
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Schedule 2

| <u>Year Ended September 30,</u> | <u>Annual Required Contribution</u> | <u>Employer Contributions</u> | <u>State Contributions</u> | <u>Total Contributions</u> | <u>Percentage Contributed</u> |
|--------------------------------------------------|---------------------------------------------|-----------------------------------|--------------------------------|--------------------------------|-----------------------------------|
| <u>Municipal Firefighters' Retirement System</u> | | | | | |
| 2013 | \$ 248,013 | \$ 187,463 | \$ 60,550 | \$ 248,013 | 100.00% |
| 2012 | \$ 126,366 | \$ 85,180 | \$ 56,964 | \$ 142,144 | 112.49% |
| 2011 | \$ 124,824 | \$ 64,875 | \$ 59,948 | \$ 124,823 | 100.00% |
| 2010 | \$ 167,424 | \$ 105,163 | \$ 62,261 | \$ 167,424 | 100.00% |
| 2009 | \$ 197,016 | \$ 47,502 | \$ 149,514 | \$ 197,016 | 100.00% |
| 2008 | \$ 223,749 | \$ 223,749 | \$ - | \$ 223,749 | 100.00% |

* "Frozen" per Chapter 175, Florida Statutes, as amended

| | | | | | |
|---------------------------------------------------------|------------|------------|------------|------------|---------|
| <u>Municipal Police Officers' Retirement Trust Fund</u> | | | | | |
| 2013 | \$ 715,194 | \$ 655,333 | \$ 59,865 | \$ 715,198 | 100.00% |
| 2012 | \$ 667,847 | \$ 606,694 | \$ 61,153 | \$ 667,847 | 100.00% |
| 2011 | \$ 496,881 | \$ 432,571 | \$ 64,309 | \$ 496,880 | 100.00% |
| 2010 | \$ 456,309 | \$ 386,511 | \$ 69,797 | \$ 456,308 | 100.00% |
| 2009 | \$ 412,016 | \$ 261,197 | \$ 150,819 | \$ 412,016 | 100.00% |
| 2008 | \$ 396,940 | \$ 396,940 | \$ - | \$ 396,940 | 100.00% |

| | | | | | |
|-------------------------------------------------|------------|-----------|------|-----------|--------|
| <u>Holly Hill Post-Retirement Benefits Plan</u> | | | | | |
| 2013 | \$ 170,000 | \$ 40,000 | N/A | \$ 40,000 | 23.53% |
| 2012 | \$ 160,000 | \$ 40,000 | \$ - | \$ 40,000 | 25.00% |
| 2011 | N/A | N/A | N/A | N/A | N/A |
| 2010 | \$ 366,000 | \$ 39,000 | \$ - | \$ 39,000 | 10.66% |
| 2009 | \$ 368,000 | \$ 32,000 | \$ - | \$ 32,000 | 8.70% |
| 2008 | N/A | N/A | N/A | N/A | N/A |

***COMBINING AND INDIVIDUAL FUND INFORMATION
AND
OTHER SUPPLEMENTARY INFORMATION***

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - are used to account for revenues derived from specific taxes or other earmarked revenue sources that are legally restricted to expenditures for particular purposes.

Impact Fees Trust Funds - to account for the receipt and expenditure of law enforcement, fire protection, transportation, and recreation impact fees which are restricted for such purposes.

Law Enforcement Trust Fund - to account for the restricted revenues received from the sale of confiscated property and for the expenditure of the funds for restricted law enforcement purposes.

Holly Hill Police Explorers Fund - to account for the revenues and expenditures of the police explorers youth activities.

Recreation Activity Fund - to account for the receipt and expenditure of program funds authorized by the Youth Center Advisory Board.

Red Light Camera Fund - to account for the receipt and expenditure of fines and charges from the monitoring of traffic violations with fixed cameras.

Community Development Block Grant Fund - to account for the receipt and expenditure of program funds from the Community Development Block Grant program.

Local Law Enforcement Block Grant Fund - to account for the receipt and expenditure of program funds from the Local Law Enforcement Block Grant program.

Capital Projects Fund -is created to account for the financial resources to be used for the acquisition or construction of major capital facilities by the City of Holly Hill except those financed by proprietary funds.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Nonmajor Special Revenue Funds

| | Impact Fees Trust | Law Enforcement Trust | Holly Hill Police Explorers | Recreation Activity PAL | Red Light Traffic Enforcement |
|----------------------------------------------|--------------------------|-----------------------------|-----------------------------------|-------------------------------|-------------------------------------|
| Assets: | | | | | |
| Cash and cash equivalents..... | \$ 216,529 | 38,248 | 722 | 3,644 | 4,886 |
| Receivables (net): | | | | | |
| Accounts receivable..... | - | - | - | - | 2,775 |
| Total assets..... | <u>\$ 216,529</u> | <u>38,248</u> | <u>722</u> | <u>3,644</u> | <u>7,661</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable/accrued liabilities \$ | - | 2,044 | - | - | 7,574 |
| Due to other funds..... | - | 24,082 | - | - | - |
| Total liabilities..... | - | <u>26,126</u> | - | - | <u>7,574</u> |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Law enforcement..... | 57,328 | 12,122 | - | - | - |
| Fire protection..... | 37,953 | - | - | - | - |
| Transportation..... | 75,287 | - | - | - | - |
| Recreation..... | 45,961 | - | - | - | - |
| Committed to: | | | | | |
| Capital projects fund..... | - | - | - | - | - |
| Assigned to: | | | | | |
| Recreation projects..... | - | - | - | 3,644 | - |
| Law enforcement..... | - | - | 722 | - | 87 |
| Unassigned..... | - | - | - | - | - |
| Total fund balances..... | <u>216,529</u> | <u>12,122</u> | <u>722</u> | <u>3,644</u> | <u>87</u> |
| Total liabilities and fund balances . | <u>\$ 216,529</u> | <u>38,248</u> | <u>722</u> | <u>3,644</u> | <u>7,661</u> |

Exhibit 1

| | | | Nonmajor Capital Projects Fund | Total |
|--------------------------------------------|--------------------------------------------|--------------------------------------------------|-----------------------------------------|------------------------------------------|
| Community Development Block Grant | Local Law Enforcement Block Grant | Total Nonmajor Special Revenue Funds | Capital Projects Fund | All Nonmajor Governmental Funds |
| - | - | 264,029 | 130,978 | 395,007 |
| - | - | <u>2,775</u> | - | <u>2,775</u> |
| - | - | <u>266,804</u> | <u>130,978</u> | <u>397,782</u> |
| - | - | 9,618 | - | 9,618 |
| - | - | <u>24,082</u> | - | <u>24,082</u> |
| - | - | <u>33,700</u> | - | <u>33,700</u> |
| - | - | 69,450 | - | 69,450 |
| - | - | 37,953 | - | 37,953 |
| - | - | 75,287 | - | 75,287 |
| - | - | 45,961 | - | 45,961 |
| - | - | - | 130,978 | 130,978 |
| - | - | 3,644 | - | 3,644 |
| - | - | 809 | - | 809 |
| - | - | - | - | - |
| - | - | <u>233,104</u> | <u>130,978</u> | <u>364,082</u> |
| - | - | <u>266,804</u> | <u>130,978</u> | <u>397,782</u> |

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | Nonmajor Special Revenue | | | | |
|------------------------------------------------------|--------------------------|-----------------------------|-----------------------------------|-------------------------------|-------------------------------------|
| | Impact Fees Trust | Law Enforcement Trust | Holly Hill Police Explorers | Recreation Activity PAL | Red Light Traffic Enforcement |
| Revenue: | | | | | |
| Permits and fees..... | \$ 17,486 | - | - | - | - |
| Intergovernmental | - | 5,341 | - | - | - |
| Fines and forfeitures | - | 800 | - | - | 155,027 |
| Miscellaneous | 137 | 2 | 913 | 43 | 56 |
| Total revenue..... | 17,623 | 6,143 | 913 | 43 | 155,083 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public safety..... | - | 24,141 | - | - | 153,281 |
| Culture/recreation..... | - | - | 1,574 | 15,061 | - |
| Capital Outlay: | | | | | |
| Public safety..... | - | 11,027 | - | - | - |
| Transportation..... | - | - | - | - | - |
| Debt Service: | | | | | |
| Principal retirements..... | - | - | - | - | - |
| Interest payments..... | - | - | - | - | - |
| Total expenditures..... | - | 35,168 | 1,574 | 15,061 | 153,281 |
| Excess of revenue over (under) expenditures | 17,623 | (29,025) | (661) | (15,018) | 1,802 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in..... | - | - | - | - | - |
| Net changes in fund balances.... | 17,623 | (29,025) | (661) | (15,018) | 1,802 |
| Fund balances, beginning of year..... | 198,906 | 41,147 | 1,383 | 18,662 | (1,715) |
| Fund balances, end of year..... | <u>\$ 216,529</u> | <u>12,122</u> | <u>722</u> | <u>3,644</u> | <u>87</u> |

Exhibit 2

| Funds | | | Nonmajor Capital Projects Fund | Total |
|--------------------------------------------|--------------------------------------------|--------------------------------------------------|-----------------------------------------|------------------------------------------|
| Community Development Block Grant | Local Law Enforcement Block Grant | Total Nonmajor Special Revenue Funds | Capital Projects Fund | All Nonmajor Governmental Funds |
| - | - | 17,486 | - | 17,486 |
| 67,028 | - | 72,369 | - | 72,369 |
| - | - | 155,827 | - | 155,827 |
| - | - | 1,151 | 17 | 1,168 |
| <u>67,028</u> | <u>-</u> | <u>246,833</u> | <u>17</u> | <u>246,850</u> |
| - | - | 177,422 | - | 177,422 |
| - | - | 16,635 | - | 16,635 |
| - | - | 11,027 | - | 11,027 |
| 67,028 | - | 67,028 | - | 67,028 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>67,028</u> | <u>-</u> | <u>272,112</u> | <u>-</u> | <u>272,112</u> |
| - | - | (25,279) | 17 | (25,262) |
| - | - | - | - | - |
| - | - | (25,279) | 17 | (25,262) |
| - | - | 258,383 | 130,961 | 389,344 |
| <u>-</u> | <u>-</u> | <u>233,104</u> | <u>130,978</u> | <u>364,082</u> |

BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY
DEBT SERVICE FUND - MAJOR FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 3

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|-----------|-------------------|----------|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous: | | | | |
| Interest earnings..... | \$ - | - | 26 | 26 |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal retirement..... | 300,000 | 300,000 | 300,000 | - |
| Interest payments..... | 98,800 | 98,800 | 98,748 | 52 |
| Bond issuance costs..... | - | - | 28,000 | (28,000) |
| Total expenditures..... | 398,800 | 398,800 | 426,748 | (27,948) |
| Excess of revenue over (under) expenditures..... | (398,800) | (398,800) | (426,722) | (27,922) |
| Other Financing Sources (Uses): | | | | |
| Transfers in..... | 398,800 | 581,800 | 609,800 | 28,000 |
| Net change in fund balance..... | - | 183,000 | 183,078 | 78 |
| Fund balances, beginning of year | 229,686 | 229,686 | 229,686 | - |
| Fund balances, end of year..... | \$ 229,686 | 412,686 | 412,764 | 78 |

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY CAPITAL PROJECTS
FUND - MAJOR FUND**

