

# *City of Holly Hill Florida*



*Comprehensive Annual Financial Report  
Fiscal Year Ended  
September 30, 2017*

# **CITY OF HOLLY HILL, FLORIDA**

## ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017***



### **CITY COMMISSION**

[ April 11, 2018 ]

HONORABLE JOHN PENNY, MAYOR

DISTRICT 1 – ARTHUR J. BYRNES

DISTRICT 2 – PENNY CURRIE

DISTRICT 3 – JOHN C. DANIO

DISTRICT 4 – CHRIS VIA

### **CITY MANAGER**

JOSEPH FORTE

### **CITY ATTORNEY**

SCOTT SIMPSON, ESQ.

### **DIRECTOR OF FINANCE**

JONATHAN MCKINNEY

Prepared by:  
Holly Hill Finance Department

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**TABLE OF CONTENTS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	<u>Reference</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Title Page .....		1
Table of Contents .....		3
Organization Chart.....		9
Certificate of Achievement for Excellence in Financial Reporting .....		13
Letter of Transmittal .....		17
<b>FINANCIAL SECTION</b>		
<b>Independent Auditors' Report</b> .....		25
<b>Management's Discussion and Analysis</b> .....		31
<b>Basic Financial Statements:</b>		
Statement of Net Position .....	Statement 1	47
Statement of Activities .....	Statement 2	48
<b>Fund Financial Statements:</b>		
Balance Sheet-Governmental Funds .....	Statement 3	50
Reconciliation of Balance Sheet to the Statement of Net Position .....	Statement 3A	53
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	Statement 4	54
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	Statement 4A	57
Budgetary Comparison Schedule-General Fund .....	Statement 5	58
Budgetary Comparison Schedule-Community Redevelopment Fund .....	Statement 6	61
Statement of Fund Net Position-Proprietary Funds .....	Statement 7	62
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds .....	Statement 8	64
Statement of Cash Flows - Proprietary Funds .....	Statement 9	65
Statement of Fiduciary Net Position - Fiduciary Funds .....	Statement 10	67
Statement of Changes in Fiduciary Net Position - Fiduciary Funds .....	Statement 11	68
Notes to the Financial Statements .....		71
<b>Required Supplementary Information:</b>		
Schedule of Funding Progress - Other Postemployment Benefits Plan.....	Schedule 1	131
FRS - Schedule of Proportionate Share of Net Pension Liability and Schedule Of Contributions .....	Schedule 2	132
HIS - Schedule of Proportionate Share of Net Pension Liability and Schedule Of Contributions .....	Schedule 3	134
Schedule of Changes in Net Pension Liability and Related Rations – Last Ten Fiscal Years – Police Officers' Retirement Trust Fund .....	Schedule 4	136
Schedule of Employer and Other Contributing Entity Contributions – Last Ten Years – Police Officers' Retirement Trust Fund .....	Schedule 5	140
Schedule of Changes in Net Pension Liability and Related Rations – Last Ten Fiscal Years – Firefighters' Retirement System .....	Schedule 6	142

**TABLE OF CONTENTS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	<u>Reference</u>	<u>Page</u>
Schedule of Employer and Other Contributing Entity Contributions – Last Ten Years – Firefighters’ Retirement System.....	Schedule 7	146
<b>Combining and Individual Fund Statements and Schedules:</b>		
Combining Balance Sheet-Nonmajor Governmental Funds .....	Exhibit 1	152
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds .....	Exhibit 2	154
<b>Major Funds:</b>		
Budgetary Comparison Schedule – Community Redevelopment Agency Debt Service Fund.....	Exhibit 3	156
Community Redevelopment Agency Capital Projects Fund.....	Exhibit 4	157
<b>Special Revenue Funds:</b>		
Budgetary Comparison Schedule-Nonmajor Impact Fees Trust Fund .....	Exhibit 5	158
Budgetary Comparison Schedule-Nonmajor Law Enforcement Trust Fund .....	Exhibit 6	159
Budgetary Comparison Schedule-Nonmajor Holly Hill Police Explorers Fund.....	Exhibit 7	160
Budgetary Comparison Schedule-Nonmajor Community Development Block Grant Fund.....	Exhibit 8	161
Budgetary Comparison Schedule-Nonmajor Local Law Enforcement Block Grant Fund .....	Exhibit 9	162
<b>Capital Projects Fund:</b>		
Budgetary Comparison Schedule-Nonmajor Capital Projects Fund .....	Exhibit 10	163

**STATISTICAL SECTION**

**Financial Trends:**

Net Position by Component, Last Nine Fiscal Years .....	Table 1	166
Changes in Net Position, Last Nine Fiscal Years.....	Table 2	168
Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	Table 3	172
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years .....	Table 4	174

**Revenue Capacity:**

Assessed Value and Estimate Actual Value of Taxable Property, Last Ten Fiscal Years .....	Table 5	176
Direct and All Overlapping Property Tax Rates, Last Ten Fiscal Years .....	Table 6	178
Principal Property Taxpayers, Current and Nine Years Ago .....	Table 7	180
Property Tax Levies and Collections, Last Ten Fiscal Years.....	Table 8	183
Water Produced and Consumed/Wastewater Treated, Last Ten Fiscal Years .....	Table 9	184
Water and Sewer Utility Rates, Last Ten Fiscal Years .....	Table 10	185

**TABLE OF CONTENTS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	<u>Reference</u>	<u>Page</u>
Ten Largest Water and Sewer Customers, Current and Nine Years Ago.....	Table 11	186
<b>Debt Capacity:</b>		
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years .....	Table 12	188
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years .....	Table 13	190
Direct and Overlapping Governmental Activities Debt .....	Table 14	191
Legal Debt Margin Information .....	Table 15	193
Pledged Revenue Coverage, Last Ten Fiscal Years .....	Table 16	194
<b>Demographic and Economic Information:</b>		
Demographic and Economic Statistics, Last Ten Years .....	Table 17	197
Principal Employers, Current and Nine Years Ago .....	Table 18	198
<b>Operating Information:</b>		
Full-Time Equivalent City Government Employees by Function/Program, Last Ten Years .....	Table 19	200
Operating Indicators by Function/Program, Last Ten Years.....	Table 20	202
Capital Asset Statistics by Function/Program, Last Ten Years.....	Table 21	204
<b>COMPLIANCE SECTION</b>		
Schedule of Expenditures of Federal Awards .....		209
Notes to Schedule of Expenditures of Federal Awards .....		210
Schedule of Findings and Questioned Costs.....		211
Prior Audit Findings and Corrective Action Plan .....		212
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....		213
Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ...		215
Management Letter .....		217
Schedule of Findings.....		219
City's Response and/or Rebuttal to Management Letter Comments .....		223
Independent Accountants' Report (on Compliance with Sec. 218.415, F.S.).....		225

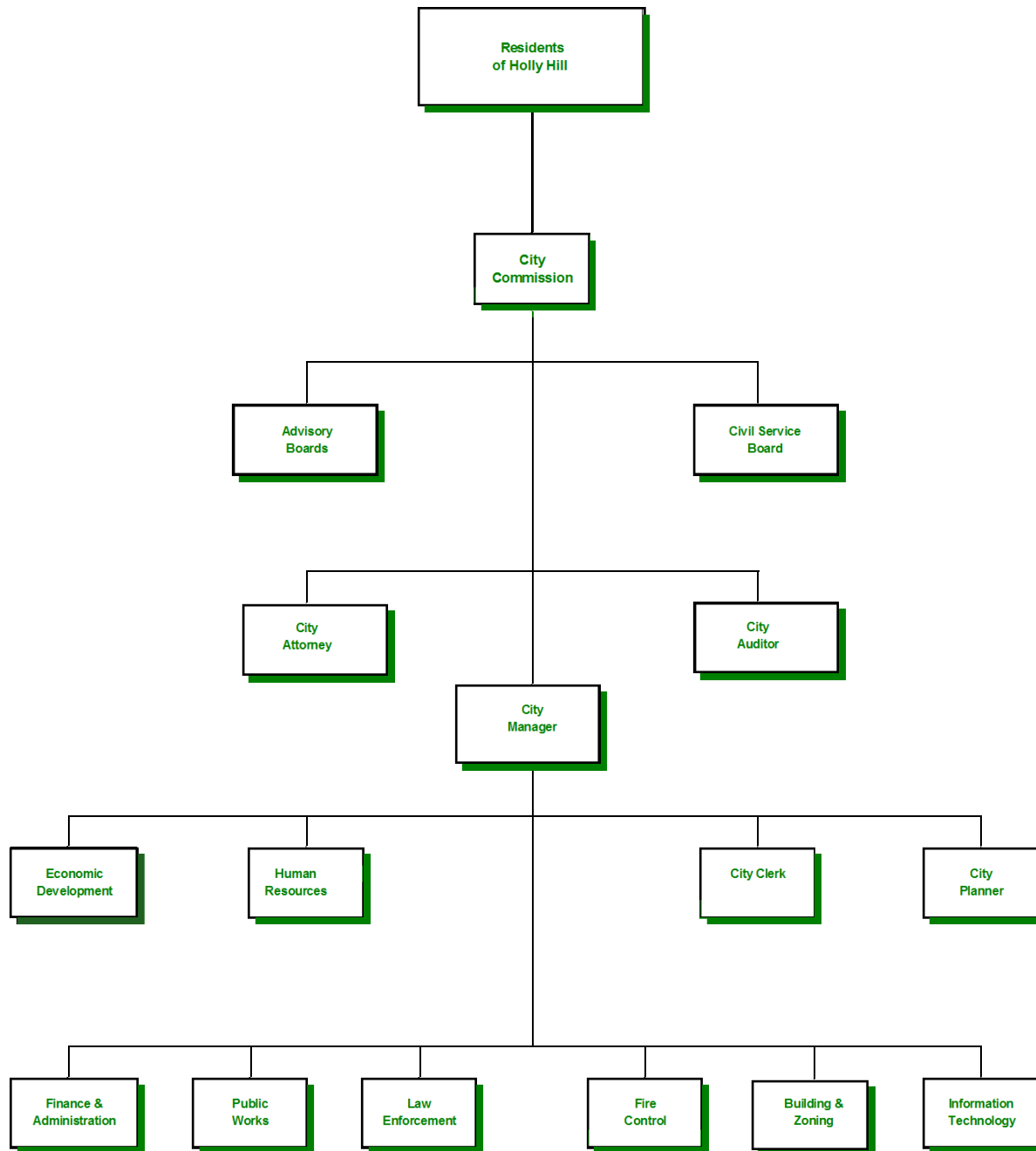
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## ***ORGANIZATION CHART***



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**CITY OF HOLLY HILL  
ORGANIZATION CHART  
2016 - 2017**



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## ***CITY OF HOLLY HILL, FLORIDA***

### ***CERTIFICATE OF ACHIEVEMENT AWARDED***

*For the Year Ended September 30, 2016*

*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, 2016.*

*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, 2016  
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, 2016**

*Christopher P. Morill*

Executive Director/CEO

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***LETTER OF TRANSMITTAL***



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April 11, 2018

To the Honorable Mayor and City Commissioners, and  
City of Holly Hill, Florida

City Charter and State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with the generally accepted accounting principles in the United States of America (GAAP) and that they be audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to the requirement, it is with great pleasure that we present to the City of Holly Hill, the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30<sup>th</sup>, 2017.

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 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 government's assets from loss, 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 misstatements. 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 issued an unmodified ("clean") opinion on the City of Holly Hill's financial statements for the fiscal year ended September 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report. GAAP requires 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 designated to complement the MD&A and should be read in conjunction with it.

### **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 has operated under the commission-manager form of government since 1901. 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. In addition to supervising the daily operations, the City Manager works with elected officials, committees and citizens to plan for the future of the community.

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 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.

### **Local Economy**

The City of Holly Hill is showing signs of recovering from the recession. The local area unemployment rate decreased from 5.1 percent in FY 2016 to 3.8 percent in FY 2017, which is slightly higher than the state unemployment rate of 3.7 percent. 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 by providing assistance whenever possible through its Community Redevelopment Area.

### **Financial Planning and Budgeting**

The City continued to stress expenditure control in preparing the FY2018 General Fund budget. The City ad valorem millage rate for FY2018 was 6.8949, which was 5.38% more than the rolled-back rate. The millage rate of 6.8949, resulted in property tax collections increase of 6.77% due to an increase in property assessments and annexations.

The City adopts a five-year capital improvement plan that identifies future funding needs to maintain, repair and upgrade capital assets and infrastructure including road resurfacing, water line upgrades and vehicle and technology replacement programs within the funding constraints. It should be noted; however, that the CIP is not a fixed document but a flexible, evolutionary document that may change to reflect changing priorities, opportunities, costs, or different financing approaches.

### **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 Principles Resolution(2010-R-64) a policy to maintain an unreserved fund balance in the General Fund and Utilities Fund (Water and Sewer) equivalent to 90 days operating expenses.

### **Budgeting Controls**

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 and between divisions and departments; however, any revisions that alter the total appropriations of any funds must be approved by City Commission. Original and final amended budget-to-actual comparisons are provided in this report for each individual governmental fund.

### **Certificate of Achievement Award**

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, 2016. This was the thirty-ninth 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 its eligibility for another certificate.

### **Acknowledgements**

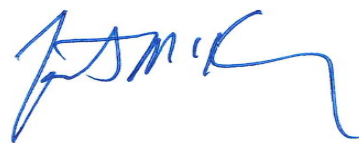
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution they made in preparation of this report.

In closing, special thanks to the Mayor and City Commission for their support and commitment to maintaining the financial integrity and sustainability of the City.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Joe Forte".

Joe Forte  
City Manager

A handwritten signature in blue ink, appearing to read "Jonathan McKinney".

Jonathan McKinney  
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 (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and community redevelopment trust special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual major and nonmajor fund financial statements and budgetary comparisons, and the schedule of expenditures of federal awards 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, budgetary comparisons and the

schedule of expenditures of federal awards 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 11, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BMC CPAs

April 11, 2018

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## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 years ended September 30, 2017 and 2016. 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 resources of the City totaled \$ 80.3 million at the close of the 2017 fiscal year, compared to \$81.0 million at the close of 2016. Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$44.0 million (*combined net position*) compared with \$42.1 million one year earlier. The unrestricted component of the City's combined net position totaled \$10.1 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 slightly increased for the year and totaled \$19.3 million, an increase of \$0.2 million above last year's \$19.1 million. Net position of its business-type activities totaled \$24.6 million, an increase of \$1.6 million over last year's \$23.0 million.
- During 2017, the City's combined governmental activities operating expenses totaled \$11.6 million (\$9.1 million 2016), which was \$0.23 million below the \$11.9 million generated in governmental program charges, grants, contributions, taxes, other revenues and transfers for providing its various governmental program activities and programs.
- The City's business-type activities produced net income before contributions and transfers of \$2.5 million in 2017 (compared to \$2.34million for 2016) based on consumptive water/sewer/solid waste utility sales of \$10.1 million (\$9.7 million in 2016). 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 totaled \$813,741 in 2017 as compared to \$815,800 in 2016.
- Total operating costs incurred by the City in providing all of its various programs increased to \$19.2 million in 2017, compared to \$16.5 million in 2016. Operating expenses in 2017 totaled \$11.6 million and \$7.6 million for the City's governmental activities and business-type activities, respectively.
- Unassigned fund equity in the General Fund decreased by \$2.5 million and totaled \$1.2 million at the end of 2017, compared to \$3.8 million at the end of 2016. Resources earned and available for appropriation in the current year were \$7.5 million, which is 2.9% below amounts originally anticipated in the General Fund's expenditures operating budget. General Fund expenditures of \$9.7 million were \$1.7 million or 21.1% above the City's revised appropriations for the year.
- The City's net long-term debt outstanding decreased by \$2.7 million during the current fiscal year from anticipated debt service sinking fund requirements.
- The City's net pension liability totaled \$6.5 million, net of deferred outflows of \$1.8 million and deferred inflows of \$0.4 million at the end of 2017, as compared to \$6.8 million, net of deferred outflows of \$2.4 million and deferred inflows of \$0.4 million at the end of 2016.



## 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 eleven 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 seven 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 127 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 131 to 147 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 \$44.0 million at the end of 2017 from \$42.1 million in 2016. 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 \$0.3 million and an increase in its business-type activities of \$1.6 million.

Net position of the City's governmental activities totaled \$19.3 million and \$19.1 million at the end of the 2017 and 2016 fiscal years, respectively. At the end of 2017, 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 million in unrestricted net position due to the recognition of net pension liabilities and deferrals of \$6.6 million at the end of 2017, compared to an approximate deficit of \$1.4 million at the end of 2016 (after recognition of the net pension liabilities and deferrals at the end of 2015).

Net position of the City's business-type activities totaled \$24.6 million and \$23.0 million at the end of the 2017 and 2016 fiscal years, respectively. At the end of 2017, approximately 55% of its total net position

(\$13.5 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.

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 \$17.1 million at the end of 2017 (\$19.0 million at the end of 2016). 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:

<b>Net Position</b>						
September 30, 2017 and 2016						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>						
Current and other assets.....	\$ 15,426,403	14,095,152	17,257,517	16,420,050	32,683,920	30,515,202
Capital assets, net.....	<u>18,484,035</u>	<u>19,716,830</u>	<u>27,335,228</u>	<u>28,285,057</u>	<u>45,819,263</u>	<u>48,001,887</u>
Total assets .....	<u>33,910,438</u>	<u>33,811,982</u>	<u>44,592,745</u>	<u>44,705,107</u>	<u>78,503,183</u>	<u>78,517,089</u>
Deferred outflows of resources.....	<u>1,247,329</u>	<u>1,849,539</u>	<u>581,685</u>	<u>589,360</u>	<u>1,829,014</u>	<u>2,438,899</u>
<b>Liabilities:</b>						
Long-term debt outstanding.....	6,885,000	7,570,000	17,073,203	19,040,042	23,958,203	26,610,042
Net pension liabilities.....	5,410,330	5,783,599	1,109,188	1,033,337	6,519,518	6,816,936
Other liabilities.....	<u>3,201,750</u>	<u>2,805,778</u>	<u>2,310,828</u>	<u>2,230,847</u>	<u>5,512,578</u>	<u>5,036,625</u>
Total liabilities .....	<u>15,497,080</u>	<u>16,159,377</u>	<u>20,493,219</u>	<u>22,304,226</u>	<u>35,990,299</u>	<u>38,463,603</u>
Deferred inflows of resources.....	<u>318,528</u>	<u>427,127</u>	<u>56,919</u>	<u>6,909</u>	<u>375,447</u>	<u>434,036</u>
<b>Net Position:</b>						
Net investment in capital assets.	13,755,952	16,030,653	10,500,202	9,338,226	24,256,154	25,368,879
Restricted.....	6,583,871	4,442,234	3,040,594	3,618,071	9,624,465	8,060,305
Unrestricted .....	<u>(997,664)</u>	<u>(1,397,870)</u>	<u>11,083,496</u>	<u>10,027,035</u>	<u>10,085,832</u>	<u>8,629,165</u>
Total net position .....	<u>\$ 19,342,159</u>	<u>19,075,017</u>	<u>24,624,292</u>	<u>22,983,332</u>	<u>43,966,451</u>	<u>42,058,349</u>

**Changes in Net Position.** While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During 2017, the City's overall total revenues increased by \$2.0 million and the combined net position increased \$1.9 million. This increase is primarily due to the recognition of FEMA Grant receivables and the sale of "The Market" in 2017 in the City's general fund and CRA funds. During 2016, the City's combined net position increased \$2.7 million, while the City's overall gross revenues increased \$442,088.

