

CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



CITY COMMISSION

HONORABLE JOHN PENNY, MAYOR

DISTRICT 1 – ARTHUR J. BYRNES

DISTRICT 2 – PENNY CURRIE

DISTRICT 3 – JOHN F. CAPERS

DISTRICT 4 – ELIZABETH ALBERT

CITY MANAGER

JOSEPH FORTE

CITY ATTORNEY

SCOTT SIMPSON, ESQ.

DIRECTOR OF FINANCE

KURT D. SWARTZLANDER

Prepared by:
Holly Hill Finance Department

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September 30, 2015
CITY OF HOLLY HILL, FLORIDA

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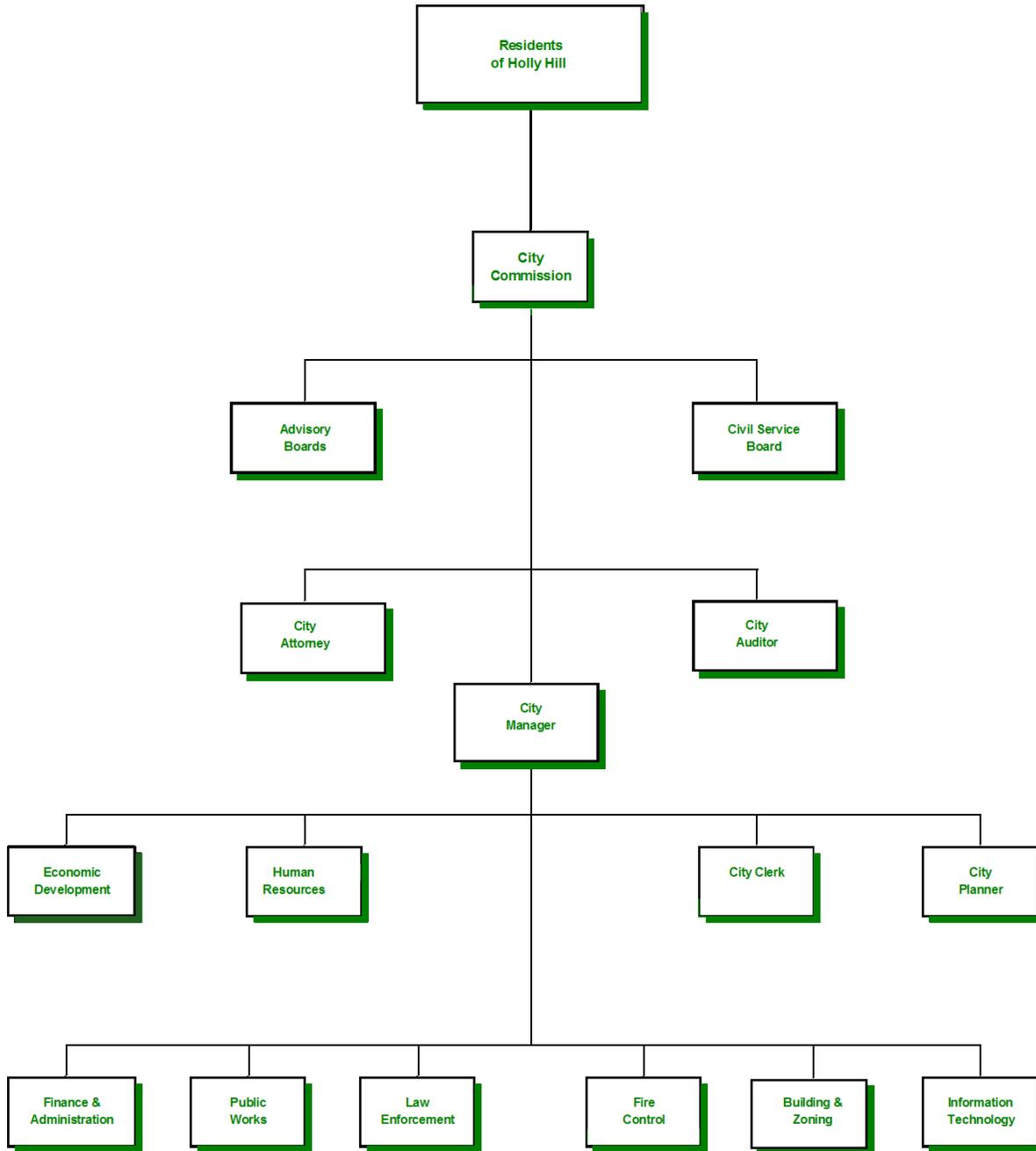
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ORGANIZATION CHART

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**CITY OF HOLLY HILL
ORGANIZATION CHART
2014 - 2015**



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CITY OF HOLLY HILL, FLORIDA

CERTIFICATE OF ACHIEVEMENT AWARDED

For the Year Ended September 30, 2014

*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, 2014.*

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, 2014
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, 2014

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

April 22, 2016

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, 2015.

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.

BMC CPAs, Inc., 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, 2015, 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 unmodified opinion that the City of Holly Hill's financial statements for the fiscal year ended September 30, 2015, 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 2014-15 was 7.1304, 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 decreased from the prior year rate of 7.53, current year adjusted taxable value of property totaled \$487 million, compared to \$452 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 continuing the process of undergrounding utilities along the U.S. 1 corridor.

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, 2014. This was the thirty-seventh 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,



Joe Forte
City Manager



Kurt 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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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Holly Hill, Florida's 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.

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

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, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 18 to the financial statements, in the fiscal year ended September 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement Number 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Schedules of Funding Progress - Other Postemployment Benefits Plan, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – FRS Plan, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – HIS Plan, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employer and Other Contributing Entity Contributions – Police Officers' Retirement Trust Fund, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employer and Other Contributing Entity Contributions – Firefighters Retirement System, 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.

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

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 budgetary comparisons, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements and budgetary comparisons 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 and budgetary comparisons are fairly stated in all material respects in relation to the basic financial statements as a whole. 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 April 22, 2016, 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.

BMC CPAs

April 22, 2016

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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, 2015. 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 \$ 79.6 million at the close of the 2015 fiscal year, compared to \$77.9 million at the close of 2014. Total assets and deferred outflows exceeded liabilities by approximately \$39.4 million (*combined net position*) compared with \$42.1 million one year earlier. The unrestricted component of the City's combined net position totaled \$7.7 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 decreased significantly and totaled \$17.9 million, a decrease of \$3.5 million below last year's \$21.4 million. Net position of its business-type activities totaled \$21.4 million, an increase of \$0.8 million over last year's \$20.6 million.
- During 2015, the City's combined governmental activities operating expenses totaled \$9.2 million, which was \$401,794 below the \$9.6 million generated in governmental program charges, grants, contributions, taxes, other revenues and transfers 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 \$2.0 million in 2015 (compared to \$2.0 million for 2014) based on consumptive water/sewer/solid waste utility sales of \$9.1 million (\$8.7 million in 2014). 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 the same and totaled \$631,800 in 2015 and 2014.
- Total operating costs incurred by the City in providing all of its various programs increased to \$16.3 million in 2015, compared to \$15.8 million in 2014. Operating expenses in 2015 totaled \$9.2 million and \$7.1 million for the City's governmental activities and business-type activities, respectively.
- Unassigned fund equity in the General Fund increased by \$1.32 million and totaled \$3.68 million at the end of 2015, compared to \$2.35 million at the end of 2014.
- Resources earned and available for appropriation in the current year (\$7.4 million) were 7.8% above amounts originally anticipated in the General Fund's operating budget. General Fund expenditures (\$7.6 million) were \$1.6 million (17.2%) below the City's revised appropriations for the year.
- The City's net long-term debt outstanding decreased by \$2.5 million during the current fiscal year from anticipated debt service sinking fund requirements.

- The City's total net position was significantly impacted by the implementation of GASB 68. The City's total net position at the beginning of the 2015 fiscal year was restated with a reduction of \$5.1 million for its current and proportionate shares of net pension liability, net of deferred inflows and outflows on pensions. The net pension liability totaled \$5.9 million, net of deferred outflows of \$1.5 million and deferred inflows of \$0.4 million at the end of 2015.

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, economic development, and recreation and leisure services. The business-type activities of the City include its water and sewer utility, stormwater management, 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 53 and 57.

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 50 to 61 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 62 to 66 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 67 to 68 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 71 to 122 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 and other post-employment 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 125 to 137 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 \$39.4 million at the end of 2015 from \$36.9 million in 2014 (after restatement and reduction of \$5.1 million for recognition of the City's net pension liabilities). Looking at the net position of the City's governmental and business-type activities separately, we can see that the City experienced increases in the net position of its government activities of \$1.0 million and an increase in its business-type activities of \$1.4 million (after restatement for the recognition of net pension liabilities).

Net position of the City's governmental activities totaled \$17.9 million and \$16.9 million (after restatement) at the end of the 2015 and 2014 fiscal years, respectively. At the end of 2015, all combined amounts represent net position that is either restricted as to the purposes they can be used for, or its net investment in capital assets (land, buildings, improvements and equipment which is reported net of related debt expended for such acquisitions). Consequently, the City reported a deficit of \$1.8 million in unrestricted net position due to the recognition of net pension liabilities of \$5.9 million at the end of 2015, compared to an approximate deficit of \$1.8 million at the end of 2014 (after recognition of the net pension liability at the end of 2014).

Net position of the City's business-type activities totaled \$21.4 million and \$20.0 million (restated) at the end of the 2015 and 2014 fiscal years, respectively. At the end of 2015, approximately 55.7% of its total net position (\$11.9 million) 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 \$20,964,713 at the end of 2015. 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, 2015 and 2014						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014 (*)</u>	<u>2015</u>	<u>2014 (*)</u>	<u>2015</u>	<u>2014 (*)</u>
Assets:						
Current and other assets.....	\$ 13,383,507	12,829,728	15,722,501	14,722,363	29,106,008	27,552,091
Capital assets, net.....	<u>19,915,603</u>	<u>19,752,505</u>	<u>29,077,251</u>	<u>30,249,467</u>	<u>48,992,854</u>	<u>50,001,972</u>
Total assets	<u>33,299,110</u>	<u>32,582,233</u>	<u>44,799,752</u>	<u>44,971,830</u>	<u>78,098,862</u>	<u>77,554,063</u>
Deferred outflows of resources.....	<u>1,165,167</u>	-	<u>377,707</u>	<u>303,786</u>	<u>1,542,874</u>	<u>303,786</u>
Liabilities:						
Long-term debt outstanding.....	8,240,000	8,895,000	20,964,713	22,847,641	29,204,713	31,742,641
Net pension liabilities.....	5,272,453	-	628,772	-	5,901,225	-
Other liabilities.....	<u>2,750,272</u>	<u>2,276,286</u>	<u>2,067,908</u>	<u>1,785,635</u>	<u>4,818,180</u>	<u>4,061,921</u>
Total liabilities	<u>16,262,725</u>	<u>11,171,286</u>	<u>23,661,393</u>	<u>24,633,276</u>	<u>39,924,118</u>	<u>35,804,562</u>
Deferred inflows of resources.....	<u>274,612</u>	-	<u>81,313</u>	-	<u>355,925</u>	-
Net Position:						
Net investment in capital assets.	15,794,251	15,003,479	8,375,877	7,665,165	24,170,128	22,668,644
Restricted.....	3,953,513	3,670,810	3,552,810	3,517,035	7,506,323	7,187,845
Unrestricted	<u>(1,820,824)</u>	<u>2,736,658</u>	<u>9,506,066</u>	<u>9,460,140</u>	<u>7,685,242</u>	<u>12,196,798</u>
Total net position	<u>\$ 17,926,940</u>	<u>21,410,947</u>	<u>21,434,753</u>	<u>20,642,340</u>	<u>39,361,693</u>	<u>42,053,287</u>

(*) Balances for September 30, 2014 have not been restated for adjustments to beginning net position in the fiscal year ended September 30, 2015 due to the implementation of GASB Statement No. 68.

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 2015, the City's combined net position increased \$2.4 million, while the City's overall gross revenues increased by \$632,498. This increase is primarily due to increased service charges recognized in 2015 from the City's utility fund operations. Conversely, during 2014, the City's combined net position increased \$2.2 million, while the City's overall gross revenues increased \$766,017.

Overall, approximately 18.1% of the City's combined total revenues (\$18,686,369) come from property taxes, while almost 12.5% of all other dollars raised comes from some source of other taxes collected by the City. Unrestricted intergovernmental revenues (those received from other governments) amounts to approximately 1.7% of the City's revenues. Another 56.1% comes from fees charged for services, while the remaining 11.6% 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 2015 and 2014:

Changes in Net Position						
Fiscal Year Ended September 30, 2015 and 2014						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014 (*)</u>	<u>2015</u>	<u>2014 (*)</u>	<u>2015</u>	<u>2014 (*)</u>
Revenues:						
Program revenues:						
Charges for services.....	\$ 1,438,490	1,678,385	9,049,748	8,668,726	10,488,238	10,347,111
Operating grants/other.....	1,503,092	1,436,128	-	-	1,503,092	1,436,128
Capital grants/other.....	456,138	199,013	6,660	11,151	462,798	210,164
General revenues:						
Property taxes.....	3,390,137	3,322,229	-	-	3,390,137	3,322,229
Other taxes.....	2,335,536	2,279,671	-	-	2,335,536	2,279,671
Intergovernmental.....	319,010	300,608	-	-	319,010	300,608
Other revenues.....	177,210	152,774	10,348	5,186	187,558	157,960
Total revenues.....	<u>9,619,613</u>	<u>9,368,808</u>	<u>9,066,756</u>	<u>8,685,063</u>	<u>18,686,369</u>	<u>18,053,871</u>
Expenses:						
General government.....	2,294,042	2,137,770	-	-	2,294,042	2,137,770
Public safety.....	4,543,641	4,531,911	-	-	4,543,641	4,531,911
Physical environment.....	12,801	11,717	-	-	12,801	11,717
Transportation.....	685,998	657,879	-	-	685,998	657,879
Economic environment.....	550,314	676,361	-	-	550,314	676,361
Culture/recreation.....	945,614	965,559	-	-	945,614	965,559
Interest on long-term debt.....	185,409	200,108	-	-	185,409	200,108
Water and sewer utilities.....	-	-	4,547,616	4,244,775	4,547,616	4,244,775
Stormwater management.....	-	-	786,211	758,301	786,211	758,301
Solid waste utilities.....	-	-	1,715,096	1,650,414	1,715,096	1,650,414
Total expenses.....	<u>9,217,819</u>	<u>9,181,305</u>	<u>7,048,923</u>	<u>6,653,490</u>	<u>16,266,742</u>	<u>15,834,795</u>
Excess before transfers.....	401,794	187,503	2,017,833	2,031,573	2,419,627	2,219,076
Transfers in (out).....	631,800	631,800	(631,800)	(631,800)	-	-
Change in net position.....	<u>1,033,594</u>	<u>819,303</u>	<u>1,386,033</u>	<u>1,399,773</u>	<u>2,419,627</u>	<u>2,219,076</u>
Net position-beginning.....	21,410,947	20,591,644	20,642,340	19,242,567	42,053,287	39,834,211
Adjustment - GASB 68.....	(4,517,601)	-	(593,620)	-	(5,111,221)	-
Net position-beginning (restated).....	<u>16,893,346</u>	<u>20,591,644</u>	<u>20,048,720</u>	<u>19,242,567</u>	<u>36,942,066</u>	<u>39,834,211</u>
Net position-end of year.....	<u>\$ 17,926,940</u>	<u>21,410,947</u>	<u>21,434,753</u>	<u>20,642,340</u>	<u>39,361,693</u>	<u>42,053,287</u>

(*) Balances for September 30, 2014 have not been restated for adjustments to beginning net position in the fiscal year ended September 30, 2015 due to the implementation of GASB Statement No. 68.

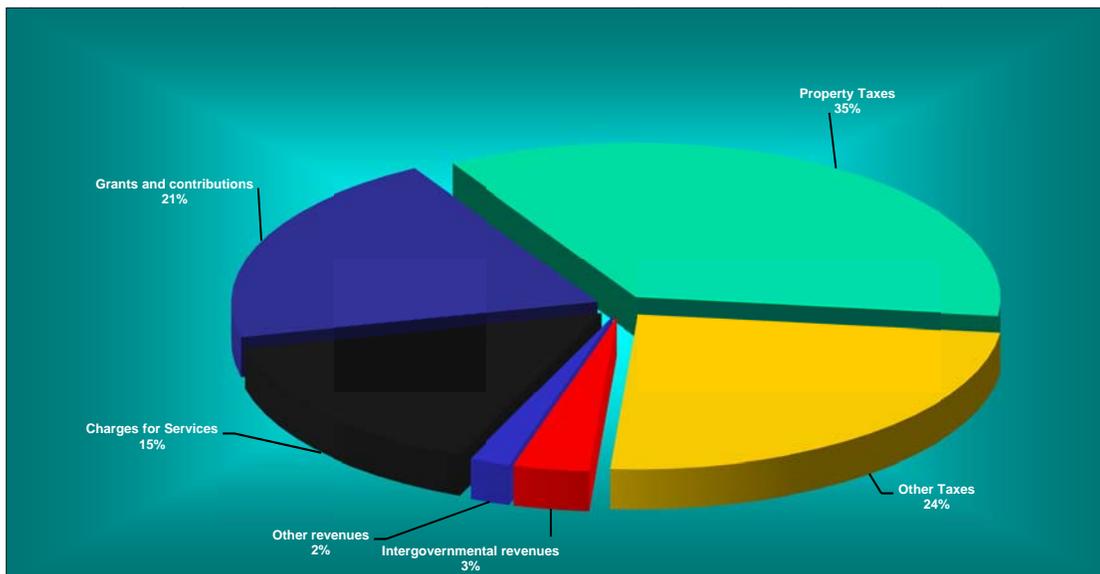
Governmental Activities

Total revenue for the City's governmental activities remained relatively stable in 2015. Overall, the City's governmental revenue totaled \$9.62 million, which represents an increase of \$250,805, or 2.7% over last year's reported governmental revenues of \$9.37 million. Amounts received from charges for services decreased 14.0% and property taxes increased 2% over amounts recognized in the prior year. Amounts received from operating and capital grants increased by 20% during 2015 and totaled \$1.96 million, compared to \$1.63 million in the prior year primarily from the increased amount of state and federal grant program activities. Amounts received from shared sales taxes, public service taxes, and other unrestricted intergovernmental sources increased from \$2.6 million to \$2.7 million in 2015, 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 an increase of \$67,908, or 2.0% above amounts earned one year earlier. Ad valorem taxes totaling \$3,390,137 were earned in 2015, compared to \$3,322,229 earned in the prior year. The ad valorem millage rate for operating purposes was decreased from 7.5300 mills with the 2013 levy (collected during fiscal 2014) to 7.1304 mills with the 2014 levy (collected during fiscal 2015). The increase in tax collections was due primarily to the change in the taxable value of property in the City, which increased from \$452 million in 2014 to \$487 million in 2015.

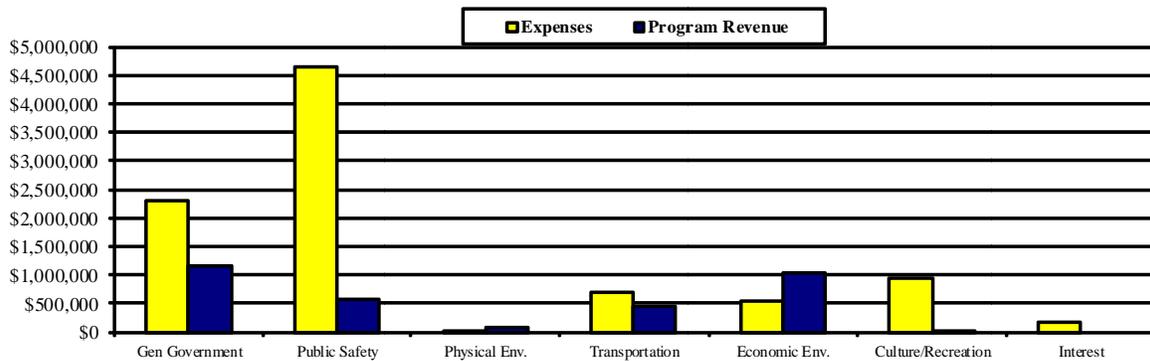
The following is a summary of the City's governmental revenues by source:

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:

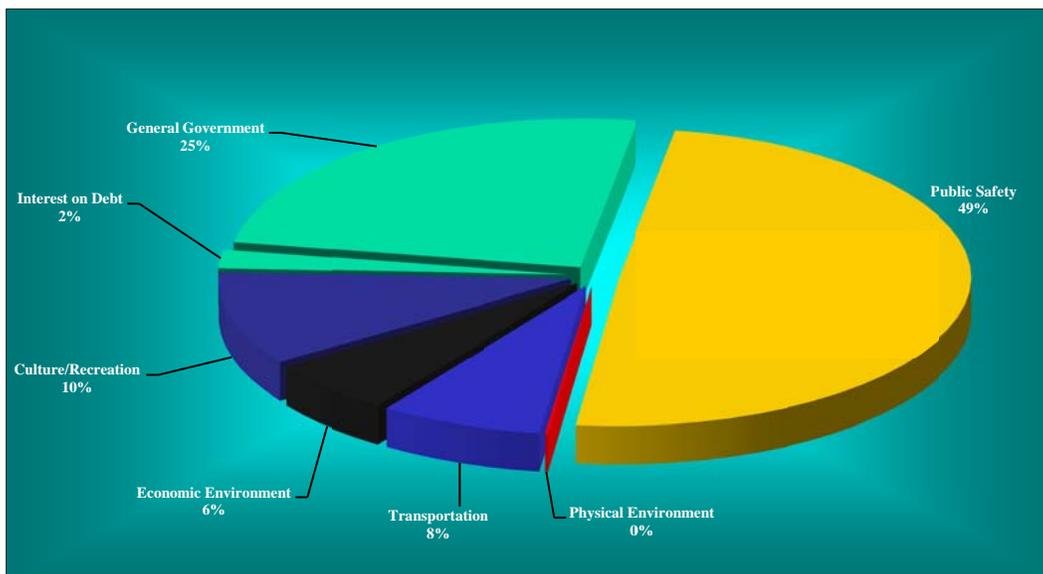
Expenses –versus- Program Revenue



Combined governmental activities expenses totaled \$9.22 million, which represents an increase of \$36,514 above last year's expenses of \$9.18 million. 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 \$1.3 million, compared to \$1.2 million one year earlier.