Exhibit 4

For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|-------------|-------------------|-----------|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous: | | | | |
| Interest earnings..... | \$ - | 3,100 | 4,421 | 1,321 |
| Expenditures: | | | | |
| Capital Outlay: | | | | |
| Economic Environment: | | | | |
| Operating expenditures..... | - | 6,200 | 4,365 | 1,835 |
| Capital outlay..... | - | 4,996,900 | 139,022 | 4,857,878 |
| Total expenditures..... | - | 5,003,100 | 143,387 | 4,859,713 |
| Excess of revenue over (under) expenditures..... | - | (5,000,000) | (138,966) | 4,861,034 |
| Other Financing Sources (Uses): | | | | |
| Revenue bonds issued..... | - | 5,000,000 | 5,000,000 | - |
| Net change in fund balance..... | - | - | 4,861,034 | 4,861,034 |
| Fund balances, beginning of year..... | - | - | - | - |
| Fund balances, end of year..... | \$ - | - | 4,861,034 | 4,861,034 |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR IMPACT FEES TRUST FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 5

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|-------------------|----------------|-------------------|---------------|
| | Original | Final | | |
| Revenue: | | | | |
| Permits and Fees: | | | | |
| Law enforcement impact fees..... | \$ 500 | 3,300 | 3,325 | 25 |
| Fire protection impact fees..... | 500 | 3,200 | 3,212 | 12 |
| Roads and streets impact fees..... | 1,000 | 10,900 | 10,949 | 49 |
| Recreation and parks impact fees..... | 1,200 | - | - | - |
| | <u>3,200</u> | <u>17,400</u> | <u>17,486</u> | <u>86</u> |
| Miscellaneous: | | | | |
| Interest earnings..... | - | 100 | 137 | 37 |
| Total revenue..... | 3,200 | 17,500 | 17,623 | 123 |
| Total expenditures..... | - | - | - | - |
| Excess of revenue over (under) expenditures..... | 3,200 | 17,500 | 17,623 | 123 |
| Other Financing Sources (Uses): | | | | |
| Contingency..... | (3,200) | (17,500) | - | 17,500 |
| Net change in fund balance..... | - | - | 17,623 | 17,623 |
| Fund balances, beginning of year | 198,906 | 198,906 | 198,906 | - |
| Fund balances, end of year..... | <u>\$ 198,906</u> | <u>198,906</u> | <u>216,529</u> | <u>17,623</u> |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR LAW ENFORCEMENT TRUST FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 6

| | Budgeted Amounts | | Actual Amounts | Variance |
|------------------------------------------------------|------------------|---------------|-------------------|-----------------|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental: | | | | |
| Federal grants: | | | | |
| U.S. Department of Justice..... | \$ - | - | 5,341 | 5,341 |
| Fines and Forfeitures: | | | | |
| Confiscated property..... | 5,000 | 800 | 800 | - |
| Miscellaneous: | | | | |
| Interest earnings..... | - | - | 2 | 2 |
| Total revenue..... | <u>5,000</u> | <u>800</u> | <u>6,143</u> | <u>5,343</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety: | | | | |
| Operating expenditures..... | - | 29,277 | 24,141 | 5,136 |
| Capital outlay..... | <u>25,000</u> | <u>2,223</u> | <u>11,027</u> | <u>(8,804)</u> |
| Total expenditures | <u>25,000</u> | <u>31,500</u> | <u>35,168</u> | <u>(3,668)</u> |
| Excess of revenue over (under) expenditures | (20,000) | (30,700) | (29,025) | 1,675 |
| Other Financing Sources (Uses): | | | | |
| Appropriated fund balance..... | <u>20,000</u> | <u>30,700</u> | - | <u>(30,700)</u> |
| Net change in fund balance..... | - | - | (29,025) | (29,025) |
| Fund balances, beginning of year..... | <u>41,147</u> | <u>41,147</u> | <u>41,147</u> | - |
| Fund balances, end of year..... | <u>\$ 41,147</u> | <u>41,147</u> | <u>12,122</u> | <u>(29,025)</u> |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR HOLLY HILL POLICE EXPLORERS FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 7

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|--------------|-------------------|--------------|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous: | | | | |
| Interest earnings..... | \$ - | - | 2 | 2 |
| Contributions..... | <u>1,500</u> | <u>900</u> | <u>911</u> | <u>11</u> |
| Total revenue..... | <u>1,500</u> | <u>900</u> | <u>913</u> | <u>13</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Culture/recreation: | | | | |
| Operating expenditures..... | <u>1,500</u> | <u>900</u> | <u>1,574</u> | <u>(674)</u> |
| Excess of revenue over (under) expenditures..... | - | - | (661) | (661) |
| Fund balances, beginning of year..... | <u>1,383</u> | <u>1,383</u> | <u>1,383</u> | - |
| Fund balances, end of year..... | <u>\$ 1,383</u> | <u>1,383</u> | <u>722</u> | <u>(661)</u> |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RECREATION ACTIVITY (PAL) FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 8

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|------------------|-------------------|--------------------|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous: | | | | |
| Interest earnings..... | \$ - | - | 2 | 2 |
| Contributions..... | - | - | 41 | 41 |
| Total revenue | - | - | 43 | 43 |
| Expenditures: | | | | |
| Current: | | | | |
| Culture/recreation: | | | | |
| Operating expenditures..... | 5,000 | 15,000 | 15,061 | (61) |
| Excess of revenue over (under) expenditures..... | (5,000) | (15,000) | (15,018) | (18) |
| Other Financing Sources (Uses): | | | | |
| Appropriated fund balance..... | 5,000 | 15,000 | - | (15,000) |
| Net change in fund balance..... | - | - | (15,018) | (15,018) |
| Fund balances, beginning of year | 18,662 | 18,662 | 18,662 | - |
| Fund balances, end of year | <u>\$ 18,662</u> | <u>\$ 18,662</u> | <u>\$ 3,644</u> | <u>\$ (15,018)</u> |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RED LIGHT TRAFFIC ENFORCEMENT FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 9

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Original | Final | | |
| Revenue: | | | | |
| Fines and forfeitures: | | | | |
| Red light camera fines..... | \$ 245,000 | 155,000 | 155,027 | 27 |
| Miscellaneous: | | | | |
| Interest earnings..... | - | - | 56 | 56 |
| Total revenue | <u>245,000</u> | <u>155,000</u> | <u>155,083</u> | <u>83</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Law enforcement: | | | | |
| Operating expenditures..... | <u>245,000</u> | <u>155,000</u> | <u>153,281</u> | <u>1,719</u> |
| Excess of revenue over (under) expenditures..... | - | - | 1,802 | 1,802 |
| Fund balances, beginning of year | <u>(1,715)</u> | <u>(1,715)</u> | <u>(1,715)</u> | - |
| Fund balances, end of year | <u>\$ (1,715)</u> | <u>\$ (1,715)</u> | <u>\$ 87</u> | <u>\$ 1,802</u> |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 10

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|--------|-------------------|----------|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental Revenue: | | | | |
| Federal Grants: | | | | |
| Department of Housing and Urban Development..... | \$ 74,900 | 67,000 | 67,028 | 28 |
| Expenditures: | | | | |
| Current: | | | | |
| Transportation: | | | | |
| Capital outlay..... | 74,900 | 67,000 | 67,028 | (28) |
| Excess of revenue over (under) expenditures..... | - | - | - | - |
| Fund balances, beginning of year..... | - | - | - | - |
| Fund balances, end of year..... | \$ - | - | - | - |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR LOCAL LAW ENFORCEMENT BLOCK GRANT FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 11

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|------------------|-------|-------------------|----------|
| | Original | Final | | |
| Revenue: | | | | |
| Intergovernmental Revenue: | | | | |
| Federal Grants: | | | | |
| Department of Justice..... | \$ 25,000 | 5,300 | - | (5,300) |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety: | | | | |
| Capital outlay..... | 25,000 | 5,300 | - | 5,300 |
| Excess of revenue over (under) expenditures..... | - | - | - | - |
| Fund balances, beginning of year..... | - | - | - | - |
| Fund balances, end of year..... | \$ - | - | - | - |

BUDGETARY COMPARISON SCHEDULE
NONMAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Exhibit 12

| | Budgeted Amounts | | Actual Amounts | Variance |
|-----------------------------------------------------|-------------------|----------------|-------------------|-----------|
| | Original | Final | | |
| Revenue: | | | | |
| Miscellaneous: | | | | |
| Interest earnings..... | \$ - | - | 17 | 17 |
| Expenditures: | | | | |
| Capital Outlay: | | | | |
| Transportation: | | | | |
| Capital outlay..... | - | - | - | - |
| Excess of revenue over (under) expenditures..... | - | - | 17 | 17 |
| Fund balances, beginning of year | 130,961 | 130,961 | 130,961 | - |
| Fund balances, end of year | <u>\$ 130,961</u> | <u>130,961</u> | <u>130,978</u> | <u>17</u> |

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STATISTICAL SECTION

This part of City of Holly Hill, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant revenue sources, property taxes and water/ sewer utility charges.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the Commission provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.*

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

| | 2013 | 2012 | 2011 |
|--------------------------------------------------|----------------------|----------------------|----------------------|
| Governmental Activities: | | | |
| Net investment in capital assets..... | \$ 9,314,502 | \$ 12,676,997 | \$ 8,660,237 |
| Restricted..... | 8,754,692 | 4,815,752 | 8,270,597 |
| Unrestricted..... | <u>2,522,450</u> | <u>2,968,221</u> | <u>2,543,101</u> |
| Total governmental activities net position..... | <u>20,591,644</u> | <u>20,460,970</u> | <u>19,473,935</u> |
| Business-type Activities: | | | |
| Net investment in capital assets..... | 5,175,795 | 7,180,534 | 7,253,676 |
| Restricted..... | 4,083,410 | 2,671,621 | 2,974,207 |
| Unrestricted..... | <u>9,983,362</u> | <u>7,774,802</u> | <u>6,338,589</u> |
| Total business-type activities net position..... | <u>19,242,567</u> | <u>17,626,957</u> | <u>16,566,472</u> |
| Primary Government: | | | |
| Net investment in capital assets..... | 14,490,297 | 19,857,531 | 15,913,913 |
| Restricted..... | 12,838,102 | 7,487,373 | 11,244,804 |
| Unrestricted..... | <u>12,505,812</u> | <u>10,743,023</u> | <u>8,881,690</u> |
| Total primary government net position..... | <u>\$ 39,834,211</u> | <u>\$ 38,087,927</u> | <u>\$ 36,040,407</u> |

Note:

Effective 10/01/2009, the financial activities of the Stormwater Management Fund have been transferred from governmental activities to business-type activities.