Overall, approximately 17.0% of the City's combined total revenues of \$21,147,401 come from property taxes, while almost 11.3% 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 1.6% of the City's revenues. Another 54.0% comes from fees charged for services, while the remaining 16.1% 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 2017 and 2016:

<b>Changes in Net Position</b>						
Fiscal Year Ended September 30, 2017 and 2016						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services.....	\$ 1,437,623	1,366,828	9,997,513	9,612,491	11,435,136	10,979,319
Operating grants/other.....	4,011,193	1,483,592	-	-	4,011,193	1,483,592
Capital grants/other.....	230,421	195,997	3,330	29,484	233,751	225,481
General revenues:						
Property taxes.....	3,605,020	3,543,276	-	-	3,605,020	3,543,276
Other taxes.....	2,391,046	2,353,391	-	-	2,391,046	2,353,391
Intergovernmental.....	348,443	324,537	-	-	348,443	324,537
Other revenues.....	142,881	198,925	70,399	49,505	213,280	248,430
Gain (loss) on asset disposal..	(1,090,468)	-	-	-	(1,090,468)	-
Total revenues.....	<u>11,076,159</u>	<u>9,466,546</u>	<u>10,071,242</u>	<u>9,691,480</u>	<u>21,147,401</u>	<u>19,158,026</u>
Expenses:						
General government.....	2,262,357	2,303,343	-	-	2,262,357	2,303,343
Public safety.....	7,074,310	4,223,371	-	-	7,074,310	4,223,371
Physical environment.....	62,816	22,876	-	-	62,816	22,876
Transportation.....	558,106	945,451	-	-	558,106	945,451
Economic environment.....	481,087	500,992	-	-	481,087	500,992
Culture/recreation.....	1,028,004	967,372	-	-	1,028,004	967,372
Interest on long-term debt.....	156,078	170,864	-	-	156,078	170,864
Water and sewer utilities.....	-	-	5,095,534	4,749,834	5,095,534	4,749,834
Stormwater management.....	-	-	760,023	803,918	760,023	803,918
Solid waste utilities.....	-	-	1,760,984	1,773,349	1,760,984	1,773,349
Total expenses.....	<u>11,622,758</u>	<u>9,134,269</u>	<u>7,616,541</u>	<u>7,327,101</u>	<u>19,239,299</u>	<u>16,461,370</u>
Excess before transfers.....	(546,599)	332,277	2,454,701	2,364,379	1,908,102	2,696,656
Transfers in (out).....	813,741	815,800	(813,741)	(815,800)	-	-
Change in net position.....	267,142	1,148,077	1,640,960	1,548,579	1,908,102	2,696,656
Net position-beginning.....	19,075,017	17,926,940	22,983,332	21,434,753	42,058,349	39,361,693
Net position-end of year.....	<u>\$ 19,342,159</u>	<u>19,075,017</u>	<u>24,624,292</u>	<u>22,983,332</u>	<u>43,966,451</u>	<u>42,058,349</u>

## Governmental Activities

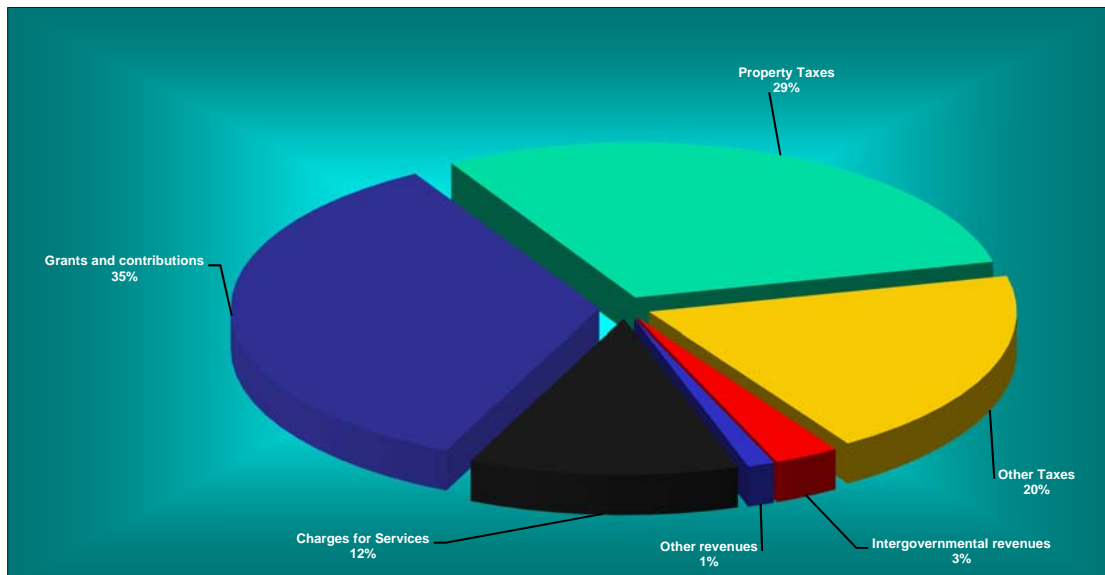
Total revenue for the City's governmental activities remained relatively stable in 2017. Overall, the City's governmental revenue totaled \$11.1 million, which represents an increase of \$1.6 million, or 17.2% above last year's reported governmental revenues of \$9.5 million. Amounts received from charges for services increased by 5.2% and property taxes increased 1.7% over amounts recognized in the prior year. Amounts received from operating and capital grants increased by 52.5% during 2017 and totaled \$4.2 million, compared to \$1.7 million in the prior year. Amounts received from shared sales taxes, public service taxes, and other unrestricted intergovernmental sources increased from \$2.68 million to \$2.74 million in 2017, 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 \$61,744, or 1.74% above amounts earned one year earlier. Ad valorem taxes totaling \$3,605,020 were earned in 2017, compared to \$3,543,276 earned in the prior year. The ad valorem millage rate for operating purposes has remained at 6.8494 mills since 2016 (collected during fiscal 2017). Maintaining the millage rate is due primarily to the change in the taxable value of property in the City and getting us back to the Ad Valorem levels of fiscal year 2009 while we are still below our taxable values of fiscal year 2006.

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

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### Revenues by Source – Governmental Activities

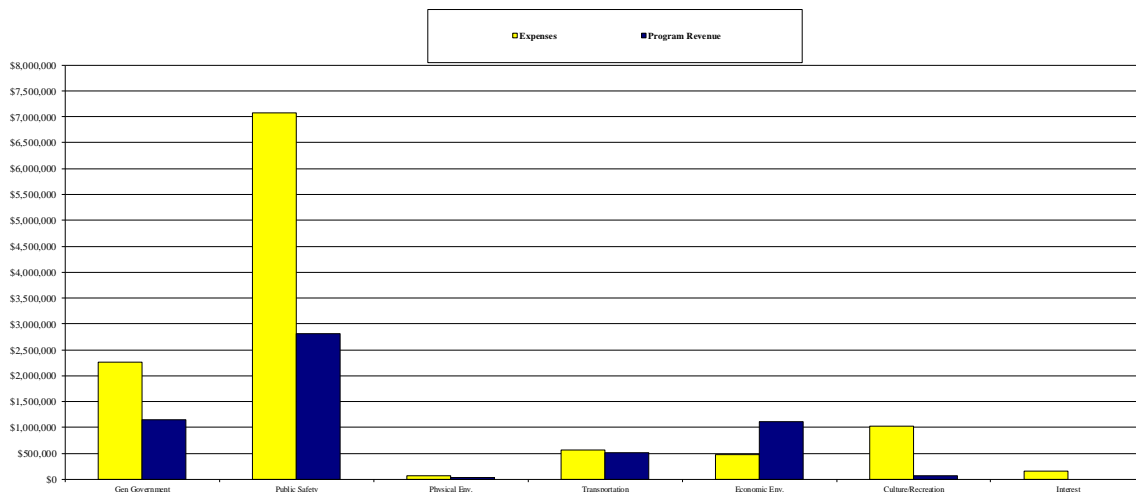


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An individual comparison of the City's functional program revenues and costs of providing program services to its citizens is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to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

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### Expenses – versus - Program Revenue

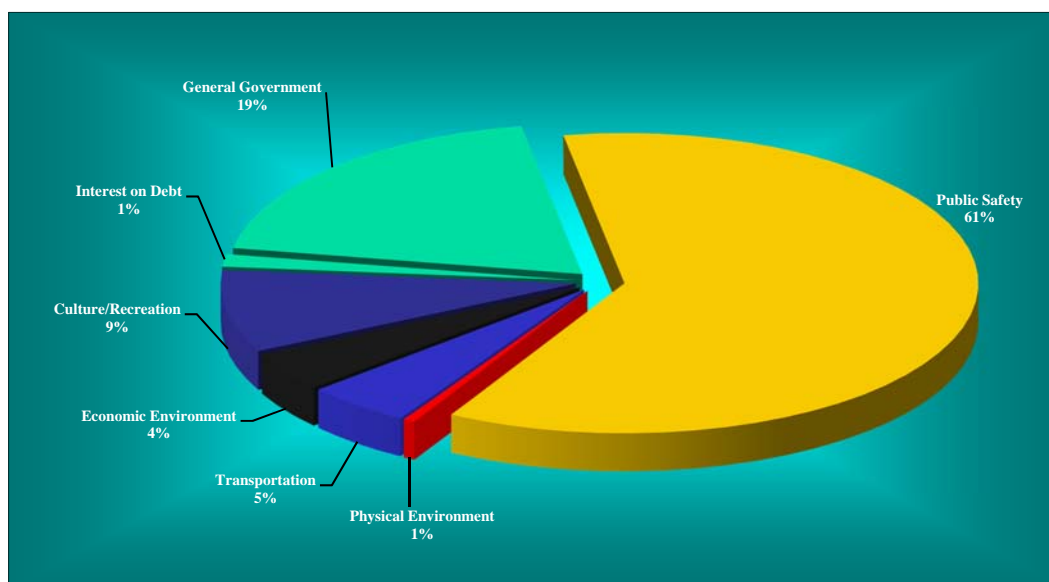


Combined governmental activities expenses totaled \$11.6 million, which represents an increase of \$2.5 million above last year's expenses of \$9.1 million. Over the last several years, a trend has emerged with respect to a widening gap between property taxes, which are often thought of as paying for core governmental services such as police and fire, and the actual costs of those public safety expenses. At year end this increased by approximately \$3.5 million due to the recognition of expenditures associated with Hurricane Matthew and Hurricane Irma which occurred in 2017.

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

### Expenses by Function - Governmental Activities

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### Business-type Activities

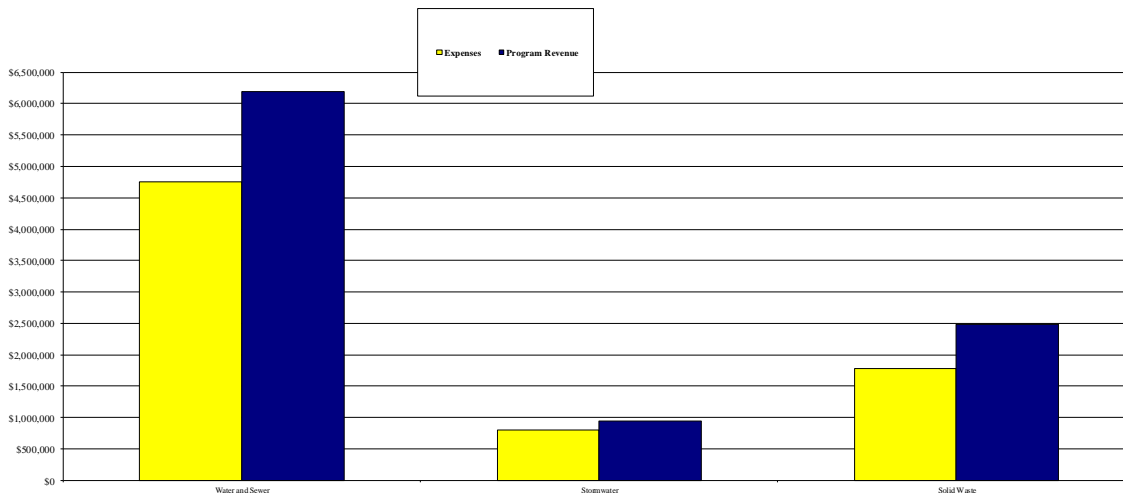
Business-type activities reported an increase in the City's net position of \$1.6 million in 2017, compared to an increase of \$1.5 million in 2016. Overall, net position from the City's business-type activities (\$24.6 million) accounts for approximately 56.0% of the City's combined net position at September 30, 2017.

The major sources of operating revenue for the City's business-type activities include charges for services for water and sewer utilities of \$6,240,369, stormwater management fees of \$947,208 and solid waste utilities of \$2,582,925. Combined operating revenues from these three activities increased in 2017 and totaled \$10.0 million, compared to \$9.61 million in the prior year. Water and sewer utility revenues increased by \$274,406 over last year's revenue, while system charges for stormwater management and solid waste removal increased by \$547 and \$110,069, respectively in 2017. Investment earnings increased in 2017 and totaled \$39,981, compared to \$19,936 one year earlier, as a result of the increases in interest rates experienced on a national level. Rental income from the leasing of land for cellphone towers increased to \$30,418, compared to \$29,569 in 2016. Capital contributions increased in the water and sewer utility fund in 2017 and totaled \$3,330, compared to \$29,484 in 2016. 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 \$7.6 million in 2017, compared to \$7.3 million in 2016. During 2017, this increase was primarily attributable to increased cost of services within the City's utilities.

A comparison of the City's functional program revenues and costs of providing business-type services to its customers in fiscal year 2017 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. Information is helpful 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 \$12.14 million, which was \$1.26 million less than the \$13.40 million reported at the end of 2016.

Approximately 10.04% of this amount of \$1.2 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 \$76,330 are invested in nonspendable assets such as inventories and prepaid expenses, 2) Restricted - fund balances totaling \$8.75 million are restricted from externally imposed sources or enabling legislation, 3) Committed - fund balances totaling \$1.1 million are set aside pursuant to formal constraints imposed by the City Commission, and 4) Assigned - fund balances totaling \$1.0 million are constrained by the City, as it intended to be used for next year's budgetary purposes.



The general fund is the chief operating fund of the City. As of September 30, 2017, the unassigned fund balance in the general fund totaled \$1,219,178, compared to \$3,791,172 at the end of 2016. 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 12.6% of total general fund expenditures of \$9,677,192, while total fund balance represents 26.2% of that same amount. City officials have established a target threshold of 20% (or 73 days) in unreserved funds compared to General Fund expenditures.

Fund balance in the general fund has decreased by \$2,505,635 during the current fiscal year. This decrease was attributed to the utilization of fund balance in the current year for major projects and hurricane recovery. Fund balance in the Community Redevelopment Agency increased in 2017 by \$2,033,641. This increase was caused by unanticipated delays in the undergrounding of the electric and communication utilities project and the sale of "The Market" and "Fountain Head". 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, \$2,156,917 remained unexpended and restricted for future CRA capital improvements. Amounts set aside for debt service sinking fund payments in the CRA Debt Service fund remained stable in 2017 at \$427,654. All other non-major governmental funds remained 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 \$4,505,212, compared to \$4,194,030 one year earlier. This was primarily the result of an increase in the net investment in capital assets. Combined net position of the fund totaled \$14,921,144 at year end.

Unrestricted net position in the Stormwater Management Fund increased in 2017 and totaled \$2,605,941, at the end of the year, compared to \$2,540,891 at the beginning of the year. Combined net position totaled \$5,724,381 at year end, the increase of which was primarily the result of an increase in assessments for 2017.

Unrestricted net position in the Solid Waste Fund increased by 20.66% during the year and totaled \$3,972,343 at the end of 2017, compared to \$3,292,114 at the beginning of the year. Combined net position totaled \$3,978,767 at year end, the increase of which was primarily the result of the accumulation of net income of \$679,100 for 2017.

No significant changes were recognized in the providing of full-service utility services to City customers in 2017.