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

Expenses by Function - Governmental Activities



Business-type Activities

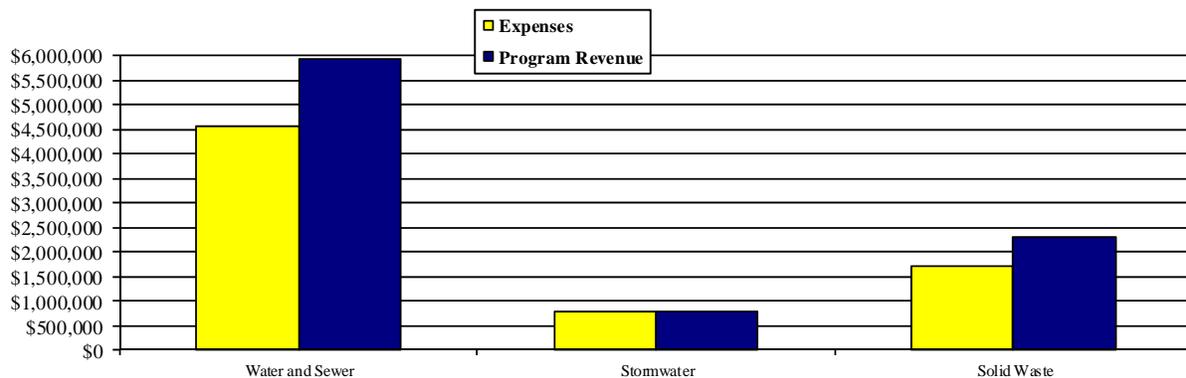
Business-type activities reported an increase in the City's net position of \$1.4 million in 2015, compared to an increase of \$1.4 million in 2014. Overall, net position from the City's business-type activities (\$21.4 million) accounts for approximately 54.5% of the City's combined net position at September 30, 2015.

The major sources of operating revenue for the City's business-type activities include charges for services for water and sewer utilities (\$5.93 million), stormwater management fees (\$0.80 million) and solid waste utilities (\$2.31 million). Combined operating revenues from these three activities increased in 2015 and totaled \$9.05 million, compared to \$8.67 million in the prior year. Water and sewer utility revenues increased by \$258,531 over last year's revenue, while system charges for stormwater management and solid waste removal increased by \$5,158 and \$117,333, respectively in 2015. Investment earnings increased in 2015 and totaled \$10,348, compared to \$5,186 one year earlier, as a result of the increases in short-term interest rates experienced on a national level. Capital contributions decreased in the water and sewer utility fund in 2015 and totaled \$6,660, compared to \$11,151 in 2014. 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 \$7.05 million in 2015, compared to \$6.65 million in 2014. During 2015, this increase was primarily attributable to increased contractual services in the City's solid waste utilities operations and increased costs in the water and sewer utilities.

A comparison of the City's functional program revenues and costs of providing business-type services to its customers in fiscal year 2015 is useful in identifying the capabilities of producing revenues sufficient to operate their programs. They are presented in the following graph:

Expenses and Program Revenues – Business-type Activities



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 \$12.66 million, which was \$718,018 more than the \$11.95 million reported at the end of 2014. The majority of the increase in 2015 was the result of the capital projects not undertaken with funding reverting to fund balance.

Approximately 29.0% of this amount (\$3.68 million) 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 \$13,296 are invested in nonspendable assets such as inventories and prepaid expenses, 2) Restricted - fund balances totaling \$8.07 million are restricted from externally imposed sources or enabling legislation, 3) Committed - fund balances totaling \$131,004 are set aside pursuant to formal constraints imposed by the City Commission, and 4) Assigned - fund balances totaling \$771,729 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, 2015, the unassigned fund balance in the general fund totaled \$3,676,556, compared to \$2,352,968 at the end of 2014, and \$3,016,441 at the end of 2013. 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 48.2% (or 175 days) of total general fund expenditures (\$7,625,817), while total fund balance represents 61.4% 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 increased by \$378,607 during the current fiscal year. This increase was fully anticipated in that it was primarily attributed to the carryforward of approximately \$761,100 in prior year budget surplus from 2014 to be included in 2015 budget appropriations. Fund balance in the Community Redevelopment Agency increased in 2015 by \$312,477. This increase was caused by unanticipated delays in the undergrounding of the electric and communication utilities project. 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, \$4,118,648 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 remained stable in 2015 at \$417,499 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 \$4,237,979, compared to \$4,540,436 one year earlier. This was primarily the result of the investment in capital assets. Combined net position of the fund totaled \$13,230,398 at year end.

Unrestricted net position in the Stormwater Management Fund remained decreased in 2015 and totaled \$2,614,703, at the end of the year, compared to \$2,749,468 at the beginning of the year. Combined net position totaled \$5,472,983 at year end, the increase of which was primarily the result of an increase in contractual services for 2015.

Unrestricted net position in the Solid Waste Fund increased by 25.5% during the year and totaled \$2,722,690 at the end of 2015, compared to \$2,170,236 at the beginning of the year. Combined net position totaled \$2,731,372 at year end, the increase of which was primarily the result of the accumulation of net income of \$551,325 for 2015.

No significant changes were recognized in the providing of full-service utility services to City customers in 2015.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2015 and 2014, the City’s investment in capital assets for its governmental and business type activities totaled \$48,992,852 and \$49,437,534, 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:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land.....	\$ 4,382,932	4,382,932	665,515	665,515	5,048,447	5,048,447
Construction work in progress.....	1,108,527	1,125,104	596,538	2,093,945	1,705,065	3,219,049
Buildings.....	3,642,697	3,760,761	3,854,925	4,223,851	7,497,622	7,984,612
Improvements other than buildings.....	4,730,865	4,056,601	18,237,037	16,365,216	22,967,902	20,421,817
Machinery and equipment.....	992,941	1,123,739	1,305,323	1,403,771	2,298,264	2,527,510
Infrastructure.....	<u>5,057,641</u>	<u>5,303,368</u>	<u>4,417,911</u>	<u>4,932,731</u>	<u>9,475,552</u>	<u>10,236,099</u>
Net total.....	<u>\$ 19,915,603</u>	<u>19,752,505</u>	<u>29,077,249</u>	<u>29,685,029</u>	<u>48,992,852</u>	<u>49,437,534</u>

During 2015, capital spending in the City’s governmental funds was primarily related to mast arm improvements made in the Community Redevelopment Area, and the completion of the Riverside Park Pier.

Additional information on the City’s capital assets can be found in Note 9 to the financial statements.

Long-term Debt. At year end, the net carrying value of the City’s bonds, notes and other long-term obligations outstanding totaled \$30,430,860, of which \$29,204,713 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, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue notes.....	\$ 8,240,000	8,895,000	7,689,713	8,382,640	15,929,713	17,277,640
Revenue bonds.....	-	-	13,275,000	14,465,000	13,275,000	14,465,000
Compensated absences.....	<u>993,064</u>	<u>577,394</u>	<u>233,083</u>	<u>115,421</u>	<u>1,226,147</u>	<u>692,815</u>
Net total.....	<u>\$ 9,233,064</u>	<u>9,472,394</u>	<u>21,197,796</u>	<u>22,963,061</u>	<u>30,430,860</u>	<u>32,435,455</u>

The City has two outstanding revenue notes payable (Series 2012 and Series 2013) from its governmental activities in the aggregate amount of \$8,240,000 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 has four outstanding water and sewer system improvement revenue bond obligations (Series 2005, 2011, 2012 and 2013) in the aggregate amount of \$13,275,000 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 2022 (Series 2012), 2023 (Series 2013), 2025 (Series 2005), and 2030 (Series 2011),

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 \$7,689,713 in aggregate, at year end. The proceeds of the FDEP loan issued in 1998 (\$872,020 currently outstanding), the FDEP loan issued in 2005 (\$414,134 currently outstanding), and the FDEP loan issued in 2007 (\$3,835,250 currently outstanding) were used to finance the construction of wastewater infiltration and inflow correction facilities. The proceeds of the FDEP loan issued in 2001 (\$2,568,309 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.

Additional information on the City’s long-term debt can be found in Note 11 to the financial statements.

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 5.5%, which is favorable to the 6.5% rate experienced one year earlier. These estimates are consistent with the state's current 5.4% unemployment rate. Nationwide, the unemployment rate is stated at 4.9%, as of September 2015.

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 2015 levy (the ad valorem taxes from which will be received in fiscal 2016) increased 4.7% from \$676 million to \$708 million in October 2014 and 2015, respectively. However, the overall Taxable Value (Just Value less statutory exemptions) of real and personal property on the 2015 levy increased 5.1% from \$487 million to \$512 million in October 2014 and 2015, respectively. While property values have just started to reflect gains for the second consecutive year (in over seven years), the City is also facing many challenges in the fiscal year 2016 budget due to relatively unchanged revenue projections, a sluggish economy, and from the residual volatility in real estate property tax values. At the same time, the City is experiencing rising prices for many of its basic operating expenses, such as wages, operating supplies, utilities, and insurance costs.

The City Commission voted to keep the same operating millage for the 2015 levy at 7.1304 mills, which was 4.15% above the current rolled-back rate of 6.8464 mills, and the same as the 7.1304 mills in the 2014 levy. The rolled-back rate of 6.8464 mills is the reduced rate that produces the equivalent of no increase in current year ad valorem taxes when levied against appreciated current year taxable values.

In developing its 2016 budget estimates, the City has anticipated appropriating \$761,100 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 \$9.1 million for fiscal 2015. Similarly, the City has appropriated \$3.1 million and \$4.1 million 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 \$8.0 million combined for fiscal 2015.

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.

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BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Statement 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents.....	\$ 12,396,206	10,634,683	23,030,889
Receivables (net).....	306,192	986,456	1,292,648
Due from other governments.....	667,813	-	667,813
Inventories.....	3,517	82,803	86,320
Prepaid expenses.....	9,779	319	10,098
Temporarily restricted-cash and cash equivalents.....	-	4,018,240	4,018,240
Capital assets:			
Land and construction in progress.....	5,491,459	1,262,055	6,753,514
Other capital assets, net of depreciation.....	<u>14,424,144</u>	<u>27,815,196</u>	<u>42,239,340</u>
Total assets.....	<u>33,299,110</u>	<u>44,799,752</u>	<u>78,098,862</u>
Deferred Outflows of Resources:			
Deferred outflows on pensions.....	1,165,167	136,281	1,301,448
Deferred charge on refunding.....	<u>-</u>	<u>241,426</u>	<u>241,426</u>
Total deferred outflows of resources.....	<u>1,165,167</u>	<u>377,707</u>	<u>1,542,874</u>
Liabilities:			
Accounts payable and accrued liabilities.....	621,138	462,395	1,083,533
Customer deposits and unearned income.....	157,176	795,054	952,230
Payable from Restricted Assets:			
Current maturities of long-term debt.....	-	1,919,672	1,919,672
Accounts payable and accrued liabilities.....	-	271,397	271,397
Compensated absences-current.....	248,266	58,271	306,537
Bonds, notes, and other payables:			
Due or payable within one year.....	670,000	-	670,000
Due or payable in more than one year.....	7,570,000	19,045,041	26,615,041
Net post-employment benefits obligation.....	978,894	305,979	1,284,873
Compensated absences-long term.....	744,798	174,812	919,610
Net pension liability.....	<u>5,272,453</u>	<u>628,772</u>	<u>5,901,225</u>
Total liabilities	<u>16,262,725</u>	<u>23,661,393</u>	<u>39,924,118</u>
Deferred Inflows of Resources:			
Deferred inflows on pensions.....	<u>274,612</u>	<u>81,313</u>	<u>355,925</u>
Net position:			
Net investment in capital assets.....	15,794,251	8,306,571	24,100,822
Restricted for:			
Public safety.....	188,871	-	188,871
Community redevelopment projects.....	3,000,785	-	3,000,785
Transportation.....	294,571	-	294,571
Recreation projects.....	51,787	-	51,787
Utility plant expansion.....	-	1,862,975	1,862,975
Debt service.....	417,499	1,689,835	2,107,334
Unrestricted (deficit)	<u>(1,820,824)</u>	<u>9,575,372</u>	<u>7,754,548</u>
Total net position.....	<u>\$ 17,926,940</u>	<u>21,434,753</u>	<u>39,361,693</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended September 30, 2015
 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.....	\$ 2,294,042	1,069,540	250	58,413
Public safety.....	4,543,641	250,244	162,107	11,805
Physical environment.....	12,801	-	-	88,476
Transportation.....	685,998	100,410	262,050	121,694
Economic environment.....	550,314	-	1,078,685	-
Culture/recreation.....	945,614	18,296	-	175,750
Interest on long-term debt	<u>185,409</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities.....	<u>9,217,819</u>	<u>1,438,490</u>	<u>1,503,092</u>	<u>456,138</u>
Business-type activities:				
Water and Sewer.....	4,547,616	5,933,831	-	6,660
Stormwater Management.....	786,211	801,878	-	-
Solid Waste.....	<u>1,715,096</u>	<u>2,314,039</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>7,048,923</u>	<u>9,049,748</u>	<u>-</u>	<u>6,660</u>
Total primary government.....	<u>\$ 16,266,742</u>	<u>10,488,238</u>	<u>1,503,092</u>	<u>462,798</u>

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.....	
Change in accounting for pensions.....	
Net position - as restated.....	
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
(1,165,839)		(1,165,839)
(4,119,485)		(4,119,485)
75,675		75,675
(201,844)		(201,844)
528,371		528,371
(751,568)		(751,568)
(185,409)		(185,409)
(5,820,099)		(5,820,099)
	1,392,875	1,392,875
	15,667	15,667
	598,943	598,943
	2,007,485	2,007,485
(5,820,099)	2,007,485	(3,812,614)
2,497,139	-	2,497,139
892,998	-	892,998
602,221	-	602,221
1,733,315	-	1,733,315
295,789	-	295,789
23,221	-	23,221
8,900	10,348	19,248
168,310	-	168,310
631,800	(631,800)	-
6,853,693	(621,452)	6,232,241
1,033,594	1,386,033	2,419,627
21,410,947	20,642,340	42,053,287
(4,517,601)	(593,620)	(5,111,221)
16,893,346	20,048,720	36,942,066
\$ 17,926,940	21,434,753	39,361,693

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015
CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
Assets:			
Cash and cash equivalents.....	\$ 4,375,193	3,023,164	4,137,829
Receivables (net):			
Accounts receivable.....	289,413	1,060	-
Due from other funds.....	88,476	-	-
Due from other governments.....	579,337	-	-
Inventories.....	3,517	-	-
Prepays/deposits.....	9,779	-	-
Total assets.....	<u>\$ 5,345,715</u>	<u>3,024,224</u>	<u>4,137,829</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities.....	\$ 508,781	17,904	19,181
Due to other funds.....	-	-	-
Deposits/unearned income.....	151,641	5,535	-
Total liabilities.....	<u>660,422</u>	<u>23,439</u>	<u>19,181</u>
Fund Balances:			
Nonspendable:			
Prepays/inventories.....	13,296	-	-
Restricted for:			
Law enforcement.....	3,551	-	-
Fire protection.....	-	-	-
Building inspection.....	15,163	-	-
Transportation.....	208,761	-	-
Community redevelopment.....	-	3,000,785	4,118,648
Recreation.....	834	-	-
Debt service.....	-	-	-
Committed to:			
Capital projects fund.....	-	-	-
Assigned to:			
Sidewalk construction.....	4,685	-	-
Law enforcement.....	-	-	-
Fire victim assistance.....	1,347	-	-
Subsequent year's budget appropriations.....	761,100	-	-
Unassigned.....	3,676,556	-	-
Total fund balances.....	<u>4,685,293</u>	<u>3,000,785</u>	<u>4,118,648</u>
Total liabilities and fund balances	<u>\$ 5,345,715</u>	<u>3,024,224</u>	<u>4,137,829</u>

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

Statement 3

CRA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
417,499	442,521	12,396,206
-	-	290,473
-	-	88,476
-	88,476	667,813
-	-	3,517
-	-	9,779
<u>417,499</u>	<u>530,997</u>	<u>13,456,264</u>
-	-	545,866
-	88,476	88,476
-	-	157,176
<u>-</u>	<u>88,476</u>	<u>791,518</u>
-	-	13,296
-	128,043	131,594
-	42,114	42,114
-	-	15,163
-	85,810	294,571
-	-	7,119,433
-	50,953	51,787
417,499	-	417,499
-	131,004	131,004
-	-	4,685
-	4,597	4,597
-	-	1,347
-	-	761,100
-	-	3,676,556
<u>417,499</u>	<u>442,521</u>	<u>12,664,746</u>
<u>417,499</u>	<u>530,997</u>	<u>13,456,264</u>

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RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION **Statement 3A**
September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Fund balances - total governmental funds		\$ 12,664,746
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....		19,915,603
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.....		15,719
Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental funds. Deferred outflows and inflows of resources at year end consist of:		
Deferred Outflows on Pension Liabilities:		
Florida Retirement System.....	173,221	
FRS Health Insurance Subsidy.....	58,827	
Holly Hill Police Officers' Retirement Trust Fund.....	690,696	
Holly Hill Firefighters' Retirement System.....	<u>242,424</u>	1,165,168
Deferred Inflows on Pension Liabilities:		
Florida Retirement System.....	(138,451)	
FRS Health Insurance Subsidy.....	-	
Holly Hill Police Officers' Retirement Trust Fund.....	(102,244)	
Holly Hill Firefighters' Retirement System.....	<u>(33,918)</u>	(274,613)
Net post-retirement benefits obligation which is actuarially due and payable in the current period which will be accumulated in future periods.....		(978,894)
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:		
Bonds and notes payable.....	(8,240,000)	
Accrued interest payable.....	(75,272)	
Compensated absences.....	(993,064)	
Net pension obligation:		
Florida Retirement System.....	(527,429)	
FRS Health Insurance Subsidy.....	(543,182)	
Holly Hill Police Officers' Retirement Trust Fund.....	(2,761,382)	
Holly Hill Firefighters' Retirement System.....	<u>(1,440,460)</u>	<u>(14,580,789)</u>
Net position of governmental activities		<u>\$ 17,926,940</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, 2015
 CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
Revenue:			
Taxes.....	\$ 4,842,021	892,998	-
Permits and fees	980,786	-	-
Intergovernmental.....	1,288,404	1,078,685	-
Charges for services	130,129	-	-
Fines and forfeitures.....	34,594	-	-
Investment income.....	4,877	3,300	-
Miscellaneous	88,611	80,744	419
Total revenue.....	<u>7,369,422</u>	<u>2,055,727</u>	<u>419</u>
Expenditures:			
Current:			
General government.....	2,079,960	-	-
Public safety	3,812,995	335,911	-
Transportation.....	522,141	-	-
Economic environment	-	563,039	-
Culture/recreation	1,210,721	-	-
Capital Outlay:			
Public safety	-	-	-
Physical environment	-	-	-
Economic environment	-	-	26,195
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges.....	-	-	-
Total expenditures.....	<u>7,625,817</u>	<u>898,950</u>	<u>26,195</u>
Excess of revenue over (under) expenditures.....	<u>(256,395)</u>	<u>1,156,777</u>	<u>(25,776)</u>
Other Financing Sources (Uses):			
Transfers in	635,002	-	-
Transfers out.....	-	(844,300)	-
Total other financing sources (uses).....	<u>635,002</u>	<u>(844,300)</u>	<u>-</u>
Net changes in fund balances.....	378,607	312,477	(25,776)
Fund balances, beginning of year	<u>4,306,686</u>	<u>2,688,308</u>	<u>4,144,424</u>
Fund balances, end of year	<u>\$ 4,685,293</u>	<u>3,000,785</u>	<u>4,118,648</u>