Table 1

| Fiscal Year | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ 8,082,263 | \$ 10,452,104 | \$ 9,127,455 | \$ 7,105,203 | \$ 12,446,679 | \$ 5,352,066 | \$ 11,024,444 |
| 7,693,108 | 6,887,782 | 3,863,424 | 6,878,382 | 2,431,487 | 8,610,689 | 1,459,262 |
| <u>2,148,243</u> | <u>4,434,152</u> | <u>5,171,318</u> | <u>2,868,014</u> | <u>987,391</u> | <u>1,174,051</u> | <u>1,777,068</u> |
| <u>17,923,614</u> | <u>21,774,038</u> | <u>18,162,197</u> | <u>16,851,599</u> | <u>15,865,557</u> | <u>15,136,806</u> | <u>14,260,774</u> |
| 7,358,919 | 5,469,745 | 5,540,666 | 4,882,961 | 4,065,661 | 4,469,861 | 3,924,901 |
| 3,153,723 | 3,373,266 | 3,511,420 | 4,250,465 | 4,335,610 | 2,337,539 | 2,190,356 |
| <u>4,529,073</u> | <u>2,125,610</u> | <u>2,082,279</u> | <u>2,173,592</u> | <u>2,482,583</u> | <u>2,899,688</u> | <u>3,129,737</u> |
| <u>15,041,715</u> | <u>10,968,621</u> | <u>11,134,365</u> | <u>11,307,018</u> | <u>10,883,854</u> | <u>9,707,088</u> | <u>9,244,994</u> |
| 15,441,182 | 15,921,849 | 14,668,121 | 11,988,164 | 16,512,340 | 9,821,927 | 14,949,345 |
| 10,846,831 | 10,261,048 | 8,763,386 | 11,128,847 | 6,767,097 | 10,948,228 | 3,649,618 |
| <u>6,677,316</u> | <u>6,559,762</u> | <u>5,865,055</u> | <u>5,041,606</u> | <u>3,469,974</u> | <u>4,073,739</u> | <u>4,906,805</u> |
| <u>\$ 32,965,329</u> | <u>\$ 32,742,659</u> | <u>\$ 29,296,562</u> | <u>\$ 28,158,617</u> | <u>\$ 26,749,411</u> | <u>\$ 24,843,894</u> | <u>\$ 23,505,768</u> |

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

| | 2013 | 2012 | 2011 |
|------------------------------------------------------|-------------------|-------------------|-------------------|
| Expenses: | | | |
| Governmental Activities: | | | |
| General government..... | \$ 2,298,533 | \$ 2,348,014 | \$ 2,332,984 |
| Public safety..... | 3,978,943 | 3,852,378 | 3,798,676 |
| Transportation..... | 578,257 | 289,592 | 438,564 |
| Economic environment..... | 1,242,706 | 886,764 | 533,531 |
| Physical environment..... | - | - | - |
| Culture/recreation..... | 949,879 | 866,369 | 692,810 |
| Interest on long-term debt..... | <u>174,347</u> | <u>204,683</u> | <u>235,237</u> |
| Total governmental activities expenses..... | <u>9,222,665</u> | <u>8,447,800</u> | <u>8,031,802</u> |
| Business-Type Activities: | | | |
| Water and sewer..... | 4,001,497 | 4,243,185 | 4,215,684 |
| Stormwater Management..... | 655,116 | 651,874 | 687,803 |
| Solid Waste..... | <u>1,662,292</u> | <u>1,220,928</u> | <u>1,279,669</u> |
| Total business-type activities expenses..... | <u>6,318,905</u> | <u>6,115,987</u> | <u>6,183,156</u> |
| Total primary government expenses..... | <u>15,541,570</u> | <u>14,563,787</u> | <u>14,214,958</u> |
| Program Revenues: | | | |
| Governmental Activities: | | | |
| Charges for Services: | | | |
| General government..... | 1,016,014 | 1,004,448 | 241,477 |
| Public safety..... | 382,829 | 396,331 | 208,354 |
| Transportation..... | 92,495 | 80,523 | 108,177 |
| Economic environment..... | 5,765 | - | - |
| Physical environment..... | - | - | - |
| Culture/recreation..... | 14,531 | 23,338 | 30,526 |
| Operating grants and contributions..... | 1,143,863 | 1,224,367 | 1,465,666 |
| Capital grants and contributions..... | <u>209,098</u> | <u>397,333</u> | <u>189,546</u> |
| Total governmental activities program revenues..... | <u>2,864,595</u> | <u>3,126,340</u> | <u>2,243,746</u> |
| Business-Type Activities: | | | |
| Charges for Services: | | | |
| Water/Sewer..... | 5,772,142 | 5,539,606 | 5,310,187 |
| Stormwater Management..... | 803,372 | 805,923 | 844,920 |
| Solid Waste..... | 1,962,148 | 1,689,857 | 1,671,500 |
| Operating grants and contributions..... | - | - | 11,487 |
| Capital grants and contributions..... | <u>5,052</u> | <u>8,643</u> | <u>18,072</u> |
| Total business-type activities program revenues..... | <u>8,542,714</u> | <u>8,044,029</u> | <u>7,856,166</u> |
| Total primary government program revenues..... | <u>11,407,309</u> | <u>11,170,369</u> | <u>10,099,912</u> |

Table 2

| Fiscal Year | | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ 1,847,021 | \$ 1,766,893 | \$ 1,703,645 | \$ 1,731,529 | \$ 1,635,694 | \$ 1,537,736 | \$ 1,426,332 |
| 4,192,672 | 4,171,506 | 3,792,083 | 4,313,294 | 3,880,653 | 3,556,976 | 3,270,335 |
| 957,840 | 897,081 | 881,449 | 909,548 | 505,509 | 537,269 | 886,017 |
| 819,830 | 999,740 | 774,449 | 728,308 | 810,374 | 420,463 | 334,097 |
| - | 563,880 | 606,409 | 592,897 | 329,480 | 226,225 | 457,326 |
| 885,945 | 1,061,483 | 950,267 | 1,189,787 | 2,086,894 | 1,193,577 | 909,289 |
| <u>244,726</u> | <u>363,189</u> | <u>381,840</u> | <u>490,530</u> | <u>448,914</u> | <u>144,761</u> | <u>123,804</u> |
| <u>8,948,034</u> | <u>9,823,772</u> | <u>9,090,142</u> | <u>9,955,893</u> | <u>9,697,518</u> | <u>7,617,007</u> | <u>7,407,200</u> |
| 5,214,124 | 4,432,662 | 4,475,164 | 4,266,735 | 4,238,066 | 3,842,182 | 3,569,542 |
| 764,593 | - | - | - | - | - | - |
| <u>1,282,392</u> | <u>1,267,242</u> | <u>1,387,483</u> | <u>1,398,151</u> | <u>1,662,639</u> | <u>1,591,794</u> | <u>2,735,571</u> |
| <u>7,261,109</u> | <u>5,699,904</u> | <u>5,862,647</u> | <u>5,664,886</u> | <u>5,900,705</u> | <u>5,433,976</u> | <u>6,305,113</u> |
| <u>16,209,143</u> | <u>15,523,676</u> | <u>14,952,789</u> | <u>15,620,779</u> | <u>15,598,223</u> | <u>13,050,983</u> | <u>13,712,313</u> |
| 217,576 | 202,645 | 205,206 | 181,712 | 190,163 | 296,630 | 288,931 |
| 87,162 | 112,794 | 132,372 | 210,715 | 410,324 | 72,895 | 61,738 |
| 54,413 | 70,075 | 62,422 | 72,015 | 63,390 | 54,779 | 55,473 |
| - | - | - | - | - | - | - |
| - | 861,459 | 853,801 | 692,574 | 681,386 | 674,491 | 531,867 |
| 28,031 | 79,612 | 84,861 | 100,931 | 104,153 | 81,047 | 77,385 |
| 1,279,191 | 1,580,344 | 1,304,941 | 1,374,478 | 1,227,648 | 1,082,433 | 977,508 |
| <u>117,781</u> | <u>142,086</u> | <u>106,711</u> | <u>941,912</u> | <u>426,699</u> | <u>336,710</u> | <u>536,974</u> |
| <u>1,784,154</u> | <u>3,049,015</u> | <u>2,750,314</u> | <u>3,574,337</u> | <u>3,103,763</u> | <u>2,598,985</u> | <u>2,529,876</u> |
| 4,675,679 | 4,923,630 | 4,916,507 | 4,634,512 | 4,646,385 | 4,307,737 | 4,084,770 |
| 866,784 | - | - | - | - | - | - |
| 1,687,980 | 1,680,737 | 1,682,888 | 1,782,639 | 1,751,147 | 1,685,183 | 1,532,145 |
| 765 | 8,645 | - | - | - | 465,949 | 1,479,833 |
| <u>12,804</u> | <u>3,330</u> | <u>26,640</u> | <u>140,052</u> | <u>1,434,318</u> | <u>98,700</u> | <u>118,956</u> |
| <u>7,244,012</u> | <u>6,616,342</u> | <u>6,626,035</u> | <u>6,557,203</u> | <u>7,831,850</u> | <u>6,557,569</u> | <u>7,215,704</u> |
| <u>9,028,166</u> | <u>9,665,357</u> | <u>9,376,349</u> | <u>10,131,540</u> | <u>10,935,613</u> | <u>9,156,554</u> | <u>9,745,580</u> |

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

| | 2013 | 2012 | 2011 |
|------------------------------------------------------------|---------------------|---------------------|---------------------|
| Net (Expense)/Revenue: | | | |
| Governmental activities..... | \$ (6,358,070) | \$ (5,321,460) | \$ (5,788,056) |
| Business-type activities..... | <u>2,223,809</u> | <u>1,928,042</u> | <u>1,673,010</u> |
| Total primary government net expense..... | <u>(4,134,261)</u> | <u>(3,393,418)</u> | <u>(4,115,046)</u> |
| General Revenues and Other Changes in Net Position: | | | |
| Governmental Activities: | | | |
| Taxes: | | | |
| Property taxes..... | 3,199,635 | 3,208,390 | 3,435,096 |
| Sales taxes..... | 536,137 | 510,207 | 521,190 |
| Public service taxes..... | 1,676,393 | 1,616,522 | 1,635,185 |
| Intergovernmental revenues..... | 288,696 | 275,803 | 1,498,361 |
| Investment earnings..... | 14,658 | 2,646 | 4,627 |
| Miscellaneous revenue..... | 156,425 | 78,127 | 93,918 |
| Transfers..... | <u>616,800</u> | <u>616,800</u> | <u>150,000</u> |
| Total governmental activities..... | <u>6,488,744</u> | <u>6,308,495</u> | <u>7,338,377</u> |
| Business-Type Activities: | | | |
| Investment earnings..... | 8,601 | 1,747 | 1,747 |
| Transfers..... | (616,800) | (150,000) | (150,000) |
| Other..... | <u>-</u> | <u>-</u> | <u>-</u> |
| Total business-type activities..... | <u>(608,199)</u> | <u>(148,253)</u> | <u>(148,253)</u> |
| Total primary government..... | <u>\$ 5,880,545</u> | <u>\$ 6,160,242</u> | <u>\$ 7,190,124</u> |
| Changes in Net Position: | | | |
| Governmental activities..... | \$ 130,674 | \$ 987,035 | \$ 1,550,321 |
| Business-type activities..... | <u>1,615,610</u> | <u>1,779,789</u> | <u>1,524,757</u> |
| Total primary government..... | <u>\$ 1,746,284</u> | <u>\$ 2,766,824</u> | <u>\$ 3,075,078</u> |

Note:

Effective 10/01/2009, the financial activities of the Stormwater Management Fund have been transferred from governmental (physical environment) activities to business-type activities.