## Capital Assets and Debt Administration

**Capital Assets.** At September 30, 2017 and 2016, the City's investment in capital assets for its governmental and business type activities totaled \$45,804,170 and \$48,001,887, 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:

<b>Capital Assets</b>						
September 30, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land.....	\$ 3,473,406	4,377,832	695,651	665,515	4,169,057	5,043,347
Construction work in progress.....	3,008,068	1,348,956	294,510	982,223	3,302,578	2,331,179
Buildings.....	3,091,902	3,732,183	3,466,518	3,635,253	6,558,420	7,367,436
Improvements other than buildings.....	3,457,792	4,573,552	17,834,568	17,599,492	21,292,360	22,173,044
Machinery and equipment.....	895,306	885,934	1,097,064	1,228,799	1,992,370	2,114,733
Infrastructure.....	<u>4,557,561</u>	<u>4,798,373</u>	<u>3,931,824</u>	<u>4,173,775</u>	<u>8,489,385</u>	<u>8,972,148</u>
Net total.....	<u>\$ 18,484,035</u>	<u>19,716,830</u>	<u>27,320,135</u>	<u>28,285,057</u>	<u>45,804,170</u>	<u>48,001,887</u>

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 \$33,495,006, of which \$23,958,203 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:

<b>Outstanding Long-Term Debt</b>						
September 30, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue notes.....	\$ 6,885,000	7,570,000	6,253,203	6,980,042	13,138,203	14,550,042
Revenue bonds.....	-	-	10,820,000	12,060,000	10,820,000	12,060,000
Net postemployment obligation.....	1,311,613	1,125,030	438,602	364,229	1,750,215	1,489,259
Compensated absences.....	961,780	939,531	305,290	281,440	1,267,070	1,220,971
Net pension liability.....	<u>5,410,330</u>	<u>5,783,599</u>	<u>1,109,188</u>	<u>1,033,337</u>	<u>6,519,518</u>	<u>6,816,936</u>
Net total.....	<u>\$ 14,568,723</u>	<u>15,418,160</u>	<u>18,926,283</u>	<u>20,719,048</u>	<u>33,495,006</u>	<u>36,137,208</u>

The City has two outstanding revenue notes payable (Series 2012 and Series 2013) from its governmental activities in the aggregate amount of \$6,885,000 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 \$10,820,000 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 \$6,253,203 in aggregate, at year end. The proceeds of the FDEP loan issued in 1998 (\$599,091 currently outstanding), the FDEP loan issued in 2005 (\$349,130 currently outstanding), and the FDEP loan issued in 2007 (\$3,335,110 currently outstanding) were used to finance the construction of wastewater infiltration and inflow correction facilities. The proceeds of the FDEP loan issued in 2001 (\$1,969,872 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.

Other components of the City's outstanding long term debt include Other Post-Employment Benefits (OPEB), Compensated Absences and Net Pension Liability (NPL). The city experienced an increase in its net postemployment obligation for 2017 (\$1,750,215) compared to 2016 (\$1,489,259). Compensated absences increased to \$1,267,070 from \$1,220,971 in 2016. The City's Net Pension liability decreased by \$297,418 in 2017 and totaled \$6,519,518 as compared to \$6,816,936 in 2016.

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

### **Significant Budget Differences – General Fund**

At the beginning of fiscal year 2017, the City anticipated \$7.8 million in General Fund expenditures which is a substantial reduction from the prior fiscal year because it excluded almost \$2 million in capital expenditures which were budgeted separately in the reinstated Capital Projects Fund. In addition, expenditures increased by approximately \$3.5 million due to the recognition of expenditures associated with Hurricane Matthew and Hurricane Irma both of which occurred in fiscal year 2017.

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

The City Commission adopted a conservative budget for Fiscal Year 2018. The proposed budget contains many ambitious work plan objectives that are intended to address the highest priorities in the community and the goals of the City Commission. This budget also sets the financial foundation to establish an accurate and understandable assessment and tracking of the uses and sources of all funds. The 2018 budget presents a number of opportunities and challenges to improve overall service to the community while dealing with the slow recovery as a result of the severe economic downturn that we are still feeling the effects of locally. By any standard this is a very aggressive program of work that will challenge the capacity of staff and the City Commission to accomplish. The proposed General Fund budget for Fiscal Year 2018 includes the following assumptions:

- Realization of increased revenues as a result of the current economic conditions.
- Modest increases in operating expenditures consistent with the revenue forecasts.
- Maintenance of service levels and programs to the extent possible and minimal reductions in service levels where appropriate.
- Grant awards to replace piers, docks and ramps and other park improvements.
- Grant awards to install sidewalks on Flomich Street.
- Upgrading of the City's H.T.E. software system and ancillary applications.
- Landscaping and undergrounding utilities of our US 1 corridor.
- Ross Point Park restroom construction and playground improvements.

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. In considering all of these factors, the City Commission for the second straight fiscal year have maintained the same millage rate of \$6.8494

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Holly Hill's finances for those with an interest in your government. Questions concerning any of the information provided in this report 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, 2017  
CITY OF HOLLY HILL, FLORIDA

**Statement 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 12,199,148	12,513,151	24,712,299
Receivables (net).....	450,686	1,205,105	1,655,791
Internal balances.....	-	-	-
Due from other governments.....	2,700,239	-	2,700,239
Inventories.....	5,196	58,485	63,681
Prepaid expenses.....	71,134	22,243	93,377
Temporarily restricted-cash and cash equivalents.....	-	3,458,533	3,458,533
<b>Capital assets:</b>			
Land and construction in progress.....	6,481,474	990,662	7,472,136
Other capital assets, net of depreciation.....	<u>12,002,561</u>	<u>26,344,566</u>	<u>38,347,127</u>
<b>Total assets.....</b>	<u><b>33,910,438</b></u>	<u><b>44,592,745</b></u>	<u><b>78,503,183</b></u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows on pensions.....	1,247,329	450,555	1,697,884
Deferred charge on refunding.....	-	<u>131,130</u>	<u>131,130</u>
<b>Total deferred outflows of resources.....</b>	<u><b>1,247,329</b></u>	<u><b>581,685</b></u>	<u><b>1,829,014</b></u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities.....	784,454	455,372	1,239,826
Customer deposits and unearned income.....	143,903	931,058	1,074,961
<b>Payable from Restricted Assets:</b>			
Current maturities of long-term debt.....	-	2,014,433	2,014,433
Accounts payable and accrued liabilities.....	-	180,505	180,505
<b>Bonds, notes, and other noncurrent payables:</b>			
Due or payable within one year.....	1,915,555	76,322	1,991,877
Due or payable in more than one year.....	<u>12,653,168</u>	<u>16,835,529</u>	<u>29,488,697</u>
<b>Total liabilities .....</b>	<u><b>15,497,080</b></u>	<u><b>20,493,219</b></u>	<u><b>35,990,299</b></u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows on pensions.....	<u>318,528</u>	<u>56,919</u>	<u>375,447</u>
<b>Net position:</b>			
Net investment in capital assets.....	13,755,952	10,500,202	24,256,154
<b>Restricted for:</b>			
Public safety.....	156,404	-	156,404
Community redevelopment projects.....	5,636,254	-	5,636,254
Transportation.....	317,231	-	317,231
Recreation projects.....	46,328	-	46,328
Utility plant expansion.....	-	1,276,447	1,276,447
Debt service.....	427,654	1,764,147	2,191,801
Unrestricted (deficit) .....	<u>(997,664)</u>	<u>11,083,496</u>	<u>10,085,832</u>
<b>Total net position.....</b>	<u><b>\$ 19,342,159</b></u>	<u><b>24,624,292</b></u>	<u><b>43,966,451</b></u>

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



# STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

		Program Revenue		
		Charges	Operating	Capital
	Expenses	for	Grants and	Grants and
		Services	Contributions	Contributions
Primary government:				
Governmental activities:				
General government.....	\$ 2,262,357	1,102,806	41,029	-
Public safety.....	7,074,310	220,607	2,582,724	5,507
Physical environment.....	62,816	-	-	40,569
Transportation.....	558,106	96,591	282,822	134,345
Economic environment.....	481,087	-	1,104,618	-
Culture/recreation.....	1,028,004	17,619	-	50,000
Interest on long-term debt .....	<u>156,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities.....	<u>11,622,758</u>	<u>1,437,623</u>	<u>4,011,193</u>	<u>230,421</u>
Business-type activities:				
Water and Sewer.....	5,095,534	6,462,660	-	3,330
Stormwater Management.....	760,023	947,208	-	-
Solid Waste.....	<u>1,760,984</u>	<u>2,587,645</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>7,616,541</u>	<u>9,997,513</u>	<u>-</u>	<u>3,330</u>
Total primary government.....	<u>\$ 19,239,299</u>	<u>11,435,136</u>	<u>4,011,193</u>	<u>233,751</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.....				
Gain (loss) on asset disposals.....				
Transfers.....				
Total general revenues and transfers.....				
Change in net position.....				
Net position - beginning of year.....				
Net position - ending.....				

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

## Statement 2

Net Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
(1,118,522)		(1,118,522)
(4,265,472)		(4,265,472)
(22,247)		(22,247)
(44,348)		(44,348)
623,531		623,531
(960,385)		(960,385)
<u>(156,078)</u>		<u>(156,078)</u>
<u>(5,943,521)</u>		<u>(5,943,521)</u>
	1,370,456	1,370,456
	187,185	187,185
	<u>826,661</u>	<u>826,661</u>
	<u>2,384,302</u>	<u>2,384,302</u>
<u>(5,943,521)</u>	<u>2,384,302</u>	<u>(3,559,219)</u>
2,579,955	-	2,579,955
1,025,065	-	1,025,065
652,102	-	652,102
1,738,944	-	1,738,944
322,613	-	322,613
25,830	-	25,830
58,921	39,981	98,902
83,960	30,418	114,378
(1,090,468)	-	(1,090,468)
<u>813,741</u>	<u>(813,741)</u>	<u>-</u>
<u>6,210,663</u>	<u>(743,342)</u>	<u>5,467,321</u>
267,142	1,640,960	1,908,102
<u>19,075,017</u>	<u>22,983,332</u>	<u>42,058,349</u>
<u>\$ 19,342,159</u>	<u>24,624,292</u>	<u>43,966,451</u>

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 2,581,335	5,661,233	2,161,134
Receivables (net):			
Accounts receivable.....	428,244	5,525	-
Due from other funds.....	630	-	-
Due from other governments.....	2,699,609	-	-
Inventories.....	5,196	-	-
Prepays/deposits.....	69,914	1,220	-
<b>Total assets.....</b>	<b>\$ 5,784,928</b>	<b>5,667,978</b>	<b>2,161,134</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and other current liabilities.....	\$ 694,218	20,518	4,217
Due to other funds.....	-	-	-
Deposits/unearned income.....	2,549,627	-	-
<b>Total liabilities.....</b>	<b>3,243,845</b>	<b>20,518</b>	<b>4,217</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepays/inventories.....	75,110	1,220	-
<b>Restricted for:</b>			
Law enforcement.....	5,287	-	-
Fire protection.....	-	-	-
Building inspection.....	1,278	-	-
Transportation.....	228,926	-	-
Community redevelopment.....	-	5,646,240	2,156,917
Recreation.....	-	-	-
Debt service.....	-	-	-
<b>Committed to:</b>			
Capital projects fund.....	-	-	-
<b>Assigned to:</b>			
Sidewalk construction.....	8,404	-	-
Law enforcement.....	-	-	-
Fire victim assistance.....	-	-	-
Subsequent year's budget appropriations.....	1,002,900	-	-
Unassigned.....	1,219,178	-	-
<b>Total fund balances.....</b>	<b>2,541,083</b>	<b>5,647,460</b>	<b>2,156,917</b>
<b>Total liabilities and fund balances .....</b>	<b>\$ 5,784,928</b>	<b>5,667,978</b>	<b>2,161,134</b>

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

### Statement 3

CRA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
427,654	1,367,792	12,199,148
-	-	433,769
-	-	630
-	630	2,700,239
-	-	5,196
-	-	71,134
<u>427,654</u>	<u>1,368,422</u>	<u>15,410,116</u>
-	2,568	721,521
-	630	630
-	-	<u>2,549,627</u>
-	<u>3,198</u>	<u>3,271,778</u>
-	-	76,330
-	105,490	110,777
-	44,349	44,349
-	-	1,278
-	88,305	317,231
-	-	7,803,157
-	46,328	46,328
427,654	-	427,654
-	1,078,195	1,078,195
-	-	8,404
-	2,557	2,557
-	-	-
-	-	1,002,900
-	-	<u>1,219,178</u>
<u>427,654</u>	<u>1,365,224</u>	<u>12,138,338</u>
<u>427,654</u>	<u>1,368,422</u>	<u>15,410,116</u>

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS      Statement 3A**  
**TO THE STATEMENT OF NET POSITION**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

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Fund balances - total governmental funds .....	\$ 12,138,338
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....	18,484,035
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Delinquent tax revenues and other grant revenues deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt.....	2,422,641
--	-----------

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.....	643,505
FRS Health Insurance Subsidy.....	123,657
Holly Hill Police Officers' Retirement Trust Fund.....	317,646
Holly Hill Firefighters' Retirement System.....	<u>162,521</u>
	1,247,329
Deferred Inflows on Pension Liabilities:	
Florida Retirement System.....	(43,224)
FRS Health Insurance Subsidy.....	(53,692)
Holly Hill Police Officers' Retirement Trust Fund.....	(185,144)
Holly Hill Firefighters' Retirement System.....	<u>(36,468)</u>
	(318,528)

Net post-retirement benefits obligation which is actuarially due and payable in the current period which will be accumulated in future periods.....	(1,311,613)
---	-------------

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.....	(6,885,000)
Accrued interest payable.....	(62,933)
Compensated absences.....	(961,780)
Net pension obligation:	
Florida Retirement System.....	(1,282,286)
FRS Health Insurance Subsidy.....	(606,331)
Holly Hill Police Officers' Retirement Trust Fund.....	(2,184,261)
Holly Hill Firefighters' Retirement System.....	<u>(1,337,452)</u>
	(13,320,043)

Net position of governmental activities .....	<u>\$ 19,342,159</u>
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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, 2017

CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
Revenue:			
Taxes.....	\$ 5,032,378	1,025,065	-
Permits and fees .....	982,841	-	-
Intergovernmental.....	1,179,237	1,104,618	-
Charges for services .....	144,036	-	-
Fines and forfeitures.....	59,294	-	-
Investment income.....	11,171	20,679	-
Miscellaneous .....	<u>124,989</u>	<u>1,318,423</u>	<u>17,822</u>
Total revenue.....	<u>7,533,946</u>	<u>3,468,785</u>	<u>17,822</u>
Expenditures:			
Current:			
General government.....	2,065,509	-	-
Public safety .....	6,492,050	324,726	-
Transportation.....	296,719	-	-
Economic environment .....	-	255,518	-
Culture/recreation .....	822,914	-	-
Capital Outlay:			
General government.....	-	-	-
Public safety .....	-	-	-
Physical environment .....	-	-	-
Transportation.....	-	-	-
Economic environment .....	-	-	1,744,728
Culture/recreation.....	-	-	-
Debt Service:			
Principal retirement .....	-	-	-
Interest and fiscal charges.....	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>9,677,192</u>	<u>580,244</u>	<u>1,744,728</u>
Excess of revenue over (under) expenditures.....	<u>(2,143,246)</u>	<u>2,888,541</u>	<u>(1,726,906)</u>
Other Financing Sources (Uses):			
Transfers in .....	881,152	-	-
Transfers out.....	<u>(1,243,541)</u>	<u>(854,900)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(362,389)</u>	<u>(854,900)</u>	<u>-</u>
Net changes in fund balances.....	(2,505,635)	2,033,641	(1,726,906)
Fund balances, beginning of year .....	<u>5,046,718</u>	<u>3,613,819</u>	<u>3,883,823</u>
Fund balances, end of year .....	<u>\$ 2,541,083</u>	<u>5,647,460</u>	<u>2,156,917</u>

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

# Statement 4

CRA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
-	-	6,057,443
-	2,271	985,112
-	46,076	2,329,931
-	-	144,036
-	-	59,294
-	-	31,850
<u>1,901</u>	<u>8,525</u>	<u>1,471,660</u>
<u>1,901</u>	<u>56,872</u>	<u>11,079,326</u>
-	-	2,065,509
-	3,675	6,820,451
-	-	296,719
-	-	255,518
-	289	823,203
-	46,345	46,345
-	111,200	111,200
-	40,569	40,569
-	20,073	20,073
-	-	1,744,728
-	89,286	89,286
685,000	-	685,000
<u>162,299</u>	<u>-</u>	<u>162,299</u>
<u>847,299</u>	<u>311,437</u>	<u>13,160,900</u>
<u>(845,398)</u>	<u>(254,565)</u>	<u>(2,081,574)</u>
854,900	1,243,541	2,979,593
<u>-</u>	<u>(67,411)</u>	<u>(2,165,852)</u>
<u>854,900</u>	<u>1,176,130</u>	<u>813,741</u>
9,502	921,565	(1,267,833)
<u>418,152</u>	<u>443,659</u>	<u>13,406,171</u>
<u>427,654</u>	<u>1,365,224</u>	<u>12,138,338</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, 2017  
CITY OF HOLLY HILL, FLORIDA

Net change in fund balances - total governmental funds ..... \$ (1,267,833)

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

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

Capital outlay expenditures.....	2,091,626	
Depreciation expense.....	<u>(915,530)</u>	1,176,096

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 .....	685,000
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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 deferred revenues amd taxes.....	2,405,724	
Gains (losses) on asset sales.....	<u>(2,408,891)</u>	(3,167)

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.....	(602,210)	
Deferred inflows - pension plans.....	108,599	
Net pension liabilities.....	373,269	
Accrued postemployment benefit obligation.....	<u>(186,583)</u>	(306,925)

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.....	(22,250)	
Change in accrued interest on bonds and notes payable .....	<u>6,221</u>	<u>(16,029)</u>

Change in net position of governmental activities .....	<u>\$ 267,142</u>
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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, 2017  
CITY OF HOLLY HILL, FLORIDA

	Original	Final	Actual Amounts	Variance
Revenue:				
Taxes.....	\$ 4,834,600	5,000,300	5,032,378	32,078
Permits and fees.....	948,100	975,800	982,841	7,041
Intergovernmental revenue.....	1,720,100	1,204,800	1,179,237	(25,563)
Charges for services.....	143,300	143,200	144,036	836
Fines and forfeitures.....	38,600	58,800	59,294	494
Investment income.....	4,300	4,300	11,171	6,871
Miscellaneous.....	67,400	124,500	124,989	489
Total revenues.....	<u>7,756,400</u>	<u>7,511,700</u>	<u>7,533,946</u>	<u>22,246</u>
Expenditures:				
Current:				
General Government:				
Legislative.....	161,100	161,100	130,602	30,498
Executive.....	347,900	349,400	332,448	16,952
Financial and Administrative.....	1,527,300	1,487,900	1,261,543	226,357
Legal Counsel.....	135,000	110,500	52,223	58,277
Comprehensive Planning.....	71,200	71,900	71,868	32
Nondepartmental.....	319,400	329,700	216,825	112,875
	<u>2,561,900</u>	<u>2,510,500</u>	<u>2,065,509</u>	<u>444,991</u>
Public Safety:				
Law enforcement.....	2,134,400	2,212,900	2,202,472	10,428
Fire safety.....	1,330,700	1,330,700	1,261,888	68,812
Protective inspection.....	407,700	414,800	402,583	12,217
Emergency and Disaster Relief.....	-	-	2,625,107	(2,625,107)
	<u>3,872,800</u>	<u>3,958,400</u>	<u>6,492,050</u>	<u>(2,533,650)</u>
Transportation.....	<u>475,800</u>	<u>559,700</u>	<u>296,719</u>	<u>262,981</u>
Culture/recreation.....	<u>892,600</u>	<u>962,000</u>	<u>822,914</u>	<u>139,086</u>
Total expenditures.....	<u>7,803,100</u>	<u>7,990,600</u>	<u>9,677,192</u>	<u>(1,686,592)</u>
Excess of revenue over (under) expenditures.....	<u>(46,700)</u>	<u>(478,900)</u>	<u>(2,143,246)</u>	<u>(1,664,346)</u>