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

Statement 4

CRA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
-	-	5,735,019
-	17,044	997,830
-	92,809	2,459,898
-	-	130,129
-	80,615	115,209
-	-	8,177
<u>31</u>	<u>1,740</u>	<u>171,545</u>
<u>31</u>	<u>192,208</u>	<u>9,617,807</u>
-	-	2,079,960
-	39,487	4,188,393
-	-	522,141
-	-	563,039
-	1,942	1,212,663
-	4,333	4,333
-	88,476	88,476
-	-	26,195
655,000	-	655,000
<u>191,388</u>	<u>-</u>	<u>191,388</u>
<u>846,388</u>	<u>134,238</u>	<u>9,531,588</u>
<u>(846,357)</u>	<u>57,970</u>	<u>86,219</u>
844,300	-	1,479,302
<u>-</u>	<u>(3,202)</u>	<u>(847,502)</u>
<u>844,300</u>	<u>(3,202)</u>	<u>631,800</u>
(2,057)	54,768	718,019
<u>419,556</u>	<u>387,753</u>	<u>11,946,727</u>
<u>417,499</u>	<u>442,521</u>	<u>12,664,746</u>

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**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, 2015
CITY OF HOLLY HILL, FLORIDA

Net change in fund balances - total governmental funds \$ 718,019

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.....	1,112,163	
Depreciation expense.....	<u>(948,271)</u>	163,892

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 655,000

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.....	-	
Increase (decrease) in delinquent taxes.....	2,601	
Gains (losses) on asset sales.....	<u>(795)</u>	1,806

The (increase) decrease in net pension liabilities, deferred outflows and
inflows, and postemployment benefits costs are reported in the statement of
activities, but not in the individual governmental fund statements, as follow

Deferred outflows - pension plans.....	970,104	
Deferred inflows - pension plans.....	120,002	
Net pension liabilities.....	<u>(1,047,779)</u>	
Accrued postemployment benefit obligation.....	<u>(137,758)</u>	(95,432)

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.....	(415,670)	
Change in accrued interest on bonds and notes payable	<u>5,979</u>	<u>(409,691)</u>

Change in net position of governmental activities \$ 1,033,594

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, 2015
CITY OF HOLLY HILL, FLORIDA

	Original	Final	Actual Amounts	Variance
Revenue:				
Taxes.....	\$ 4,536,800	4,685,400	4,842,021	156,621
Permits and fees.....	921,600	980,500	980,786	286
Intergovernmental revenue.....	1,128,300	1,192,300	1,288,404	96,104
Charges for services.....	123,300	129,400	130,129	729
Fines and forfeitures.....	71,400	33,100	34,594	1,494
Investment income.....	2,100	4,100	4,877	777
Miscellaneous.....	50,400	88,400	88,611	211
Total revenues.....	6,833,900	7,113,200	7,369,422	256,222
Expenditures:				
Current:				
General Government:				
Legislative.....	102,700	102,700	72,125	30,575
Executive.....	304,300	314,800	287,331	27,469
Financial and Administrative.....	1,475,700	1,453,800	1,343,378	110,422
Legal Counsel.....	135,000	117,400	96,915	20,485
Comprehensive Planning.....	55,000	65,200	65,233	(33)
Nondepartmental.....	260,400	263,400	214,978	48,422
	<u>2,333,100</u>	<u>2,317,300</u>	<u>2,079,960</u>	<u>237,340</u>
Public Safety:				
Law enforcement.....	2,301,400	2,374,200	2,262,242	111,958
Fire safety.....	1,458,100	1,490,600	1,279,142	211,458
Protective inspection.....	276,400	278,500	271,611	6,889
	<u>4,035,900</u>	<u>4,143,300</u>	<u>3,812,995</u>	<u>330,305</u>
Transportation.....	<u>1,298,500</u>	<u>1,283,400</u>	<u>522,141</u>	<u>761,259</u>
Culture/recreation.....	<u>1,540,600</u>	<u>1,706,100</u>	<u>1,210,721</u>	<u>495,379</u>
Total expenditures.....	9,208,100	9,450,100	7,625,817	1,824,283
Excess of revenue over (under) expenditures.....	<u>(2,374,200)</u>	<u>(2,336,900)</u>	<u>(256,395)</u>	<u>2,080,505</u>

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Statement 5
(Continued)

	Original	Final	Actual Amounts	Variance
Other Financing Sources (Uses):				
Transfers in.....	\$ 632,600	635,000	635,002	2
Transfers (out).....	-	-	-	-
Appropriated fund balance.....	<u>1,741,600</u>	<u>1,701,900</u>	<u>-</u>	<u>(1,701,900)</u>
Total financing sources (uses).....	<u>2,374,200</u>	<u>2,336,900</u>	<u>635,002</u>	<u>(1,701,898)</u>
Net change in fund balance.....	-	-	378,607	378,607
Fund balance, beginning of year.....	<u>4,306,686</u>	<u>4,306,686</u>	<u>4,306,686</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 4,306,686</u>	<u>4,306,686</u>	<u>4,685,293</u>	<u>378,607</u>

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

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BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Statement 6

	Original	Final	Actual Amounts	Variance
Revenue:				
Taxes.....	\$ 889,900	892,900	892,998	98
Intergovernmental revenue.....	1,028,400	1,078,600	1,078,685	85
Charges for services.....	1,000	-	-	-
Investment income.....	1,000	2,900	3,300	400
Miscellaneous.....	55,000	80,500	80,744	244
Total revenues.....	<u>1,975,300</u>	<u>2,054,900</u>	<u>2,055,727</u>	<u>827</u>
Expenditures:				
Current:				
Public safety:				
Law enforcement:				
Personal services.....	450,500	453,200	309,173	144,027
Operating expenditures.....	57,100	57,100	26,738	30,362
Capital outlay.....	32,000	32,000	-	32,000
	<u>539,600</u>	<u>542,300</u>	<u>335,911</u>	<u>206,389</u>
Economic environment:				
Personal services.....	123,000	124,000	55,304	68,696
Operating expenditures.....	407,000	403,300	180,865	222,435
Capital outlay.....	2,063,600	2,063,600	279,624	1,783,976
Grants and aid.....	100,000	100,000	47,246	52,754
	<u>2,693,600</u>	<u>2,690,900</u>	<u>563,039</u>	<u>2,127,861</u>
Total expenditures.....	<u>3,233,200</u>	<u>3,233,200</u>	<u>898,950</u>	<u>2,334,250</u>
Excess of revenue over (under) expenditures.....	<u>(1,257,900)</u>	<u>(1,178,300)</u>	<u>1,156,777</u>	<u>2,335,077</u>
Other Financing Sources (Uses):				
Transfers (out).....	(844,300)	(844,300)	(844,300)	-
Appropriated fund balance.....	2,102,200	2,022,600	-	(2,022,600)
Total financing sources (uses).....	<u>1,257,900</u>	<u>1,178,300</u>	<u>(844,300)</u>	<u>(2,022,600)</u>
Net change in fund balance.....	-	-	312,477	312,477
Fund balance, beginning of year.....	<u>2,688,308</u>	<u>2,688,308</u>	<u>2,688,308</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 2,688,308</u>	<u>2,688,308</u>	<u>3,000,785</u>	<u>312,477</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015
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.....	\$ 5,136,686	2,781,654	2,716,343	10,634,683
Accounts receivable (net).....	706,943	2,334	277,179	986,456
Due from other funds.....	-	-	-	-
Inventories.....	63,504	19,299	-	82,803
Prepaid expenses.....	319	-	-	319
Restricted-cash and cash equivalents.....	<u>3,765,319</u>	<u>252,921</u>	<u>-</u>	<u>4,018,240</u>
Total current assets.....	<u>9,672,771</u>	<u>3,056,208</u>	<u>2,993,522</u>	<u>15,722,501</u>
Noncurrent Assets:				
Property and Equipment:				
Land.....	154,739	510,776	-	665,515
Buildings and improvements.....	40,994,808	8,595,241	54,651	49,644,700
Machinery and equipment.....	4,830,907	471,247	38,087	5,340,241
Construction in progress.....	<u>596,540</u>	<u>-</u>	<u>-</u>	<u>596,540</u>
	46,576,994	9,577,264	92,738	56,246,996
Less: accumulated depreciation.....	<u>(22,694,496)</u>	<u>(4,391,193)</u>	<u>(84,056)</u>	<u>(27,169,745)</u>
Total property and equipment (net of accumulated depreciation).....	<u>23,882,498</u>	<u>5,186,071</u>	<u>8,682</u>	<u>29,077,251</u>
Total assets.....	<u>33,555,269</u>	<u>8,242,279</u>	<u>3,002,204</u>	<u>44,799,752</u>
Deferred Outflows of Resources:				
Deferred outflows on pensions.....	118,675	17,606	-	136,281
Deferred charge on refunding loss.....	<u>241,426</u>	<u>-</u>	<u>-</u>	<u>241,426</u>
Total deferred outflows of resources.....	<u>360,101</u>	<u>17,606</u>	<u>-</u>	<u>377,707</u>
Total assets and deferred outflow of resources.....	<u>\$ 33,915,370</u>	<u>8,259,885</u>	<u>3,002,204</u>	<u>45,177,459</u>

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

Statement 7

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Liabilities:				
Current Liabilities:				
Accounts payable and accrued liabilities.....	\$ 128,626	62,937	270,832	462,395
Compensated absences.....	<u>55,943</u>	<u>2,328</u>	<u>-</u>	<u>58,271</u>
Total current liabilities unrestricted.....	<u>184,569</u>	<u>65,265</u>	<u>270,832</u>	<u>520,666</u>
Current Liabilities Payable From Restricted Assets:				
Current maturities of long-term debt.....	1,623,889	295,783	-	1,919,672
Accounts payable and accrued liabilities.....	53,874	-	-	53,874
Accrued interest.....	205,120	12,403	-	217,523
Customer deposits.....	<u>795,054</u>	<u>-</u>	<u>-</u>	<u>795,054</u>
Total current liabilities payable from restricted assets.....	<u>2,677,937</u>	<u>308,186</u>	<u>-</u>	<u>2,986,123</u>
Total current liabilities.....	<u>2,862,506</u>	<u>373,451</u>	<u>270,832</u>	<u>3,506,789</u>
Noncurrent Liabilities:				
Revenue bonds payable (net).....	12,065,000	-	-	12,065,000
Notes payable (net).....	4,707,515	2,272,526	-	6,980,041
Post-retirement benefits payable.....	263,774	42,205	-	305,979
Compensated absences.....	167,828	6,984	-	174,812
Net pension liability.....	<u>547,541</u>	<u>81,231</u>	<u>-</u>	<u>628,772</u>
Total noncurrent liabilities.....	<u>17,751,658</u>	<u>2,402,946</u>	<u>-</u>	<u>20,154,604</u>
Total liabilities.....	<u>20,614,164</u>	<u>2,776,397</u>	<u>270,832</u>	<u>23,661,393</u>
Deferred Inflows of Resources:				
Deferred inflows on pensions.....	<u>70,808</u>	<u>10,505</u>	<u>-</u>	<u>81,313</u>
Net Position:				
Net investment in capital assets.....	5,680,127	2,617,762	8,682	8,306,571
Restricted for debt service.....	1,449,317	240,518	-	1,689,835
Restricted for utility plant expansion.....	1,862,975	-	-	1,862,975
Unrestricted.....	<u>4,237,979</u>	<u>2,614,703</u>	<u>2,722,690</u>	<u>9,575,372</u>
Total net position.....	<u>13,230,398</u>	<u>5,472,983</u>	<u>2,731,372</u>	<u>21,434,753</u>
Total liabilities and net position.....	<u>\$ 33,915,370</u>	<u>8,259,885</u>	<u>3,002,204</u>	<u>45,177,459</u>

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

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

Statement 8

For the Fiscal Year Ended September 30, 2015
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.....	\$ 2,785,311	-	-	2,785,311
Sewer treatment charges.....	2,923,016	-	-	2,923,016
Waste disposal fees.....	-	-	2,311,315	2,311,315
Stormwater management fee.....	-	801,878	-	801,878
Other revenues.....	<u>225,504</u>	<u>-</u>	<u>2,724</u>	<u>228,228</u>
Total operating revenue.....	<u>5,933,831</u>	<u>801,878</u>	<u>2,314,039</u>	<u>9,049,748</u>
Operating Expenses:				
Personal services.....	1,436,104	176,883	-	1,612,987
Depreciation and amortization	1,521,299	286,376	1,129	1,808,804
Utilities.....	292,410	23,059	1,902	317,371
Materials and supplies.....	254,895	33,162	-	288,057
Contractual services	233,561	173,948	1,712,065	2,119,574
Maintenance and repairs.....	267,361	25,664	-	293,025
Other charges	<u>17,316</u>	<u>3,967</u>	<u>-</u>	<u>21,283</u>
Total operating expenses	<u>4,022,946</u>	<u>723,059</u>	<u>1,715,096</u>	<u>6,461,101</u>
Operating income.....	<u>1,910,885</u>	<u>78,819</u>	<u>598,943</u>	<u>2,588,647</u>
Nonoperating Revenue (Expenses):				
Interest earnings	5,831	2,135	2,382	10,348
Interest and debt expense.....	<u>(524,670)</u>	<u>(63,152)</u>	<u>-</u>	<u>(587,822)</u>
Net nonoperating revenue (expenses).....	<u>(518,839)</u>	<u>(61,017)</u>	<u>2,382</u>	<u>(577,474)</u>
Income before contributions and transfers	1,392,046	17,802	601,325	2,011,173
Capital contributions.....	6,660	-	-	6,660
Transfers in.....	-	42,000	-	42,000
Transfers (out).....	<u>(573,800)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(673,800)</u>
Net increase (decrease) in net position....	<u>824,906</u>	<u>9,802</u>	<u>551,325</u>	<u>1,386,033</u>
Net position, beginning of year.....	12,922,423	5,539,870	2,180,047	20,642,340
Change in accounting for pensions.....	<u>(516,931)</u>	<u>(76,689)</u>	<u>-</u>	<u>(593,620)</u>
Net position, beginning of year, as restated.....	<u>12,405,492</u>	<u>5,463,181</u>	<u>2,180,047</u>	<u>20,048,720</u>
Net position, end of year.....	<u>\$ 13,230,398</u>	<u>5,472,983</u>	<u>2,731,372</u>	<u>21,434,753</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, 2015
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 receipts from customers.....	\$ 5,976,677	798,487	2,315,750	9,090,914
Cash receipts from franchise fees.....	-	-	1,000	1,000
Cash paid for personal services.....	(1,313,259)	(176,395)	-	(1,489,654)
Cash paid to suppliers.....	<u>(1,019,399)</u>	<u>(196,918)</u>	<u>(1,710,876)</u>	<u>(2,927,193)</u>
Net cash provided by operating activities.....	<u>3,644,019</u>	<u>425,174</u>	<u>605,874</u>	<u>4,675,067</u>
Cash Flows From Noncapital and Related Financing Activities:				
Transfers (in).....	-	42,000	-	42,000
Transfers (out).....	<u>(573,800)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(673,800)</u>
Net cash provided by (used in) noncapital and related financing activities.....	<u>(573,800)</u>	<u>(8,000)</u>	<u>(50,000)</u>	<u>(631,800)</u>
Cash Flows From Capital and Related Financing Activities:				
Capital contributions and grants.....	6,660	-	-	6,660
Acquisition/construction of capital assets...	(537,271)	(63,679)	-	(600,950)
Debt reduction outlays.....	(1,593,853)	(289,075)	-	(1,882,928)
Interest paid on capital debt obligations.....	<u>(479,375)</u>	<u>(64,541)</u>	<u>-</u>	<u>(543,916)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(2,603,839)</u>	<u>(417,295)</u>	<u>-</u>	<u>(3,021,134)</u>
Cash Flows From Investing Activities:				
Interest received.....	<u>5,831</u>	<u>2,135</u>	<u>2,382</u>	<u>10,348</u>
Net increase (decrease) in cash and cash equivalents.....	472,211	2,014	558,256	1,032,481
Cash and cash equivalents, beginning of year....	<u>8,429,794</u>	<u>3,032,561</u>	<u>2,158,087</u>	<u>13,620,442</u>
Cash and cash equivalents, end of year.....	<u>\$ 8,902,005</u>	<u>3,034,575</u>	<u>2,716,343</u>	<u>14,652,923</u>
Cash and Cash Equivalents:				
Unrestricted cash and cash equivalents.....	\$ 5,136,686	2,781,654	2,716,343	10,634,683
Restricted cash and cash equivalents.....	<u>3,765,319</u>	<u>252,921</u>	<u>-</u>	<u>4,018,240</u>
Total cash and cash equivalents.....	<u>\$ 8,902,005</u>	<u>3,034,575</u>	<u>2,716,343</u>	<u>14,652,923</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, 2015
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).....	\$ 1,910,885	78,819	598,943	2,588,647
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation and amortization (net).....	1,504,042	283,817	1,129	1,788,988
Provision for bad debts (recoveries).....	7,933	1,643	-	9,576
Changes in assets and liabilities:				
Accounts receivable.....	9,912	(3,391)	2,711	9,232
Inventories.....	(16,377)	10,304	-	(6,073)
Prepaid expenses.....	19,608	-	-	19,608
Accounts payable/accrued liabilities....	35,691	49,656	3,091	88,438
Compensated absences.....	91,223	(2,417)	-	88,806
Customer deposits.....	32,934	-	-	32,934
Post-employment benefit obligation....	<u>48,168</u>	<u>6,743</u>	<u>-</u>	<u>54,911</u>
Net cash provided by operating activities.	<u>\$ 3,644,019</u>	<u>425,174</u>	<u>605,874</u>	<u>4,675,067</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Statement 10

Assets:	
Cash and cash equivalents.....	\$ 690,895
Receivables:	
Employer contributions receivable.....	7,610
State contributions receivable.....	55,151
Interest and dividends receivable.....	<u>31,552</u>
Total accounts receivable.....	94,313
Prepaid items.....	54,119
Investments, at fair value	
U.S. Treasury obligations.....	1,092,058
U. S. Government Agencies.....	466,639
Corporate/municipal debt obligations	1,871,839
Domestic corporate equities.....	4,669,898
International corporate equities.....	1,119,161
Mutual funds.....	<u>2,250,379</u>
Total investments.....	<u>11,469,974</u>
Total assets.....	12,309,301
Liabilities:	
Accounts payable.....	<u>25,156</u>
Net Position:	
Held in trust for pension benefits.....	<u>\$ 12,284,145</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, 2015
CITY OF HOLLY HILL, FLORIDA

Additions:	
Contributions from:	
Employer	\$ 696,357
State	157,170
Plan members, including buy-backs	<u>127,598</u>
Total contributions.....	981,125
Investment income:	
Net realized and unrealized appreciation (depreciation) in fair value of investments.....	(382,864)
Interest and dividend earnings	<u>265,714</u>
	(117,150)
Less: investment management fees	<u>(109,763)</u>
Total investment income	<u>(226,913)</u>
Total additions	754,212
Deductions:	
Benefit payments.....	894,104
Refunds/withdrawals	32,803
Administrative expenses	<u>53,031</u>
Total deductions.....	<u>979,938</u>
Net increase.....	(225,726)
Net position held in trust for pension benefits:	
Beginning of year	<u>12,509,871</u>
End of year	<u>\$ 12,284,145</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

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. Separate financial statements for the Community Redevelopment Fund are not published.

B. Government-wide 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 unit. 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, 2015

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 Fund 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, 2015

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.

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 this 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 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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

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, Red Light 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).

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,

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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/Fund Balance

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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.

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.

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.

Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds depreciated over the remaining useful life of the related asset.

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

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. Two the City’s major governmental funds (General and Community Redevelopment Agency Special Revenue Funds) employ personnel and are responsible for liquidating governmental fund compensated absence obligations.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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.

Unearned Revenue. Unearned revenues are reported when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned revenue is removed and revenue is recognized.

Long-term Obligations. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense until then. The City has two items that qualify for reporting in this category. It is the deferred amount on refunding loss reported in the government-wide statement of net position and the deferred amount on defined benefit pension liabilities associated with the Holly Hill Police Officers' Retirement Trust Fund (Police Plan), Holly Hill Firefighters' Retirement System (Fire Plan), Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. A deferred amount on pension results from the recognition of the City's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liabilities in future reporting years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises from the Police Plan,

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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Fire Plan, FRS and HIS pensions, that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions / Net Pension Liabilities. In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan. In addition to a shared net pension liability, the City also recognizes the net pension liability (excess of the total pension liability over the fiduciary net position) of the Holly Hill Police Officers' Retirement Trust Fund and Holly Hill Firefighters' Retirement System.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Police defined benefit plan, Fire defined benefit plan, FRS defined benefit plan and the HIS defined benefit plan, and additions to/deductions from the Police, Fire, FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the Police, Fire, FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Fund Balance Flow Assumptions. Sometimes the entity will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies. 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

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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 Manager through the budgetary process, as is authorized under Article I, Section 30-27 of the City's Code of Ordinances.

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 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.

Net Position. The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets groups all capital assets into one component of net position; accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category. Restricted net position includes all net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position is the residual amount of net position of the City that is not restricted for any particular purpose.

Net Position Flow Assumption. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

E. New Accounting Standards

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68, "*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*" The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 69, "*Government Combinations and Disposals of Government Operations.*" The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013. The implementation of this statement had no significant effect on the financial statements.

Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*" The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The following Governmental Accounting Standards Board (GASB) Statements will be implemented in future financial statements, as applicable:

Statement No. 72, "*Fair Value Measurement and Application.*" The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68.*" The provisions of this statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" The provisions of this statement are effective for fiscal years beginning after June 15, 2016.

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans.*" The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" The provisions of this statement are effective for reporting periods beginning after June 15, 2015.

Statement No. 77, "*Tax Abatement Disclosures.*" The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

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Statement No. 78, “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*” The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79, “*Certain External Investment Pools and Pool Participants.*” The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015.