Table 2

| Fiscal Year | | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ (7,163,880) | \$ (6,774,757) | \$ (6,339,828) | \$ (6,381,556) | \$ (6,593,755) | \$ (5,018,022) | \$ (4,877,324) |
| <u>(17,097)</u> | <u>916,438</u> | <u>763,388</u> | <u>892,317</u> | <u>1,931,145</u> | <u>1,123,593</u> | <u>910,591</u> |
| <u>(7,180,977)</u> | <u>(5,858,319)</u> | <u>(5,576,440)</u> | <u>(5,489,239)</u> | <u>(4,662,610)</u> | <u>(3,894,429)</u> | <u>(3,966,733)</u> |
| 3,220,600 | 4,344,229 | 2,542,372 | 2,485,206 | 2,039,394 | 1,584,639 | 1,459,486 |
| 522,556 | 478,250 | 573,309 | 690,349 | 691,925 | 700,190 | 652,814 |
| 1,647,958 | 1,645,513 | 1,513,683 | 1,413,844 | 1,411,069 | 1,366,428 | 1,319,858 |
| 1,924,018 | 2,522,732 | 1,303,179 | 1,233,860 | 1,265,659 | 510,067 | 397,475 |
| 7,058 | 52,685 | 304,079 | 615,882 | 509,477 | 205,338 | 59,977 |
| 78,067 | 230,589 | 301,204 | 89,557 | 276,832 | 732,392 | 547,195 |
| <u>910,600</u> | <u>1,112,600</u> | <u>1,112,600</u> | <u>838,900</u> | <u>1,128,150</u> | <u>795,000</u> | <u>710,000</u> |
| <u>8,310,857</u> | <u>10,386,598</u> | <u>7,650,426</u> | <u>7,367,598</u> | <u>7,322,506</u> | <u>5,894,054</u> | <u>5,146,805</u> |
| 3,391 | 26,877 | 156,163 | 366,179 | 373,771 | 137,691 | 77,712 |
| (910,600) | (1,112,600) | (1,112,600) | (838,900) | (1,128,150) | (795,000) | (710,000) |
| <u>-</u> | <u>3,541</u> | <u>20,396</u> | <u>3,568</u> | <u>-</u> | <u>(4,190)</u> | <u>(7,619)</u> |
| <u>(907,209)</u> | <u>(1,082,182)</u> | <u>(936,041)</u> | <u>(469,153)</u> | <u>(754,379)</u> | <u>(661,499)</u> | <u>(639,907)</u> |
| <u>\$ 7,403,648</u> | <u>\$ 9,304,416</u> | <u>\$ 6,714,385</u> | <u>\$ 6,898,445</u> | <u>\$ 6,568,127</u> | <u>\$ 5,232,555</u> | <u>\$ 4,506,898</u> |
| \$ 1,146,977 | \$ 3,611,841 | \$ 1,310,598 | \$ 986,042 | \$ 728,751 | \$ 876,032 | \$ 269,481 |
| <u>(924,306)</u> | <u>(165,744)</u> | <u>(172,653)</u> | <u>423,164</u> | <u>1,176,766</u> | <u>462,094</u> | <u>270,684</u> |
| <u>\$ 222,671</u> | <u>\$ 3,446,097</u> | <u>\$ 1,137,945</u> | <u>\$ 1,409,206</u> | <u>\$ 1,905,517</u> | <u>\$ 1,338,126</u> | <u>\$ 540,165</u> |

FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(Modified accrual basis of accounting)

| | 2013 | 2012 | 2011 |
|-----------------------------------------|---------------------|---------------------|---------------------|
| General Fund: | | | |
| Nonspendable..... | \$ 17,395 | \$ 1,645 | \$ 1,721 |
| Restricted..... | 196,458 | 605,017 | 509,827 |
| Committed..... | - | - | - |
| Assigned..... | 558,359 | 1,780,964 | 975 |
| Unassigned..... | <u>3,016,441</u> | <u>2,119,220</u> | <u>3,558,549</u> |
| Total general fund..... | <u>\$ 3,788,653</u> | <u>\$ 4,506,846</u> | <u>\$ 4,071,072</u> |
| All Other Governmental Funds: | | | |
| Nonspendable..... | \$ 16,400 | \$ - | \$ 55,000 |
| Restricted..... | 8,558,234 | 4,210,735 | 7,760,770 |
| Committed..... | 130,978 | 130,961 | 130,945 |
| Assigned..... | 4,453 | 20,045 | 20,603 |
| Unassigned..... | <u>-</u> | <u>(1,715)</u> | <u>(15,199)</u> |
| Total all other governmental funds..... | <u>\$ 8,710,065</u> | <u>\$ 4,360,026</u> | <u>\$ 7,952,119</u> |

Notes:

Taken from Balance Sheet Statement 3.

Table 3

| Fiscal Year | | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ 51,265 | \$ 2,594 | \$ 1,387 | \$ 4,012 | \$ 1,325 | \$ - | \$ 59,700 |
| 261,158 | 143,688 | 125,983 | 10,188 | 2,707 | 7,923 | 12,479 |
| - | 10,034 | 2,485 | 1,042 | 40,023 | 123,489 | 11,820 |
| - | - | - | - | - | - | - |
| <u>2,961,396</u> | <u>2,204,901</u> | <u>1,493,861</u> | <u>1,426,366</u> | <u>1,668,286</u> | <u>1,592,141</u> | <u>1,996,494</u> |
| <u>\$ 3,273,819</u> | <u>\$ 2,361,217</u> | <u>\$ 1,623,716</u> | <u>\$ 1,441,608</u> | <u>\$ 1,712,341</u> | <u>\$ 1,723,553</u> | <u>\$ 2,080,493</u> |
| \$ - | \$ 26,573 | \$ 29,529 | \$ - | \$ - | \$ - | \$ - |
| 7,356,536 | 6,633,540 | 4,589,388 | 7,433,007 | 7,154,679 | 7,177,896 | 675,053 |
| 315,515 | 414,733 | 1,517,915 | 281,147 | 226,013 | 286,942 | 254,114 |
| - | 2,351,563 | 1,932,244 | 1,570,179 | 1,308,108 | 1,172,893 | 794,482 |
| - | - | - | (130,864) | - | - | - |
| <u>\$ 7,672,051</u> | <u>\$ 9,426,409</u> | <u>\$ 8,069,076</u> | <u>\$ 9,153,469</u> | <u>\$ 8,688,800</u> | <u>\$ 8,637,731</u> | <u>\$ 1,723,649</u> |

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(Modified accrual basis of accounting)

| | 2013 | 2012 | 2011 |
|------------------------------------------------------------------|----------------------------|------------------------------|----------------------------|
| Revenue: | | | |
| Taxes | \$ 5,431,600 | \$ 5,381,971 | \$ 5,623,744 |
| Permits and fees | 968,414 | 869,747 | 1,016,041 |
| Intergovernmental | 1,816,087 | 2,032,148 | 2,406,507 |
| Charges for services | 126,279 | 123,709 | 162,466 |
| Fines and forfeitures | 228,493 | 319,638 | 124,005 |
| Miscellaneous | <u>173,812</u> | <u>96,308</u> | <u>100,998</u> |
| Total revenue | <u>8,744,685</u> | <u>8,823,521</u> | <u>9,433,761</u> |
| Expenditures: | | | |
| General government | 2,259,139 | 2,376,905 | 2,411,056 |
| Public safety | 4,409,235 | 3,808,003 | 3,596,628 |
| Transportation | 783,393 | 274,514 | 126,887 |
| Economic environment | 1,597,229 | 2,725,325 | 580,112 |
| Physical environment | - | - | - |
| Culture/recreation | 995,081 | 746,812 | 538,632 |
| Capital outlay | 221,442 | 2,129,771 | 857,414 |
| Debt Service: | | | |
| Principal retirement | 336,283 | 155,367 | 269,729 |
| Interest and fiscal charges | <u>127,837</u> | <u>145,059</u> | <u>238,097</u> |
| Total expenditures | <u>10,729,639</u> | <u>12,361,756</u> | <u>8,618,555</u> |
| Excess of revenue over (under) expenditures | <u>(1,984,954)</u> | <u>(3,538,235)</u> | <u>815,206</u> |
| Other Financing Sources (Uses): | | | |
| Revenue bonds issued | 5,000,000 | 4,835,000 | 112,115 |
| Transfers in | 1,226,600 | 1,117,408 | 620,500 |
| Transfers out | (609,800) | (500,608) | (470,500) |
| Payment to refunded bond escrow | <u>-</u> | <u>(5,069,884)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>5,616,800</u> | <u>381,916</u> | <u>262,115</u> |
| Net change in fund balances | <u>\$ 3,631,846</u> | <u>\$ (3,156,319)</u> | <u>\$ 1,077,321</u> |
| Debt service as a percentage of noncapital expenditures | <u>5.4%</u> | <u>3.8%</u> | <u>6.7%</u> |

Table 4

| Fiscal Year | | | | | | |
|---------------------|---------------------|---------------------|-------------------|--------------------|---------------------|---------------------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ 5,872,297 | \$ 6,300,929 | \$ 4,500,797 | \$ 5,240,974 | \$ 4,607,799 | \$ 4,183,610 | \$ 3,837,119 |
| 897,290 | 955,638 | 974,290 | 319,913 | 518,996 | 284,989 | 277,733 |
| 2,628,694 | 3,243,739 | 2,082,755 | 2,781,349 | 2,434,916 | 2,010,954 | 2,011,268 |
| 100,671 | 1,031,913 | 1,025,165 | 897,816 | 877,539 | 827,162 | 681,770 |
| 45,985 | 57,404 | 61,567 | 40,218 | 52,881 | 67,693 | 55,891 |
| <u>88,078</u> | <u>332,718</u> | <u>657,481</u> | <u>847,312</u> | <u>811,069</u> | <u>319,427</u> | <u>131,818</u> |
| <u>9,633,015</u> | <u>11,922,341</u> | <u>9,302,055</u> | <u>10,127,582</u> | <u>9,303,200</u> | <u>7,693,835</u> | <u>6,995,599</u> |
| 1,672,409 | 1,765,165 | 1,749,913 | 1,655,728 | 1,571,903 | 1,466,599 | 1,428,653 |
| 3,915,840 | 3,915,435 | 3,890,331 | 4,093,737 | 3,829,127 | 3,433,086 | 3,325,049 |
| 729,145 | 751,625 | 818,689 | 680,808 | 890,927 | 634,688 | 1,079,104 |
| 787,094 | 2,271,230 | 554,760 | 718,528 | 452,553 | 419,060 | 327,646 |
| - | 299,800 | 322,913 | 264,820 | 303,840 | 259,554 | 3,144,603 |
| 734,731 | 895,344 | 836,617 | 1,023,783 | 1,788,802 | 1,099,406 | 853,709 |
| 615,324 | 217,422 | 2,208,584 | 1,352,216 | 572,661 | 645,976 | 148,142 |
| 222,179 | 464,473 | 558,115 | 583,185 | 561,761 | 402,756 | 463,599 |
| <u>248,262</u> | <u>359,613</u> | <u>377,018</u> | <u>399,741</u> | <u>419,920</u> | <u>144,761</u> | <u>123,854</u> |
| <u>8,924,984</u> | <u>10,940,107</u> | <u>11,316,940</u> | <u>10,772,546</u> | <u>10,391,494</u> | <u>8,505,886</u> | <u>10,894,359</u> |
| <u>708,031</u> | <u>982,234</u> | <u>(2,014,885)</u> | <u>(644,964)</u> | <u>(1,088,294)</u> | <u>(812,051)</u> | <u>(3,898,760)</u> |
| - | - | - | - | - | 6,574,194 | 2,770,179 |
| 1,734,200 | 2,086,910 | 1,981,934 | 1,543,084 | 2,084,469 | 1,479,489 | 1,451,958 |
| (823,600) | (974,310) | (869,334) | (704,184) | (956,319) | (684,490) | (741,958) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>910,600</u> | <u>1,112,600</u> | <u>1,112,600</u> | <u>838,900</u> | <u>1,128,150</u> | <u>7,369,193</u> | <u>3,480,179</u> |
| <u>\$ 1,618,631</u> | <u>\$ 2,094,834</u> | <u>\$ (902,285)</u> | <u>\$ 193,936</u> | <u>\$ 39,856</u> | <u>\$ 6,557,142</u> | <u>\$ (418,581)</u> |
| <u>5.7%</u> | <u>7.7%</u> | <u>10.3%</u> | <u>10.4%</u> | <u>10.0%</u> | <u>7.0%</u> | <u>5.5%</u> |