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

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Statement 5**  
**(Continued)**

	Original	Final	Actual Amounts	Variance
Other Financing Sources (Uses):				
Transfers in.....	\$ 815,800	829,600	881,152	51,552
Transfers (out).....	(1,909,600)	(1,426,800)	(1,243,541)	183,259
Appropriated fund balance.....	<u>1,140,500</u>	<u>1,076,100</u>	<u>-</u>	<u>(1,076,100)</u>
Total financing sources (uses).....	<u>46,700</u>	<u>478,900</u>	<u>(362,389)</u>	<u>(841,289)</u>
Net change in fund balance.....	-	-	(2,505,635)	(2,505,635)
Fund balance, beginning of year.....	<u>5,046,718</u>	<u>5,046,718</u>	<u>5,046,718</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 5,046,718</u>	<u>5,046,718</u>	<u>2,541,083</u>	<u>(2,505,635)</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, 2017  
CITY OF HOLLY HILL, FLORIDA

**Statement 6**

	Original	Final	Actual Amounts	Variance
Revenue:				
Taxes.....	\$ 1,027,200	1,025,000	1,025,065	65
Intergovernmental revenue.....	1,105,100	1,104,600	1,104,618	18
Investment income.....	5,000	4,800	20,679	15,879
Miscellaneous.....	<u>76,500</u>	<u>1,318,200</u>	<u>1,318,423</u>	<u>223</u>
Total revenues.....	<u>2,213,800</u>	<u>3,452,600</u>	<u>3,468,785</u>	<u>16,185</u>
Expenditures:				
Current:				
Public safety:				
Law enforcement:				
Personal services.....	306,600	313,200	302,341	10,859
Operating expenditures.....	<u>44,000</u>	<u>39,600</u>	<u>22,385</u>	<u>17,215</u>
	<u>350,600</u>	<u>352,800</u>	<u>324,726</u>	<u>28,074</u>
Economic environment:				
Personal services.....	125,800	125,800	77,613	48,187
Operating expenditures.....	303,800	303,800	142,956	160,844
Capital outlay.....	3,976,900	1,163,200	14,320	1,148,880
Grants and aid.....	<u>100,000</u>	<u>100,000</u>	<u>20,629</u>	<u>79,371</u>
	<u>4,506,500</u>	<u>1,692,800</u>	<u>255,518</u>	<u>1,437,282</u>
Total expenditures.....	<u>4,857,100</u>	<u>2,045,600</u>	<u>580,244</u>	<u>1,465,356</u>
Excess of revenue over (under) expenditures.....	<u>(2,643,300)</u>	<u>1,407,000</u>	<u>2,888,541</u>	<u>1,481,541</u>
Other Financing Sources (Uses):				
Transfers (out).....	(854,900)	(854,900)	(854,900)	-
Appropriated fund balance.....	<u>3,498,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing sources (uses).....	<u>2,643,300</u>	<u>(854,900)</u>	<u>(854,900)</u>	<u>-</u>
Net change in fund balance.....	-	552,100	2,033,641	1,481,541
Fund balance, beginning of year.....	<u>3,613,819</u>	<u>3,613,819</u>	<u>3,613,819</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 3,613,819</u>	<u>4,165,919</u>	<u>5,647,460</u>	<u>1,481,541</u>

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
<b>Assets:</b>				
Current Assets:				
Cash and cash equivalents.....	\$ 5,782,394	2,793,426	3,937,331	12,513,151
Accounts receivable (net).....	871,028	781	333,296	1,205,105
Inventories.....	46,759	11,726	-	58,485
Prepaid expenses.....	18,948	3,295	-	22,243
Restricted-cash and cash equivalents.....	<u>3,203,475</u>	<u>255,058</u>	<u>-</u>	<u>3,458,533</u>
Total current assets.....	<u>9,922,604</u>	<u>3,064,286</u>	<u>4,270,627</u>	<u>17,257,517</u>
Noncurrent Assets:				
Property and Equipment:				
Land.....	154,739	540,912	-	695,651
Buildings and improvements.....	43,002,178	8,595,241	54,651	51,652,070
Machinery and equipment.....	4,892,590	539,742	38,087	5,470,419
Construction in progress.....	<u>262,436</u>	<u>32,575</u>	<u>-</u>	<u>295,011</u>
	48,311,943	9,708,470	92,738	58,113,151
Less: accumulated depreciation.....	<u>(25,825,915)</u>	<u>(4,865,694)</u>	<u>(86,314)</u>	<u>(30,777,923)</u>
Total property and equipment (net of accumulated depreciation).....	<u>22,486,028</u>	<u>4,842,776</u>	<u>6,424</u>	<u>27,335,228</u>
Total assets.....	<u>32,408,632</u>	<u>7,907,062</u>	<u>4,277,051</u>	<u>44,592,745</u>
Deferred Outflows of Resources:				
Deferred outflows on pensions.....	392,348	58,207	-	450,555
Deferred charge on refunding loss.....	<u>131,130</u>	<u>-</u>	<u>-</u>	<u>131,130</u>
Total deferred outflows of resources.....	<u>523,478</u>	<u>58,207</u>	<u>-</u>	<u>581,685</u>
Total assets and deferred outflow of resources.....	<u>\$ 32,932,110</u>	<u>7,965,269</u>	<u>4,277,051</u>	<u>45,174,430</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
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 127,585	29,503	298,284	455,372
Compensated absences.....	<u>70,610</u>	<u>5,712</u>	<u>-</u>	<u>76,322</u>
Total current liabilities unrestricted.....	<u>198,195</u>	<u>35,215</u>	<u>298,284</u>	<u>531,694</u>
<b>Current Liabilities Payable From Restricted Assets:</b>				
Current maturities of long-term debt.....	1,704,741	309,692	-	2,014,433
Accounts payable and accrued liabilities.....	1,199	-	-	1,199
Accrued interest.....	169,784	9,522	-	179,306
Customer deposits.....	<u>931,058</u>	<u>-</u>	<u>-</u>	<u>931,058</u>
Total current liabilities payable from restricted assets.....	<u>2,806,782</u>	<u>319,214</u>	<u>-</u>	<u>3,125,996</u>
Total current liabilities.....	<u>3,004,977</u>	<u>354,429</u>	<u>298,284</u>	<u>3,657,690</u>
<b>Noncurrent Liabilities:</b>				
Revenue bonds payable (net).....	9,550,000	-	-	9,550,000
Notes payable (net).....	3,848,591	1,660,180	-	5,508,771
Post-retirement benefits payable.....	380,110	58,492	-	438,602
Compensated absences.....	211,830	17,138	-	228,968
Net pension liability.....	<u>965,892</u>	<u>143,296</u>	<u>-</u>	<u>1,109,188</u>
Total noncurrent liabilities.....	<u>14,956,423</u>	<u>1,879,106</u>	<u>-</u>	<u>16,835,529</u>
Total liabilities.....	<u>17,961,400</u>	<u>2,233,535</u>	<u>298,284</u>	<u>20,493,219</u>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows on pensions.....	<u>49,566</u>	<u>7,353</u>	<u>-</u>	<u>56,919</u>
<b>Net Position:</b>				
Net investment in capital assets.....	7,620,874	2,872,904	6,424	10,500,202
Restricted for debt service.....	1,518,611	245,536	-	1,764,147
Restricted for utility plant expansion.....	1,276,447	-	-	1,276,447
Unrestricted.....	<u>4,505,212</u>	<u>2,605,941</u>	<u>3,972,343</u>	<u>11,083,496</u>
Total net position.....	<u>14,921,144</u>	<u>5,724,381</u>	<u>3,978,767</u>	<u>24,624,292</u>
Total liabilities, deferred inflows of resources and net position.....	<u>\$ 32,932,110</u>	<u>7,965,269</u>	<u>4,277,051</u>	<u>45,174,430</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, 2017  
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.....	\$ 3,096,531	-	-	3,096,531
Sewer treatment charges.....	3,143,838	-	-	3,143,838
Waste disposal fees.....	-	-	2,582,925	2,582,925
Stormwater management fee.....	-	947,208	-	947,208
Other revenues.....	<u>222,291</u>	<u>-</u>	<u>4,720</u>	<u>227,011</u>
Total operating revenue.....	<u>6,462,660</u>	<u>947,208</u>	<u>2,587,645</u>	<u>9,997,513</u>
Operating Expenses:				
Personal services.....	1,560,227	222,395	-	1,782,622
Depreciation .....	1,558,026	304,079	1,129	1,863,234
Utilities.....	283,209	22,921	1,771	307,901
Materials and supplies.....	390,318	31,507	416	422,241
Contractual services .....	290,557	92,873	1,748,424	2,131,854
Maintenance and repairs.....	503,132	21,979	-	525,111
Other charges .....	<u>73,524</u>	<u>14,764</u>	<u>9,244</u>	<u>97,532</u>
Total operating expenses .....	<u>4,658,993</u>	<u>710,518</u>	<u>1,760,984</u>	<u>7,130,495</u>
Operating income.....	<u>1,803,667</u>	<u>236,690</u>	<u>826,661</u>	<u>2,867,018</u>
Nonoperating Revenue (Expenses):				
Interest earnings .....	29,649	5,193	5,139	39,981
Rental and other income.....	30,418	-	-	30,418
Interest and debt expense.....	<u>(436,541)</u>	<u>(49,505)</u>	<u>-</u>	<u>(486,046)</u>
Net nonoperating revenue (expenses).....	<u>(376,474)</u>	<u>(44,312)</u>	<u>5,139</u>	<u>(415,647)</u>
Income before contributions and transfers	1,427,193	192,378	831,800	2,451,371
Capital contributions.....	3,330	-	-	3,330
Transfers in.....	12,000	30,000	-	42,000
Transfers (out).....	<u>(631,747)</u>	<u>(71,294)</u>	<u>(152,700)</u>	<u>(855,741)</u>
Net increase (decrease) in net position....	810,776	151,084	679,100	1,640,960
Net position, beginning of year.....	<u>14,110,368</u>	<u>5,573,297</u>	<u>3,299,667</u>	<u>22,983,332</u>
Net position, end of year.....	<u>\$ 14,921,144</u>	<u>5,724,381</u>	<u>3,978,767</u>	<u>24,624,292</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, 2017  
CITY OF HOLLY HILL, FLORIDA

**Statement 9**

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers.....	\$ 6,415,946	935,674	2,544,534	9,896,154
Cash receipts from franchise fees.....	-	-	2,383	2,383
Cash paid for personal services.....	(1,403,228)	(204,968)	-	(1,608,196)
Cash paid to suppliers.....	<u>(1,444,474)</u>	<u>(187,686)</u>	<u>(1,740,018)</u>	<u>(3,372,178)</u>
Net cash provided by operating activities.	<u>3,568,244</u>	<u>543,020</u>	<u>806,899</u>	<u>4,918,163</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Rental income.....	30,418	-	-	30,418
Transfers (in).....	12,000	30,000	-	42,000
Transfers (out).....	<u>(631,747)</u>	<u>(71,294)</u>	<u>(152,700)</u>	<u>(855,741)</u>
Net cash provided by (used in) noncapital and related financing activities.....	<u>(589,329)</u>	<u>(41,294)</u>	<u>(152,700)</u>	<u>(783,323)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Capital contributions and grants.....	3,330	-	-	3,330
Acquisition/construction of capital assets...	(979,000)	(84,378)	-	(1,063,378)
Debt reduction outlays.....	(1,664,183)	(302,655)	-	(1,966,838)
Interest paid on capital debt obligations.....	<u>(403,364)</u>	<u>(50,962)</u>	<u>-</u>	<u>(454,326)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(3,043,217)</u>	<u>(437,995)</u>	<u>-</u>	<u>(3,481,212)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest received.....	<u>29,649</u>	<u>5,193</u>	<u>5,139</u>	<u>39,981</u>
Net increase (decrease) in cash and cash equivalents.....	(34,653)	68,924	659,338	693,609
Cash and cash equivalents, beginning of year....	<u>9,020,522</u>	<u>2,979,560</u>	<u>3,277,993</u>	<u>15,278,075</u>
Cash and cash equivalents, end of year.....	<u>\$ 8,985,869</u>	<u>3,048,484</u>	<u>3,937,331</u>	<u>15,971,684</u>
<b>Cash and Cash Equivalents:</b>				
Unrestricted cash and cash equivalents.....	\$ 5,782,394	2,793,426	3,937,331	12,513,151
Restricted cash and cash equivalents.....	<u>3,203,475</u>	<u>255,058</u>	<u>-</u>	<u>3,458,533</u>
Total cash and cash equivalents.....	<u>\$ 8,985,869</u>	<u>3,048,484</u>	<u>3,937,331</u>	<u>15,971,684</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, 2017  
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).....	\$ 1,803,667	236,690	826,661	2,867,018
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation and amortization (net).....	1,558,026	304,079	1,129	1,863,234
Provision for bad debts (recoveries).....	54,486	10,842	9,871	75,199
Changes in assets and liabilities:				
Accounts receivable.....	(161,882)	(11,534)	(40,728)	(214,144)
Inventories.....	16,566	415	-	16,981
Prepaid expenses.....	(18,599)	(3,295)	-	(21,894)
Deferred outflows of resources.....	43,549	5,622		49,171
Accounts payable/accrued liabilities....	37,266	(11,188)	9,966	36,044
Compensated absences.....	26,610	(2,760)	-	23,850
Customer deposits.....	115,168	-	-	115,168
Post-employment benefit obligation....	65,240	9,133	-	74,373
Net pension liability.....	66,052	9,799	-	75,851
Deferred inflows of resources.....	(37,905)	6,461	-	(31,444)
Net cash provided by operating activities.	<u>\$ 3,568,244</u>	<u>554,264</u>	<u>806,899</u>	<u>4,929,407</u>

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - POLICE OFFICERS' RETIREMENT TRUST FUND**  
**AND FIREFIGHTERS' RETIREMENT SYSTEM**  
September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Statement 10**

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Assets:	
Cash and cash equivalents.....	\$ 601,907
Receivables:	
Employer contributions receivable.....	63,243
Employee contributions receivable.....	1,754
State contributions receivable.....	1,753
Broker receivable.....	6,371
Interest and dividends receivable.....	<u>38,847</u>
Total accounts receivable.....	111,968
Prepaid items.....	54,045
Investments, at fair value	
U.S. Treasury obligations.....	1,466,487
U. S. Government Agencies.....	331,345
Corporate/municipal debt obligations .....	1,834,824
Domestic corporate equities.....	5,558,459
International corporate equities.....	1,355,898
Mutual funds.....	2,933,128
Pooled funds - real estate.....	<u>210,859</u>
Total investments.....	<u>13,691,000</u>
Total assets.....	14,458,920
Liabilities:	
Accounts payable.....	<u>45,843</u>
Net Position:	
Held in trust for pension benefits.....	<u>\$ 14,413,077</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - POLICE OFFICERS' RETIREMENT TRUST FUND**  
**AND FIREFIGHTERS' RETIREMENT SYSTEM**

**Statement 11**

For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

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Additions:

Contributions from:

Employer .....	\$ 621,009
State .....	160,428
Plan members.....	<u>118,244</u>

Total contributions.....	899,681
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Investment income:

Net realized and unrealized appreciation (depreciation) in fair value of investments.....	1,234,382
Interest and dividend earnings .....	<u>292,016</u>
	1,526,398
Less: investment management fees .....	<u>(110,165)</u>

Total investment income .....	<u>1,416,233</u>
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Total additions .....	2,315,914
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Deductions:

Benefit payments.....	957,745
Refunds/withdrawals .....	72,326
Administrative expenses .....	<u>54,414</u>

Total deductions.....	<u>1,084,485</u>
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Net increase.....	1,231,429
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Net position held in trust for pension benefits:

Beginning of year .....	<u>13,181,648</u>
End of year .....	<u>\$ 14,413,077</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, 2017

CITY OF HOLLY HILL, FLORIDA

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### 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, 2017

CITY OF HOLLY HILL, FLORIDA

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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, 2017

CITY OF HOLLY HILL, FLORIDA

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***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, 2017

CITY OF HOLLY HILL, FLORIDA

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***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, 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)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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. 77, “*Tax Abatement Disclosures.*” Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The City was not a party to any tax abatement in effect during the year. The implementation of this statement did not have a significant impact on the City’s financial reporting.
- Statement No. 78, “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*” The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The implementation of this statement did not have a significant impact on the City’s financial reporting.
- Statement No. 80, “*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.*” The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The implementation of this statement did not have a significant impact on the City’s financial reporting.
- Statement 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73.*” The objective of this Statement is to address certain issues that have been raised with respect to GASB. 67, *Financial Reporting for Pension Plans*, GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an actuarial Standard Practice for Financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a significant impact on the City’s financial reporting.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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- Statement 83, "*Certain Asset Retirement Obligations*." The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of this statement did not have a significant impact on the City's financial reporting.
- Statement 86, "*Certain Debt Extinguishment Issues*." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement did not have a significant impact on the City's financial reporting.

The City is currently evaluating the effects that the following Governmental Accounting Standards Board (GASB) Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years.

- Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement is currently under review to evaluate the impact it may have on the City's financial statement presentation. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
- Statement 84, "*Fiduciary Activities*." The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is currently under review to evaluate the impact it may have on the City's financial statement presentation. The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
- Statement 85, "*Omnibus 2017*." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement is currently under review to evaluate the impact it may have on the City's financial statement presentation. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
- Statement 87, "*Leases*." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is currently under

## **NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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review to evaluate the impact it may have on the City's financial statement presentation. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

**Reclassification:** Certain amounts for 2016 have been reclassified to conform to the 2017 financial statement presentation.