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 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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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- 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, 2015, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Red Light Traffic Enforcement Fund in the amount of \$707, which was funded in its entirety from prior year surplus 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 7.1304 mills for the (2014 tax year) fiscal year ended September 30, 2015.

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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

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, 2015, the City had the following investments and maturities:

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturities (Years)</u>		
			<u>From 1 to 5</u>	<u>From 6 to 10</u>	<u>Over 10</u>
SunTrust money market funds.....	\$ 13,309,850	13,309,850	-	-	-
Pension Trusts:					
Money Market.....	690,895	690,895	-	-	-
U.S. Treasury.....	1,092,058	317,369	728,578	10,003	36,108
U.S. Government Agencies.....	466,639	188,094	227,631	77	50,837
Corporate/municipal bonds.....	1,871,839	-	1,184,216	575,903	111,720
Corporate equities.....	4,669,898	4,669,898	-	-	-
International equities.....	1,119,161	1,119,161	-	-	-
Mutual funds.....	2,250,379	2,250,379	-	-	-
	<u>12,160,869</u>	<u>9,235,796</u>	<u>2,140,425</u>	<u>585,983</u>	<u>198,665</u>
Totals.....	<u>\$ 25,470,719</u>	<u>22,545,646</u>	<u>2,140,425</u>	<u>585,983</u>	<u>198,665</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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 fifteen 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 Plan has shifted from domestic corporate equities to mutual funds, the fair values of which vary in conjunction with changes in the NYSE and NASDAQ stock index prices.

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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, 2015, the carrying value of the City's cash deposit accounts totaled \$13,733,655 and the bank balance totaled \$13,787,074. All cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes and are fully insured and/or collateralized. Amounts do not include \$2,812 in cash funds on hand at the end of the fiscal year. The carrying amount of the City's \$13,309,850 investment in institutional money market accounts is uninsured and uncollateralized but is backed by the full faith and credit of the United States of America.

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, 2015, 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, 2015, 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, including international equities) at market shall not exceed 72.5 percent of the fund's assets (presently 66.3 percent), with a target range of 67.5 to 72.5 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 27.5 percent of the fund's assets (presently 28.2%), with a target range of 27.5 to 32.5 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

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4. International investment of any kind, equities or fixed securities, shall not exceed 25 percent (presently 11.4%) of the fund's assets.
5. The Fund's portfolio manager shall not:
 - a. Be more than 10% invested in the securities of any one company at market.
 - b. Make short sales.
 - c. Use margin or leverage.
 - d. Be invested in commodities.
 - e. Be invested in private real estate.
 - f. Be invested in "investment art objects."
 - g. Invest in Options, including the purchase, sale or writing of options unless options are "covered" by the corresponding security.
 - h. Be invested in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.

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

1. Investments in equities shall not exceed 70% of the Fund's assets at market value.
2. No investment shall be made in any company that either is engaged in the business of providing private fire and/or ambulatory services OR invests in another company that is engaged in private fire and/or ambulatory services.
3. Not more than 5% of the total Fund's assets at cost shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of the company.
4. Not more than 5% of the Fund's fixed income portfolio (at market) shall be invested in the securities of any single corporate issuer (This excludes issues of any US. government agency). Securities rated below 'A' shall be limited to 2% of the fixed income portfolio (at market) per issuer. In the case of a split rating, the lower rating shall prevail. In the event of a downgrade below investment grade, the manager will dispose of such securities when it is economically feasible.
5. Foreign equity investments are limited to 20% of the total Fund's assets (at market).
6. Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
7. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
8. The following investments are prohibited:
 - a. Bonds issued by any state or municipality
 - b. Futures (excluding mutual and exchange traded funds)
 - c. General obligations issued by a foreign government
 - d. Hedge funds
 - e. Insurance annuities

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

- f. Internally managed assets
- g. Limited partnerships
- h. Margin Accounts
- i. Options (excluding mutual and exchange traded funds)
- j. Private equity
- k. Private mortgages
- l. Securities lending
- m. Under Protecting Florida's Investment Act (PFIA), scrutinized companies published by the State Board of Administration, unless an indirect investment is unable to divest, as provided for in Florida Statutes, section 215.473.

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>
Netherlands	0.94%	Euro	Equity/NA	\$ 80,307
France	0.67%	Euro	Equity/NA	56,704
Germany	0.61%	Euro	Equity/NA	51,625
Ireland	0.59%	Euro	Equity/NA	50,103
Spain	0.41%	Euro	Equity/NA	34,985
Italy	0.10%	Euro	Equity/NA	8,533
Belgium	<u>0.09%</u>	Euro	Equity/NA	<u>7,549</u>
	3.41%			289,806
United Kingdom	1.73%	British Pound	Equity/NA	146,611
Japan	1.60%	Yen	Equity/NA	136,213
Switzerland	1.29%	Swiss Franc	Equity/NA	109,714
China	0.62%	Yaun/Renminbi	Equity/NA	52,910
Canada	0.51%	Canadian Dollar	Equity/NA	43,034
Singapore	0.39%	Singapore Dollar	Equity/NA	33,543
Taiwan	0.31%	Taiwan Dollar	Equity/NA	26,750
Israel	0.29%	Sheqel	Equity/NA	24,813
South Korea	0.18%	Won	Equity/NA	15,390
Denmark	0.18%	Danish Krone	Equity/NA	15,362
India	0.18%	Rupee	Equity/NA	15,174
Sweden	0.14%	Swedish Krona	Equity/NA	11,890
U.S. Virgin Islands	0.13%	US Dollar	Equity/NA	10,941
Mexico	0.11%	Peso	Equity/NA	9,484
Australia	0.10%	Australian Dollar	Equity/NA	8,781
Bermuda	0.09%	Bermuda Dollar	Equity/NA	7,707
Indonesia	0.08%	Rupiah	Equity/NA	7,097
Thailand	<u>0.08%</u>	Thai baht	Equity/NA	<u>6,973</u>
	<u>11.42%</u>			<u>\$ 972,193</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

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>Portfolio Percentage</u>	<u>Foreign Currency</u>	<u>Maturity</u>	<u>Fair Fair Value</u>
France	0.39%	Euro	N/A	\$ 14,227
Germany	0.36%	Euro	N/A	13,139
Spain	0.13%	Euro	N/A	4,629
Netherlands	0.12%	Euro	N/A	4,277
Italy	0.09%	Euro	N/A	3,483
United Kingdom	0.77%	Pound sterling	N/A	28,247
Switzerland	0.38%	Swiss franc	N/A	13,888
Australia	0.26%	Australian Dollar	N/A	9,626
Hong Kong	0.12%	Hong Kong dollar	N/A	4,483
Other	0.15%	Other	N/A	5,586
Sweden	0.11%	Swedish krona	N/A	4,159
Denmark	0.08%	Danish krone	N/A	2,807
Singapore	<u>0.05%</u>	Singapore Dollar	N/A	<u>1,793</u>
	<u>4.00%</u>			<u>\$ 146,968</u>

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables. Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) amounts 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, 2015:

<u>Governmental Activities:</u>	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor</u>	<u>Total</u>
Delinquent taxes.....	\$ 15,719	-	-	15,719
Franchise/utility tax payments.....	263,297	-	-	263,297
Utility service tax.....	29,728	-	-	29,728
Employee purchase program.....	3,346	-	-	3,346
Miscellaneous receivables.....	<u>9,440</u>	<u>1,060</u>	-	<u>10,500</u>
	321,530	1,060	-	322,590
Less: bad debt allowance.....	<u>(32,117)</u>	-	-	<u>(32,117)</u>
Total.....	<u>\$ 289,413</u>	<u>1,060</u>	-	<u>290,473</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

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 billed.....	\$ 390,700	7,941	146,192	544,833
Customer receivables unbilled.....	360,040	-	138,623	498,663
Other receivables.....	<u>3,912</u>	<u>2,332</u>	<u>-</u>	<u>6,244</u>
	754,652	10,273	284,815	1,049,740
Less: bad debt allowance.....	<u>(47,709)</u>	<u>(7,939)</u>	<u>(7,636)</u>	<u>(63,284)</u>
Total.....	<u>\$ 706,943</u>	<u>2,334</u>	<u>277,179</u>	<u>986,456</u>

Payables. Amounts are aggregated into single accounts payable and accrued liabilities amounts 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, 2015:

<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.....	\$ 236,502	7,899	19,181	-	263,582
Confiscations.....	5,018	-	-	-	5,018
Accrued wages.....	196,082	10,005	-	-	206,087
Payroll taxes.....	6,358	-	-	-	6,358
Sales taxes.....	426	-	-	-	426
Intergovernmental payable.....	936	-	-	-	936
Contract retention.....	-	-	-	-	-
Other accrued benefits.....	<u>63,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,459</u>
Total-governmental funds.....	<u>508,781</u>	<u>17,904</u>	<u>19,181</u>	<u>-</u>	545,866
Accrued interest on debt.....					<u>75,272</u>
Total-governmental activities.....					<u>\$ 621,138</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.....	\$ 69,849	55,860	270,832	396,541
Accrued wages.....	<u>58,777</u>	<u>7,077</u>	<u>-</u>	<u>65,854</u>
	128,626	62,937	270,832	462,395
Payable from restricted assets:				
Accounts and retainage payable.....	<u>53,874</u>	<u>-</u>	<u>-</u>	<u>53,874</u>
Total-business-type activities.....	<u>\$ 182,500</u>	<u>62,937</u>	<u>270,832</u>	<u>516,269</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

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.

While no provision has been made to recognize the balances on these mortgages in the accompanying financial statements, the aggregate balances due on the obligations in the event of default at September 30, 2015, totaled \$31,045.

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, 2015, are as follows:

	Transfer <u>To</u>	Transfer <u>From</u>
Governmental Activities:		
General:		
Water and Sewer.....	\$ -	531,800
Solid Waste.....	-	50,000
Stormwater Drainage.....	-	50,000
Nonmajor governmental funds (*).	-	3,202
Community Redevelopment Trust:		
CRA Debt Service Fund (*).	844,300	
CRA Debt Service Fund :		
Community Redevelopment Trust (*).	-	844,300
Nonmajor governmental:		
General (*).	<u>3,202</u>	<u>-</u>
Totals - governmental activities.....	<u>\$ 847,502</u>	<u>1,479,302</u>

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Business-type Activities:	<u>Transfer To</u>	<u>Transfer From</u>
Water and Sewer:		
General.....	\$ 531,800	-
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>673,800</u>	<u>42,000</u>
Totals - all activities.....	<u>\$ 1,521,302</u>	<u>1,521,302</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, 2015, the following interfund balances are reported:

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Major fund:		
General fund (*).....	\$ 88,476	-
Nonmajor fund:		
Community Development Block Grant Fund (*).....	<u>-</u>	<u>88,476</u>
Totals.....	<u>\$ 88,476</u>	<u>88,476</u>

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

NOTE 9 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2015, is as follows:

Governmental activities:	Balance 09/30/14	Addition	Deletions	Balance 09/30/15
Capital assets not being depreciated:				
Land.....	\$ 4,382,932	-	-	4,382,932
Construction work in progress.....	<u>1,125,104</u>	<u>251,754</u>	<u>(268,331)</u>	<u>1,108,527</u>
Total capital assets not being depreciated....	<u>5,508,036</u>	<u>251,754</u>	<u>(268,331)</u>	<u>5,491,459</u>
Capital assets being depreciated:				
Buildings.....	5,601,019	34,452	-	5,635,471
Improvements other than buildings.....	6,191,189	934,998	-	7,126,187
Machinery and equipment.....	3,277,410	159,290	(214,338)	3,222,362
Infrastructure.....	<u>9,790,249</u>	<u>-</u>	<u>-</u>	<u>9,790,249</u>
Total capital assets being depreciated.....	<u>24,859,867</u>	<u>1,128,740</u>	<u>(214,338)</u>	<u>25,774,269</u>
Less accumulated depreciation for:				
Buildings.....	(1,840,258)	(152,516)	-	(1,992,774)
Improvements other than buildings.....	(2,134,588)	(260,734)	-	(2,395,322)
Machinery and equipment.....	(2,153,671)	(289,294)	213,544	(2,229,421)
Infrastructure.....	<u>(4,486,881)</u>	<u>(245,727)</u>	<u>-</u>	<u>(4,732,608)</u>
Total accumulated depreciation.....	<u>(10,615,398)</u>	<u>(948,271)</u>	<u>213,544</u>	<u>(11,350,125)</u>
Total capital assets being depreciated, net...	<u>14,244,469</u>	<u>180,469</u>	<u>(794)</u>	<u>14,424,144</u>
Governmental activities capital assets, net...	<u>\$19,752,505</u>	<u>432,223</u>	<u>(269,125)</u>	<u>19,915,603</u>
Business-type activities:	Balance 09/30/14	Addition	Deletions	Balance 09/30/15
Capital assets not being depreciated:				
Land.....	\$ 665,515	-	-	665,515
Construction work in progress.....	<u>616,651</u>	<u>572,907</u>	<u>(593,020)</u>	<u>596,538</u>
Total capital assets not being depreciated....	<u>1,282,166</u>	<u>572,907</u>	<u>(593,020)</u>	<u>1,262,053</u>
Capital assets being depreciated:				
Buildings.....	10,962,258	77,355	-	11,039,613
Improvements other than buildings.....	29,726,383	471,770	-	30,198,153
Machinery and equipment.....	5,262,667	107,574	(30,000)	5,340,241
Infrastructure.....	<u>8,406,935</u>	<u>-</u>	<u>-</u>	<u>8,406,935</u>
Total capital assets being depreciated.....	<u>54,358,243</u>	<u>656,699</u>	<u>(30,000)</u>	<u>54,984,942</u>
Less accumulated depreciation for:				
Buildings.....	(6,961,368)	(223,320)	-	(7,184,688)
Improvements other than buildings.....	(10,819,445)	(1,141,671)	-	(11,961,116)
Machinery and equipment.....	(3,872,516)	(192,402)	30,000	(4,034,918)
Infrastructure.....	<u>(3,737,613)</u>	<u>(251,411)</u>	<u>-</u>	<u>(3,989,024)</u>
Total accumulated depreciation.....	<u>(25,390,942)</u>	<u>(1,808,804)</u>	<u>30,000</u>	<u>(27,169,746)</u>
Total capital assets being depreciated, net...	<u>28,967,301</u>	<u>(1,152,105)</u>	<u>-</u>	<u>27,815,196</u>
Business-type capital assets, net.....	<u>\$30,249,467</u>	<u>(579,198)</u>	<u>(593,020)</u>	<u>29,077,249</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

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

Governmental activities:	
General government.....	\$ 143,789
Public safety.....	126,641
Transportation.....	234,736
Economic environment.....	244,401
Physical environment.....	14,765
Culture/recreation.....	<u>183,939</u>
Total depreciation expense - governmental activities...	<u>\$ 948,271</u>
Business-type activities:	
Water and Sewer Fund.....	\$ 1,521,299
Stormwater Drainage.....	286,376
Solid Waste Fund.....	<u>1,129</u>
Total depreciation expense - business-type activities...	<u>\$ 1,808,804</u>

Capitalized construction period interest, net of interest earned on unexpended construction funds, totaled \$-0- for the year ended September 30, 2015.

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, 2015, are as follows:

Fiscal Year	Total
September 30, 2015.....	\$ 12,861
September 30, 2016.....	12,072
September 30, 2017.....	7,185
September 30, 2018.....	<u>1,149</u>
Total.....	<u>\$ 33,267</u>

Rental expense under these obligations totaled \$18,662 for the year ended September 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2015
CITY OF HOLLY HILL, FLORIDA

NOTE 11 - LONG-TERM DEBT

The City's long-term debt outstanding at September 30, 2015, 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	\$ 3,910,000	320,000
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>4,330,000</u>	<u>350,000</u>
Total revenue note and capital lease	8,240,000	670,000
Compensated absences (current portion estimated)	<u>993,064</u>	<u>248,266</u>
Total governmental activities long-term debt	<u>\$ 9,233,064</u>	<u>918,266</u>

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

	Balances 9/30/2014	Additions	Deletions	Balances 9/30/2015
Revenue Notes Payable:				
SunTrust Bank - 2.04% CRA				
Redevelopment Revenue Refunding Note, Series 2012	\$ 4,225,000	-	(315,000)	3,910,000
BB&T - 2.33% CRA				
Redevelopment Revenue Note Series 2013	4,670,000	-	(340,000)	4,330,000
Compensated absences	<u>577,394</u>	<u>948,447</u>	<u>(532,777)</u>	<u>993,064</u>
	<u>\$ 9,472,394</u>	<u>948,447</u>	<u>(1,187,777)</u>	<u>9,233,064</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

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

Fiscal Year	Total
September 30, 2016.....	\$ 846,983
September 30, 2017.....	847,299
September 30, 2018.....	847,121
September 30, 2019.....	846,724
September 30, 2020.....	845,942
September 30, 2021 through 2025.....	4,235,926
September 30, 2026.....	<u>848,707</u>
Total debt service requirements.....	9,318,702
Less: interest.....	<u>(1,078,702)</u>
Net principal amount.....	<u>\$ 8,240,000</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 incurred for governmental activities for the year ended September 30, 2015 totaled \$185,410. There City did not capitalize any construction period interest on governmental activities long-term debt during the year.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

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	\$ 960,000	70,000
Water and Sewer System Improvement Revenue Bond, Series 2011 3.46, due in installments to October 2030	4,010,000	185,000
Water and Sewer System Improvement Refunding Revenue Bond, Series 2012 1.95% due in installments to October 2022	6,905,000	810,000
Water and Sewer System Improvement Revenue Bond, Series 2013 1.94% due in installments to October 2023	1,400,000	145,000
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	872,020	134,359
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	414,134	32,159
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.....	3,835,250	247,371
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>2,568,309</u>	<u>295,783</u>
Total bonds and notes payable	20,964,713	1,919,672
Compensated absences (current portion estimated).....	<u>233,083</u>	<u>58,271</u>
Total business-type activities long-term debt	<u>\$21,197,796</u>	<u>1,977,943</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

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 9/30/2014	Additions	Deletions	Balances 9/30/2015
Water and Sewer System Improvement Revenue Bond, Series 2005.....	\$ 1,030,000	-	(70,000)	960,000
Water and Sewer System Improvement Revenue Bond, Series 2011.....	4,195,000	-	(185,000)	4,010,000
Water and Sewer System Improvement Refunding Revenue Bond, Series 2012.....	7,700,000	-	(795,000)	6,905,000
Water and Sewer System Improvement Revenue Bond, Series 2013.....	1,540,000	-	(140,000)	1,400,000
FDEP Clean Water State Revolving Fund Loans:				
3.11% Loan dated 07/28/98.....	1,002,295	-	(130,275)	872,020
2.12% Loan dated 11/21/05.....	445,622	-	(31,488)	414,134
2.17% Loan dated 10/17/07.....	4,077,339	-	(242,089)	3,835,250
3.27% Loan dated 01/30/01.....	2,857,384	-	(289,075)	2,568,309
Compensated absences.....	<u>115,421</u>	<u>209,999</u>	<u>(92,337)</u>	<u>233,083</u>
	<u>\$ 22,963,061</u>	<u>209,999</u>	<u>(1,975,264)</u>	<u>21,197,796</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, 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.....	1,533,016	884,087	2,417,103
September 30, 2020.....	1,537,744	884,089	2,421,833
September 30, 2021 through 2025.....	5,644,778	3,071,445	8,716,223
September 30, 2026 through 2030.....	1,743,256	1,213,568	2,956,824
September 30, 2031.....	<u>325,536</u>	<u>-</u>	<u>325,536</u>
Total debt service requirements.....	15,398,112	8,705,455	24,103,567
Less: interest.....	<u>(2,123,112)</u>	<u>(1,015,742)</u>	<u>(3,138,854)</u>
Net principal amount.....	<u>\$13,275,000</u>	<u>7,689,713</u>	<u>20,964,713</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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

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.

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, 2015 was \$587,822. Of this amount, \$-0- was capitalized and \$587,822 was charged to operations as expense. Interest and debt expense includes \$62,360 of amortization expense from deferred charge on refunded obligations for the year.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. City of Holly Hill, Florida, Other Postemployment Benefits Program (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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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.

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 maximum of thirty years.