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 Year Ending September 30, 2013
 CITY OF HOLLY HILL, FLORIDA**

| Fiscal Year Ended 09/30 | Tax Year Ended 12/31 | Residential Property | Commercial Property | Industrial Property | Agricultural Property ² | Institutional Property |
|----------------------------------|-------------------------------|-------------------------|------------------------|------------------------|---------------------------------------|---------------------------|
| 2004 | 2003 | \$ 299,650,724 | \$ 88,091,927 | \$ 42,953,904 | \$ - | \$ 43,112,432 |
| 2005 | 2004 | \$ 349,685,713 | \$ 96,111,858 | \$ 51,064,002 | \$ 169,094 | \$ 46,235,460 |
| 2006 | 2005 | \$ 410,935,009 | \$ 118,719,392 | \$ 58,386,687 | \$ 175,533 | \$ 49,130,546 |
| 2007 | 2006 | \$ 558,731,053 | \$ 126,193,025 | \$ 62,399,173 | \$ 351,206 | \$ 57,392,092 |
| 2008 | 2007 | \$ 594,845,048 | \$ 144,677,587 | \$ 68,763,473 | \$ 408,784 | \$ 63,257,856 |
| 2009 | 2008 | \$ 694,638,646 | \$ 184,510,990 | \$ 71,203,486 | \$ 402,260 | \$ 49,566,970 |
| 2010 | 2009 | \$ 479,872,329 | \$ 169,983,130 | \$ 70,783,248 | \$ 242,760 | \$ 43,910,044 |
| 2011 | 2010 | \$ 399,120,185 | \$ 131,870,622 | \$ 55,444,388 | \$ 194,695 | \$ 34,134,225 |
| 2012 | 2011 | \$ 341,308,061 | \$ 124,913,797 | \$ 50,582,833 | \$ 170,869 | \$ 32,471,333 |
| 2013 | 2012 | \$ 321,531,011 | \$ 111,476,945 | \$ 47,917,706 | \$ 124,093 | \$ 31,699,934 |

Source: Property Appraiser, Volusia County, Florida

Note: ¹Property in the City of Holly Hill is reassessed each year by the Volusia County Property Appraiser. Property is assessed at actual value. Tax rates are per \$1,000 of assessed value.

²649 6th St. rezoned in 2003

Table 5

| Government Property | Vacant Land and Other | Tangible Personal Property | Total Just Value | Less: Tax-Exempt Property | Total Taxable Assessed Value ¹ | Total Direct Tax Rate ¹ |
|------------------------|--------------------------------|----------------------------------|------------------------|---------------------------------|----------------------------------------------------|---------------------------------------------|
| \$ 17,945,682 | \$ 16,622,686 | \$ 56,743,054 | \$ 565,120,409 | \$ 160,084,135 | \$ 405,036,274 | 22.51152 |
| \$ 25,311,919 | \$ 17,999,484 | \$ 55,985,552 | \$ 642,563,082 | \$ 192,656,721 | \$ 449,906,361 | 23.02952 |
| \$ 27,641,569 | \$ 21,224,422 | \$ 56,424,310 | \$ 742,637,468 | \$ 224,752,663 | \$ 517,884,805 | 22.46152 |
| \$ 36,316,170 | \$ 46,388,301 | \$ 60,113,251 | \$ 947,884,271 | \$ 311,619,341 | \$ 636,264,930 | 20.41090 |
| \$ 37,676,966 | \$ 48,454,177 | \$ 67,157,881 | \$ 1,025,241,772 | \$ 303,984,163 | \$ 721,257,609 | 19.04847 |
| \$ 32,478,404 | \$ 40,558,436 | \$ 66,611,142 | \$ 1,139,970,334 | \$ 318,910,002 | \$ 821,060,332 | 20.73350 |
| \$ 29,211,428 | \$ 23,189,992 | \$ 68,279,755 | \$ 885,472,686 | \$ 238,549,335 | \$ 646,923,351 | 22.90870 |
| \$ 10,345,095 | \$ 34,422,523 | \$ 63,770,698 | \$ 729,302,431 | \$ 186,908,332 | \$ 542,394,099 | 23.85020 |
| \$ 10,158,227 | \$ 30,882,288 | \$ 55,935,254 | \$ 646,422,662 | \$ 158,594,230 | \$ 487,828,432 | 24.20880 |
| \$ 26,384,666 | \$ 16,223,093 | \$ 53,870,338 | \$ 609,227,786 | \$ 158,725,598 | \$ 450,502,188 | 24.03560 |

DIRECT AND OVERLAPPING PROPERTY TAX RATES ¹**LAST TEN FISCAL YEARS**

Year Ending September 30, 2013

CITY OF HOLLY HILL, FLORIDA

| Fiscal Year | Tax Year | Holly Hill | Volusia County-Operating ² | Volusia County-Voter Approved | Volusia County-School District ² | St. Johns Water Management District |
|-------------|----------|------------|---------------------------------------|-------------------------------|---------------------------------------------|-------------------------------------|
| 2004 | 2003 | 4.08002 | 6.20400 | 0.40000 | 8.69900 | 0.46200 |
| 2005 | 2004 | 4.08002 | 6.20400 | 0.40000 | 8.51700 | 0.46200 |
| 2006 | 2005 | 4.08002 | 5.89400 | 0.40000 | 8.25900 | 0.46200 |
| 2007 | 2006 | 4.08002 | 4.73330 | 0.40000 | 7.68500 | 0.46200 |
| 2008 | 2007 | 3.68177 | 4.33262 | 0.37072 | 7.46700 | 0.41580 |
| 2009 | 2008 | 4.88720 | 5.00374 | 0.39999 | 7.45900 | 0.41580 |
| 2010 | 2009 | 5.72580 | 5.97434 | 0.40000 | 7.80500 | 0.41580 |
| 2011 | 2010 | 6.55950 | 5.90250 | 0.40000 | 8.23700 | 0.41580 |
| 2012 | 2011 | 6.95000 | 6.37910 | 0.40000 | 8.06300 | 0.33130 |
| 2013 | 2012 | 7.35000 | 6.48090 | 0.40000 | 7.88800 | 0.33130 |

Source: Financial and Administrative Services, Volusia County, Florida

Note: Tax millage rates are per \$1,000 of assessed value.

¹All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2013 data was obtained from the 2012 calendar year tax roll).

²Includes voted debt service millage rates, as applicable.

Table 6

| Florida Inland Navigation District | Hospital District | East Volusia Mosquito Control District | Ponce DeLeon Inlet and Port Authority | Total- All Taxing Districts |
|---------------------------------------------|----------------------|-------------------------------------------------|------------------------------------------------|--------------------------------------|
| 0.03850 | 2.30000 | 0.23800 | 0.09000 | 22.51152 |
| 0.03850 | 3.00000 | 0.23800 | 0.09000 | 23.02952 |
| 0.03850 | 3.00000 | 0.23800 | 0.09000 | 22.46152 |
| 0.03850 | 2.75000 | 0.19020 | 0.07190 | 20.41092 |
| 0.03450 | 2.50000 | 0.17856 | 0.06750 | 19.04847 |
| 0.03450 | 2.25000 | 0.20556 | 0.07771 | 20.73350 |
| 0.03450 | 2.25000 | 0.20966 | 0.09360 | 22.90870 |
| 0.03450 | 2.00000 | 0.20800 | 0.09290 | 23.85020 |
| 0.03450 | 1.75000 | 0.20800 | 0.09290 | 24.20880 |
| 0.03450 | 1.25000 | 0.20800 | 0.09290 | 24.03560 |

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| Taxpayer | September 30, 2013 | | |
|------------------------------------|---------------------------------------------------|------|-----------------------------------------------------|
| | Assessed Taxable Value (\$ in Thousands) | Rank | Percent to Total Assessed Taxable Value |
| HHA Borrower, LLC..... | \$ 54,390 | 1 | 8.41% |
| Holly Hill RHF Housing, Inc..... | 11,431 | 2 | 1.77% |
| Florida Power & Light Company..... | 9,242 | 3 | 1.43% |
| Sun Holly Forest, LLC..... | 6,910 | 4 | 1.07% |
| Charleston Place Ltd. Ptr..... | 5,415 | 5 | 0.84% |
| Highlander Corp..... | 5,253 | 6 | 0.81% |
| SNH SE Holly Hill LLC..... | 4,695 | 7 | 0.73% |
| Metra Electronics, Corp..... | 3,977 | 8 | 0.61% |
| HH Blue Tides, LLC..... | 3,942 | 9 | 0.61% |
| Holly Station, Inc..... | 3,755 | 10 | 0.58% |
| Publix Supermarkets Inc..... | | | |
| HK New Plan Exc Prop..... | | | |
| Riverwalk Plaza LTD..... | | | |
| KMC Telecom Leasing, Inc..... | | | |
| Holly Point Apartments..... | | | |
| Totals..... | <u>\$ 109,010</u> | | 16.85% |

Source: Property Appraiser, Volusia County, Florida

Table 7

| September 30, 2004 | | |
|---------------------------------------------------|------|-----------------------------------------------------|
| Assessed Taxable Value (\$ in Thousands) | Rank | Percent to Total Assessed Taxable Value |
| 11,673 | 1 | 2.56% |
| 6,867 | 4 | 1.50% |
| 6,878 | 3 | 1.51% |
| 6,885 | 2 | 1.51% |
| 5,177 | 6 | 1.13% |
| | | 0.00% |
| 5,556 | 5 | 1.22% |
| 4,878 | 7 | 1.07% |
| 4,763 | 8 | |
| 4,496 | 9 | 0.98% |
| 2,795 | 10 | 0.61% |
| <u>\$ 59,968</u> | | 12.09% |

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**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Table 8

Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(\$ in thousands)

| Fiscal Year Ended September | Taxes Levied For Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------------------|--------------------------------|-------------------------------------------------|-----------------------|------------------------------------------|---------------------------|-----------------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2004 | \$ 1,652,556 | \$ 1,591,887 | 96.33% | \$ 17,047 | \$ 1,608,934 | 97.36% |
| 2005 | \$ 1,835,627 | \$ 1,765,519 | 96.18% | \$ 5,151 | \$ 1,770,670 | 96.46% |
| 2006 | \$ 2,112,980 | \$ 2,039,325 | 96.51% | \$ 16,554 | \$ 2,055,879 | 97.30% |
| 2007 | \$ 2,595,961 | \$ 2,493,199 | 96.04% | \$ 22,274 | \$ 2,515,473 | 96.90% |
| 2008 | \$ 2,603,122 | \$ 2,513,514 | 96.56% | \$ 9,348 | \$ 2,522,862 | 96.92% |
| 2009 | \$ 4,012,686 | \$ 3,903,785 | 97.29% | \$ 12,845 | \$ 3,916,630 | 97.61% |
| 2010 | \$ 3,704,154 | \$ 3,656,359 | 98.71% | \$ 14,656 | \$ 3,671,015 | 99.11% |
| 2011 | \$ 3,557,834 | \$ 3,421,257 | 96.16% | \$ 4,215 | \$ 3,425,472 | 96.28% |
| 2012 | \$ 3,308,482 | \$ 3,200,817 | 96.75% | \$ 2,899 | \$ 3,203,716 | 96.83% |
| 2013 | \$ 3,311,191 | \$ 3,203,655 | 96.75% | \$ - | \$ 3,203,655 | 96.75% |

Source: Finance Department, City of Holly Hill, Florida

Note: Tax collections are stated net of early payment discounts ranging from 1% to 4% based on the date of taxpayer payments. Actual tax collections received in each fiscal year are from the prior year's tax levy (i.e. 2013 collections are from the 2012 tax levy) and reported in the year used for revenue recognition.