### **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.
- 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

## **NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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, 2017, expenditures were incurred in excess of revised budgetary appropriations in the General Fund in the amount of \$1,686,592, which was funded in its entirety from prior year surplus funds. These charges resulted from the unanticipated expenditures totaling \$2,625,107 incurred by the City for disaster relief and cleanup associated with Hurricane Matthew (October 2016) and Hurricane Irma (September 2017), of which it is anticipated that amounts totaling \$2,405,724 will be recovered subsequent to year end from federal grants and state financial assistance.

During the year ended September 30, 2017, expenditures were incurred in excess of revised budgetary appropriations in the Community Development Block Grant Fund in the amount of \$569. These charges are anticipated to be funded in their entirety from a federal grant subsequent to year end.

### **NOTE 4 - PROPERTY TAX CALENDAR**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was 6.8949 mills for the (2016 tax year) fiscal year ended September 30, 2017.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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The property tax calendar is as follows:

Valuation Date	January 1
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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
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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
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City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September 18
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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
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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
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<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
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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
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A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August 28
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**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

**NOTE 5 - DEPOSITS AND INVESTMENTS**

At September 30, 2017, the City had the following investments and maturities:

	Fair Value	Less Than 1	<u>Investment Maturities (Years)</u>		
			From 1 to 5	From 6 to 10	Over 10
SunTrust money market funds.....	\$ 13,409,244	13,409,244	-	-	-
Pension Trusts:					
Money Market.....	608,278	608,278	-	-	-
U.S. Treasury.....	1,466,487	-	874,265	541,994	50,228
U.S. Government Agencies.....	331,345	114,019	144,356	12,200	60,770
Corporate/municipal bonds.....	1,774,515	161,672	1,118,216	268,929	225,698
Bonds international.....	60,309	-	19,939	40,370	-
Corporate equities.....	5,558,459	5,558,459	-	-	-
International equities.....	1,355,898	1,355,898	-	-	-
Pooled funds-real estate.....	210,859	210,859	-	-	-
Mutual funds-domestic.....	2,271,320	2,271,320	-	-	-
Mutual funds-international.....	661,808	661,808	-	-	-
	<u>14,299,278</u>	<u>10,942,313</u>	<u>2,156,776</u>	<u>863,493</u>	<u>336,696</u>
Totals.....	<u>\$ 27,708,522</u>	<u>24,351,557</u>	<u>2,156,776</u>	<u>863,493</u>	<u>336,696</u>

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

Investments held in the City's Police and Fire pension trust funds (the "Police Plan" and "Fire Plan", respectively) are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. While potential current period fair value losses can occur with these investments in any given year, the ultimate realization of fair value losses is mitigated by the holding of these investments to maturity. Investments in U.S. Treasuries typically include discounted, fixed-price notes and bonds with maturities ranging from one to thirty years. The fair value of these investments is less sensitive to interest rate increases since they are held to maturity. Investments in mortgage backed securities typically include long-term, fixed-rate collateralized mortgage obligations with maturities ranging from one to twenty years. Their fair values are particularly sensitive to prepayments by mortgagees, which may result from a decline in interest rates, and inversely sensitive to changes in interest rates. Investments in fixed rate domestic corporate bonds, with maturities ranging from one to 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.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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Government; interest bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision or in federal savings and loan associations located in this state and organized under federal law and federal supervision; money market accounts that invest in U.S. Government obligations; obligations of Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

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

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

At September 30, 2017, the carrying value of the City's cash deposit accounts totaled \$14,759,026 and the bank balance totaled \$14,908,105. 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 \$2,562 in cash funds on hand at the end of the fiscal year. The carrying amount of the City's \$13,409,244 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, 2017, the Plans' fixed income corporate bonds held ratings of A- or better by Standard & Poor's.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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***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, 2017, 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 67.5 percent of the fund's assets, with a target range of 62.5 to 67.5 percent;
2. The aggregate of the trust fund's investments in negotiable fixed income securities, including securities issued by the United States government, agencies of the United States government, or bonds, or preferred stocks issued by domestic corporations having an initial rating of A or higher, at market, shall be at least 32.5 percent of the fund's assets, with a target range of 32.5 to 37.5 percent;
3. Short-term money market funds or instruments may be included within the above categories of investments, provided that if commercial paper is used, it must be rated at least A-2 or P-2; and
4. International investment of any kind, equities or fixed securities, shall not exceed 25 percent of the fund's assets.

All monies paid into or held in the Fire System shall be invested and reinvested by the board and the investment of all or any part of such funds shall be limited to:

- a) Annuity and life insurance contracts with life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the members in the fund shall be entitled under the provisions of this system and pay the initial and subsequent premium thereon.
- b) Time or savings accounts of a national bank, a state bank insured by the bank insurance fund or a savings/building and loan association insured by the savings association insurance fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
- c) Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States or by an agency of the government of the United States.
- d) Bonds issued by the State of Israel.
- e) Stocks, commingled funds, mutual funds or other investment vehicles approved by the board, and bonds or other evidences of indebtedness, provided that:
  1. Except as provided in subsection 2 below, all individually held securities and all securities in a commingled or mutual fund or other investment vehicles approved by the board, must be issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.



**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

2. Up to twenty-five (25) percent of the assets of the fund at market value may be invested in foreign securities.
  3. The board shall not invest more than five percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at market exceed seventy (70) percent of the assets of the fund.
- f) Real estate directly or through an investment vehicle approved by the board or real estate investment trusts (REITS) that trade on a major exchange, provided the board shall not invest more than fifteen (15) percent at cost at market of the assets of the fund in REITS.
- g) Master Limited Partnerships (MLP) that trade on a major exchange, in an amount not to exceed ten (10) percent of the assets of the fund at market value. No more than ten (10) percent at market value of an investment manager's MLP portfolio may be invested in a single issuer unless the issuer makes up more than ten (10) percent of the Alerian MLP Index, in which case, up to the Index weighting may be held.

**Foreign Currency Risk.** Investments in the City's Police Plan include international equity stocks and other investments. The Police Fund's exposure to foreign currency risk at September 30, 2017, is as follows:

<u>Country</u>	<u>Percentage</u>	<u>Foreign Currency</u>	<u>Investment/ Maturity</u>	<u>(US Dollar) Fair Value</u>
Euro Zone	4.46%	Euro	N/A	\$ 447,892
United Kingdom	2.50%	British Pound	N/A	250,590
Japan	1.30%	Yen	N/A	130,076
Switzerland	0.63%	Swiss Franc	N/A	63,160
China	0.56%	Yaun/Renminbi	N/A	56,589
Canada	0.71%	Canadian Dollar	N/A	70,876
Singapore	0.45%	Singapore Dollar	N/A	44,726
Taiwan	0.60%	Taiwan Dollar	N/A	60,144
Israel	0.09%	Sheqel	N/A	9,464
South Korea	0.26%	Won	N/A	26,124
Denmark	0.11%	Danish Krone	N/A	11,369
India	0.09%	Rupee	N/A	8,588
Sweden	0.16%	Swedish Krona	N/A	15,697
Thailand	0.09%	Thai baht	N/A	9,186
Mexico	0.18%	Peso	N/A	18,028
Australia	0.06%	Australion Dollar	N/A	6,205
Bermuda	0.35%	Bermuda Dollar	N/A	35,617
Other	<u>0.16%</u>	Various	N/A	<u>16,371</u>
	<u>12.76%</u>			<u>\$ 1,280,702</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

The Fire System's exposure to foreign currency risk as of September 30, 2017, is as follows:

<u>Country</u>	<u>Portfolio Percentage</u>	<u>Foreign Currency</u>	<u>Maturity</u>	<u>Fair Value (USD)</u>
Euro Zone	3.54%	Euro	N/A	\$ 153,762
Japan	2.90%	Japanese yen	N/A	125,807
United Kingdom	2.13%	Pound sterling	N/A	92,712
Other	1.43%	Other	N/A	62,290
Canada	1.26%	Canadian dollar	N/A	54,814
China	0.91%	Renminbi	N/A	39,652
India	0.82%	Indian rupee	N/A	35,830
Hong Kong	0.68%	Hong Kong dollar	N/A	29,520
Switzerland	0.66%	Swiss franc	N/A	28,505
South Korea	0.65%	South Korean won	N/A	28,186
Australia	0.38%	Australian dollar	N/A	16,707
Taiwan	0.31%	New Taiwan dollar	N/A	13,376
Denmark	0.29%	Danish krone	N/A	12,427
Brazil	0.24%	Brazilian real	N/A	10,510
Sweden	0.17%	Swedish krona	N/A	7,507
Thailand	0.14%	Thai baht	N/A	6,211
South Africa	<u>0.10%</u>	South African rand	N/A	<u>4,300</u>
	<u>16.62%</u>			<u>\$ 722,116</u>

**Fair Value Measurements:** The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumption about risk).

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable inputs requires judgment by City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments. The methods described may produce fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City's asset manager from third party service providers.

The City applies fair market value updates to its securities on a daily basis. Security pricing is provided by a third party, and is reported daily to the City by its custodian bank. Assets are categorized by asset type, which is a key component of determining hierarchy levels.

Asset types allowable per the City's investment policy generally fall within hierarchy level 1 and 2. The City recorded its investments at fair value, and primarily uses the Market Approach to valuing each security. All of the City's investments at September 30, 2017, fall within hierarchy level 1 or 2.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

**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, 2017:

<u>Governmental Activities:</u>	<u>General</u>	Community Redevelopment <u>Agency</u>	<u>Nonmajor</u>	<u>Total</u>
Delinquent taxes.....	\$ 16,917	-	-	16,917
Franchise/utility tax payments.....	418,388	-	-	418,388
Utility service tax.....	38,216	-	-	38,216
Employee purchase program.....	12,600	-	-	12,600
Miscellaneous receivables.....	<u>14,083</u>	<u>5,525</u>	-	<u>19,608</u>
	500,204	5,525	-	505,729
Less: bad debt allowance.....	<u>(55,043)</u>	-	-	<u>(55,043)</u>
Total.....	<u>\$ 445,161</u>	<u>5,525</u>	<u>-</u>	<u>450,686</u>

<u>Business-type Activities:</u>	Water and <u>Sewer</u>	Stormwater <u>Drainage</u>	Solid <u>Waste</u>	<u>Total</u>
Customer receivables billed.....	\$ 563,189	30,566	206,060	799,815
Customer receivables unbilled.....	432,524	-	153,958	586,482
Other receivables.....	<u>5,988</u>	<u>12</u>	<u>60</u>	<u>6,060</u>
	1,001,701	30,578	360,078	1,392,357
Less: bad debt allowance.....	<u>(130,673)</u>	<u>(29,797)</u>	<u>(26,782)</u>	<u>(187,252)</u>
Total.....	<u>\$ 871,028</u>	<u>781</u>	<u>333,296</u>	<u>1,205,105</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

**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, 2017:

<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.....	\$ 482,181	14,458	1,331	2,568	500,538
Confiscations.....	12,356	-	-	-	12,356
Accrued wages.....	88,756	6,060	-	-	94,816
Payroll taxes.....	53,790	-	-	-	53,790
Sales taxes.....	42	-	-	-	42
Intergovernmental payable.....	950	-	-	-	950
Contract retention.....	-	-	2,886	-	2,886
Other accrued benefits.....	56,143	-	-	-	56,143
Total-governmental funds.....	<u>694,218</u>	<u>20,518</u>	<u>4,217</u>	<u>2,568</u>	721,521
Accrued interest on debt.....					<u>62,933</u>
Total-governmental activities.....					<u>\$ 784,454</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.....	\$ 101,078	25,049	298,284	424,411	
Accrued wages.....	26,507	4,454	-	30,961	
	<u>127,585</u>	<u>29,503</u>	<u>298,284</u>	<u>455,372</u>	
Payable from restricted assets:					
Accounts and retainage payable.....	1,199	-	-	1,199	
Accrued interest on debt.....	169,784	9,522	-	179,306	
	<u>170,983</u>	<u>9,522</u>	<u>-</u>	<u>180,505</u>	
Total-business-type activities.....	<u>\$ 298,568</u>	<u>39,025</u>	<u>298,284</u>	<u>635,877</u>	

**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.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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, 2017, totaled \$15,013.

**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, 2017, are as follows:

	Transfer <u>To</u>	Transfer <u>From</u>
<b>Governmental Activities:</b>		
General:		
Water and Sewer.....	\$ -	601,747
Solid Waste.....	-	140,700
Stormwater Drainage.....	-	71,294
Nonmajor governmental funds (*).....	1,243,541	67,411
Community Redevelopment Trust:		
CRA Debt Service Fund (*).....	854,900	-
CRA Debt Service Fund :		
Community Redevelopment Trust (*).....	-	854,900
Nonmajor governmental:		
General (*).....	<u>67,411</u>	<u>1,243,541</u>
Totals - governmental activities.....	<u>\$ 2,165,852</u>	<u>2,979,593</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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	Transfer <u>To</u>	Transfer <u>From</u>
<b>Business-type Activities:</b>		
Water and Sewer:		
General.....	\$ 601,747	-
Stormwater Drainage (*).....	30,000	-
Solid Waste.....	-	12,000
Stormwater Drainage:		
Water and Sewer (*) .....	-	30,000
General.....	71,294	-
Solid Waste		
General.....	<u>152,700</u>	<u>-</u>
Totals - business-type activities.....	<u>855,741</u>	<u>42,000</u>
Totals - all activities.....	<u>\$ 3,021,593</u>	<u>3,021,593</u>

**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, 2017, the following interfund balances are reported:

	Due <u>From</u>	Due <u>To</u>
<b>Governmental Activities:</b>		
Major fund:		
General fund (*).....	\$ 630	-
Nonmajor fund:		
Community Development Block Grant Fund (*).....	<u>-</u>	<u>630</u>
Totals.....	<u>\$ 630</u>	<u>630</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

**NOTE 9 - CAPITAL ASSETS**

A summary of the capital assets activity for the year ended September 30, 2017, is as follows:

	Balance 09/30/16	Addition	Deletions	Balance 09/30/17
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 4,377,832	-	(904,426)	3,473,406
Construction work in progress.....	1,348,956	1,797,425	(138,313)	3,008,068
Total capital assets not being depreciated....	<u>5,726,788</u>	<u>1,797,425</u>	<u>(1,042,739)</u>	<u>6,481,474</u>
Capital assets being depreciated:				
Buildings.....	5,882,347	40,138	(650,474)	5,272,011
Improvements other than buildings.....	7,244,347	117,641	(1,075,193)	6,286,795
Machinery and equipment.....	3,268,580	258,865	(46,040)	3,481,405
Infrastructure.....	9,790,249	-	(6,850)	9,783,399
Total capital assets being depreciated.....	<u>26,185,523</u>	<u>416,644</u>	<u>(1,778,557)</u>	<u>24,823,610</u>
Less accumulated depreciation for:				
Buildings.....	(2,150,164)	(165,336)	135,391	(2,180,109)
Improvements other than buildings.....	(2,670,795)	(286,644)	128,436	(2,829,003)
Machinery and equipment.....	(2,382,646)	(229,505)	26,052	(2,586,099)
Infrastructure.....	(4,991,876)	(234,045)	83	(5,225,838)
Total accumulated depreciation.....	<u>(12,195,481)</u>	<u>(915,530)</u>	<u>289,962</u>	<u>(12,821,049)</u>
Total capital assets being depreciated, net....	<u>13,990,042</u>	<u>(498,886)</u>	<u>(1,488,595)</u>	<u>12,002,561</u>
Governmental activities capital assets, net....	<u>\$19,716,830</u>	<u>1,298,539</u>	<u>(2,531,334)</u>	<u>18,484,035</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 665,515	30,136	-	695,651
Construction work in progress.....	982,223	846,622	(1,534,335)	294,510
Total capital assets not being depreciated....	<u>1,647,738</u>	<u>876,758</u>	<u>(1,534,335)</u>	<u>990,161</u>
Capital assets being depreciated:				
Buildings.....	11,039,613	-	-	11,039,613
Improvements other than buildings.....	30,747,466	1,458,057	-	32,205,523
Machinery and equipment.....	5,372,587	112,924	(30,185)	5,455,326
Infrastructure.....	8,407,435	-	-	8,407,435
Total capital assets being depreciated.....	<u>55,567,101</u>	<u>1,570,981</u>	<u>(30,185)</u>	<u>57,107,897</u>
Less accumulated depreciation for:				
Buildings.....	(7,404,360)	(168,735)	-	(7,573,095)
Improvements other than buildings.....	(13,147,974)	(1,222,981)	-	(14,370,955)
Machinery and equipment.....	(4,143,788)	(229,567)	15,093	(4,358,262)
Infrastructure.....	(4,233,660)	(241,951)	-	(4,475,611)
Total accumulated depreciation.....	<u>(28,929,782)</u>	<u>(1,863,234)</u>	<u>15,093</u>	<u>(30,777,923)</u>
Total capital assets being depreciated, net....	<u>26,637,319</u>	<u>(292,253)</u>	<u>(15,092)</u>	<u>26,329,974</u>
Business-type capital assets, net.....	<u>\$28,285,057</u>	<u>584,505</u>	<u>(1,549,427)</u>	<u>27,320,135</u>



**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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

**Governmental activities:**

General government.....	\$ 66,897
Public safety.....	132,631
Transportation.....	234,581
Economic environment.....	253,127
Physical environment.....	22,876
Culture/recreation.....	<u>205,418</u>

Total depreciation expense - governmental activities... \$ 915,530

**Business-type activities:**

Water and Sewer Fund.....	\$ 1,558,026
Stormwater Drainage.....	304,079
Solid Waste Fund.....	<u>1,129</u>

Total depreciation expense - business-type activities... \$ 1,863,234

Capitalized construction period interest, net of interest earned on unexpended construction funds, totaled \$-0- for the year ended September 30, 2017.