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, 2013:

	<u>09/30/2013</u>	<u>09/30/2014</u>	<u>09/30/2015</u>
Annual required contribution (ARC)	\$ 220,000	312,089	328,126
As a percent of covered payroll	5.5%	7.2%	7.3%
Interest on prior Net OPEB obligation.....	40,000	40,951	49,150
Prior Net OPEB obligation adjustment.....	<u>(90,000)</u>	<u>(79,677)</u>	<u>(91,283)</u>
Annual OPEB cost (expense).....	170,000	273,363	285,993
Estimated net contributions made.....	<u>(40,000)</u>	<u>(91,159)</u>	<u>(93,324)</u>
Increase in net OPEB obligation.....	130,000	182,204	192,669
Net OPEB obligation-beginning of year.....	<u>780,000</u>	<u>910,000</u>	<u>1,092,204</u>
Net OPEB obligation-end of year	<u>\$ 910,000</u>	<u>1,092,204</u>	<u>1,284,873</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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>
09/30/15	\$285,993	32.6%	\$1,284,873
09/30/14	\$273,363	33.3%	\$1,092,204
09/30/13	\$170,000	23.5%	\$ 910,000

Funded Status and Funding Progress. Based on the October 1, 2013 (the most recent) and 2011 actuarial valuations, the funded status of the OPEB Plan was as follows:

	<u>10/01/2011</u>	<u>10/01/2013</u>
Actuarial accrued liability (AAL)	\$ 1,260,000	1,791,400
Actuarial value of plan assets.....	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,260,000</u>	<u>\$ 1,791,400</u>
Funded ratio (actuarial value of plan assets/AAL).....	0.00%	0.00%
Covered payroll (annual payroll of active employees covered by the plan).....	\$ 3,990,000	4,178,029
UAAL as a percentage of covered payroll.....	31.6%	42.9%

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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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 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, 2013 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions include a 3.5% annual inflation rate, an annual salary increase rate of 6.0%, and 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. Health care inflation is based on a Pre-Medicare annual healthcare cost trend rate of 7.5% percent in 2014; 6.5% in 2015, grading down with 0.5% annual decreases to an ultimate rate of 4.5% in 2019. No post-Medicare benefits are assumed. The UAAL is being amortized over a level percentage of payroll (closed amortization over 30 years as of October 1, 2013).

NOTE 13 - PENSION PLANS

1. Florida Retirement System (FRS) (Defined Benefit Pension Plan)

General Information About the FRS. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially, all regular employees of the City who were employed before January 1, 1996 and after September 30, 2005, including those individuals employed between these two periods that subsequently elected to roll over their net pension assets into the FRS Plans, are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The City's general classes of membership are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) - Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Senior Management Service Class</i>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>		
	<u>Employee</u>	<u>Employer (1)</u>	
		<u>Pre 7/01/15</u>	<u>Post 6/30/15</u>
FRS, Regular	3.00	7.37	7.26
FRS, Senior Management Service	3.00	21.14	21.43
DROP - Applicable to Members of the Above Class	0.00	12.28	12.88
FRS, Reemployed Retiree		(2)	(2)

Notes: (1) Employer rates include 1.26 percent and 1.66 percent for the postemployment health insurance subsidy for Pre 7/1/15 and Post 6/30/15, respectively. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The City's contributions to the Plan totaled \$220,906 (including employee contributions of \$71,723), for the fiscal year ended September 30, 2015. This excludes HIS defined benefit pension plan contributions of \$35,450 and FRS Investment Plan contributions of \$31,150.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the City reported a liability of \$837,189 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members based on a June 30, 2015 fiscal year. At June 30, 2015, the City's proportionate share was 0.006481624 percent, which was an increase of 0.000547731 percent from its proportionate share measured as of June 30, 2014 of 0.005933893 percent.

For the fiscal year ended September 30, 2015, the City recognized the Plan pension expense of \$78,245. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,382	19,856
Change of assumptions	55,567	-
Net difference between projected and actual earnings on FRS pension plan investments	-	199,907
Changes in proportion and differences between City FRS contributions and proportionate share of contributions	92,646	-
City FRS contributions subsequent to the measurement date	<u>38,357</u>	<u>-</u>
Total	<u>\$ 274,952</u>	<u>219,763</u>

The deferred outflows of resources related to pensions, totaling \$38,357, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (44,485)
2017	(44,485)
2018	(44,484)
2019	106,507
2020	34,533
Thereafter	<u>9,246</u>
	<u>\$ 16,832</u>

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	<u>12.00%</u>	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's Investment Policy

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
The City's proportionate share of the net pension liability	\$2,169,345	\$ 837,189	\$(271,384)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the FRS Pension Plan. At September 30, 2015, the City reported a payable of \$16,479 for the outstanding amount of contributions to the FRS Plan required for the fiscal year ended September 30, 2015.

2. HIS Pension Plan (Defined Benefit Pension Plan)

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution rate for the period from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively, of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$35,450 for the fiscal year ended September 30, 2015.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At September 30, 2015, the City reported a net pension liability of \$862,194 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.008454191 percent, which was an increase of 0.000140386 percent from its proportionate share measured as of June 30, 2014, of 0.008313805 percent.

For the fiscal year ended September 30, 2015, the City recognized the Plan pension expense of \$66,709. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	-
Change of assumptions	67,832	-
Net difference between projected and actual earnings on HIS pension plan investments	467	-
Changes in proportion and differences between City HIS contributions and proportionate share of contributions	14,633	-
City HIS contributions subsequent to the measurement date	<u>10,444</u>	<u>-</u>
Total	<u>\$ 93,376</u>	<u>-</u>

The deferred outflows of resources related to pensions, totaling \$10,444, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 14,277
2017	14,277
2018	14,278
2019	14,183
2020	14,137
Thereafter	<u>11,780</u>
	<u>\$ 82,932</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	3.80 percent

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.80 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.80 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.80 percent) or 1 percentage point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's proportionate share of the net pension liability	\$ 982,430	\$ 862,195	\$ 761,936

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payable to the HIS Pension Plan - At September 30, 2015, the City reported a payable of \$3,447 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

3. FRS – Investment Plan (Defined Contribution Pension Plan)

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

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CITY OF HOLLY HILL, FLORIDA

As provided in Section 121.450 I, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employer (1)</u>	
	<u>Pre 7/01/15</u>	<u>Post 6/30/15</u>
FRS, Regular	6.30	6.30
FRS, Senior Management Service	7.67	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$31,150 for the fiscal year ended September 30, 2015.

Payable to the FRS Investment Plan - At September 30, 2015, the City reported a payable of \$2,711 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended September 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

4. Police Officers' Retirement Trust Fund (Defined Benefit Pension Plan)

Plan Description. The City's Police Officers' Retirement Trust Fund (the "Police Plan") is a single-employer defined benefit pension trust fund (fiduciary fund type) of the City established under the provisions of Chapter 42, Article II, Code of Ordinances and Chapter 185, Florida Statutes. The Police Plan provides retirement, disability, and survivor benefits for all City police officers who participate in the plan. Management, administration and operation of the Police Plan, and its investments portfolio, is vested in a five-member Board of Trustees using the services of the City staff, local financial institutions, and contracted third-party fund custodians. The Board of Trustees consists of five trustees, two of whom must be legal residents of the city and appointed by the Holly Hill City Commission, and two of whom must be members of the Fund and elected by a majority of the police officers who are members of the Fund. The fifth trustee shall be chosen by a majority of the previous four trustees and approved by the Holly Hill City Commission. The Police Plan issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan. The Police Plan report may be obtained by writing to City of Holly Hill, Florida, Police Officers' Retirement Trust Fund, 1065 Ridgewood Avenue, Holly Hill, FL 32117.

Benefits Provided. The Police Plan provides retirement, disability and death benefits to full-time employees who are classified as fulltime police officers that must participate in the Fund as a condition of employment. Retirement benefits for vested plan members are calculated as 3 percent of the member's average monthly earnings for the highest 5 years during the 10 years immediately preceding termination times the member's years of credited service. Credited service includes the total years and fractional parts of years of service with the City as a police officer. Average monthly earnings are based on total compensation reportable on the annual Form W-2 plus all tax deferred or tax exempt items of income. An additional 10.6% of earnings is included for calculating average final compensation if the member was employed by the City prior to October 1, 1999.

Police Plan members are eligible for normal retirement benefits at the earlier of age 55 with 6 years (vesting period) of credited service or completion of 20 years of credited service, regardless of age. For members hired on or after July 1, 2011, eligibility for normal retirement benefits is the earlier of age 55 with 10 years of credited service, or completion of 20 years of credited service, regardless of age. Early retirement benefits are available to plan members who have reached age 50 with 6 years of credited service, or at age 55 with 10 years of credited service if employed on or after July 1, 2011. Accrued retirement benefits are reduced by 3% for each year that early retirement precedes normal retirement. All plan members are eligible for non-duty disability benefits after 10 years of credited service and for duty-related disability benefits upon hire (date of employment as a police officer). Disability retirement benefits are determined in the same manner as retirement benefits and are payable immediately without an actuarial reduction, except that benefits (accrued to date of disability) are not less than 42% of average monthly earnings for service incurred and not less than 25% of average monthly earnings for non-service incurred. Pre-retirement death benefits for vested members are equal to the monthly accrued benefit payable at the member's normal retirement date to a designated beneficiary for 10 years, with payment options available. Non-vested members' designated beneficiaries are entitled to a refund of the member's contributions without interest.

An annual cost-of-living adjustment (COLA) of 2% is provided to those retirees who retired on or after October 6, 2009, commencing 5 years after retirement (including disability retirees and beneficiaries, but not including those who terminate prior to reaching their early or normal retirement date and later begin drawing benefits).

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Employees Covered by Benefit Terms. Membership in the Police Plan consisted of the following, as included in the most recent actuarial valuation dated October 1, 2014:

Inactive plan members or beneficiaries currently receiving benefits.....	17
Inactive plan members entitled to but not yet receiving benefits.....	7
Active plan members	<u>23</u>
Total	<u>47</u>

Contributions. The Florida Constitution grants the authority to establish and amend the contribution requirements of the City and active plan members to the plan sponsor (City). The City is required to make quarterly contributions to the Police Plan in an amount equal to the required actuarially determined contribution based on the applicable actuarial valuation of the Police Plan performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, Florida Statutes.

Plan members are required to contribute 8% of their annual covered salary (or 5% of annual covered salary if hired before July 1, 2011). Additionally, pursuant to Chapter 185, Florida Statutes, the state collects a locally authorized insurance premium surcharge for the Fund on certain real and personal property insurance policies underwritten in the corporate limits of the City which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the most recently completed fiscal year. In accordance with Florida Statutes, a portion of the premium tax revenues received by the Fund are reserved to provide future minimum or extra benefits and may not be used to reduce or offset the contribution requirements of the employers.

For the year ended September 30, 2015, the active member contribution rates were 8.0 percent of annual pay (or \$45,473) for members hired after June 30, 2011, and 5.0 percent of annual pay (or \$27,444) for members hired prior to July 1, 2011, for a total of \$72,917 (or a blended 6.53 percent of covered payroll). For 2015, the City's average contribution rate was 46.53 percent of covered payroll (or \$519,860), and the state funding was 9.13 percent of covered payroll (or \$102,019). Covered payroll for the year ended September 30, 2015, totaled \$1,117,289.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015, using the following actuarial assumptions applied to all measurement periods:

Inflation.....	3.00%
Salary increases.....	6.00%
Discount rate / Investment rate of return.....	7.50%

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Since the prior year valuation, the payroll growth assumption has been decreased from 1.32% to 0.38%.

Mortality rates were based on the RP-2000 Combined Healthy – Sex Distinct Mortality Table. Disabled lives are set forward 5 years.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1988-2007.

Long-Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity.....	60%	7.65%
International Equity.....	10%	7.72%
Fixed Income.....	30%	2.37%
	<u>100%</u>	

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Changes in Net Pension Liability. The following is a summary of the changes in net pension liability for the year ended September 30, 2015:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Reporting Period Ending September 30, 2014.....	\$ 11,090,483	8,756,934	2,333,549
Changes for the Year:			
Service cost.....	222,322	-	222,322
Interest.....	823,857	-	823,857
Differences between expected and actual experience.....	(153,367)	-	(153,367)
Changes of assumptions.....	-	-	-
Changes of benefit terms.....	(526)		(526)
Contributions-employer.....	-	519,860	(519,860)
Contributions-state.....	-	102,019	(102,019)
Contributions-employee.....	-	72,917	(72,917)
Net investment income.....	-	(206,022)	206,022
Benefit payments, including refunds of employee contributions.....	(655,033)	(655,033)	-
Administrative expense.....	-	(24,321)	24,321
Net changes.....	<u>237,253</u>	<u>(190,580)</u>	<u>427,833</u>
Reporting Period Ending September 30, 2015.....	<u>\$ 11,327,736</u>	<u>8,566,354</u>	<u>2,761,382</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability.....	\$ 4,087,336	\$ 2,761,382	\$ 1,652,982

Pension Plan Fiduciary Net Position. Detailed information about the Police Plan's fiduciary net position is available in the separately issued financial report by the Board of Trustees of the Holly Hill Police Officers' Retirement Trust Fund.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of \$461,260. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the Police Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	102,244
Net difference between projected and actual earnings on Police Plan investments	<u>703,404</u>	<u>-</u>
Total	<u>\$ 703,404</u>	<u>102,244</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2016	\$ 121,552
2017	121,552
2018	172,674
2019	<u>172,674</u>
	<u>\$ 588,452</u>

Payable to the Police Plan - At September 30, 2015, the City reported no payable for the outstanding amount of contributions to the Police Plan required for the fiscal year ended September 30, 2015.

5. Firefighter' Retirement System (Defined Benefit Pension Plan)

Plan Description. The City's Firefighters' Retirement System (the "Fire System") is a single-employer defined benefit pension trust fund (fiduciary fund type) of the City established under the provisions of Chapter 42, Article III of the City's Code of Ordinances and Chapter 175, F.S. The Fire System provides retirement, disability, and survivor benefits for all City firefighters who participate in the plan.

Management, administration and operation of the Fire System, and its investments portfolio, is vested in a five-member Board of Trustees using the services of the City staff, local financial institutions, and contracted third-party fund custodians. The Board of Trustees consists of five trustees, two of whom must be legal residents of the city and appointed by the Holly Hill City Commission, and two of whom must be members of the Fire System and elected by a majority of the firefighters who are members of the Fire System. The fifth trustee shall be chosen by a majority of the previous four trustees and approved by the Holly Hill City Commission. The Fire System issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan. The Fire System report may be obtained by writing to City of Holly Hill, Florida, Firefighters' Retirement System, 1065 Ridgewood Avenue, Holly Hill, FL 32117.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Benefits Provided. The Fire System provides retirement, disability and death benefits to full-time employees who are classified as fulltime Firefighters that must participate in the Fire System as a condition of employment. Retirement benefits for vested plan members are calculated as 3 percent of the member's average monthly earnings for the best 5 years during the 10 years immediately preceding termination times the member's years of credited service. Credited service includes the total years and fractional parts of years of service with the City as a Firefighter. Average monthly earnings are based on total compensation reportable on the annual Form W-2 plus tax deferred, tax sheltered or tax exempt items of income, including sick leave incentive, cleaning, 10-10 allowances, or any other payments.

Fire System members are eligible for normal retirement benefits at the earlier of age 50 with 6 years (vesting period) of credited service or completion of 25 years of credited service, regardless of age. Early retirement benefits are available to plan members who have reached age 48 with 6 years of credited service. Accrued retirement benefits are actuarially reduced for each year that early retirement precedes normal retirement (which is determined as if employment continued). All plan members are eligible for non-duty disability benefits after 10 years of credited service and for duty-related disability benefits upon hire (date of employment as a firefighter). Disability retirement benefits are determined in the same manner as retirement benefits and are payable immediately without an actuarial reduction, except that benefits (accrued to date of disability) are not less than 42% of average monthly earnings for service incurred. Pre-retirement death benefits for vested members are equal to the monthly accrued benefit payable at the member's normal retirement date to a designated beneficiary for 10 years, with payment options available. At a minimum, if a member dies in active service and is vested, 50% of the member's salary at the time of death is payable over the remaining life of the spouse, commencing on the first day of the month following the member's death. Non-vested members' designated beneficiaries are entitled to a refund of the member's contributions.

The benefit terms do not provide for any cost-of-living adjustments for the retired members of the Fire System. However, Fire System retirees receive a supplement of \$19.00 per month per year of credited service payable to the date on which unreduced Social Security benefits become payable.

Employees Covered by Benefit Terms. Membership in the System consisted of the following, as included in the most recent actuarial valuation dated October 1, 2014:

Inactive plan members or beneficiaries currently receiving benefits.....	9
Inactive plan members entitled to but not yet receiving benefits.....	0
Active plan members	<u>13</u>
Total	<u>22</u>

Contributions. The Florida Constitution grants the authority to establish and amend the contribution requirements of the City and active plan members to the plan sponsor (City). In accordance with Article III, Section 42-65, Holly Hill, Florida, Code of Ordinances, the City is required to make quarterly contributions to the Fire System in an amount equal to the required actuarially determined contribution based on the applicable actuarial valuation of the Fire System performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, Florida Statutes.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Plan members are required to contribute 8% of their annual covered salary. Additionally, pursuant to Chapter 175, Florida Statutes, the state collects a locally authorized insurance premium surcharge for the Fire System on certain real and personal property insurance policies underwritten in the corporate limits of the City which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the most recently completed fiscal year. In accordance with Florida Statutes, a portion of the premium tax revenues received by the Fire System are reserved to provide future minimum or extra benefits and may not be used to reduce or offset the contribution requirements of the employers.

For the year ended September 30, 2015, the active member contribution rate was 8.0 percent of annual pay (or \$54,681), the City's average contribution rate was 25.82 percent of annual payroll (or \$176,497), and the state funding was 8.07 percent of annual payroll (or \$55,151). Covered payroll for the year ended September 30, 2015, totaled \$683,517.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015, using the following actuarial assumptions applied to all measurement periods:

Inflation.....	3.00%
Salary increases.....	6.00%
Discount rate / Investment rate of return.....	7.50%

Since the prior year valuation, the payroll growth assumption has been decreased from 1.71% to 0.38%.

Mortality rates were based on the RP-2000 Mortality Table with no projection.

Long-Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity.....	35%	8.00%
International Equity.....	15%	3.00%
Bonds.....	30%	4.40%
Convertibles.....	10%	6.40%
REITS.....	5%	7.00%
TIPS.....	5%	3.10%
	100%	

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

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

Changes in Net Pension Liability. The following is a summary of the changes in net pension liability for the year ended September 30, 2015:

Changes in Net Pension Liability-Fire System

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Reporting Period Ending September 30, 2014.....	\$ 4,951,091	3,777,798	1,173,293
Changes for the Year:			
Service cost.....	176,408	-	176,408
Interest.....	373,007	-	373,007
Differences between expected and actual experience.....	(45,225)	-	(45,225)
Changes of assumptions.....	-	-	-
Changes of benefit terms.....	-	-	-
Contributions-employer.....	-	176,497	(176,497)
Contributions-state.....	-	55,151	(55,151)
Contributions-employee.....	-	54,681	(54,681)
Net investment income.....	-	(20,243)	20,243
Benefit payments, including refunds of employee contributions.....	(271,874)	(271,874)	-
Administrative expense.....	-	(29,063)	29,063
Net changes.....	<u>232,316</u>	<u>(34,851)</u>	<u>267,167</u>
Reporting Period Ending September 30, 2015.....	<u>\$ 5,183,407</u>	<u>3,742,947</u>	<u>1,440,460</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability.....	\$ 2,023,215	\$ 1,440,460	\$ 951,072

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Pension Plan Fiduciary Net Position. Detailed information about the Fire System's fiduciary net position is available in the separately issued financial report by the Board of Trustees of the Holly Hill Firefighters' Retirement System.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of \$225,146. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the Police Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	33,918
Net difference between projected and actual earnings on Police Plan investments	<u>242,424</u>	<u>-</u>
Total	<u>\$ 242,424</u>	<u>33,918</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2016	\$ 49,300
2017	49,300
2018	49,300
2019	<u>60,606</u>
	<u>\$ 208,506</u>

Payable to the Fire System - At September 30, 2015, the City reported a payable of \$7,610 for the outstanding amount of contributions to the Fire System required for the fiscal year ended September 30, 2015.

6. General Employees – Florida Municipal Pension Trust Fund 401(a) and 457(b) Plans

The City contributes to the Florida Municipal Pension Trust Fund, which provides for an IRC Section 401(a) defined contribution plan and a 457(b) deferred compensation plan for employer and employee contributions, respectively. These plans are 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 these plans for all full time employees hired on or after January 1, 1996 by revoking its participation in the Florida Retirement System (FRS) pursuant to Chapter 95-338, Laws of Florida with respect to such employees. Utilization of the 401(a) plan was suspended on October 1, 2005, at which time the City subsequently returned to the FRS plans by requiring all full time employees hired on or after October 1, 2005, to enter the FRS plans. The 401(a) plan was subsequently reinstated on July 1, 2010, for any retirees initially reemployed on or after July 1, 2010 who are not eligible for FRS retirement coverage.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

The City, as the sponsoring employer, is responsible for defining and amending pension benefit terms, provisions and contribution requirements for the plans. The plans were amended on October 1, 2013 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. For each participating employee in the 401(a) plan, the City contributed 3.57% (prior to July 1, 2015) and 2.95% (after June 30, 2015) of covered payroll to individual employee accounts. Employees are permitted to make contributions to the 457(b) pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2015, employee contributions totaled \$42,372 and the City recognized pension expense of \$983.

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.

7. General Employees – ICMA 457(b) Plan

The City contributes to a defined contribution pension plan, which provides for an IRC Section 457(b) deferred compensation plan for employer and employee contributions. This plan is administered by the International City Managers Association Retirement Corporation, 777 North Capitol Street, NE, Suite 600, Washington, DC 20002, to accommodate supplemental employee elective deferrals for employees covered in the City's defined benefit plans. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2015, employee contributions totaled \$3,477 and the City recognized pension expense of \$-0-.

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.

8. General Employees – Nationwide Retirement Solutions 457(b) Plan

The City contributes to a defined contribution pension plan, which provides for an IRC Section 457(b) deferred compensation plan for employer and employee contributions. This plan is administered by Nationwide Retirement Solutions, P.O. Box 182797 Columbus, OH 43218-2797, to accommodate supplemental employee elective deferrals for employees covered in the City's defined benefit plans. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2015, employee contributions totaled \$85,412 and the City recognized pension expense of \$-0-.