WATER PRODUCED AND CONSUMED/WASTEWATER TREATED
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Table 9

| Fiscal Year Ended September | Gallons of Water Production | Gallons of Water Consumed | Gallons of Water Unbilled | Average Percent Unbilled | Gallons of Wastewater Treated |
|-----------------------------|-----------------------------|---------------------------|---------------------------|--------------------------|-------------------------------|
| 2004 | 440,373,000 | 401,719,000 | 38,654,000 | 8.78% | 840,960,000 |
| 2005 | 428,451,000 | 408,074,000 | 20,377,000 | 4.76% | 773,960,000 |
| 2006 | 460,083,000 | 417,238,000 | 42,845,000 | 9.31% | 675,550,000 |
| 2007 | 442,506,000 | 422,452,000 | 20,054,000 | 4.53% | 623,450,000 |
| 2008 | 450,407,000 | 425,985,000 | 24,422,000 | 5.42% | 433,993,400 |
| 2009 | 407,392,000 | 343,641,000 | 63,751,000 | 15.65% | 711,000,000 |
| 2010 | 396,934,000 | 368,670,000 | 28,264,000 | 7.12% | 590,850,000 |
| 2011 | 367,213,000 | 350,076,000 | 17,137,000 | 4.67% | 432,822,000 |
| 2012 | 372,733,000 | 356,008,000 | 16,725,000 | 4.49% | 514,650,000 |
| 2013 | 353,886,000 | 336,335,000 | 17,551,000 | 4.96% | 563,130,000 |

Source: Finance Department, City of Holly Hill, Florida

Note: In 2009, the Utility Department completed the expansion of the wastewater treatment plant.

WATER AND SEWER UTILITY RATES
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Table 10

| Fiscal Year Ended September 30 | Monthly Water Service Fees | | | Monthly Sewer Service Fees | | | Over 15,000 Gallons |
|-----------------------------------------|----------------------------|------------------------------|---------------------------|----------------------------|--------------------------|---------------------------|---------------------------|
| | 0 to 2,999 Gallons | 3000 to 14,999 Gallons | Over 15,000 Gallons | 0 to 2,999 Gallons | Over 3,000 Gallons | Over 15,000 Gallons | |
| 2004 | \$ 9.22 | \$ 4.34 | \$ 5.20 | \$ 10.60 | \$ 4.99 | | N/A |
| 2005 | \$ 9.50 | \$ 4.47 | \$ 5.35 | \$ 10.93 | \$ 5.14 | | N/A |
| 2006 | \$ 9.93 | \$ 4.67 | \$ 5.59 | \$ 11.42 | \$ 5.37 | | N/A |
| 2007 | \$ 10.33 | \$ 4.86 | \$ 5.83 | \$ 11.88 | \$ 5.59 | | N/A |
| 2008 | \$ 11.43 | \$ 5.38 | \$ 6.46 | \$ 13.15 | \$ 6.19 | | N/A |
| 2009 | \$ 11.91 | \$ 5.61 | \$ 6.73 | \$ 13.70 | \$ 6.45 | | N/A |
| 2010 | \$ 12.04 | \$ 5.67 | \$ 6.80 | \$ 13.85 | \$ 6.52 | | N/A |
| 2011 | \$ 12.04 | \$ 5.67 | \$ 6.80 | \$ 13.85 | \$ 6.52 | | N/A |
| 2012 | \$ 12.44 | \$ 5.86 | \$ 7.03 | \$ 14.31 | \$ 6.74 | | N/A |
| 2013 | \$ 12.81 | \$ 6.04 | \$ 7.25 | \$ 14.74 | \$ 6.95 | | N/A |

Source: Finance Department, City of Holly Hill, Florida

TEN LARGEST WATER AND SEWER CUSTOMERS
CURRENT AND NINE YEARS AGO
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| Customer Account Name | September 30, 2013 | | |
|-----------------------------------|------------------------------|------|---------------------------------------------|
| | Annual Water/ Sewer Sales | Rank | Percent to Total Combined Water/Sewer Sales |
| MGH Condo Assoc Inc #3921 | \$ 183,710 | 1 | 4.08% |
| Angelica Health Services | 167,220 | 2 | 3.71% |
| Holly Point Apts (Royal American) | 68,300 | 3 | 1.52% |
| Sun Communities Operating LMT | 65,050 | 4 | 1.44% |
| MGH Condo Assoc Inc #3920 | 52,050 | 5 | 1.16% |
| Bishops Glen | 40,700 | 6 | 0.90% |
| Angelica Health Services | 39,000 | 7 | 0.87% |
| Maple Leaf Own Condo | 33,960 | 8 | 0.75% |
| Dolgen corp (Dollar General) | 31,530 | 9 | 0.70% |
| Product Quest Manufacturing | <u>29,500</u> | 10 | 0.65% |
| Total | <u>\$ 711,020</u> | | |

Source: Utility Billing Department, City of Holly Hill, Florida

N/A - Data not available for prior period.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| Fiscal Year Ended September 30 | Governmental Activities | | | | Business-type | |
|-----------------------------------------|-------------------------|--------------------------------------|-----------------------------------|---------------|-----------------------------|--------------------------------------|
| | Redevelopment Notes | State Revolving Fund Loans (1) | Other Notes/ Capital Leases | Total | Water and Sewer Bonds | State Revolving Fund Loans (1) |
| 2004 | \$ - | \$ 5,182,243 | \$ 547,845 | \$ 5,730,088 | \$ 13,030,000 | \$ 2,106,001 |
| 2005 | \$ 6,331,000 | \$ 5,182,141 | \$ 397,886 | \$ 11,911,027 | \$ 12,515,000 | \$ 2,010,318 |
| 2006 | \$ 6,145,761 | \$ 4,946,745 | \$ 256,760 | \$ 11,349,266 | \$ 13,435,000 | \$ 2,217,678 |
| 2007 | \$ 5,951,520 | \$ 4,705,937 | \$ 108,624 | \$ 10,766,081 | \$ 12,830,000 | \$ 2,445,966 |
| 2008 | \$ 5,748,380 | \$ 4,459,586 | \$ - | \$ 10,207,966 | \$ 12,210,000 | \$ 5,846,291 |
| 2009 | \$ 5,535,934 | \$ 4,207,559 | \$ - | \$ 9,743,493 | \$ 11,565,000 | \$ 7,301,812 |
| 2010 | \$ 5,313,755 | \$ - | \$ - | \$ 5,313,755 | \$ 10,900,000 | \$ 10,994,949 |
| 2011 | \$ 5,081,398 | \$ - | \$ 71,509 | \$ 5,152,907 | \$ 14,765,000 | \$ 10,365,004 |
| 2012 | \$ 4,835,000 | \$ - | \$ 36,283 | \$ 4,871,283 | \$ 14,150,000 | \$ 9,719,893 |
| 2013 | \$ 9,535,000 | \$ - | \$ - | \$ 9,535,000 | \$ 15,450,000 | \$ 9,059,235 |

Source: Finance Department, City of Holly Hill, Florida
Volusia County Average Per capita income - Florida Research and Economic Database
Population - U.S. Census Bureau for 2010 and 2005 (all other years are estimates)

Note: Details concerning the City's outstanding debt can be found in the notes to the financial statements.
Principal amounts are stated at par and do not include unamortized premiums, discounts or issue costs.

(1) Effective 10/01/2009, the governmental activities' state revolving fund loan was transferred to business-type activities in conjunction with the establishment of the Stormwater Utility Fund.

Table 12

| Total | Total Primary Government | Percent of Personal Income | Per Capita |
|---------------|--------------------------------|-------------------------------------|---------------|
| \$ 15,136,001 | \$ 20,866,089 | 6.46% | \$ 1,654 |
| \$ 14,525,318 | \$ 26,436,345 | 7.39% | \$ 2,095 |
| \$ 15,652,678 | \$ 27,001,944 | 7.47% | \$ 2,116 |
| \$ 15,275,966 | \$ 26,042,047 | 7.11% | \$ 2,016 |
| \$ 18,056,291 | \$ 28,264,257 | 6.64% | \$ 2,215 |
| \$ 18,866,812 | \$ 28,610,305 | 7.15% | \$ 2,254 |
| \$ 21,894,949 | \$ 27,208,704 | 7.24% | \$ 2,334 |
| \$ 25,130,004 | \$ 30,282,911 | 8.08% | \$ 2,603 |
| \$ 23,869,893 | \$ 28,741,176 | 7.39% | \$ 2,471 |
| \$ 24,509,235 | \$ 34,044,235 | 7.30% | \$ 2,928 |

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Table 13

The City of Holly Hill, Florida has had no General Bonded Debt Outstanding during each of the past 10 fiscal years.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Table 14

September 30, 2013

CITY OF HOLLY HILL, FLORIDA

| Governmental Unit | Principal Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|----------------------------------------|----------------------------------|---------------------------------------|----------------------------------------------|
| Debt Repaid with Property Taxes: | | | |
| County of Volusia, Florida | | | |
| General Obligation Bonds..... | \$ 24,300,000 | 1.9049% | 462,892 |
| City direct debt..... | | | <u>9,535,000</u> |
| Total direct and overlapping debt..... | | | <u>\$ 9,997,892</u> |

Source: Assessed valuation data used to estimate applicable percentage provided by Volusia County Property Appraiser. Debt outstanding data provided by each government unit.