**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, 2017, are as follows:

Fiscal Year	Total
September 30, 2018.....	<u>\$ 1,149</u>

Rental expense under these obligations totaled \$8,000 for the year ended September 30, 2017.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

**NOTE 11 - LONG-TERM DEBT**

The City's long-term debt outstanding at September 30, 2017 is as follows:

<b>A. Governmental Activities:</b>	<b>Balance Due</b>	<b>Current Maturities</b>
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 .....	\$ 2,930,000	335,000
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>3,255,000</u>	<u>365,000</u>
Total revenue note and capital lease .....	6,885,000	700,000
Net post-employment benefits obligation .....	1,311,613	-
Compensated absences (current portion estimated) .....	961,780	240,445
Net pension liability .....	<u>5,410,330</u>	<u>975,000</u>
Total governmental activities long-term debt .....	<u>\$14,568,723</u>	<u>1,915,445</u>

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

	<b>Balances 9/30/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances 9/30/2017</b>
Revenue Notes Payable:				
SunTrust Bank - 2.04% CRA				
Redevelopment Revenue Refunding				
Note, Series 2012 .....	\$ 3,590,000	-	(325,000)	3,265,000
BB&T - 2.33% CRA				
Redevelopment Revenue Note				
Series 2013 .....	3,980,000	-	(360,000)	3,620,000
Net postemployment obligation .....	1,125,030	186,583	-	1,311,613
Compensated absences .....	939,531	550,250	(528,001)	961,780
Net pension liability .....	<u>5,783,599</u>	-	<u>(373,269)</u>	<u>5,410,330</u>
	<u>\$ 15,418,160</u>	<u>736,833</u>	<u>(1,586,270)</u>	<u>14,568,723</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

The long-term liability related to pension liability represents the City's allocated share of the applicable state's pension liability and amounts associated with the City's Police and Fire Pension trust funds. Changes to the City's allocated share of the state's pension fund liability occur as a result of the state's allocation process and are non-liquidating by the City itself. Changes to the City's police and fire pension fund liabilities are estimated and approximate the subsequent year's anticipated pension benefit payments. The liability related to compensated absences will be liquidated by the City. The City's allocated share of the Other Postemployment Benefits (OPEB) liability is also reported above. The City does not currently fund the OPEB liability; therefore, it is non-liquidating.

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

Fiscal Year	Total
September 30, 2018.....	\$ 847,121
September 30, 2019.....	846,724
September 30, 2020.....	845,942
September 30, 2021.....	844,889
September 30, 2022.....	848,393
September 30, 2023 through 2026.....	<u>3,391,353</u>
Total debt service requirements.....	7,624,422
Less: interest.....	<u>(739,422)</u>
Net principal amount.....	<u>\$ 6,885,000</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, 2017 totaled \$162,299. 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, 2017

CITY OF HOLLY HILL, FLORIDA

<b>B. Business-Type Activities:</b>	<b>Balance Due</b>	<b>Current Maturities</b>
Revenue Bonds Payable:		
Water and Sewer System Improvement Revenue Bond, Series 2005 3.82% due in installments to October 2025 .....	\$ 815,000	80,000
Water and Sewer System Improvement Revenue Bond, Series 2011 3.46%, due in installments to October 2030 .....	3,620,000	205,000
Water and Sewer System Improvement Refunding Revenue Bond, Series 2012 1.95% due in installments to October 2022 .....	5,275,000	820,000
Water and Sewer System Improvement Revenue Bond, Series 2013 1.94% due in installments to October 2023 .....	1,110,000	150,000
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 .....	599,091	142,913
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 .....	349,130	33,545
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.....	3,335,110	258,283
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 service charges .....	<u>1,969,872</u>	<u>309,692</u>
Total bonds and notes payable .....	17,073,203	1,999,433
Net postemployment obligation .....	438,602	-
Compensated absences (current portion estimated) .....	305,290	76,323
Net pension liability .....	<u>1,109,188</u>	<u>-</u>
Total business-type activities long-term debt .....	<u>\$18,926,283</u>	<u>2,075,756</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

The long-term liability related to pension liability represents the City's allocated share of the applicable state's pension liability. Changes to the City's allocated share of the state's pension fund liability occur as a result of the state's allocation process and are non-liquidating by the City itself. The liability related to compensated absences will be liquidated by the City. The City's allocated share of the Other Postemployment Benefits (OPEB) liability is also reported above. The City does not currently fund the OPEB liability; therefore, it is non-liquidating.

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

	Balances 9/30/2016	Additions	Deletions	Balances 9/30/2017
Water and Sewer System Improvement Revenue Bond, Series 2005.....	\$ 890,000	-	(75,000)	815,000
Water and Sewer System Improvement Revenue Bond, Series 2011.....	3,820,000	-	(200,000)	3,620,000
Water and Sewer System Improvement Refunding Revenue Bond, Series 2012.....	6,095,000	-	(820,000)	5,275,000
Water and Sewer System Improvement Revenue Bond, Series 2013.....	1,255,000	-	(145,000)	1,110,000
FDEP Clean Water State Revolving Fund Loans:				
3.11% Loan dated 07/28/98.....	737,661	-	(138,570)	599,091
2.12% Loan dated 11/21/05.....	381,975	-	(32,845)	349,130
2.17% Loan dated 10/17/07.....	3,587,879	-	(252,769)	3,335,110
3.27% Loan dated 01/30/01.....	2,272,527	-	(302,655)	1,969,872
Net postemployment obligation.....	364,229	74,373	-	438,602
Compensated absences.....	281,440	298,045	(274,195)	305,290
Net pension liability.....	<u>1,033,337</u>	<u>75,851</u>	<u>-</u>	<u>1,109,188</u>
	<u>\$ 20,719,048</u>	<u>448,269</u>	<u>(2,241,034)</u>	<u>18,926,283</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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

Fiscal Year	Revenue Bonds	Revenue Notes	Total
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.....	1,537,743	884,089	2,421,832
September 30, 2021.....	1,531,632	884,090	2,415,722
September 30, 2022.....	1,539,823	723,646	2,263,469
September 30, 2023 through 2027.....	3,335,962	2,183,384	5,519,346
September 30, 2028 through 2031.....	<u>1,306,154</u>	<u>493,893</u>	<u>1,800,047</u>
Total debt service requirements.....	12,321,969	6,937,279	19,259,248
Less: interest.....	<u>(1,501,969)</u>	<u>(684,076)</u>	<u>(2,186,045)</u>
Net principal amount.....	<u>\$10,820,000</u>	<u>6,253,203</u>	<u>17,073,203</u>

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

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.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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, 2017 was \$454,446. Of this amount, \$-0- was capitalized and \$454,446 was charged to operations as expense. Interest and debt expense includes \$44,404 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 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, 2016:

	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2017</u>
Annual required contribution (ARC) .....	\$ 328,126	349,805	367,325
As a percent of covered payroll .....	7.3%	7.6%	7.9%
Interest on prior Net OPEB obligation.....	49,150	57,820	59,570
Prior Net OPEB obligation adjustment.....	<u>(91,283)</u>	<u>(103,849)</u>	<u>(113,323)</u>
Annual OPEB cost (expense).....	285,993	303,776	313,572
Estimated net contributions made .....	<u>(93,324)</u>	<u>(99,390)</u>	<u>(52,616)</u>
Increase in net OPEB obligation.....	192,669	204,386	260,956
Net OPEB obligation-beginning of year .....	<u>1,092,204</u>	<u>1,284,873</u>	<u>1,489,259</u>
Net OPEB obligation-end of year .....	<u>\$1,284,873</u>	<u>1,489,259</u>	<u>1,750,215</u>

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/17	\$313,572	16.8%	\$1,750,215
09/30/16	\$303,776	32.7%	\$1,489,259
09/30/15	\$285,993	32.6%	\$1,284,873

**Funded Status and Funding Progress.** Based on the October 1, 2016 (the most recent) and 2013 actuarial valuations, the funded status of the OPEB Plan was as follows:

	<u>10/01/2013</u>	<u>10/01/2016</u>
Actuarial accrued liability (AAL) .....	\$ 1,791,400	\$ 2,171,858
Actuarial value of plan assets.....	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability (UAAL) .....	<u>\$ 1,791,400</u>	<u>\$ 2,171,858</u>
Funded ratio (actuarial value of plan assets/AAL).....	0.00%	0.00%
Covered payroll (annual payroll of active employees covered by the plan).....	\$ 4,178,029	4,620,728
UAAL as a percentage of covered payroll .....	42.9%	48.6%

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.

**Changes since the Prior Valuation.** The following changes have been made since the prior valuation:

- The census data reflects changes in status for the thirty-six (36) month period since October 1, 2013.
- The annual per capita claims costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- The mortality rates have been updated to use rates mandated by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman's July 1, 2015 FRS valuation report.
- Police and Fire retirement rates, termination rates, disability rates, and salary merit scale rates have been updated to use match the respective pension plan valuation assumptions.



## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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- Health care inflation rates have been updated to reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries.

**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, 2016 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions include:

- Annual inflation rate of 3.5%.
- Annual salary increase rates of 6.0% for non-union employees.
- Annual salary increase of 10% in first year of employment and 5.5% per year afterwards for police and fire union employees.
- Investment rate of return (net of administrative expenses) of 4.5%, 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 initial rate of 8.75% in 2017, 8.50% percent in 2018; 8.00% in 2019, grading down with 0.25% annual decreases to an rate of 5.50% in 2027-2038, with additional grading down to an ultimate rate of 4.00% in 2073.
- The UAAL is being amortized over a level percentage of payroll (closed amortization over 30 years).

### 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, membership in the State-administered FRS and HIS plans is limited to 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. 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)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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](http://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; and
- 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)**

September 30, 2017

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>
<b><i>Regular Class members initially enrolled before July 1, 2011:</i></b>	
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
<b><i>Regular Class members initially enrolled on or after July 1, 2011:</i></b>	
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
<b><i>Senior Management Service Class</i></b>	<b>2.00</b>

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 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Employee</u>	<u>Percent of Gross Salary</u>	
		<u>Employer (1)</u>	
		<u>Pre 7/01/17</u>	<u>Post 6/30/17</u>
FRS, Regular	3.00	7.52	7.92
FRS, Senior Management Service	3.00	21.77	22.71
DROP - Applicable to Members of the Above Class	0.00	12.99	13.26
FRS, Reemployed Retiree		(2)	(2)

Notes: (1) Employer rates include 1.66 percent and 1.66 percent for the postemployment health insurance subsidy for Pre 7/1/17 and Post 6/30/17, 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 employer and employee contributions to the FRS Plan totaled \$173,886 and \$63,020, respectively, for the fiscal year ended September 30, 2017. This excludes HIS defined benefit pension plan contributions of \$47,599 and FRS Investment Plan contributions of \$34,307.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

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, 2017, the City reported a liability of \$2,035,374 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members based on a June 30, 2017 fiscal year. At June 30, 2017, the City's proportionate share was 0.006881069 percent, which was a decrease of 0.000052709 percent from its proportionate share measured as of June 30, 2016 of 0.006933778 percent.

For the fiscal year ended September 30, 2017, the City recognized the Plan pension expense of \$366,072. 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	\$ 186,798	11,275
Change of assumptions	684,029	-
Net difference between projected and actual earnings on FRS pension plan investments	-	50,442
Changes in proportion and differences between City FRS contributions and proportionate share of contributions	99,650	6,892
City FRS contributions subsequent to the measurement date	<u>50,958</u>	<u>-</u>
Total	<u>\$ 1,021,435</u>	<u>68,609</u>

The deferred outflows of resources related to pensions, totaling \$50,958, 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, 2017. The remaining \$901,868 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>
2018	\$ 132,676
2019	307,770
2020	219,955
2021	52,846
2022	138,338
Thereafter	<u>50,283</u>
	<u>\$ 901,868</u>

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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**Actuarial Assumptions.** The total pension liability in the July 1, 2017 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	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the most recent actuarial experience study for the period July 1, 2008, through June 30, 2013.

**Long-Term Expected Rate of Return.** The long-term expected rate of return assumption of 7.10 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.50 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60 percent as adopted in October 2017 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.10 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 7.10 percent reported investment return assumption differs from the 7.50 percent investment return assumption chosen by the 2017 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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>Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	<u>12.00%</u>	6.10%	5.60%	9.70%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		1.90%

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

**Calculation of Money-Weighted Rate of Return.** For the year ended June 30, 2017, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 13.59 percent. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.10 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.

**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 7.10 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 (6.10 percent) or 1 percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
The City's proportionate share of the net pension liability	\$3,683,904	\$2,035,374	\$ 666,716

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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***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, 2017, the City reported a payable of \$22,197 for the outstanding amount of contributions to the FRS Plan required for the fiscal year ended September 30, 2017.

### **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 June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible 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, 2017, the HIS contribution rates for the period from October 1, 2016 through June 30, 2017, and from July 1, 2017 through September 30, 2017, were 1.66% and 1.66%, 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 \$47,599 for the fiscal year ended September 30, 2017.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.*** At September 30, 2017, the City reported a net pension liability of \$962,431 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was 0.009001025 percent, which was an increase of 0.000060185 percent from its proportionate share measured as of June 30, 2016, of 0.008940840 percent.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

For the fiscal year ended September 30, 2017, the City recognized the HIS Plan pension expense (credit) of (\$82,850). 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	\$ -	2,004
Change of assumptions	135,285	83,222
Net difference between projected and actual earnings on HIS pension plan investments	534	-
Changes in proportion and differences between City HIS contributions and proportionate share of contributions	47,788	-
City HIS contributions subsequent to the measurement date	<u>12,675</u>	<u>-</u>
Total	<u>\$ 196,282</u>	<u>85,226</u>

The deferred outflows of resources related to pensions, totaling \$12,675, 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, 2017. The remaining \$98,381 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>
2018	\$ 25,418
2019	25,317
2020	25,268
2021	20,784
2022	12,141
Thereafter	<u>(10,547)</u>
	<u>\$ 98,381</u>

**Actuarial Assumptions.** The total pension liability in the July 1, 2017, 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	3.58 percent

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

The following changes in actuarial assumptions occurred in 2017:

The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.



## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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**Discount Rate.** The discount rate used to measure the total pension liability was 3.58 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 Entity'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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net pension liability	\$1,098,261	\$ 962,431	\$ 849,292

**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, 2017, the City reported a payable of \$3,722 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

### 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.

As provided in Section 121.4501, 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.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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Allocations to the investment member's accounts during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee/Employer</u>	
	<u>Pre 7/01/17</u>	<u>Post 6/30/17</u>
FRS, Regular	3.00/3.30	3.00/3.30
FRS, Senior Management Service	3.00/4.67	3.00/4.67

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 FRS 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 FRS Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of FRS Investment Plan members. For the fiscal year ended June 30, 2017, 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 employer and employee contributions to the Investment Plan totaled \$22,620 and \$11,458, respectively, for the fiscal year ended September 30, 2017.

***Payable to the FRS Investment Plan*** - At September 30, 2017, the City reported a payable of \$2,895 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended September 30, 2017.

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

***Plan Description.*** The City's Police Officers' Retirement Trust Fund (the "Police Fund") 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 Fund, 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 Police Fund and elected by a majority of the police officers who are members of the Police Fund. The fifth trustee shall be chosen by a majority of the previous four trustees and approved

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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by the Holly Hill City Commission. The Police Fund issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan. The Police Fund 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 Fund provides retirement, disability and death benefits to full-time employees who are classified as fulltime police officers that must participate in the Police 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 Fund 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 officers retiring on or after September 30, 2006, with the first adjustment occurring on the first year anniversary of the employee's retirement. For all officers retiring on or after October 6, 2009, the two percent cost of living adjustment is provided with the first adjustment occurring on the fifth year anniversary of the employee's retirement date.

**Employees Covered by Benefit Terms.** Membership in the Police Fund consisted of the following, as included in the most recent actuarial valuation dated October 1, 2016:

Inactive plan members or beneficiaries currently receiving benefits.....	16
Inactive plan members entitled to but not yet receiving benefits.....	8
Active plan members .....	<u>24</u>
Total .....	<u>48</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 Fund in an amount equal to the required actuarially determined

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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contribution based on the applicable actuarial valuation of the Police Fund 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.

Police Plan members are required to contribute 7% 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 Police 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 Police 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, 2017, the active member contribution rates were 7.0 percent of annual pensionable pay (or \$49,273) for members hired after June 30, 2011, and 5.0 percent of annual pensionable pay (or \$23,364) for members hired prior to July 1, 2011, for a total of \$72,637 (or a blended 6.01 percent of covered payroll). For 2017, the City's average contribution rate was 33.58 percent of covered payroll (or \$406,0723), and the state funding was 9.68 percent of covered payroll (or \$117,012). Covered payroll for the year ended September 30, 2016, totaled \$1,209,361.

***Deferred Retirement Option Plan (DROP).*** Any member who is eligible to receive a normal retirement pension in the Police Fund may elect to participate in a deferred retirement option program (DROP) while continuing his or her active employment as a police officer. The DROP participation period may not exceed 60 months beginning at the time an election to participate in the DROP first becomes effective. An election to participate in the DROP constitutes an irrevocable election to resign from the service of the city at the end of the DROP term. A member may participate only once. Upon participation in the DROP, the member becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the Police Fund. Normal retirement payments that would have been payable to the member are accumulated and invested in the DROP program with a guaranteed annual rate of return (equivalent to the actual net rate of investment return, net of broker commissions, management fees and transactions costs), to be distributed to the member upon his or her termination of employment. At September 30, 2017, there were one DROP participant in the Police Fund.

As of September 30, 2017, the balance in the DROP account was \$14,225. When funded, these amounts are included in the total investment balance presented on the statement of fiduciary net position.

***Net Pension Liability.*** The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined as of that date.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017, using the following actuarial assumptions applied to all measurement periods:

Inflation.....	2.30%
Salary increases.....	Service based
Discount rate.....	7.40%
Investment rate of return, net of investment expense, including inflation.	7.40%

The most recent actuarial experience study used to review the other significant assumptions was dated August 10, 2016.

**Mortality Rates - Healthy Lives.** Mortality rates were based on the RP-2000 Mortality Table as follows:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

**Mortality Rates - Disabled Lives.** Mortality rates were based on the RP-2000 Mortality Table as follows:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

**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. For 2017, the inflation rate assumption of the investment advisor was 2.50%.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity.....	6.29%
International Equity.....	5.86%
Fixed Income.....	2.17%
Real Estate.....	4.00%

**Discount Rate.** The discount rate used to measure the total pension liability was 7.40 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

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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, 2017:

**Changes in Net Pension Liability-Police Fund**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Reporting Period Ending September 30, 2016.....	\$ 11,798,012	9,166,974	2,631,038
Changes for the Year:			
Service cost.....	229,740	-	229,740
Interest.....	863,912	-	863,912
Differences between expected and actual experience.....	28,475	-	28,475
Changes of assumptions.....	-	-	-
Changes of benefit terms.....	-	-	-
Contributions-employer.....	-	406,073	(406,073)
Contributions-state.....	-	117,012	(117,012)
Contributions-employee.....	-	72,705	(72,705)
Net investment income.....	-	998,587	(998,587)
Benefit payments, including refunds of employee contributions.....	(706,537)	(706,537)	-
Administrative expense.....	-	(25,473)	25,473
Net changes.....	415,590	862,367	(446,777)
Reporting Period Ending September 30, 2017.....	<u>\$ 12,213,602</u>	<u>10,029,341</u>	<u>2,184,261</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 7.40 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 (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
City's net pension liability.....	\$ 3,698,526	\$ 2,184,261	\$ 932,456

**Pension Plan Fiduciary Net Position.** Detailed information about the Police Fund'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, 2017

CITY OF HOLLY HILL, FLORIDA

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.*** For the year ended September 30, 2017, the City recognized pension expense of \$446,667. On September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Police Fund 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	\$ 21,357	185,144
Changes of assumptions	192,806	-
Net difference between projected and actual earnings on Police Fund investments	<u>103,483</u>	<u>-</u>
Total	<u>\$ 317,646</u>	<u>185,144</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>
2018	\$ 124,687
2019	124,687
2020	(51,818)
2021	<u>(65,054)</u>
	<u>\$ 132,502</u>

***Payable to the Police Fund*** - At September 30, 2017, the City reported a payable of \$3,419 for the outstanding amount of contributions to the Police Fund required for the fiscal year ended September 30, 2017.