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

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.

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, 2015:

Statements of Fiduciary Plan Net Position
September 30, 2015

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Assets:			
Cash and cash equivalents.....	<u>\$ 453,205</u>	<u>237,690</u>	<u>690,895</u>
Receivables:			
Employer contributions receivable.....	-	7,610	7,610
State contributions receivable.....	-	55,151	55,151
Interest and dividends receivable.....	<u>22,178</u>	<u>9,374</u>	<u>31,552</u>
Total accounts receivable.....	<u>22,178</u>	<u>72,135</u>	<u>94,313</u>
Prepaid expenses.....	<u>51,229</u>	<u>2,890</u>	<u>54,119</u>
Investments, at fair value			
U.S. Treasuries.....	1,035,922	56,136	1,092,058
U.S. government agencies.....	412,755	53,884	466,639
Corporate and municipal debt	948,974	922,865	1,871,839
Domestic corporate equity securities.....	4,669,898	-	4,669,898
International equity securities.....	972,193	146,968	1,119,161
Mutual Funds.....	-	<u>2,250,379</u>	<u>2,250,379</u>
Total investments.....	<u>8,039,742</u>	<u>3,430,232</u>	<u>11,469,974</u>
Total assets.....	8,566,354	3,742,947	12,309,301
Liabilities:			
Accounts payable.....	<u>20,513</u>	<u>4,643</u>	<u>25,156</u>
Net position:			
Held in trust for pension benefits.....	<u>\$ 8,545,841</u>	<u>3,738,304</u>	<u>12,284,145</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

Statement of Changes in Fiduciary Plan Net Position

For the Fiscal Year Ended September 30, 2015

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Additions:			
Contributions from:			
Employer.....	\$ 519,860	176,497	696,357
State.....	102,019	55,151	157,170
Plan members	<u>72,917</u>	<u>54,681</u>	<u>127,598</u>
Total contributions.....	<u>694,796</u>	<u>286,329</u>	<u>981,125</u>
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments...	(284,594)	(98,270)	(382,864)
Interest and dividend earnings.....	<u>166,664</u>	<u>99,050</u>	<u>265,714</u>
Investment income	(117,930)	780	(117,150)
Less: investment management fees	<u>(88,591)</u>	<u>(21,172)</u>	<u>(109,763)</u>
Net investment income	<u>(206,521)</u>	<u>(20,392)</u>	<u>(226,913)</u>
Total additions	<u>488,275</u>	<u>265,937</u>	<u>754,212</u>
Deductions:			
Benefit payments and refunds	622,230	271,874	894,104
Lump sum DROP payments.....	-	-	-
Refunds/withdrawals.....	32,803	-	32,803
Administrative expenses	<u>24,843</u>	<u>28,188</u>	<u>53,031</u>
Total deductions.....	<u>679,876</u>	<u>300,062</u>	<u>979,938</u>
Net increase.....	(191,601)	(34,125)	(225,726)
Net position held in trust for pension benefits:			
Beginning of year	<u>8,737,442</u>	<u>3,772,429</u>	<u>12,509,871</u>
End of year.....	<u>\$ 8,545,841</u>	<u>\$ 3,738,304</u>	<u>\$ 12,284,145</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, 2015

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 – ADJUSTMENT TO BEGINNING NET POSITION

GASB Statement No. 68. The beginning net position of the City was decreased in aggregate by \$5,111,221, (\$4,517,601 in governmental activities and \$593,620 in business-type activities) due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*.

GASB Statement No. 68 requires the City to recognize its proportionate share of the net pension liabilities and related operating statement activities related to changes in the collective pension liabilities of the cost-sharing, multiple-employer FRS and HIS defined benefit plans. The measurement date for the beginning net position adjustment was June 30, 2014, representing a three month lag in reporting these proportionate items. The City's proportionate share of the net pension liability at July 1, 2014, totaled \$1,699,383, (\$1,070,611 in governmental activities and \$628,772 in business-type activities). Deferred outflows on the FRS and HIS pensions at September 30, 2014, totaled \$368,328, (\$232,047 in governmental activities and \$136,281 in business-type activities). Deferred inflows on the FRS and HIS pensions at September 30, 2014, totaled \$219,763, (\$138,450 in governmental activities and \$81,313 in business-type activities).

GASB Statement No. 68 also requires the City to recognize the net pension liabilities and related operating statement activities related to changes in its single employer Police Plan and Fire System (defined benefit plans), all of which are included in the City's governmental activities. The measurement date for the beginning net position adjustment was September 30, 2014. The City's net pension liabilities at September 30, 2014, totaled \$2,333,549 in the Police Plan and \$1,173,293 in the Fire System. Deferred outflows at September 30, 2014, totaled \$16,944 in the Police Plan and \$-0- in the Fire System. Deferred inflows at September 30, 2014, totaled \$-0- in the Police Plan and \$40,049 in the Fire System.

Following is a summary of original and restated amounts:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning net position	\$ 21,410,947	20,642,340	42,053,287
Adjustment.....	<u>(4,517,601)</u>	<u>(593,620)</u>	<u>(5,111,221)</u>
Beginning net position – as restated	<u>\$ 16,893,346</u>	<u>20,048,720</u>	<u>36,942,066</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2015

CITY OF HOLLY HILL, FLORIDA

NOTE 19 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 22, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN
September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Schedule 1

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)
10/01/2015	\$ -	n/a	n/a	n/a	n/a	n/a
10/01/2014	\$ -	n/a	n/a	n/a	n/a	n/a
10/01/2013	\$ -	\$ 1,791,400	\$ 1,791,400	0.00%	\$4,178,029	42.88%
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

REQUIRED SUPPLEMENTARY INFORMATION
FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN
CITY OF HOLLY HILL, FLORIDA

	2015	2014	2013
Schedule of the Proportionate Share of the Net Pension Liability:			
City proportion of the net pension liability	0.006481624%	0.005933893%	n/a
City proportionate share of the net pension liability	\$ 837,189	\$ 362,055	n/a
City covered employee payroll	\$ 2,613,798	\$ 2,316,138	n/a
City proportionate share of the net pension liability as a percentage of covered payroll	32.03%	15.63%	n/a
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	n/a

Schedule of Contributions:

Contractually required contribution	\$ 179,377	\$ 155,573	n/a
Contributions in relation to the contractually required contribution	<u>\$ (179,377)</u>	<u>\$ (155,573)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	n/a
City covered employee payroll	\$ 2,613,798	\$ 2,316,138	n/a
Contributions as a percentage of covered employee payroll	6.86%	6.72%	n/a

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) *Changes of Assumptions* . As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate return decreased from 7.75 percent to 7.65 percent.

REQUIRED SUPPLEMENTARY INFORMATION
FRS HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN
CITY OF HOLLY HILL, FLORIDA

	2015	2014	2013
Schedule of the Proportionate Share of the Net Pension Liability:			
City proportion of the net pension liability	0.008454191%	0.008313805%	n/a
City proportionate share of the net pension liability	\$ 862,194	\$ 777,361	n/a
City covered employee payroll	\$ 2,613,798	\$ 2,316,138	n/a
City proportionate share of the net pension liability as a percentage of covered payroll	32.99%	33.56%	n/a
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	n/a

Schedule of Contributions:

Contractually required contribution	\$ 35,450	\$ 30,323	n/a
Contributions in relation to the contractually required contribution	<u>\$ (35,450)</u>	<u>\$ (30,323)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	n/a
City covered employee payroll	\$ 2,613,798	\$ 2,316,138	n/a
Contributions as a percentage of covered employee payroll	1.36%	1.31%	n/a

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) *Changes of Assumptions* . The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF HOLLY HILL, FLORIDA
POLICE OFFICERS' RETIREMENT TRUST FUND

	2015	2014	2013
Total Pension Liability:			
Service cost.....	\$ 222,322	249,756	n/a
Interest.....	823,857	810,040	n/a
Changes of benefit terms.....	(526)	-	n/a
Differences between expected and actual experience.....	(153,367)	-	n/a
Changes of assumptions.....	-	-	n/a
Benefit payments, including refunds of employee contributions.....	<u>(655,033)</u>	<u>(1,040,177)</u>	n/a
Net change in total pension liability.....	237,253	19,619	n/a
Total Pension Liability - Beginning.....	<u>11,090,483</u>	<u>11,070,864</u>	n/a
Total Pension Liability - Ending (a).....	<u>\$ 11,327,736</u>	<u>11,090,483</u>	n/a
Plan Fiduciary Net Position:			
Contributions - employer.....	\$ 519,860	636,738	n/a
Contributions - state.....	102,019	95,509	n/a
Contributions - employee.....	72,917	67,173	n/a
Net investment income.....	(206,022)	600,411	n/a
Benefit payments, including refunds of employee contributions.....	(655,033)	(1,040,177)	n/a
Administrative expense.....	(24,321)	(21,956)	n/a
Other.....	-	-	n/a
Net change in plan fiduciary net position.....	(190,580)	337,698	n/a
Plan Fiduciary Net Position - Beginning.....	<u>8,756,934</u>	<u>8,419,236</u>	n/a
Plan Fiduciary Net Position - Ending (b).....	<u>\$ 8,566,354</u>	<u>8,756,934</u>	n/a
Net Pension Liability - Ending (a) - (b).....	<u>\$ 2,761,382</u>	<u>2,333,549</u>	n/a
Plan fiduciary net position as a percentage of the total pension liability.....	75.62%	78.96%	n/a
Covered employee payroll (*).....	\$ 1,130,458	1,135,179	n/a
Net pension liability as a percentage of covered employee payroll.....	244.27%	205.57%	n/a

Notes to Schedule:

On 10/01/2013, GASB 67 was adopted. Comparative data for all prior years is not available.

Changes of benefit terms:

For the 2015 Fiscal year, amounts reported as changes of benefit terms resulted from:

1. Change in member contribution rate. For Members hired after July 1, 2011 the member contribution rate is decreased from 8% of pay to 7% of pay effective October 1, 2015.
2. Establishing a share plan.
3. All State Monies received are to be utilized to offset the City's required contribution.

(*) For the 2014 Fiscal year reported Covered Employee Payroll figure was based on Pensionable Salary.

**SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF HOLLY HILL, FLORIDA
POLICE OFFICERS' RETIREMENT TRUST FUND

	2015	2014	2013
Actuarially determined contribution.....	\$ 621,879	732,247	n/a
Contributions in relation to the actuarially determined contribution.....	<u>(621,879)</u>	<u>(732,247)</u>	n/a
Contribution deficiency (excess).....	<u>\$ -</u>	<u>-</u>	n/a
Covered employee payroll (*).....	\$ 1,130,458	1,135,179	n/a
Contributions as a percentage of covered- employee payroll.....	<u>55.01%</u>	<u>64.50%</u>	n/a

Notes to Schedule:

On 10/01/2013, GASB 67 was adopted. Comparative data for all prior years is not available.

Valuation Date: 10/1/2013

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

(*) For the 2014 Fiscal Year, reported covered employee payroll figure based on Pensionable salary.

Methods and assumptions used to determine contribution rates:

Funding Method:	Enry Age Normal Actuarial Cost Method
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period	25 Years (as of 10/01/2013).
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.00% per year.
Salary Increases:	6.0% per year until the assumed retirement age. Projected salary at retirement is increased 40% to account for non-regular compensation.
Interest Rate:	7.5% per year, compounded annually, net of investment related expenses.
Payroll Increase:	Up to 5.0% per year, (2.32% used for 10/1/13 Valuation).
Cost-of-living Adjustments:	2.0% per year for all retirees who retired after September 30, 2006, commencing 5 years after retirement (including disability retirees and beneficiaries of retirees).
Retirement Age:	Earlier of age 55 and 6 years of service (10 yrs. of service if hired after July 1, 2011), or the completion of 20 years of service, regardless of age. Also any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with eligibility for Early Retirement Age (age 50 with 6 years of service (10 years of service if hired after July 1, 2011)), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Schedule 5

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Termination Rates: See table below.
 Disability Rates: See table below. 75% of disablements are assumed to be service related.
 Mortality: RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Termination and Disability Rate Table:	Age	% Becoming	% Terminating
		Disabled the Year	During the Year
	20	0.03%	17.20%
	30	0.04%	15.00%
	40	0.07%	8.20%
	50	0.18%	1.70%

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
Year Ending September 30,
CITY OF HOLLY HILL, FLORIDA
FIREFIGHTERS' RETIREMENT SYSTEM

	2015	2014	2013
Total Pension Liability:			
Service cost.....	\$ 176,408	\$ 172,709	n/a
Interest.....	373,007	353,643	n/a
Changes of benefit terms.....	-	-	n/a
Differences between expected and actual experience.....	(45,225)	-	n/a
Changes of assumptions.....	-	-	n/a
Benefit payments, including refunds of employee contributions.....	<u>(271,874)</u>	<u>(271,874)</u>	n/a
Net change in total pension liability.....	232,316	254,478	n/a
Total Pension Liability - Beginning.....	<u>4,951,091</u>	<u>4,696,613</u>	n/a
Total Pension Liability - Ending (a).....	<u>\$ 5,183,407</u>	<u>\$ 4,951,091</u>	n/a
Plan Fiduciary Net Position:			
Contributions - employer.....	\$ 176,497	\$ 160,213	n/a
Contributions - state.....	55,151	62,761	n/a
Contributions - employee.....	54,681	52,767	n/a
Net investment income.....	(20,243)	310,762	n/a
Benefit payments, including refunds of employee contributions.....	(271,874)	(271,874)	n/a
Administrative expense.....	(29,063)	(21,821)	n/a
Other.....	<u>-</u>	<u>-</u>	n/a
Net change in plan fiduciary net position.....	(34,851)	292,808	n/a
Plan Fiduciary Net Position - Beginning.....	3,777,798	3,484,990	n/a
Plan Fiduciary Net Position - Ending (b).....	<u>3,742,947</u>	<u>3,777,798</u>	n/a
Net Pension Liability - Ending (a) - (b).....	<u>\$ 1,440,460</u>	<u>\$ 1,173,293</u>	n/a
Plan fiduciary net position as a percentage of the total pension liability.....	72.21%	76.30%	n/a
Covered employee payroll.....	\$ 692,977	\$ 659,584	n/a
Net pension liability as a percentage of covered employee payroll.....	207.87%	177.88%	n/a

Notes to Schedule:

On 10/01/2013, GASB 67 was adopted. Comparative data for all prior years is not available.

SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITY CONTRIBUTIONS
LAST TEN FISCAL YEARS
Year Ending September 30,
CITY OF HOLLY HILL, FLORIDA
FIREFIGHTERS' RETIREMENT SYSTEM

	2015	2014	2013
Actuarially determined contribution.....	\$ 231,648	\$ 222,974	n/a
Contributions in relation to the actuarially determined contribution.....	<u>(231,648)</u>	<u>(222,974)</u>	n/a
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	n/a
Covered employee payroll.....	692,977	659,584	n/a
Contributions as a percentage of covered- employee payroll.....	<u>33.43%</u>	<u>33.81%</u>	n/a

Notes to Schedule:

On 10/01/2013, GASB 67 was adopted. Comparative data for all prior years is not available.

Valuation Date: 10/1/2013

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Enry Age Normal Actuarial Cost Method

Amortization Method: Level percentage of pay, closed

Remaining Amortization Period: 25 Years (as of 10/01/2013).

Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below market value.

Inflation: 3.00% per year.

Salary Increases: 6.0% per year up to the assumed retirement age. Salary in year of retirement is increased by 56.8% to account for lump sums.

Interest Rate: 7.5% per year, compounded annually, net of investment related expenses.

Payroll Growth: Up to 5.0% per year, (4.00% used as of 10/1/13).

Retirement Age: Earlier of age 50 and 6 years of service or 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.

Early Retirement: Commencing with the earliest Early Retirement Age (48), members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.

Mortality: RP-2000 Table with no projection.

Other Information: Termination and Disability Rate Table.

Age	% Becoming Disabled During Year	% Terminating During Year
20	0.07%	12.40%
30	0.11%	10.50%
40	0.19%	5.70%
50	0.51%	1.50%

Schedule 7

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a

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***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, 2015
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.....	\$ 239,697	67,223	1,064	-	3,533
Due from other governments.....	-	-	-	-	-
Total assets.....	<u>\$ 239,697</u>	<u>67,223</u>	<u>1,064</u>	<u>-</u>	<u>3,533</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds.....	-	-	-	-	-
Total liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted for:					
Law enforcement.....	60,820	67,223	-	-	-
Fire protection.....	42,114	-	-	-	-
Transportation.....	85,810	-	-	-	-
Recreation.....	50,953	-	-	-	-
Committed to:					
Capital projects fund.....	-	-	-	-	-
Assigned to:					
Law enforcement.....	-	-	1,064	-	3,533
Unassigned.....	-	-	-	-	-
Total fund balances.....	<u>239,697</u>	<u>67,223</u>	<u>1,064</u>	<u>-</u>	<u>3,533</u>
Total liabilities and fund balances .	<u>\$ 239,697</u>	<u>67,223</u>	<u>1,064</u>	<u>-</u>	<u>3,533</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
-	-	311,517	131,004	442,521
<u>88,476</u>	<u>-</u>	<u>88,476</u>	<u>-</u>	<u>88,476</u>
<u>88,476</u>	<u>-</u>	<u>399,993</u>	<u>131,004</u>	<u>530,997</u>
<u>88,476</u>	<u>-</u>	<u>88,476</u>	<u>-</u>	<u>88,476</u>
<u>88,476</u>	<u>-</u>	<u>88,476</u>	<u>-</u>	<u>88,476</u>
-	-	128,043	-	128,043
-	-	42,114	-	42,114
-	-	85,810	-	85,810
-	-	50,953	-	50,953
-	-	-	131,004	131,004
-	-	4,597	-	4,597
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>311,517</u>	<u>131,004</u>	<u>442,521</u>
<u>88,476</u>	<u>-</u>	<u>399,993</u>	<u>131,004</u>	<u>530,997</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
For the Fiscal Year Ended September 30, 2015
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.....	\$ 17,044	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	42,145	-	-	38,470
Miscellaneous	<u>110</u>	<u>138</u>	<u>1,470</u>	<u>1</u>	<u>8</u>
Total revenue.....	<u>17,154</u>	<u>42,283</u>	<u>1,470</u>	<u>1</u>	<u>38,478</u>
Expenditures:					
Current:					
Public safety.....	-	480	-	-	39,007
Culture/recreation.....	-	-	1,560	382	-
Capital Outlay:					
Public safety.....	-	-	-	-	-
Physical Environment.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>480</u>	<u>1,560</u>	<u>382</u>	<u>39,007</u>
Excess of revenue over (under) expenditures	17,154	41,803	(90)	(381)	(529)
Other Financing Sources (Uses):					
Transfers (out).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,202)</u>	<u>-</u>
Net changes in fund balances....	17,154	41,803	(90)	(3,583)	(529)
Fund balances, beginning of year.....	<u>222,543</u>	<u>25,420</u>	<u>1,154</u>	<u>3,583</u>	<u>4,062</u>
Fund balances, end of year.....	<u>\$ 239,697</u>	<u>67,223</u>	<u>1,064</u>	<u>-</u>	<u>3,533</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
-	-	17,044	-	17,044
88,476	4,333	92,809	-	92,809
-	-	80,615	-	80,615
-	-	<u>1,727</u>	<u>13</u>	<u>1,740</u>
<u>88,476</u>	<u>4,333</u>	<u>192,195</u>	<u>13</u>	<u>192,208</u>
-	-	39,487	-	39,487
-	-	1,942	-	1,942
-	4,333	4,333	-	4,333
<u>88,476</u>	<u>-</u>	<u>88,476</u>	<u>-</u>	<u>88,476</u>
<u>88,476</u>	<u>4,333</u>	<u>134,238</u>	<u>-</u>	<u>134,238</u>
-	-	57,957	13	57,970
-	-	<u>(3,202)</u>	<u>-</u>	<u>(3,202)</u>
-	-	54,755	13	54,768
-	-	<u>256,762</u>	<u>130,991</u>	<u>387,753</u>
<u>-</u>	<u>-</u>	<u>311,517</u>	<u>131,004</u>	<u>442,521</u>

BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY
DEBT SERVICE FUND - MAJOR FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 3

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	31	31
Expenditures:				
Debt Service:				
Principal retirement.....	655,000	655,000	655,000	-
Interest payments.....	191,500	191,500	191,388	112
Total expenditures.....	846,500	846,500	846,388	112
Excess of revenue over (under) expenditures.....	(846,500)	(846,500)	(846,357)	143
Other Financing Sources (Uses):				
Transfers in.....	847,500	847,500	844,300	3,200
Contingency.....	(1,000)	(1,000)	-	(1,000)
Total other financing sources (uses).	846,500	846,500	844,300	2,200
Net change in fund balance.....	-	-	(2,057)	2,343
Fund balances, beginning of year	419,556	419,556	419,556	187,907
Fund balances, end of year.....	\$ 419,556	419,556	417,499	190,250