Note: Includes all direct debt - including bonds, notes, loans and capital leases
 Estimated percentage based on the 2012 Tax Levy

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LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

Table 15

| |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Constitution of the State of Florida, section 200.181, Florida Statutes, and the City of Holly Hill, Florida have set no legal debt limit</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA
(\$000's)

| | 2013 | 2012 | 2011 | 2010 |
|-----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| CRA Redevelopment Revenue Note, Series 2005: | | | | |
| (Defined) revenues..... | \$ 1,511 | \$ 1,570 | \$ 2,009 | \$ 2,647 |
| Less: operating expenses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net revenue available for debt service..... | 1,511 | 1,570 | 2,009 | 2,647 |
| Debt Service payments: | | | | |
| Principal..... | 300 | 246 | 232 | 222 |
| Interest..... | <u>99</u> | <u>224</u> | <u>238</u> | <u>248</u> |
| Total debt service payments..... | <u>\$ 399</u> | <u>\$ 470</u> | <u>\$ 470</u> | <u>\$ 470</u> |
| Coverage ratio (times)..... | <u>3.79</u> | <u>3.34</u> | <u>4.27</u> | <u>5.63</u> |
| FDEP Clean Water State Revolving Fund Loans: | | | | |
| (Defined) stormwater revenues..... | \$ 803 | \$ 806 | \$ 845 | \$ 867 |
| Less: operating expenses | <u>283</u> | <u>270</u> | <u>291</u> | <u>362</u> |
| Net revenue available for debt service..... | 520 | 536 | 554 | 505 |
| Debt Service payments: | | | | |
| Principal..... | 276 | 270 | 264 | 258 |
| Interest..... | <u>78</u> | <u>84</u> | <u>90</u> | <u>96</u> |
| Total debt service payments..... | <u>\$ 354</u> | <u>\$ 354</u> | <u>\$ 354</u> | <u>\$ 354</u> |
| Coverage ratio (times)..... | <u>1.47</u> | <u>1.51</u> | <u>1.56</u> | <u>1.43</u> |
| Water and Sewer System Revenue Bonds: | | | | |
| (Defined) water/sewer system revenues..... | \$ 5,776 | \$ 5,553 | \$ 5,311 | \$ 4,678 |
| Less: operating expenses | <u>2,373</u> | <u>2,242</u> | <u>2,269</u> | <u>2,666</u> |
| Net revenue available for debt service..... | 3,403 | 3,311 | 3,042 | 2,012 |
| Debt Service payments: | | | | |
| Principal..... | 985 | 855 | 685 | 605 |
| Interest..... | <u>402</u> | <u>563</u> | <u>563</u> | <u>471</u> |
| Total debt service payments..... | <u>\$ 1,387</u> | <u>\$ 1,418</u> | <u>\$ 1,248</u> | <u>\$ 1,076</u> |
| Coverage ratio (times)..... | <u>2.45</u> | <u>2.33</u> | <u>2.44</u> | <u>1.87</u> |
| FDEP Clean Water State Revolving Fund Loans: | | | | |
| Subordinate Debt Service payments: | | | | |
| Principal..... | 385 | 376 | 366 | 256 |
| Interest..... | <u>146</u> | <u>155</u> | <u>164</u> | <u>172</u> |
| Total debt service payments..... | <u>\$ 531</u> | <u>\$ 531</u> | <u>\$ 530</u> | <u>\$ 428</u> |
| Combined Coverage ratio (times)..... | <u>1.77</u> | <u>1.70</u> | <u>1.71</u> | <u>1.34</u> |

Notes: Details concerning the City's outstanding debt obligations are found in the notes to financial statements. Trent information does not include historical reporting of coverage for any retired obligations. CRA Redevelopment Bonds are secured by tax increment revenues. FDEP SRF Loan is secured with the City's stormwater utility revenues. Water and Sewer Bonds are secured by all revenues of the water and sewer system. Operating expenses are stated net of depreciation expense. Debt service amounts for FDEP SRF Loan (which are subordinate to the 2002 Bonds) are combined with all obligations secured by Pledged Revenues.

Table 16

| Fiscal Year | | | | | |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ 3,595 | \$ 1,343 | \$ 1,179 | \$ 938 | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | | |
| 3,595 | 1,343 | 1,179 | 938 | | |
| 212 | 203 | 194 | 185 | | |
| <u>258</u> | <u>267</u> | <u>276</u> | <u>284</u> | | |
| <u>\$ 470</u> | <u>\$ 470</u> | <u>\$ 470</u> | <u>\$ 469</u> | | |
| <u>7.65</u> | <u>2.86</u> | <u>2.51</u> | <u>2.00</u> | | |
| \$ 861 | \$ 854 | \$ 693 | \$ 681 | \$ 674 | \$ 532 |
| <u>367</u> | <u>323</u> | <u>317</u> | <u>304</u> | <u>302</u> | <u>206</u> |
| 494 | 531 | 376 | 377 | 372 | 326 |
| 252 | 246 | 241 | 235 | 253 | 165 |
| <u>102</u> | <u>108</u> | <u>113</u> | <u>119</u> | <u>120</u> | <u>89</u> |
| <u>\$ 354</u> | <u>\$ 354</u> | <u>\$ 354</u> | <u>\$ 354</u> | <u>\$ 373</u> | <u>\$ 254</u> |
| <u>1.40</u> | <u>1.50</u> | <u>1.06</u> | <u>1.06</u> | <u>1.00</u> | <u>1.28</u> |
| \$ 4,950 | \$ 5,072 | \$ 4,995 | \$ 5,016 | \$ 4,537 | \$ 4,263 |
| <u>2,632</u> | <u>2,671</u> | <u>2,578</u> | <u>2,476</u> | <u>2,148</u> | <u>1,874</u> |
| 2,318 | 2,401 | 2,417 | 2,540 | 2,389 | 2,389 |
| 585 | 565 | 550 | 530 | 515 | 505 |
| <u>492</u> | <u>512</u> | <u>528</u> | <u>546</u> | <u>557</u> | <u>568</u> |
| <u>\$ 1,077</u> | <u>\$ 1,077</u> | <u>\$ 1,078</u> | <u>\$ 1,076</u> | <u>\$ 1,072</u> | <u>\$ 1,073</u> |
| <u>2.15</u> | <u>2.23</u> | <u>2.24</u> | <u>2.36</u> | <u>2.23</u> | <u>2.23</u> |
| 250 | 120 | 117 | 99 | 96 | 93 |
| <u>118</u> | <u>70</u> | <u>65</u> | <u>62</u> | <u>65</u> | <u>68</u> |
| <u>\$ 368</u> | <u>\$ 190</u> | <u>\$ 182</u> | <u>\$ 161</u> | <u>\$ 161</u> | <u>\$ 161</u> |
| <u>1.60</u> | <u>1.90</u> | <u>1.92</u> | <u>2.05</u> | <u>1.94</u> | <u>1.94</u> |

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DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
 Year Ending September 30, 2013
 CITY OF HOLLY HILL

Table 17

| Fiscal Year Ended September 30 | Population ¹ | Volusia County Personal Income ² | Per Capita Personal Income ² | Median Household Income ² | Median HUD Income ² | County Unemployment Rate ² |
|--------------------------------|-------------------------|---------------------------------------------|-----------------------------------------|--------------------------------------|--------------------------------|---------------------------------------|
| 2004 | 12,612 | \$ 13,418,533,000 | \$ 28,149 | \$ 37,247 | n/a | 4.50% |
| 2005 | 12,620 | \$ 14,620,372,000 | \$ 29,346 | \$ 38,457 | n/a | 3.60% |
| 2006 | 12,759 | \$ 15,292,033,000 | \$ 30,937 | \$ 40,857 | n/a | 3.20% |
| 2007 | 12,916 | \$ 16,126,228,000 | \$ 32,232 | \$ 42,268 | n/a | 4.00% |
| 2008 | 12,759 | \$ 16,307,391,000 | \$ 32,789 | \$ 45,831 | \$ 52,300 | 6.50% |
| 2009 | 12,695 | \$ 15,994,714,000 | \$ 32,255 | \$ 41,390 | n/a | 11.70% |
| 2010 | 11,659 | \$ 15,933,933,000 | \$ 32,212 | \$ 44,400 | n/a | 12.50% |
| 2011 | 11,633 | \$ 16,544,186,000 | \$ 33,436 | \$ 44,169 | n/a | 10.00% |
| 2012 | 11,628 | \$ 17,117,508,000 | \$ 34,445 | \$ 43,419 | n/a | 10.00% |
| 2013 | n/a | n/a | n/a | n/a | n/a | 6.00% |

Sources:

¹U.S. Department of commerce, Bureau of Census, for 2005. All other periods are estimated.

²Amount obtained from Bureau of Economic Analysis for Volusia County, Florida.

³Florida Research and Economic Database (FRED). Amounts indicated are for Volusia County

⁴US Department of Housing and Urban Development, HUD User Data Set

**PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**
Year Ending September 30, 2013
CITY OF HOLLY HILL

| Employer | September 30, 2013 | | |
|-----------------------------------------------------|--------------------|------|----------------------------------|
| | Total Employees | Rank | Percent to Total City Employment |
| Florida Health Care..... | 750 | 1 | 13.03% |
| Metra Electronics Corporation..... | 301 | 2 | 5.23% |
| Holly Hill R.H.F. Housing Inc (Bishop's Glen)..... | 225 | 3 | 3.91% |
| Holly Hill Elementary/Middle School..... | 115 | 4 | 2.00% |
| City of Holly Hill..... | 112 | 5 | 1.95% |
| Cicero Masonry, Inc..... | 65 | 6 | 1.13% |
| R & R Industries, Inc..... | 60 | 6 | 1.04% |
| Parks Stage Restaurant..... | 24 | 8 | 0.42% |
| Mediatech, Inc..... | 22 | 9 | 0.38% |
| Durostone Solid Surfaces, Inc..... | 18 | 10 | 0.31% |
| Total..... | <u>1,692</u> | | <u>29.40%</u> |
| Estimated Civilian Labor Force..... | <u>5,756</u> | | |

Source: Volusia County Economic Development

N/A - No known source exists for employment data for prior periods.

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS**
 Year Ending September 30, 2013
 CITY OF HOLLY HILL, FLORIDA

| | Full-Time | | | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2011 | 2010 |
| General Government: | | | | |
| City Commission..... | 5.0 | 5.0 | 5.0 | 5.0 |
| City Manager..... | 2.5 | 2.5 | 2.5 | 2.0 |
| Finance/Administration..... | 12.0 | 12.0 | 13.0 | 9.5 |
| Human Relations..... | 1.0 | 1.0 | 1.0 | 1.0 |
| Protective Inspection | | | - | - |
| Public Safety: | | | | |
| Police: | | | | |
| Officers..... | 30.0 | 29.0 | 32.0 | 32.0 |
| Civilians..... | 5.0 | 5.0 | 5.0 | - |
| Fire: | | | | |
| Firefighters and officers..... | 13.5 | 13.5 | 13.0 | 14.0 |
| Civilians..... | 1.0 | 1.0 | 1.5 | - |
| Physical Environment: | | | | |
| Transportation..... | 2.5 | 2.5 | 2.5 | 2.5 |
| Buildings & Grounds..... | 6.0 | 6.0 | 5.0 | 3.0 |
| Culture/Recreation: | | | | |
| Recreation..... | - | - | - | - |
| Economic Environment: | | | | |
| Community Redevelopment..... | 2.0 | 2.0 | 1.0 | - |
| Public Works: | | | | |
| Administration..... | 6.0 | 6.0 | 6.0 | 4.0 |
| Stormwater..... | 3.5 | 3.5 | 3.0 | 2.0 |
| Solid Waste..... | - | - | - | - |
| Public Utilities: | | | | |
| Water..... | 14.5 | 14.5 | 14.5 | 13.0 |
| Sewer..... | <u>12.0</u> | <u>13.0</u> | <u>13.0</u> | <u>13.0</u> |
| Total | <u>116.5</u> | <u>116.5</u> | <u>118.0</u> | <u>101.0</u> |

Source: City of Holly Hill Department of Human Resources

Note: Part-time and seasonal employees for all departments are assumed to be 0.5 FTE's for all reporting categories.