**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, 2017

CITY OF HOLLY HILL, FLORIDA

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**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, 2016:

Inactive plan members or beneficiaries currently receiving benefits.....	10
Inactive plan members entitled to but not yet receiving benefits.....	0
Active plan members .....	<u>13</u>
Total .....	<u>23</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, 2017

CITY OF HOLLY HILL, FLORIDA

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Effective October 1, 2015, plan members are required to contribute 7% of their annual covered salary. Prior to that date, plan member contributions were 8%. 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, 2017, the active member contribution rate was 7.0 percent of annual pay (or \$45,607), the City's average contribution rate was 32.99 percent of annual payroll (or \$214,936), and the state funding was 6.66 percent of annual payroll (or \$43,416). Covered payroll for the year ended September 30, 2017, totaled \$651,531.

**Deferred Retirement Option Plan (DROP).** Any member who is eligible to receive a normal retirement pension in the Fire System may elect to participate in a deferred retirement option program (DROP) while continuing his or her active employment as a firefighter. The DROP participation period may not exceed 60 months beginning at the time an election to participate in the DROP first becomes effective. An election to participate in the DROP constitutes an irrevocable election to resign from the service of the city at the end of the DROP term. A member may participate only once. Upon participation in the DROP, the member becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the Fire System plan. Normal retirement payments that would have been payable to the member are accumulated and invested in the DROP program with a guaranteed annual rate of return of 6.5 percent, credited quarterly, to be distributed to the member upon his or her termination of employment. At September 30, 2017, there were one active and one inactive/retired DROP participants at the end of the year.

As of September 30, 2017, the balance in the DROP account was \$38,853, which includes the addition of one active participant in 2017, and the rollover of a single accumulation that has not been withdrawn by one inactive member. These amounts are included in the total investment balance presented on the statement of fiduciary net position.

**Net Pension Liability.** The City's net pension liability was measured as of September 30, 2017, 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, 2016 updated to September 30, 2017, using the following actuarial assumptions applied to all measurement periods:

Inflation.....	2.70%
Salary increases.....	Service based
Discount rate.....	7.40%
Investment rate of return, net of investment expense.....	7.40%

**Mortality Rates - Healthy Lives.** Mortality rates were based on the RP-2000 Mortality Table as follows:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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***Mortality Rates - Disabled Lives.*** Mortality rates were based on the RP-2000 Mortality Table as follows:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

***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. For 2017, the inflation rate assumption of the investment advisor was 2.60%.

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, 2017 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%	7.00%
International Equity.....	15%	3.74%
Bonds.....	30%	4.00%
Convertible Securities.....	10%	6.00%
Real Estate Investment Trusts (REIT).....	5%	6.80%
Treasury Inflation Protected Securities ( TIPS) ..	5%	2.90%
Total.....	100%	

***Discount Rate.*** The discount rate used to measure the total pension liability was 7.40 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

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, 2017:

**Changes in Net Pension Liability-Fire System**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Reporting Period Ending September 30, 2016.....	\$ 5,434,644	4,041,548	1,393,096
Changes for the Year:			
Service cost.....	170,029	-	170,029
Interest.....	402,775	-	402,775
Differences between expected and actual experience.....	69,117	-	69,117
Changes of assumptions.....	-	-	-
Changes of benefit terms.....	-	-	-
Contributions-employer.....	-	214,936	(214,936)
Contributions-state.....	-	43,415	(43,415)
Contributions-employee.....	-	45,607	(45,607)
Net investment income.....	-	420,410	(420,410)
Benefit payments, including refunds of employee contributions.....	(323,535)	(323,535)	-
Administrative expense.....	-	(26,803)	26,803
Net changes.....	318,386	374,030	(55,644)
Reporting Period Ending September 30, 2017.....	<u>\$ 5,753,030</u>	<u>4,415,578</u>	<u>1,337,452</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 7.40 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 (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
City's net pension liability.....	\$ 2,016,877	\$ 1,347,130	\$ 771,729

**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.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.*** For the year ended September 30, 2017, the City recognized pension expense of \$314,921. On September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Fire System 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	\$ 64,724	11,306
Changes of assumptions	97,797	-
Net difference between projected and actual earnings on Police Fund investments	-	25,162
Total	<u>\$ 162,521</u>	<u>36,468</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>
2018	\$ 58,278
2019	69,584
2020	8,978
2021	<u>(10,787)</u>
	<u>\$ 126,053</u>

***Payable to the Fire System*** - At September 30, 2017, the City reported a payable of \$63,331 for the outstanding amount of contributions to the Fire System required for the fiscal year ended September 30, 2017.

**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.

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

## **NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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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 2.95% (prior to July 1, 2016) and 3.03% (after June 30, 2016) of covered payroll to individual employee accounts. Eligible employees are required to contribute 3.00% to the 401(a) plan. However, 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, 2017, employee contributions totaled \$33,656 and the City recognized pension expense of \$5,971.

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 – 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, 2017, employee contributions totaled \$99,174 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.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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

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

Presented below are the separate financial statements for each pension trust fund for the year ended September 30, 2017:

**Statements of Fiduciary Plan Net Position**

September 30, 2017

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Assets:			
Cash and cash equivalents.....	\$ 517,336	84,571	601,907
Receivables:			
Plan sponsor contributions.....	-	59,824	59,824
State contributions.....	-	1,753	1,753
Plan member contributions.....	3,419	1,754	5,173
Due from brokers.....	6,371	-	6,371
Interest and dividends receivable.....	30,883	7,964	38,847
Total accounts receivable.....	40,673	71,295	111,968
Prepaid expenses.....	54,045	-	54,045
Investments, at fair value			
U.S. Treasuries.....	1,266,318	200,169	1,466,487
U.S. government agencies.....	257,726	73,619	331,345
Corporate and municipal debt .....	992,885	841,939	1,834,824
Domestic corporate equity securities.....	5,558,459	-	5,558,459
International equity securities.....	1,355,898	-	1,355,898
Pooled funds - real estate.....	-	210,859	210,859
Mutual Funds.....	-	2,933,128	2,933,128
Total investments.....	9,431,286	4,259,714	13,691,000
Total assets.....	10,043,340	4,415,580	14,458,920
Liabilities:			
Accounts payable.....	36,163	9,680	45,843
Net position:			
Held in trust for pension benefits.....	\$ 10,007,177	4,405,900	14,413,077

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

**Statement of Changes in Fiduciary Plan Net Position**

For the Fiscal Year Ended September 30, 2017

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Additions:			
Contributions from:			
Employer.....	\$ 406,073	214,936	621,009
State.....	117,012	43,416	160,428
Plan members .....	<u>72,637</u>	<u>45,607</u>	<u>118,244</u>
Total contributions.....	<u>595,722</u>	<u>303,959</u>	<u>899,681</u>
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments...	899,334	335,048	1,234,382
Interest and dividend earnings.....	<u>182,340</u>	<u>109,676</u>	<u>292,016</u>
Investment income .....	1,081,674	444,724	1,526,398
Less: investment management fees .....	<u>(85,319)</u>	<u>(24,846)</u>	<u>(110,165)</u>
Net investment income .....	<u>996,355</u>	<u>419,878</u>	<u>1,416,233</u>
Total additions .....	<u>1,592,077</u>	<u>723,837</u>	<u>2,315,914</u>
Deductions:			
Benefit payments and refunds .....	706,536	323,535	1,030,071
Administrative expenses .....	<u>25,019</u>	<u>29,395</u>	<u>54,414</u>
Total deductions.....	<u>731,555</u>	<u>352,930</u>	<u>1,084,485</u>
Net increase.....	860,522	370,907	1,231,429
Net position held in trust for pension benefits:			
Beginning of year .....	<u>9,146,655</u>	<u>4,034,993</u>	<u>13,181,648</u>
End of year.....	<u>\$ 10,007,177</u>	<u>\$ 4,405,900</u>	<u>\$ 14,413,077</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.

During 2017, the City and the Community Redevelopment Agency of the City approved a property redevelopment agreement in which the City agreed to sell a parcel of property to a developer and to budget and appropriate \$50,000 per year for five consecutive years starting in fiscal year 2018 and ending in fiscal year 2022 to provide a local matching payment to assist the developer in obtaining a grant from the Florida Housing Finance Corporation to develop a housing project on the purchased property.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2017

CITY OF HOLLY HILL, FLORIDA

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### NOTE 17 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE 18 – SUBSEQUENT EVENTS

**Tax Cuts and Jobs Act (the “Act”):** This Act was signed into law on December 22, 2017, and decreased the U.S. Federal Corporate Tax rate effective January 1, 2018. Notably, effective January 1, 2018, the corporate tax rate was reduced to 21% from a maximum rate of 35%. As a tax exempt borrower, the equivalent corporate tax rate change may impact several of the City’s outstanding revenue bonds, notes and other obligations, as the underlying documents governing these tax exempt loans often include yield maintenance provisions that are required to be revised in the event of a reduction in the maximum federal corporate tax rate. Generally, this yield maintenance language provides that the rate of interest to be paid on the City’s tax exempt obligations will be increased or decreased, as applicable, with decreases or increases, respectively, in the corporate tax rate. In the event of this proposed decrease, the equivalent adjusted rate of interest on the City’s tax exempt revenue bonds, notes and other obligations may be increased by a factor of 1.215.

Typically, compliance with the underlying promissory note(s) and other yield maintenance provisions contained in the loan documentation is non-discretionary. Most institutional lenders do not hold an option to enforce or not enforce such rate adjustments. As a result, failing to adhere to the agreements could cause a reissuance of one or more of the City’s outstanding obligations. While it is anticipated that an incremental interest rate increase will be requested, the City will consult with its legal counsel and/or financial advisors to identify the related potential impacts that will result from this change in the Tax Code and to assess the need for any reissuance opinions, if necessary.

The individual tax exempt revenue obligations of the City that may be affected by this change in the Tax Code are as follows:

- Community Redevelopment Agency (CRA) Redevelopment Revenue Refunding Note, Series 2012;
- Community Redevelopment Agency (CRA) Redevelopment Revenue Note, Series 2013;
- Water and Sewer System Improvement Revenue Bond, Series 2005;
- Water and Sewer System Improvement Revenue Bond, Series 2011;
- Water and Sewer System Improvement Refunding Revenue Bond, Series 2012; and
- Water and Sewer System Improvement Revenue Bond, Series 2013.

**Evaluation of Events and Transactions:** In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 11, 2018, the date the financial statements were available to be issued.



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***REQUIRED SUPPLEMENTARY INFORMATION***

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**  
**OTHER POST-EMPLOYMENT BENEFITS PLAN**  
September 30, 2017  
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)
10/01/2016	\$ -	\$ 2,171,858	\$ 2,171,858	0.00%	\$4,620,728	47.00%
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%

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

	2017	2016	2015
<b>Schedule of the Proportionate Share of the Net Pension Liability:</b>			
City proportion of the net pension liability	0.006881069%	0.006933778%	0.006481624%
City proportionate share of the net pension liability	\$ 2,035,374	\$ 1,750,784	\$ 837,189
City covered employee payroll	\$ 2,867,432	\$ 2,899,517	\$ 2,613,798
City proportionate share of the net pension liability as a percentage of covered payroll	70.98%	60.38%	32.03%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

**Schedule of Contributions:**

Contractually required contribution	\$ 195,246	\$ 192,301	\$ 179,377
Contributions in relation to the contractually required contribution	<u>\$ (195,246)</u>	<u>\$ (192,301)</u>	<u>\$ (179,377)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered employee payroll	\$ 2,867,432	\$ 2,899,517	\$ 2,613,798
Contributions as a percentage of covered employee payroll	6.81%	6.63%	6.86%

**Notes:**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2016, calculated based on the discount rate and actuarial assumptions below:

	<u>06/30/2016</u>	<u>06/30/2017</u>
Discount Rate	7.60%	7.10%
Long-term expected rate of return, net of investment expense	7.60%	7.10%
Municipal Bond Rate	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The 7.10 percent rate of return assumption used in the June 30, 2017, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27).

## Schedule 2

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
0.005933893%	n/a	n/a	n/a	n/a	n/a	n/a
\$ 362,055	n/a	n/a	n/a	n/a	n/a	n/a
\$ 2,316,138	n/a	n/a	n/a	n/a	n/a	n/a
15.63%	n/a	n/a	n/a	n/a	n/a	n/a
96.09%	n/a	n/a	n/a	n/a	n/a	n/a
\$ 155,573	n/a	n/a	n/a	n/a	n/a	n/a
\$ <u>(155,573)</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$ <u>-</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$ 2,316,138	n/a	n/a	n/a	n/a	n/a	n/a
6.72%	n/a	n/a	n/a	n/a	n/a	n/a

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

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Asset Valuation Method	Fair Market Value
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

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

	2017	2016	2015
<b>Schedule of the Proportionate Share of the Net Pension Liability:</b>			
City proportion of the net pension liability	0.009001025%	0.008940840%	0.008454191%
City proportionate share of the net pension liability	\$ 962,431	\$ 1,042,018	\$ 862,194
City covered employee payroll	\$ 2,867,432	\$ 2,899,517	\$ 2,613,798
City proportionate share of the net pension liability as a percentage of covered payroll	33.56%	35.94%	32.99%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

**Schedule of Contributions:**

Contractually required contribution	\$ 47,599	\$ 48,132	\$ 35,450
Contributions in relation to the contractually required contribution	<u>\$ (47,599)</u>	<u>\$ (48,132)</u>	<u>\$ (35,450)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered employee payroll	\$ 2,867,432	\$ 2,899,517	\$ 2,613,798
Contributions as a percentage of covered employee payroll	1.66%	1.66%	1.36%

**Notes:**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2016, calculated based on the discount rate and actuarial assumptions below:

	<u>06/30/2016</u>	<u>06/30/2017</u>
Discount Rate	2.85%	3.58%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	2.85%	3.58%

In general, the discount rate for calculating the total pension liability under GASB 67 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. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent reflecting the change in the Bond Municipal Bond Index.

# Schedule 3

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
0.008313805%	n/a	n/a	n/a	n/a	n/a	n/a
\$ 777,361	n/a	n/a	n/a	n/a	n/a	n/a
\$ 2,316,138	n/a	n/a	n/a	n/a	n/a	n/a
33.56%	n/a	n/a	n/a	n/a	n/a	n/a
0.99%	n/a	n/a	n/a	n/a	n/a	n/a
\$ 30,323	n/a	n/a	n/a	n/a	n/a	n/a
\$ (30,323)	n/a	n/a	n/a	n/a	n/a	n/a
\$ -	n/a	n/a	n/a	n/a	n/a	n/a
\$ 2,316,138	n/a	n/a	n/a	n/a	n/a	n/a
1.31%	n/a	n/a	n/a	n/a	n/a	n/a

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

## Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal



**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

	2017	2016	2015
<b>Total Pension Liability:</b>			
Service cost.....	\$ 229,740	\$ 230,699	\$ 222,322
Interest.....	863,912	843,655	823,857
Changes of benefit terms.....	-	-	(526)
Differences between expected and actual experience.....	28,475	(370,289)	(153,367)
Changes of assumptions.....	-	385,611	-
Benefit payments, including refunds of employee contributions.....	(706,537)	(619,400)	(655,033)
Net change in total pension liability.....	415,590	470,276	237,253
Total Pension Liability - Beginning.....	<u>11,798,012</u>	<u>11,327,736</u>	<u>11,090,483</u>
Total Pension Liability - Ending (a).....	<u>\$ 12,213,602</u>	<u>\$ 11,798,012</u>	<u>\$ 11,327,736</u>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer.....	\$ 406,073	\$ 460,877	\$ 519,860
Contributions - state.....	117,012	108,177	102,019
Contributions - employee.....	72,637	71,468	72,917
Net investment income.....	996,355	612,302	(206,521)
Benefit payments, including refunds of employee contributions.....	(706,536)	(619,400)	(655,033)
Administrative expense.....	(25,019)	(32,610)	(24,843)
Net change in plan fiduciary net position.....	860,522	600,814	(191,601)
Plan Fiduciary Net Position - Beginning.....	<u>9,146,655</u>	<u>8,545,841</u>	<u>8,737,442</u>
Plan Fiduciary Net Position - Ending (b).....	<u>\$ 10,007,177</u>	<u>\$ 9,146,655</u>	<u>\$ 8,545,841</u>
Net Pension Liability - Ending (a) - (b).....	<u>\$ 2,206,425</u>	<u>\$ 2,651,357</u>	<u>\$ 2,781,895</u>
Plan fiduciary net position as a percentage of the total pension liability.....	81.93%	77.53%	75.44%
Covered employee payroll (*).....	\$ 1,209,361	\$ 1,162,274	\$ 1,130,458
Net pension liability as a percentage of covered employee payroll.....	182.45%	228.12%	246.09%

*See notes on following page.*

**Schedule 4**

Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008
\$	249,756	n/a	n/a	n/a	n/a	n/a	n/a
	810,040	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
	<u>(1,040,177)</u>	n/a	n/a	n/a	n/a	n/a	n/a
	19,619	n/a	n/a	n/a	n/a	n/a	n/a
	<u>11,070,864</u>	n/a	n/a	n/a	n/a	n/a	n/a
	<u>\$ 11,090,483</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$	636,738	n/a	n/a	n/a	n/a	n/a	n/a
	95,509	n/a	n/a	n/a	n/a	n/a	n/a
	67,173	n/a	n/a	n/a	n/a	n/a	n/a
	599,133	n/a	n/a	n/a	n/a	n/a	n/a
	(1,040,176)	n/a	n/a	n/a	n/a	n/a	n/a
	<u>(21,956)</u>	n/a	n/a	n/a	n/a	n/a	n/a
	336,421	n/a	n/a	n/a	n/a	n/a	n/a
	<u>8,401,021</u>	n/a	n/a	n/a	n/a	n/a	n/a
	<u>\$ 8,737,442</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$	<u>2,353,041</u>	n/a	n/a	n/a	n/a	n/a	n/a
	78.78%	n/a	n/a	n/a	n/a	n/a	n/a
\$	1,135,179	n/a	n/a	n/a	n/a	n/a	n/a
	207.28%	n/a	n/a	n/a	n/a	n/a	n/a

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

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

**Schedule 4  
(Continued)**

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

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**Notes to Schedule:**

(\*) The Covered Employee Payroll numbers shown are in compliance with GASB 82.