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

Exhibit 4

For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	300	419	119
Expenditures:				
Capital Outlay:				
Economic Environment:				
Capital outlay.....	3,654,800	26,500	26,195	305
Total expenditures.....	3,654,800	26,500	26,195	305
Excess of revenue over (under) expenditures.....	(3,654,800)	(26,200)	(25,776)	424
Other Financing Sources (Uses):				
Appropriated fund balance.....	3,654,800	26,200	-	(26,200)
Total other financing sources (uses).	3,654,800	26,200	-	(26,200)
Net change in fund balance.....	-	-	(25,776)	(25,776)
Fund balances, beginning of year.....	4,144,424	4,144,424	4,144,424	-
Fund balances, end of year.....	\$ 4,144,424	4,144,424	4,118,648	(25,776)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR IMPACT FEES TRUST FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 5

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Permits and Fees:				
Law enforcement impact fees.....	\$ 1,000	2,500	2,594	94
Fire protection impact fees.....	1,000	3,300	3,388	88
Roads and streets impact fees.....	2,000	8,800	8,927	127
Recreation and parks impact fees.....	500	2,100	2,135	35
	<u>4,500</u>	<u>16,700</u>	<u>17,044</u>	<u>344</u>
Miscellaneous:				
Interest earnings.....	-	-	110	110
Total revenue.....	4,500	16,700	17,154	454
Expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	4,500	16,700	17,154	454
Other Financing Sources (Uses):				
Contingency.....	(4,500)	(16,700)	-	16,700
Net change in fund balance.....	-	-	17,154	17,154
Fund balances, beginning of year	<u>222,543</u>	<u>222,543</u>	<u>222,543</u>	-
Fund balances, end of year.....	<u>\$ 222,543</u>	<u>222,543</u>	<u>239,697</u>	<u>17,154</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR LAW ENFORCEMENT TRUST FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 6

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Fines and Forfeitures:				
Confiscated property.....	\$ 5,000	42,100	42,145	45
Miscellaneous:				
Interest earnings.....	-	100	138	38
Total revenue.....	<u>5,000</u>	<u>42,200</u>	<u>42,283</u>	<u>83</u>
Expenditures:				
Current:				
Public Safety:				
Operating expenditures.....	5,000	42,200	480	41,720
Capital outlay.....	-	-	-	-
Total expenditures	<u>5,000</u>	<u>42,200</u>	<u>480</u>	<u>41,720</u>
Excess of revenue over (under) expenditures	-	-	41,803	41,803
Fund balances, beginning of year.....	<u>25,420</u>	<u>25,420</u>	<u>25,420</u>	-
Fund balances, end of year.....	<u>\$ 25,420</u>	<u>25,420</u>	<u>67,223</u>	<u>41,803</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR HOLLY HILL POLICE EXPLORERS FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 7

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	3	3
Contributions.....	<u>900</u>	<u>1,400</u>	<u>1,467</u>	<u>67</u>
Total revenue.....	<u>900</u>	<u>1,400</u>	<u>1,470</u>	<u>70</u>
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	<u>900</u>	<u>1,600</u>	<u>1,560</u>	<u>40</u>
Excess of revenue over (under) expenditures.....	-	(200)	(90)	110
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>-</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Net change in fund balance.....	-	-	(90)	(90)
Fund balances, beginning of year.....	<u>1,154</u>	<u>1,154</u>	<u>1,154</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 1,154</u>	<u>1,154</u>	<u>1,064</u>	<u>(90)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RECREATION ACTIVITY (PAL) FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 8

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	1	1
Total revenue	-	-	1	1
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	3,000	500	382	118
Excess of revenue over (under) expenditures.....	(3,000)	(500)	(381)	119
Other Financing Sources (Uses):				
Appropriated fund balance.....	3,000	3,700	-	(3,700)
Transfers (out).....	-	(3,200)	(3,202)	(2)
Net change in fund balance.....	-	-	(3,583)	(3,583)
Fund balances, beginning of year	3,583	3,583	3,583	-
Fund balances, end of year	<u>\$ 3,583</u>	<u>\$ 3,583</u>	<u>\$ -</u>	<u>\$ (3,583)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RED LIGHT TRAFFIC ENFORCEMENT FUND
For the Fiscal Year Ended September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 9

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Fines and forfeitures:				
Red light camera fines.....	\$ 170,800	39,100	38,470	(630)
Miscellaneous:				
Interest earnings.....	-	-	8	8
Total revenue	<u>170,800</u>	<u>39,100</u>	<u>38,478</u>	<u>(622)</u>
Expenditures:				
Current:				
Public safety:				
Law enforcement:				
Operating expenditures.....	<u>170,000</u>	<u>38,300</u>	<u>39,007</u>	<u>(707)</u>
Excess of revenue over (under) expenditures.....	800	800	(529)	(1,329)
Other Financing Sources (Uses):				
Transfers (out).....	<u>(800)</u>	<u>(800)</u>	<u>-</u>	<u>800</u>
Net change in fund balance.....	-	-	(529)	(529)
Fund balances, beginning of year	<u>4,062</u>	<u>4,062</u>	<u>4,062</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,062</u>	<u>\$ 4,062</u>	<u>\$ 3,533</u>	<u>\$ (529)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended September 30, 2015
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.....	\$ 78,000	88,500	88,476	(24)
Expenditures:				
Current:				
Physical Environment:				
Capital outlay.....	78,000	88,500	88,476	24
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, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 11

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Justice.....	\$ -	4,400	4,333	(67)
Total revenue.....	-	4,400	4,333	(67)
Expenditures:				
Current:				
Public Safety:				
Capital outlay.....	-	4,400	4,333	67
Total expenditures.....	-	4,400	4,333	67
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, 2015
CITY OF HOLLY HILL, FLORIDA

Exhibit 12

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	13	13
Expenditures:				
Capital Outlay:				
Transportation:				
Capital outlay.....	-	-	-	-
Excess of revenue over (under) expenditures.....	-	-	13	13
Fund balances, beginning of year	130,991	130,991	130,991	-
Fund balances, end of year	<u>\$ 130,991</u>	<u>130,991</u>	<u>131,004</u>	<u>13</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, 2015
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

	2015	2014	2013
Governmental Activities:			
Net investment in capital assets.....	\$ 15,794,251	\$ 15,003,479	\$ 14,212,302
Restricted.....	3,953,513	3,670,810	3,856,892
Unrestricted (deficit).....	<u>(1,820,824)</u>	<u>2,736,658</u>	<u>2,522,450</u>
Total governmental activities net position.....	<u>17,926,940</u>	<u>21,410,947</u>	<u>20,591,644</u>
Business-type Activities:			
Net investment in capital assets.....	8,306,571	7,665,165	5,175,795
Restricted.....	3,552,810	3,517,035	4,083,410
Unrestricted.....	<u>9,575,372</u>	<u>9,460,140</u>	<u>9,983,362</u>
Total business-type activities net position.....	<u>21,434,753</u>	<u>20,642,340</u>	<u>19,242,567</u>
Primary Government:			
Net investment in capital assets.....	24,100,822	22,668,644	19,388,097
Restricted.....	7,506,323	7,187,845	7,940,302
Unrestricted.....	<u>7,754,548</u>	<u>12,196,798</u>	<u>12,505,812</u>
Total primary government net position.....	<u>\$ 39,361,693</u>	<u>\$ 42,053,287</u>	<u>\$ 39,834,211</u>

Note:

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

During the year ended September 30, 2015, GASB Statement No. 68 was implemented resulting in adjustments to beginning net position. Periods previous to that year have not been adjusted for these changes.

Table 1

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
\$ 12,676,997	\$ 8,660,237	\$ 8,082,263	\$ 10,452,104	\$ 9,127,455	\$ 7,105,203	\$ 12,446,679
4,815,752	8,270,597	7,693,108	6,887,782	3,863,424	6,878,382	2,431,487
<u>2,968,221</u>	<u>2,543,101</u>	<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>20,460,970</u>	<u>19,473,935</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>
7,180,534	7,253,676	7,358,919	5,469,745	5,540,666	4,882,961	4,065,661
2,671,621	2,974,207	3,153,723	3,373,266	3,511,420	4,250,465	4,335,610
<u>7,774,802</u>	<u>6,338,589</u>	<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>17,626,957</u>	<u>16,566,472</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>
19,857,531	15,913,913	15,441,182	15,921,849	14,668,121	11,988,164	16,512,340
7,487,373	11,244,804	10,846,831	10,261,048	8,763,386	11,128,847	6,767,097
<u>10,743,023</u>	<u>8,881,690</u>	<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>\$ 38,087,927</u>	<u>\$ 36,040,407</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>

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

	2015	2014	2013
Expenses:			
Governmental Activities:			
General government.....	\$ 2,294,042	\$ 2,137,770	\$ 2,298,533
Public safety.....	4,543,641	4,531,911	3,978,943
Physical environment.....	12,801	11,717	-
Transportation.....	685,998	657,879	578,257
Economic environment.....	550,314	676,361	1,242,706
Culture/recreation.....	945,614	965,559	949,879
Interest on long-term debt.....	<u>185,409</u>	<u>200,108</u>	<u>174,347</u>
Total governmental activities expenses.....	<u>9,217,819</u>	<u>9,181,305</u>	<u>9,222,665</u>
Business-Type Activities:			
Water and sewer.....	4,547,616	4,244,775	4,001,497
Stormwater Management.....	786,211	758,301	655,116
Solid Waste.....	<u>1,715,096</u>	<u>1,650,414</u>	<u>1,662,292</u>
Total business-type activities expenses.....	<u>7,048,923</u>	<u>6,653,490</u>	<u>6,318,905</u>
Total primary government expenses.....	<u>16,266,742</u>	<u>15,834,795</u>	<u>15,541,570</u>
Program Revenues:			
Governmental Activities:			
Charges for Services:			
General government.....	1,069,540	1,156,153	1,016,014
Public safety.....	250,244	413,875	382,829
Physical environment.....	-	-	-
Transportation.....	100,410	91,226	92,495
Economic environment.....	-	613	5,765
Culture/recreation.....	18,296	16,518	14,531
Operating grants and contributions.....	1,503,092	1,436,128	1,143,863
Capital grants and contributions.....	<u>456,138</u>	<u>199,013</u>	<u>209,098</u>
Total governmental activities program revenues.....	<u>3,397,720</u>	<u>3,313,526</u>	<u>2,864,595</u>
Business-Type Activities:			
Charges for Services:			
Water/Sewer.....	5,933,831	5,675,300	5,772,142
Stormwater Management.....	801,878	796,720	803,372
Solid Waste.....	2,314,039	2,196,706	1,962,148
Operating grants and contributions.....	-	-	-
Capital grants and contributions.....	<u>6,660</u>	<u>11,151</u>	<u>5,052</u>
Total business-type activities program revenues.....	<u>9,056,408</u>	<u>8,679,877</u>	<u>8,542,714</u>
Total primary government program revenues.....	<u>12,454,128</u>	<u>11,993,403</u>	<u>11,407,309</u>

Table 2

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
\$ 2,348,014	\$ 2,332,984	\$ 1,847,021	\$ 1,766,893	\$ 1,703,645	\$ 1,731,529	\$ 1,635,694
3,852,378	3,798,676	4,192,672	4,171,506	3,792,083	4,313,294	3,880,653
-	-	-	563,880	606,409	592,897	329,480
289,592	438,564	957,840	897,081	881,449	909,548	505,509
886,764	533,531	819,830	999,740	774,449	728,308	810,374
866,369	692,810	885,945	1,061,483	950,267	1,189,787	2,086,894
<u>204,683</u>	<u>235,237</u>	<u>244,726</u>	<u>363,189</u>	<u>381,840</u>	<u>490,530</u>	<u>448,914</u>
<u>8,447,800</u>	<u>8,031,802</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>
4,243,185	4,215,684	5,214,124	4,432,662	4,475,164	4,266,735	4,238,066
651,874	687,803	764,593	-	-	-	-
<u>1,220,928</u>	<u>1,279,669</u>	<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>6,115,987</u>	<u>6,183,156</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>14,563,787</u>	<u>14,214,958</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>
1,004,448	241,477	217,576	202,645	205,206	181,712	190,163
396,331	208,354	87,162	112,794	132,372	210,715	410,324
-	-	-	861,459	853,801	692,574	681,386
80,523	108,177	54,413	70,075	62,422	72,015	63,390
-	-	-	-	-	-	-
23,338	30,526	28,031	79,612	84,861	100,931	104,153
1,224,367	1,465,666	1,279,191	1,580,344	1,304,941	1,374,478	1,227,648
<u>397,333</u>	<u>189,546</u>	<u>117,781</u>	<u>142,086</u>	<u>106,711</u>	<u>941,912</u>	<u>426,699</u>
<u>3,126,340</u>	<u>2,243,746</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>
5,539,606	5,310,187	4,675,679	4,923,630	4,916,507	4,634,512	4,646,385
805,923	844,920	866,784	-	-	-	-
1,689,857	1,671,500	1,687,980	1,680,737	1,682,888	1,782,639	1,751,147
-	11,487	765	8,645	-	-	-
<u>8,643</u>	<u>18,072</u>	<u>12,804</u>	<u>3,330</u>	<u>26,640</u>	<u>140,052</u>	<u>1,434,318</u>
<u>8,044,029</u>	<u>7,856,166</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>11,170,369</u>	<u>10,099,912</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>

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

	2015	2014	2013
Net (Expense)/Revenue:			
Governmental activities.....	\$ (5,820,099)	\$ (5,867,779)	\$ (6,358,070)
Business-type activities.....	<u>2,007,485</u>	<u>2,026,387</u>	<u>2,223,809</u>
Total primary government net expense.....	<u>(3,812,614)</u>	<u>(3,841,392)</u>	<u>(4,134,261)</u>
General Revenues and Other Changes in Net Position:			
Governmental Activities:			
Taxes:			
Property taxes.....	3,390,137	3,322,229	3,199,635
Sales taxes.....	602,221	565,457	536,137
Public service taxes.....	1,733,315	1,714,214	1,676,393
Intergovernmental revenues.....	319,010	300,608	288,696
Investment earnings.....	8,900	4,002	14,658
Miscellaneous revenue.....	168,310	148,772	156,425
Transfers.....	<u>631,800</u>	<u>631,800</u>	<u>616,800</u>
Total governmental activities.....	<u>6,853,693</u>	<u>6,687,082</u>	<u>6,488,744</u>
Business-Type Activities:			
Investment earnings.....	10,348	5,186	8,601
Transfers.....	(631,800)	(631,800)	(616,800)
Other.....	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>(621,452)</u>	<u>(626,614)</u>	<u>(608,199)</u>
Total primary government.....	<u>\$ 6,232,241</u>	<u>\$ 6,060,468</u>	<u>\$ 5,880,545</u>
Changes in Net Position:			
Governmental activities.....	\$ 1,033,594	\$ 819,303	\$ 130,674
Business-type activities.....	<u>1,386,033</u>	<u>1,399,773</u>	<u>1,615,610</u>
Total primary government.....	<u>\$ 2,419,627</u>	<u>\$ 2,219,076</u>	<u>\$ 1,746,284</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.

During the year ended September 30, 2015, GASB Statement No. 68 was implemented resulting in adjustments to beginning net position. Periods previous to that year have not been adjusted for these changes.

Table 2

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
\$ (5,321,460)	\$ (5,788,056)	\$ (7,163,880)	\$ (6,774,757)	\$ (6,339,828)	\$ (6,381,556)	\$ (6,593,755)
<u>1,928,042</u>	<u>1,673,010</u>	<u>(17,097)</u>	<u>916,438</u>	<u>763,388</u>	<u>892,317</u>	<u>1,931,145</u>
<u>(3,393,418)</u>	<u>(4,115,046)</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>
3,208,390	3,435,096	3,220,600	4,344,229	2,542,372	2,485,206	2,039,394
510,207	521,190	522,556	478,250	573,309	690,349	691,925
1,616,522	1,635,185	1,647,958	1,645,513	1,513,683	1,413,844	1,411,069
275,803	1,498,361	1,924,018	2,522,732	1,303,179	1,233,860	1,265,659
2,646	4,627	7,058	52,685	304,079	615,882	509,477
78,127	93,918	78,067	230,589	301,204	89,557	276,832
<u>616,800</u>	<u>150,000</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>6,308,495</u>	<u>7,338,377</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>
1,747	1,747	3,391	26,877	156,163	366,179	373,771
(150,000)	(150,000)	(910,600)	(1,112,600)	(1,112,600)	(838,900)	(1,128,150)
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,541</u>	<u>20,396</u>	<u>3,568</u>	<u>-</u>
<u>(148,253)</u>	<u>(148,253)</u>	<u>(907,209)</u>	<u>(1,082,182)</u>	<u>(936,041)</u>	<u>(469,153)</u>	<u>(754,379)</u>
<u>\$ 6,160,242</u>	<u>\$ 7,190,124</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>
\$ 987,035	\$ 1,550,321	\$ 1,146,977	\$ 3,611,841	\$ 1,310,598	\$ 986,042	\$ 728,751
<u>1,779,789</u>	<u>1,524,757</u>	<u>(924,306)</u>	<u>(165,744)</u>	<u>(172,653)</u>	<u>423,164</u>	<u>1,176,766</u>
<u>\$ 2,766,824</u>	<u>\$ 3,075,078</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>

FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA
(Modified accrual basis of accounting)

	2015	2014	2013
General Fund:			
Nonspendable.....	\$ 13,296	\$ 19,653	\$ 17,395
Restricted.....	228,309	316,533	196,458
Committed.....	-	-	-
Assigned.....	767,132	1,617,533	558,359
Unassigned.....	<u>3,676,556</u>	<u>2,352,968</u>	<u>3,016,441</u>
Total general fund.....	<u>\$ 4,685,293</u>	<u>\$ 4,306,687</u>	<u>\$ 3,788,653</u>
All Other Governmental Funds:			
Nonspendable.....	\$ -	\$ -	\$ 16,400
Restricted.....	7,843,852	7,500,251	8,558,234
Committed.....	131,004	130,991	130,978
Assigned.....	4,597	8,799	4,453
Unassigned.....	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds.....	<u>\$ 7,979,453</u>	<u>\$ 7,640,041</u>	<u>\$ 8,710,065</u>

Notes:

Taken from Balance Sheet Statement 3.

Table 3

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
\$ 1,645	\$ 1,721	\$ 51,265	\$ 2,594	\$ 1,387	\$ 4,012	\$ 1,325
605,017	509,827	261,158	143,688	125,983	10,188	2,707
-	-	-	10,034	2,485	1,042	40,023
1,780,964	975	-	-	-	-	-
<u>2,119,220</u>	<u>3,558,549</u>	<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>\$ 4,506,846</u>	<u>\$ 4,071,072</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>
\$ -	\$ 55,000	\$ -	\$ 26,573	\$ 29,529	\$ -	\$ -
4,210,735	7,760,770	7,356,536	6,633,540	4,589,388	7,433,007	7,154,679
130,961	130,945	315,515	414,733	1,517,915	281,147	226,013
20,045	20,603	-	2,351,563	1,932,244	1,570,179	1,308,108
<u>(1,715)</u>	<u>(15,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,864)</u>	<u>-</u>
<u>\$ 4,360,026</u>	<u>\$ 7,952,119</u>	<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>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA
(Modified accrual basis of accounting)

	2015	2014	2013
Revenue:			
Taxes	\$ 5,735,019	\$ 5,648,079	\$ 5,431,600
Permits and fees	997,830	1,072,873	968,414
Intergovernmental	2,459,898	2,078,751	1,816,087
Charges for services	130,129	133,288	126,279
Fines and forfeitures	115,209	271,272	228,493
Miscellaneous	<u>179,722</u>	<u>154,773</u>	<u>173,812</u>
Total revenue	<u>9,617,807</u>	<u>9,359,036</u>	<u>8,744,685</u>
Expenditures:			
General government	2,079,960	2,048,137	2,259,139
Public safety	4,188,393	4,335,023	4,409,235
Physical environment	-	-	-
Transportation	522,141	426,670	783,393
Economic environment	563,039	1,084,763	1,597,229
Culture/recreation	1,212,663	1,001,836	995,081
Capital outlay	119,004	798,564	221,442
Debt Service:			
Principal retirement	655,000	640,000	336,283
Interest and fiscal charges	<u>191,388</u>	<u>207,834</u>	<u>127,837</u>
Total expenditures	<u>9,531,588</u>	<u>10,542,827</u>	<u>10,729,639</u>
Excess of revenue over (under) expenditures	<u>86,219</u>	<u>(1,183,791)</u>	<u>(1,984,954)</u>
Other Financing Sources (Uses):			
Revenue bonds issued	-	-	5,000,000
Transfers in	1,479,302	1,486,402	1,226,600
Transfers out	(847,502)	(854,602)	(609,800)
Payment to refunded bond escrow	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>631,800</u>	<u>631,800</u>	<u>5,616,800</u>
Net change in fund balances	<u>\$ 718,019</u>	<u>\$ (551,991)</u>	<u>\$ 3,631,846</u>
Debt service as a percentage of noncapital expenditures	<u>10.1%</u>	<u>9.7%</u>	<u>5.4%</u>

Table 4

Fiscal Year						
2012	2011	2010	2009	2008	2007	2006
\$ 5,381,971	\$ 5,623,744	\$ 5,872,297	\$ 6,300,929	\$ 4,500,797	\$ 5,240,974	\$ 4,607,799
869,747	1,016,041	897,290	955,638	974,290	319,913	518,996
2,032,148	2,406,507	2,628,694	3,243,739	2,082,755	2,781,349	2,434,916
123,709	162,466	100,671	1,031,913	1,025,165	897,816	877,539
319,638	124,005	45,985	57,404	61,567	40,218	52,881
<u>96,308</u>	<u>100,998</u>	<u>88,078</u>	<u>332,718</u>	<u>657,481</u>	<u>847,312</u>	<u>811,069</u>
<u>8,823,521</u>	<u>9,433,761</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>
2,376,905	2,411,056	1,672,409	1,765,165	1,749,913	1,655,728	1,571,903
3,808,003	3,596,628	3,915,840	3,915,435	3,890,331	4,093,737	3,829,127
-	-	-	299,800	322,913	264,820	303,840
274,514	126,887	729,145	751,625	818,689	680,808	890,927
2,725,325	580,112	787,094	2,271,230	554,760	718,528	452,553
746,812	538,632	734,731	895,344	836,617	1,023,783	1,788,802
2,129,771	857,414	615,324	217,422	2,208,584	1,352,216	572,661
155,367	269,729	222,179	464,473	558,115	583,185	561,761
<u>145,059</u>	<u>238,097</u>	<u>248,262</u>	<u>359,613</u>	<u>377,018</u>	<u>399,741</u>	<u>419,920</u>
<u>12,361,756</u>	<u>8,618,555</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>(3,538,235)</u>	<u>815,206</u>	<u>708,031</u>	<u>982,234</u>	<u>(2,014,885)</u>	<u>(644,964)</u>	<u>(1,088,294)</u>
4,835,000	112,115	-	-	-	-	-
1,117,408	620,500	1,734,200	2,086,910	1,981,934	1,543,084	2,084,469
(500,608)	(470,500)	(823,600)	(974,310)	(869,334)	(704,184)	(956,319)
<u>(5,069,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>381,916</u>	<u>262,115</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>\$ (3,156,319)</u>	<u>\$ 1,077,321</u>	<u>\$ 1,618,631</u>	<u>\$ 2,094,834</u>	<u>\$ (902,285)</u>	<u>\$ 193,936</u>	<u>\$ 39,856</u>
<u>3.8%</u>	<u>6.7%</u>	<u>5.7%</u>	<u>7.7%</u>	<u>10.3%</u>	<u>10.4%</u>	<u>10.0%</u>

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 Year Ending September 30, 2015
 CITY OF HOLLY HILL, FLORIDA**

Fiscal Year Ended 09/30	Tax Year Ended 12/31	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property
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
2014	2013	\$ 355,474,927	\$ 113,622,435	\$ 47,842,246	\$ 102,733	\$ 30,974,889
2015	2014	\$ 331,118,948	\$ 117,233,692	\$ 50,323,505	\$ 32,877	\$ 32,590,419

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.