Table 19

Equivalent Employees at September 30,

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 4.5 | 5.0 | 5.0 | 5.0 | 6.0 | 5.0 |
| 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 6.0 | 6.0 | 6.0 | 6.0 | 5.0 | 5.0 |
| 32.0 | 36.0 | 36.0 | 36.0 | 34.0 | 35.0 |
| - | - | - | - | - | - |
| 14.0 | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 |
| - | - | - | - | - | - |
| 7.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| 6.0 | 11.0 | 11.0 | 11.0 | 11.0 | 9.0 |
| 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.5 |
| 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4.0 |
| 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| - | - | - | - | - | - |
| 11.0 | 12.0 | 12.0 | 12.5 | 12.0 | 11.0 |
| <u>11.0</u> | <u>11.0</u> | <u>11.0</u> | <u>10.0</u> | <u>10.0</u> | <u>10.0</u> |
| <u>123.0</u> | <u>138.0</u> | <u>138.0</u> | <u>137.5</u> | <u>135.0</u> | <u>130.5</u> |

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL, FLORIDA

| | Fiscal | | | |
|-----------------------------------------------------|-----------|-----------|-----------|-----------|
| | 2013 | 2012 | 2011 | 2010 |
| Police: | | | | |
| Physical arrests..... | 935 | 1,192 | 896 | 929 |
| Parking violations..... | 0 | 0 | 1 | 0 |
| Traffic violations..... | 1358 | 1,218 | 1,598 | 1,960 |
| Fire: | | | | |
| Emergency responses..... | 2668 | 2,480 | 2,480 | 2,750 |
| Inspections..... | 1134 | 522 | 522 | 400 |
| Solid Waste: | | | | |
| Refuse collected (tons per day)..... | N/A | N/A | N/A | N/A |
| Recyclables collected (tons per day)..... | N/A | N/A | N/A | N/A |
| Public Works-Transportation: | | | | |
| Street resurfacing (miles)..... | 5.82 | 0 | 0 | 1 |
| Water: | | | | |
| New connections..... | 1 | 4 | 5 | 2 |
| Water main breaks..... | 12 | 22 | 11 | 27 |
| Average daily consumption (thousands of gallons)... | 967,000 | 1,024,000 | 1,005,000 | 1,087,490 |
| Peak daily consumption (thousands of gallons)..... | 1,153,000 | 1,175,000 | 1,110,000 | 1,285,000 |
| Sewer: | | | | |
| Average daily treatment (thousands of gallons)..... | 1,542,822 | 1,411,811 | 1,455,655 | 1,618,767 |

Source: City of Holly Hill Police Department
City of Holly Hill Fire Department
City of Holly Hill Public Works Department
City of Holly Hill Water/Sewer Department

Note: Solid Waste and recycling is collected by an outside agency.

Table 20

| Year | | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| 1,111 | 1,520 | 1,444 | 1619 | 1,414 | 1,144 |
| 0 | 0 | 0 | 38 | 14 | 0 |
| 1,831 | 2,466 | 2,095 | 2,355 | 2207 | 1,807 |
| 2,486 | 2,753 | 2,296 | 2,704 | 2,970 | 2,660 |
| 618 | 603 | 637 | 610 | 764 | 624 |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| - | 0 | 0 | 1 | 1 | 1 |
| 25 | 51 | 51 | 45 | 19 | 49 |
| 14 | 11 | 22 | 10 | 12 | 6 |
| 1,116,142 | 1,233,992 | 1,212,345 | 1,260,501 | 1,173,838 | 1,206,501 |
| 1,690,000 | 1,670,000 | 1,558,000 | 1,556,000 | 1,402,000 | 1,506,000 |
| 1,947,945 | 1,189,023 | 1,708,082 | 1,850,822 | 2,120,438 | 2,304,000 |

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Year Ending September 30, 2013
CITY OF HOLLY HILL

| | Fiscal | | | |
|-----------------------------------------------|--------|------|------|------|
| | 2013 | 2012 | 2011 | 2010 |
| Police: | | | | |
| Stations..... | 1 | 1 | 1 | 1 |
| Patrol units ¹ | 4 | 4 | 4 | 4 |
| Fire stations..... | 1 | 1 | 1 | 1 |
| Public Works-Transportation: | | | | |
| Streets (miles) ² | 68.5 | 68.5 | 68.5 | 68.5 |
| Streetlights..... | 1093 | 963 | 963 | 963 |
| Parks and recreation: | | | | |
| Acreage..... | 96.8 | 96.8 | 84 | 84 |
| Dog Park..... | 1 | 1 | 1 | 1 |
| Playgrounds..... | 4 | 4 | 4 | 4 |
| Tennis Courts..... | 2 | 2 | 2 | 2 |
| Shuffleboard courts..... | - | - | - | - |
| Fishing Piers..... | 3 | 3 | 3 | 3 |
| Boat Ramps..... | 1 | 1 | 1 | 1 |
| Swimming Pools..... | 1 | 1 | 1 | 1 |
| Baseball/softball diamonds..... | 5 | 5 | 5 | 5 |
| Community centers..... | 4 | 4 | 2 | 2 |
| Water: | | | | |
| Water mains (miles)..... | 75.0 | 75.0 | 73.9 | 73.9 |
| Fire hydrants..... | 364 | 364 | 355 | 350 |
| Treatment capacity (millions of gallons)..... | 2.3 | 2.3 | 2.3 | 2.3 |
| Sewer: | | | | |
| Sanitary sewers (miles) ³ | 66.2 | 66.2 | 66.2 | 66 |
| Storm sewers (miles)..... | 42 | 42 | 42 | 42 |
| Treatment capacity (millions of gallons)..... | 3.0 | 3.0 | 3.0 | 3.0 |

Source: City of Holly Hill Police Department
City of Holly Hill Fire Department
City of Holly Hill Public Works Department
City of Holly Hill Water/Sewer Department

¹Does not include special patrols i.e. CRA SRT

²Historical data restated to include County, DOT & private Roads within the city limits

³Historically recalculated based on current GIS data

4FPL Audit June 2013

Table 21

| Year | | | | | |
|------|------|------|------|------|------|
| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| 1 | 2 | 1 | 1 | 1 | 1 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 68.5 | 68.5 | 67.0 | 67.0 | 67.5 | 67.5 |
| 963 | 963 | 963 | 963 | 963 | 941 |
| 84 | 84 | 84 | 84 | 84 | 84 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| - | - | 9 | 9 | 9 | 9 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 73.4 | 73.4 | 73.4 | 68.9 | 68.9 | 67.6 |
| 304 | 304 | 304 | 298 | 298 | 298 |
| 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| 66 | 66.0 | 66 | 66 | 66 | 64 |
| 42 | 42 | 42 | 42 | 42 | 37 |
| 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |

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COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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
Members of the City Commission
City of Holly Hill, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

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

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

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

To the Honorable Mayor, and
Members of the City Commission
City of Holly Hill, Florida
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Brent Milliken & Co., P.A.

March 18, 2014

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BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

To the Honorable Mayor, and
Members of the City Commission
City of Holly Hill, Florida

We have audited the financial statements of City of Holly Hill, Florida (the "City"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 18, 2014.

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. 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*. Disclosures in that report, which is dated March 18, 2014, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as is noted in the accompanying pages under the heading *Prior Year Matters*.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are noted in the accompanying pages under the heading *Current Year Matters*.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., 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. The legal authority is disclosed in the notes to the financial statements.

- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment as of September 30, 2013, was based in part on representations made by management and the review of financial information provided by same.
- Section 10.558(1) Rules of the Auditor General, requires the local government to provide a written statement of explanation or rebuttal concerning the auditor's findings and recommendations, including corrective action to be taken which must be filed with the governing body of the local governmental entity and included in the auditor's reports or management letter prepared pursuant to Section 218.39(4), Florida Statutes. The City's statements of explanation or rebuttal are described herein in the "*Auditee Response*" section, which follows each of the auditor's findings and recommendations. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Brent Milliken & Co., P.A.

March 18, 2014

MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2013

CITY OF HOLLY HILL, FLORIDA

PRIOR YEAR MATTERS

The following table summarizes the status of the prior year findings and management letter comments issued by the external auditor in fiscal year 2012:

| | Corrective Action Not Yet Complete | Comment Has Been Addressed Or Is No Longer Relevant | Prior Year Reference Number |
|----------------------------------------------|------------------------------------------|--------------------------------------------------------------|-----------------------------------|
| Accounts Receivable and Valuation Allowances | | x | 2012-01 |
| Capital Asset Systems | | x | 2012-02 |
| Sinking Fund Requirements | | x | 2012-03 |

CURRENT YEAR MATTERS

The following is a summary of our current year findings and recommendations:

2013-01 Accounting Cut-off Procedures

The development and use of proper accounting cut-off procedures is critical for the accuracy of accounting records prepared utilizing the accrual basis of accounting. During our search for unrecorded liabilities, we noted some exceptions where vendor invoices in the solid waste fund relating to goods and services performed prior to the year-end date were not recorded as payables in the proper period, which would typically be identified in the City's year end cutoff procedures. We also noted instances where capital asset disposals were recorded in the wrong fiscal year due to an oversight in monitoring the cutoff process. After the City entered into a contract for the purchase of a new 2014 fire truck, the City disposed of an older 1993 fire truck and certain other property and equipment. In the process of reviewing the recording of these transactions, we noted that the City actually recorded the asset disposals in the month of September 2013 (fiscal 2013). However, the physical sale of the properties, and the related collection of the sales proceeds, did not actually occur until October 7, 2013 (which is in the subsequent fiscal year-2014).

Recommendation: In order to ensure the integrity of your cutoff procedures, we recommend that you should consider preparing written instructions to be included as a part of the City's accounting policies and procedures manual which indicates basic concepts of proper cutoffs and the individuals responsible for performing and reviewing these procedures at the accounting period end.

Auditee Response: These matters were determined to be the result of an error in processing the bulk of accounting data necessary to complete the City's annual financial statement cutoff procedures. We have taken the appropriate steps to inform all applicable personnel of the critical nature of the required cutoff procedures to ensure that this does not reoccur.

2013-02 Purchasing Card Policy and Procedures

The City has developed a purchasing card (P-Card) program designed to streamline the purchasing and accounts payable process by reducing the paperwork generated by small dollar, high volume transactions, eliminating the need for purchase orders and facilitating quick payment to vendors. P-Cards are in the

MANAGEMENT LETTER COMMENTS – (Continued)

Year Ended September 30, 2013

CITY OF HOLLY HILL, FLORIDA

form of City charge cards that allow goods and services to be procured without using the traditional purchasing process for which the City assumes liability for payment. Under City established policies, cardholders are expected to follow the City's policies and procedures related to P-Card use, including reviewing and approving transactions at least once per month. Since this program had not been active for longer than one year, we were specifically requested by the Finance Director to examine these program charges to determine if the P-Card program was functioning as intended. During our review of the City's procurements, we noted instances where some individual P-Card charges were not supported with the required documentation sufficient to evidence compliance with the City's internal policies and procedures for the related purchases.

Recommendation: The City's purchasing card program is specifically designed to facilitate the purchasing system through reduced paperwork and formal approval processes. However, we recommend that essential documentation supporting individual P-Card purchases should be properly obtained and submitted to the Finance Department to evidence that P-Card holders have 1) complied with established purchasing limits; 2) complied with specific procurement and purchase requirements; 3) not made prohibited purchases; and 4) documented all transaction approvals, declines and merchandise returns. This documentation is also necessary to enhance the security of P-Card purchases and to facilitate rapid and essential report processing, approval and reconciliation procedures necessary to provide for prompt payment processing.

Auditee Response: All P-Card holders will be provided with and required to sign off on revised copies of the City's policies and procedures, including those that specifically address the policies requiring supporting purchase documentation, and the underlying policies that require reimbursement to the City for any unapproved purchases.