Table 5

Government Property	Vacant Land and Other	Tangible Personal Property	Total Just Value	Less: All Tax-Exempt Properties	Total Taxable Assessed Value ¹	Total Direct Tax Rate ¹
\$ 27,641,569	\$ 21,224,422	\$ 56,424,310	\$ 742,637,468	\$ 224,752,663	\$ 517,884,805	4.08002
\$ 36,316,170	\$ 46,388,301	\$ 60,113,251	\$ 947,884,271	\$ 311,619,341	\$ 636,264,930	4.08002
\$ 37,676,966	\$ 48,454,177	\$ 67,157,881	\$ 1,025,241,772	\$ 303,984,163	\$ 721,257,609	3.68177
\$ 32,478,404	\$ 40,558,436	\$ 66,611,142	\$ 1,139,970,334	\$ 318,910,002	\$ 821,060,332	4.88720
\$ 29,211,428	\$ 23,189,992	\$ 68,279,755	\$ 885,472,686	\$ 238,549,335	\$ 646,923,351	5.72580
\$ 10,345,095	\$ 34,422,523	\$ 63,770,698	\$ 729,302,431	\$ 186,908,332	\$ 542,394,099	6.55950
\$ 10,158,227	\$ 30,882,288	\$ 55,935,254	\$ 646,422,662	\$ 158,594,230	\$ 487,828,432	6.95000
\$ 26,384,666	\$ 16,223,093	\$ 53,870,338	\$ 609,227,786	\$ 158,725,598	\$ 450,502,188	7.35000
\$ 24,296,064	\$ 12,155,503	\$ 51,671,231	\$ 636,140,028	\$ 140,800,574	\$ 495,339,454	7.53000
\$ 26,230,631	\$ 16,079,953	\$ 57,248,114	\$ 630,858,139	\$ 143,984,727	\$ 486,873,412	7.13040

DIRECT AND OVERLAPPING PROPERTY TAX RATES ¹
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
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
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
2014	2013	7.53000	6.87090	0.40000	7.35800	0.32830
2015	2014	7.13040	6.87090	0.40000	7.33600	0.31640

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 2014 data was obtained from the 2013 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	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
0.03450	1.00000	0.20800	0.09290	23.82260
0.03450	1.00000	0.18800	0.09290	23.36910

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA

Taxpayer	September 30, 2015		
	Assessed Taxable Value (\$ in Thousands)	Rank	Percent to Total Assessed Taxable Value
HHA Borrower, LLC.....	\$ 44,446	1	9.13%
Holly Hill RHF Housing, Inc.....	11,524	2	2.37%
Florida Power & Light Company.....	9,977	3	2.05%
Sun Holly Forest, LLC.....	7,782	4	1.60%
J 8 Land Partners LLLP.....	6,347	5	1.30%
Highlander Corp.....	5,763	6	1.18%
Charleston Place Ltd. Ptr.....	5,469	7	1.12%
SNH SE Holly Hill LLC.....	5,461	8	1.12%
United Rentals N America Inc.....	5,234	9	1.08%
NAC Health Plan Inc.....	4,047	10	0.83%
Metra Electronics Corp.....			
Publix Supermarkets Inc.....			
HK New Plan Exc Prop.....			
Bellsouth Telecommunications.....			
Totals.....	<u>\$ 106,050</u>		21.78%

Source: Property Appraiser, Volusia County, Florida

Table 7

September 30, 2006			
Assessed Taxable Value (\$ in Thousands)	Rank		Percent to Total Assessed Taxable Value
\$ 13,337	1		2.92%
12,498	2		2.74%
6,914	5		1.51%
7,285	3		1.60%
5,960	7		1.31%
7,230	4		1.58%
3,803	10		0.83%
5,043	8		1.10%
6,142	6		1.34%
4,099	9		0.90%
<u>\$ 72,311</u>			15.83%

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PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA
(\$ in thousands)

Table 8

Fiscal Year Ended September 30	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
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%	\$ 16,592	\$ 3,220,247	97.25%
2014	\$ 3,419,275	\$ 3,296,191	96.40%	\$ -	\$ 3,296,191	96.40%
2015	\$ 3,473,127	\$ 3,413,302	98.28%	\$ -	\$ 3,413,302	98.28%

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. 2015 collections are from the 2014 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, 2015
CITY OF HOLLY HILL, FLORIDA

Table 9

Fiscal Year Ended September 30	Gallons of Water Production	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated
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
2014	347,865,000	337,947,000	9,918,000	2.85%	563,070,000
2015	332,052,000	330,372,000	1,680,000	0.51%	641,625,000

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, 2015
CITY OF HOLLY HILL, FLORIDA

Table 10

Fiscal Year Ended September 30	Monthly Water Service Fees			Monthly Sewer Service Fees		
	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
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
2014	\$ 13.20	\$ 6.23	\$ 7.47	\$ 15.18	\$ 7.16	N/A
2015	\$ 13.60	\$ 6.42	\$ 7.70	\$ 15.64	\$ 7.38	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, 2015
CITY OF HOLLY HILL, FLORIDA

Customer Account Name	September 30, 2015		
	Annual Water/ Sewer Sales	Rank	Percent to Total Combined Water/Sewer Sales
MGH Condo Assoc Inc #3921	\$ 281,308	1	5.51%
Angelica Health Services	106,855	2	2.09%
Holly Point Apts (Royal American)	74,941	3	1.47%
Maple Leaf Own Condo	52,001	4	1.02%
Bishops Glen	51,363	5	1.01%
Blue Tide Apartments #B	38,906	6	0.76%
Blue Tide Apartments #A	38,841	7	0.76%
Florida Health Care	29,645	8	0.58%
460 Ridgewood LLC	28,225	9	0.55%
Riviera Assited Living	<u>16,155</u>	10	0.32%
Total	<u>\$ 718,240</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, 2015
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)
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
2014	\$ 8,895,000	\$ -	\$ -	\$ 8,895,000	\$ 14,465,000	\$ 8,382,640
2015	\$ 8,240,000	\$ -	\$ -	\$ 8,240,000	\$ 13,275,000	\$ 7,689,713

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
\$ 15,652,678	\$ 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
\$ 22,847,640	\$ 31,742,640	7.74%	\$ 2,718
\$ 20,964,713	\$ 29,204,713	5.94%	\$ 2,482

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**
Year Ending September 30, 2015
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
 Year Ending September 30, 2015
 CITY OF HOLLY HILL, FLORIDA

Table 14

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.....	\$ 21,295,000	1.8996%	404,512
City direct debt.....			<u>8,240,000</u>
Total direct and overlapping debt.....			<u>\$ 8,644,512</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 2014 Tax Levy (Form DR-422)

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LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
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, 2015
CITY OF HOLLY HILL, FLORIDA
(\$000's)

	2015	2014	2013	2012
CRA Redevelopment Revenue Notes:				
(Defined) revenues.....	\$ 1,972	\$ 1,847	\$ 1,511	\$ 1,570
Less: operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue available for debt service.....	1,972	1,847	1,511	1,570
Debt Service payments:				
Principal.....	655	640	300	246
Interest.....	<u>192</u>	<u>208</u>	<u>99</u>	<u>224</u>
Total debt service payments.....	<u>\$ 847</u>	<u>\$ 848</u>	<u>\$ 399</u>	<u>\$ 470</u>
Coverage ratio (times).....	<u>2.33</u>	<u>2.18</u>	<u>3.79</u>	<u>3.34</u>
FDEP Clean Water State Revolving Fund Loans:				
(Defined) stormwater revenues.....	\$ 802	\$ 796	\$ 803	\$ 806
Less: operating expenses	<u>440</u>	<u>394</u>	<u>283</u>	<u>270</u>
Net revenue available for debt service.....	362	402	520	536
Debt Service payments:				
Principal.....	289	283	276	270
Interest.....	<u>65</u>	<u>71</u>	<u>78</u>	<u>84</u>
Total debt service payments.....	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>
Coverage ratio (times).....	<u>1.02</u>	<u>1.14</u>	<u>1.47</u>	<u>1.51</u>
Water and Sewer System Revenue Bonds:				
(Defined) water/sewer system revenues.....	\$ 5,934	\$ 5,675	\$ 5,776	\$ 5,553
Less: operating expenses	<u>2,519</u>	<u>2,478</u>	<u>2,373</u>	<u>2,242</u>
Net revenue available for debt service.....	3,415	3,197	3,403	3,311
Debt Service payments:				
Principal.....	1,190	985	985	855
Interest.....	<u>352</u>	<u>370</u>	<u>402</u>	<u>563</u>
Total debt service payments.....	<u>\$ 1,542</u>	<u>\$ 1,355</u>	<u>\$ 1,387</u>	<u>\$ 1,418</u>
Coverage ratio (times).....	<u>2.21</u>	<u>2.36</u>	<u>2.45</u>	<u>2.33</u>
FDEP Clean Water State Revolving Fund Loans:				
Subordinate Debt Service payments:				
Principal.....	403	394	385	376
Interest.....	<u>126</u>	<u>137</u>	<u>146</u>	<u>155</u>
Total debt service payments.....	<u>\$ 529</u>	<u>\$ 531</u>	<u>\$ 531</u>	<u>\$ 531</u>
Combined Coverage ratio (times).....	<u>1.65</u>	<u>1.70</u>	<u>1.77</u>	<u>1.70</u>

Notes: Details concerning the City's outstanding debt obligations are found in the notes to financial statements. Trend 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					
2011	2010	2009	2008	2007	2006
\$ 2,009	\$ 2,647	\$ 3,595	\$ 1,343	\$ 1,179	\$ 938
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,009	2,647	3,595	1,343	1,179	938
232	222	212	203	194	185
<u>238</u>	<u>248</u>	<u>258</u>	<u>267</u>	<u>276</u>	<u>284</u>
<u>\$ 470</u>	<u>\$ 469</u>				
<u>4.27</u>	<u>5.63</u>	<u>7.65</u>	<u>2.86</u>	<u>2.51</u>	<u>2.00</u>
\$ 845	\$ 867	\$ 861	\$ 854	\$ 693	\$ 681
<u>291</u>	<u>362</u>	<u>367</u>	<u>323</u>	<u>317</u>	<u>304</u>
554	505	494	531	376	377
264	258	252	246	241	235
<u>90</u>	<u>96</u>	<u>102</u>	<u>108</u>	<u>113</u>	<u>119</u>
<u>\$ 354</u>					
<u>1.56</u>	<u>1.43</u>	<u>1.40</u>	<u>1.50</u>	<u>1.06</u>	<u>1.06</u>
\$ 5,311	\$ 4,678	\$ 4,950	\$ 5,072	\$ 4,995	\$ 5,016
<u>2,269</u>	<u>2,666</u>	<u>2,632</u>	<u>2,671</u>	<u>2,578</u>	<u>2,476</u>
3,042	2,012	2,318	2,401	2,417	2,540
685	605	585	565	550	530
<u>563</u>	<u>471</u>	<u>492</u>	<u>512</u>	<u>528</u>	<u>546</u>
<u>\$ 1,248</u>	<u>\$ 1,076</u>	<u>\$ 1,077</u>	<u>\$ 1,077</u>	<u>\$ 1,078</u>	<u>\$ 1,076</u>
<u>2.44</u>	<u>1.87</u>	<u>2.15</u>	<u>2.23</u>	<u>2.24</u>	<u>2.36</u>
366	256	250	120	117	99
<u>164</u>	<u>172</u>	<u>118</u>	<u>70</u>	<u>65</u>	<u>62</u>
<u>\$ 530</u>	<u>\$ 428</u>	<u>\$ 368</u>	<u>\$ 190</u>	<u>\$ 182</u>	<u>\$ 161</u>
<u>1.71</u>	<u>1.34</u>	<u>1.60</u>	<u>1.90</u>	<u>1.92</u>	<u>2.05</u>

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DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
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
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	11,679	\$17,292,604,000	\$ 17,371	\$ 27,313	n/a	6.00%
2014	11,765	\$18,297,539,000	\$ 23,844	\$ 41,714	n/a	5.60%
2015	n/a	n/a	n/a	n/a	n/a	5.30%

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, 2015
CITY OF HOLLY HILL

Employer	September 30, 2015		
	Total Employees	Rank	Percent to Total City Employment
Florida Health Care.....	805	1	13.99%
Metra Electronics Corporation.....	301	2	5.23%
Holly Hill R.H.F. Housing Inc (Bishop's Glen).....	245	3	4.26%
Product Quest.....	200	4	3.47%
Surface Crafters.....	125	5	2.17%
Holly Hill Elementary/Middle School.....	114	6	1.98%
City of Holly Hill.....	113	7	1.96%
Angelica.....	82	8	1.42%
R & R Industries, Inc.....	79	9	1.37%
Cicero Masonary.....	58	10	1.01%
Total.....	<u>2,122</u>		<u>36.87%</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.

Table 18

September 30, 2006

Total Employees	Rank	Percent to Total City Employment
N/A	N/A	N/A
-		-

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA

	Full-Time			
	2015*	2014	2013	2012
General Government:				
City Commission.....	5.0	5.0	5.0	5.0
City Manager.....	3.6	2.5	2.5	2.5
Finance/Administration.....	10.0	12.0	12.0	12.0
Human Relations.....	1.0	1.0	1.0	1.0
Public Safety:				
Police:				
Officers.....	27.0	31.0	30.0	29.0
Civilians.....	5.7	5.0	5.0	5.0
Fire:				
Firefighters and officers.....	13.0	13.5	13.5	13.5
Civilians.....	1.0	1.0	1.0	1.0
Protective Inspection.....	4.0	-	-	-
Physical Environment:				
Transportation.....	7.0	2.5	2.5	2.5
Buildings & Grounds.....	6.0	6.0	6.0	6.0
Culture/Recreation:				
Recreation.....	-	-	-	-
Economic Environment:				
Community Redevelopment.....	2.0	2.0	2.0	2.0
Public Works:				
Administration.....	-	6.0	6.0	6.0
Stormwater.....	4.7	3.5	3.5	3.5
Public Utilities:				
Water.....	14.0	14.5	14.5	14.5
Sewer.....	12.1	12.0	12.0	13.0
Total	<u>116.1</u>	<u>117.5</u>	<u>116.5</u>	<u>116.5</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.

2015* Reflects new City Manager organizational change

Table 19

Equivalent Employees at September 30,

2011	2010	2009	2008	2007	2006
5.0	5.0	5.0	5.0	5.0	5.0
2.5	2.0	4.5	5.0	5.0	5.0
13.0	9.5	9.0	9.0	9.0	9.0
1.0	1.0	1.0	1.0	1.0	1.0
32.0	32.0	32.0	36.0	36.0	36.0
5.0	-	-	-	-	-
13.0	14.0	14.0	16.5	16.5	16.5
1.5	-	-	-	-	-
-	-	6.0	6.0	6.0	6.0
2.5	2.5	7.0	8.0	8.0	8.0
5.0	3.0	6.0	11.0	11.0	11.0
-	-	7.5	7.5	7.5	7.5
1.0	-	1.0	1.0	1.0	1.0
6.0	4.0	4.0	5.0	5.0	5.0
3.0	2.0	4.0	4.0	4.0	4.0
14.5	13.0	11.0	12.0	12.0	12.5
<u>13.0</u>	<u>13.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>10.0</u>
<u>118.0</u>	<u>101.0</u>	<u>123.0</u>	<u>138.0</u>	<u>138.0</u>	<u>137.5</u>

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL, FLORIDA

	Fiscal			
	2015	2014	2013	2012
Police:				
Physical arrests.....	741	838	935	1,192
Parking violations.....	0	0	0	0
Traffic violations.....	2765	1992	1358	1,218
Fire:				
Emergency responses.....	2834	2423	2668	2,480
Inspections.....	1089	781	1134	522
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).....	0.74	0	5.82	0
Water:				
New connections.....	2	46	1	4
Water main breaks.....	1	6	12	22
Average daily consumption (thousands of gallons)...	917,000	960,000	967,000	1,024,000
Peak daily consumption (thousands of gallons).....	1,099,000	1,136,000	1,153,000	1,175,000
Sewer:				
Average daily treatment (thousands of gallons).....	1,757,876	1,542,658	1,542,822	1,411,811

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					
2011	2010	2009	2008	2007	2006
896	929	1,111	1,520	1,444	1,619
1	0	0	0	0	38
1,598	1,960	1,831	2,466	2,095	2,355
2,480	2,750	2,486	2,753	2,296	2,704
522	400	618	603	637	610
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	1	0	0	0	1
5	2	25	51	51	45
11	27	14	11	22	10
1,005,000	1,087,490	1,116,142	1,233,992	1,212,345	1,260,501
1,110,000	1,285,000	1,690,000	1,670,000	1,558,000	1,556,000
1,455,655	1,618,767	1,947,945	1,189,023	1,708,082	1,850,822

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Year Ending September 30, 2015
CITY OF HOLLY HILL

	2015	2014	2013	2012
Police:				
Stations.....	1	1	1	1
Patrol units ¹	3	4	4	4
Fire stations.....	1	1	1	1
Public Works-Transportation:				
Streets (miles) ²	68.5	68.5	68.5	68.5
Streetlights ⁴	1,093	1,093	1,093	963
Parks and recreation:				
Acreage.....	96.8	96.8	96.8	96.8
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	4	4
Water:				
Water mains (miles).....	75.0	75.0	75.0	75.0
Fire hydrants.....	392	389	364	364
Treatment capacity (millions of gallons).....	2.3	2.3	2.3	2.3
Sewer:				
Sanitary sewers (miles) ³	66.2	66.2	66.2	66.2
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

Fiscal Year					
2011	2010	2009	2008	2007	2006
1	1	1	2	1	1
4	4	4	4	4	4
1	1	1	1	1	1
68.5	68.5	68.5	68.5	67.0	67.0
963	963	963	963	963	963
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
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
73.9	73.9	73.4	73.4	73.4	68.9
355	350	304	304	304	298
2.3	2.3	2.3	2.3	2.3	2.3
66.2	66	66	66.0	66	66
42	42	42	42	42	42
3.0	3.0	2.4	2.4	2.4	2.4

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COMPLIANCE SECTION

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

To the Honorable Mayor, and
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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*.

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

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.

BMC CPAs

April 22, 2016

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of City of Holly Hill, Florida (the “City”) as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated April 22, 2016.

Auditors’ Responsibility

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; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 22, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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.

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was done as of September 30, 2015.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

BMC CPAs

April 22, 2016

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined City of Holly Hill, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for City of Holly Hill, Florida's compliance with those requirements. Our responsibility is to express an opinion on City of Holly Hill, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about City of Holly Hill, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Holly Hill, Florida's compliance with specified requirements.

In our opinion, City of Holly Hill, Florida, complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

BMC CPAs

April 22, 2016

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