*Changes of benefit terms:*

For measurement date 09/30/2015, 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.

*Changes of assumptions:*

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an August 10, 2016 Experience study. The following changes have been made:

- The assumed mortality rates were amended to match those used by the Florida Retirement System.
- The investment return assumption was reduced from 7.5% to 7.4%, net of investment related expenses.
- The assumption for projected non-regular pensionable compensation paid out at retirement was changed from a flat 40% to an individual assumption based on hours accrued as of July 8, 2011.
- The assumed rates of withdrawal were increase by 10% from age 40 to 49 and an assumption was made that 15% of police officers will terminate in their first year of employment.
- The assumed rates of retirement were changed to the following table of expected rates:

<u>Service</u>	<u>Age</u>	<u>Rates</u>
Under 20 yrs	50-54	5.0%
	55	50.0%
	56	75.0%
	Over 56	100.0%
Over 20 yrs.	Under 55	50.0%
	55	50.0%
	56	75.0%
	Over 56	100.0%

- The assumed individual salary increase was changed from a flat 6.0%, to a service based table with the rate of 10.0% during the first year of employment and 5.5% for all future years of service.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**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

	2017	2016	2015
Actuarially determined contribution.....	\$ 523,085	\$ 569,054	\$ 621,879
Contributions in relation to the actuarially determined contribution.....	<u>(523,085)</u>	<u>(569,054)</u>	<u>(621,879)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (*).....	\$ 1,209,361	\$ 1,162,274	\$ 1,130,458
Contributions as a percentage of covered employee payroll.....	<u>43.25%</u>	<u>48.96%</u>	<u>55.01%</u>

**Notes to Schedule:**

(\*) The Covered Employee Payroll numbers shown are in compliance with GASB 82.

Valuation Date: 10/1/2015  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which the 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 29 Years (as of 10/01/2015).

Mortality: RP 2000 Combined Healthy - Sex Distinct. Disabled lives are set forward 5 yrs.

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

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.

Inflation: 3.00% per year.

**Schedule 5**

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 732,247	n/a	n/a	n/a	n/a	n/a	n/a
<u>(732,247)</u>	n/a	n/a	n/a	n/a	n/a	n/a
<u>\$ -</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$ 1,135,179	n/a	n/a	n/a	n/a	n/a	n/a
<u>64.50%</u>	n/a	n/a	n/a	n/a	n/a	n/a

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

Disability and Termination Rates:		% Becoming Disabled <u>the Year</u>	% Terminating During <u>the Year</u>
	<u>Age</u>		
	20	0.03%	17.20%
	30	0.04%	15.00%
	40	0.07%	8.20%
	50	0.18%	1.70%

Salary Increases: 6.0% per year until the assumed retirement age. Projected salary at retirement is increased 40% to account for non-regular compensation.

Payroll Increase: 0.38% for 10/1/15 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).

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.

**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

	2017	2016	2015
<b>Total Pension Liability:</b>			
Service cost.....	\$ 170,029	\$ 169,795	\$ 176,408
Interest.....	402,775	378,039	373,007
Change in Excess State Money.....	-	(18,139)	-
Changes of benefit terms.....	-	(131,917)	-
Differences between expected and actual experience.....	69,117	15,721	(45,225)
Changes of assumptions.....	-	162,997	-
Benefit payments, including refunds of employee contributions.....	(323,535)	(325,259)	(271,874)
Net change in total pension liability.....	318,386	251,237	232,316
Total Pension Liability - Beginning.....	5,434,644	5,183,407	4,951,091
Total Pension Liability - Ending (a).....	<u>\$ 5,753,030</u>	<u>\$ 5,434,644</u>	<u>\$ 5,183,407</u>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer.....	\$ 214,936	\$ 203,656	\$ 176,497
Contributions - state.....	43,416	51,535	55,151
Contributions - employee.....	45,607	51,275	54,681
Net investment income.....	419,878	358,058	(20,392)
Benefit payments, including refunds of employee contributions.....	(323,535)	(325,259)	(271,874)
Administrative expense.....	(29,395)	(42,576)	(28,188)
Net change in plan fiduciary net position.....	370,907	296,689	(34,125)
Plan Fiduciary Net Position - Beginning.....	4,034,993	3,738,304	3,772,429
Plan Fiduciary Net Position - Ending (b).....	4,405,900	4,034,993	3,738,304
Net Pension Liability - Ending (a) - (b).....	<u>\$ 1,347,130</u>	<u>\$ 1,399,651</u>	<u>\$ 1,445,103</u>
<b>Plan fiduciary net position as a percentage of the total pension liability.....</b>	<b>76.58%</b>	<b>74.25%</b>	<b>72.12%</b>
Covered employee payroll.....	\$ 651,531	\$ 732,502	\$ 692,977
<b>Net pension liability as a percentage of covered employee payroll.....</b>	<b>206.76%</b>	<b>191.08%</b>	<b>208.54%</b>

*See notes on following page.*

**Schedule 6**

Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008
\$	172,709						
	353,643	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
	<u>(271,874)</u>	n/a	n/a	n/a	n/a	n/a	n/a
	254,478	n/a	n/a	n/a	n/a	n/a	n/a
	<u>4,696,613</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$	<u>4,951,091</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$	160,364	n/a	n/a	n/a	n/a	n/a	n/a
	62,761	n/a	n/a	n/a	n/a	n/a	n/a
	52,767	n/a	n/a	n/a	n/a	n/a	n/a
	312,161	n/a	n/a	n/a	n/a	n/a	n/a
	(271,874)	n/a	n/a	n/a	n/a	n/a	n/a
	<u>(20,468)</u>	n/a	n/a	n/a	n/a	n/a	n/a
	295,711	n/a	n/a	n/a	n/a	n/a	n/a
	<u>3,476,718</u>	n/a	n/a	n/a	n/a	n/a	n/a
	<u>3,772,429</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$	<u>1,178,662</u>	n/a	n/a	n/a	n/a	n/a	n/a
		n/a	n/a	n/a	n/a	n/a	n/a
	76.19%						
\$	659,584						
		n/a	n/a	n/a	n/a	n/a	n/a
	178.70%						

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



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

**Schedule 6  
(Continued)**

Year Ending September 30,  
CITY OF HOLLY HILL, FLORIDA  
FIREFIGHTERS' RETIREMENT SYSTEM

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**Notes to Schedule:**

The Covered Employee Payroll numbers are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

*Changes of Benefit Terms:*

For measurement date 09/30/2016, amounts reported as changes of benefit terms resulted from the following changes:

Ordinance 2982, adopted 09/12/2016, provided that the Member Contributions be reduced, effective 10/01/2015, from 8% to 7% of Salary.

Ordinance 2974, adopted 06/14/2016, complied with recent State and Federal legislation, including the adoption of a Share Plan that will not be funded at this time, the implementation of a cap of 300 hours per year of pensionable overtime, and limiting the pensionable lump sum sick and annual leave that is pensionable to the amounts recognized at 10/01/2012.

*Changes of Assumptions:*

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from the 08/10/2016 Actuarial Experience Study. The Board has made the following assumption changes, as outlined below:

The assumed individual salary increase was changed from a flat 6.0% to a service table with the rate of 10.0% during the first year of employment and 5.5% for all future years of service.

The assumed rates of retirement were changed as follows:

<u>Service</u>	<u>Age</u>	<u>Current</u>	<u>Proposed</u>
Under 25 yrs	48-49	5.0%	5.0%
	50	100.0%	50.0%
	51-54	100.0%	20.0%
	55-59	100.0%	20.0%
	Over 60	100.0%	100.0%
Over 25 yrs.	All	100.0%	100.0%

The assumed rate of mortality has been changed to match that used by the FRS for special risk employees.

The investment return assumption was reduced from 7.5% to 7.4%, net of investment related expenses.

The assumed rates of withdrawal have been changed from an age based table to the following:

<u>Service</u>	<u>Rate</u>
Over 1 yr.	15.0%
1-4 yrs.	10.0%
5-9 yrs.	6.0%
Over 10 yrs.	2.0%

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

Year Ending September 30,  
CITY OF HOLLY HILL, FLORIDA  
FIREFIGHTERS' RETIREMENT SYSTEM

	2017	2016	2015
Actuarially determined contribution.....	\$ 258,351	\$ 252,310	\$ 231,648
Contributions in relation to the actuarially determined contribution.....	<u>(258,351)</u>	<u>(255,192)</u>	<u>(231,648)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ (2,882)</u>	<u>\$ -</u>
Covered employee payroll.....	\$ 651,531	\$ 732,502	\$ 692,977
Contributions as a percentage of covered payroll.....	39.65%	34.84%	33.43%

**Notes to Schedule:**

The Covered Employee Payroll numbers are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Valuation Date: 10/1/2015 (AIS 08/17/2016)

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: 30 Years (as of 10/01/2015).

Mortality: RP-2000 Table with no projection.

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.

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

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.

Payroll Growth: None

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: 2.70% per year.

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

# Schedule 7

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 222,974	n/a	n/a	n/a	n/a	n/a	n/a
(222,974)	n/a	n/a	n/a	n/a	n/a	n/a
<u>\$ -</u>	n/a	n/a	n/a	n/a	n/a	n/a
\$ 659,584	n/a	n/a	n/a	n/a	n/a	n/a
33.81%	n/a	n/a	n/a	n/a	n/a	n/a

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

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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.

**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, 2017  
CITY OF HOLLY HILL, FLORIDA

	Nonmajor Special Revenue			
	Impact Fees Trust	Law Enforcement Trust	Holly Hill Police Explorers	Community Development Block Grant
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 242,155	42,317	2,581	-
Due from other governments.....	-	-	-	630
<b>Total assets.....</b>	<b>\$ 242,155</b>	<b>42,317</b>	<b>2,581</b>	<b>630</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable/accrued liabilities.....	\$ -	-	24	-
Due to other funds.....	-	-	-	630
<b>Total liabilities.....</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>630</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Law enforcement.....	63,173	42,317	-	-
Fire protection.....	44,349	-	-	-
Transportation.....	88,305	-	-	-
Recreation.....	46,328	-	-	-
<b>Committed to:</b>				
Capital projects fund.....	-	-	-	-
<b>Assigned to:</b>				
Law enforcement.....	-	-	2,557	-
Unassigned.....	-	-	-	-
<b>Total fund balances.....</b>	<b>242,155</b>	<b>42,317</b>	<b>2,557</b>	<b>-</b>
<b>Total liabilities and fund balances .....</b>	<b>\$ 242,155</b>	<b>42,317</b>	<b>2,581</b>	<b>630</b>

**Exhibit 1**

Funds		Nonmajor Capital Projects Fund	Total
Local Law Enforcement Block Grant	Total Nonmajor Special Revenue Funds	Capital Projects Fund	All Nonmajor Governmental Funds
-	287,053	1,080,739	1,367,792
-	<u>630</u>	-	<u>630</u>
-	<u>287,683</u>	<u>1,080,739</u>	<u>1,368,422</u>
-	24	2,544	2,568
-	<u>630</u>	-	<u>630</u>
-	<u>654</u>	<u>2,544</u>	<u>3,198</u>
-	105,490	-	105,490
-	44,349	-	44,349
-	88,305	-	88,305
-	46,328	-	46,328
-	-	1,078,195	1,078,195
-	2,557	-	2,557
-	-	-	-
-	<u>287,029</u>	<u>1,078,195</u>	<u>1,365,224</u>
-	<u>287,683</u>	<u>1,080,739</u>	<u>1,368,422</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	Nonmajor Special Revenue			
	Impact Fees Trust	Law Enforcement Trust	Holly Hill Police Explorers	Community Development Block Grant
Revenue:				
Permits and fees.....	\$ 2,271	-	-	-
Intergovernmental .....	-	-	-	40,569
Miscellaneous .....	<u>1,412</u>	<u>169</u>	<u>1,182</u>	<u>-</u>
Total revenue.....	<u>3,683</u>	<u>169</u>	<u>1,182</u>	<u>40,569</u>
Expenditures:				
Current:				
Public safety.....	-	2,363	-	-
Culture/recreation.....	-	-	289	-
Capital Outlay:				
General government.....	-	-	-	-
Public safety.....	-	27,789	-	-
Transportation.....	-	-	-	-
Physical Environment.....	-	-	-	40,569
Culture/recreation.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>30,152</u>	<u>289</u>	<u>40,569</u>
Excess of revenue over (under) expenditures .....	3,683	(29,983)	893	-
Other Financing Sources (Uses):				
Transfers in.....	-	-	-	-
Transfers (out).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances.....	3,683	(29,983)	893	-
Fund balances, beginning of year.....	<u>238,472</u>	<u>72,300</u>	<u>1,664</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 242,155</u>	<u>42,317</u>	<u>2,557</u>	<u>-</u>

**Exhibit 2**

Funds		Nonmajor Capital Projects Fund	Total
Local Law Enforcement Block Grant	Total Nonmajor Special Revenue Funds	Capital Projects Fund	All Nonmajor Governmental Funds
-	2,271	-	2,271
5,507	46,076	-	46,076
<u>-</u>	<u>2,763</u>	<u>5,762</u>	<u>8,525</u>
<u>5,507</u>	<u>51,110</u>	<u>5,762</u>	<u>56,872</u>
1,312	3,675	-	3,675
-	289	-	289
-	-	46,345	46,345
4,336	32,125	79,075	111,200
-	-	20,073	20,073
-	40,569	-	40,569
<u>-</u>	<u>-</u>	<u>89,286</u>	<u>89,286</u>
<u>5,648</u>	<u>76,658</u>	<u>234,779</u>	<u>311,437</u>
(141)	(25,548)	(229,017)	(254,565)
141	141	1,243,400	1,243,541
<u>-</u>	<u>-</u>	<u>(67,411)</u>	<u>(67,411)</u>
<u>141</u>	<u>141</u>	<u>1,175,989</u>	<u>1,176,130</u>
-	(25,407)	946,972	921,565
<u>-</u>	<u>312,436</u>	<u>131,223</u>	<u>443,659</u>
<u>-</u>	<u>287,029</u>	<u>1,078,195</u>	<u>1,365,224</u>

**BUDGETARY COMPARISON SCHEDULE**  
**COMMUNITY REDEVELOPMENT AGENCY**  
**DEBT SERVICE FUND - MAJOR FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 3**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	1,901	1,901
Expenditures:				
Debt Service:				
Principal retirement.....	685,000	685,000	685,000	-
Interest payments.....	162,400	162,400	162,299	101
Total expenditures.....	847,400	847,400	847,299	101
Excess of revenue over (under)				
expenditures.....	(847,400)	(847,400)	(845,398)	2,002
Other Financing Sources (Uses):				
Transfers in.....	854,900	854,900	854,900	-
Contingency.....	-	-	-	-
Total other financing sources (uses).	854,900	854,900	854,900	-
Net change in fund balance.....	7,500	7,500	9,502	2,002
Fund balances, beginning of year .....	418,152	418,152	418,152	-
Fund balances, end of year.....	\$ 425,652	425,652	427,654	2,002

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

**Exhibit 4**

For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ 2,400	2,400	17,822	15,422
Expenditures:				
Capital Outlay:				
Economic Environment:				
Capital outlay .....	3,787,400	3,787,400	1,744,728	2,042,672
Total expenditures.....	3,787,400	3,787,400	1,744,728	2,042,672
Excess of revenue over (under)				
expenditures.....	(3,785,000)	(3,785,000)	(1,726,906)	2,058,094
Other Financing Sources (Uses):				
Appropriated fund balance.....	3,785,000	3,785,000	-	(3,785,000)
Total other financing sources (uses).	3,785,000	3,785,000	-	(3,785,000)
Net change in fund balance.....	-	-	(1,726,906)	(1,726,906)
Fund balances, beginning of year.....	3,883,823	3,883,823	3,883,823	-
Fund balances, end of year.....	\$ 3,883,823	3,883,823	2,156,917	(1,726,906)

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR IMPACT FEES TRUST FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 5**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenue:				
Permits and Fees:				
Law enforcement impact fees.....	\$ 1,000	400	456	56
Fire protection impact fees.....	1,000	200	340	140
Roads and streets impact fees.....	1,000	700	763	63
Recreation and parks impact fees.....	2,000	700	712	12
	<u>5,000</u>	<u>2,000</u>	<u>2,271</u>	<u>271</u>
Miscellaneous:				
Interest earnings.....	-	-	1,412	1,412
Total revenue.....	5,000	2,000	3,683	1,683
Expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	5,000	2,000	3,683	1,683
Other Financing Sources (Uses):				
Contingency.....	(5,000)	(2,000)	-	2,000
Net change in fund balance.....	-	-	3,683	3,683
Fund balances, beginning of year .....	<u>238,472</u>	<u>238,472</u>	<u>238,472</u>	-
Fund balances, end of year.....	<u>\$ 238,472</u>	<u>238,472</u>	<u>242,155</u>	<u>3,683</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR LAW ENFORCEMENT TRUST FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 6**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenue:				
Fines and Forfeitures:				
Confiscated property.....	\$ -	-	-	-
Miscellaneous:				
Interest earnings.....	-	-	169	169
Total revenue.....	-	-	169	169
Expenditures:				
Current:				
Public Safety:				
Operating expenditures.....	-	900	863	37
Capital outlay.....	38,500	36,100	27,789	8,311
Grants and aid.....	-	1,500	1,500	-
Total expenditures .....	38,500	38,500	30,152	8,348
Excess of revenue over (under)				
expenditures .....	(38,500)	(38,500)	(29,983)	8,517
Other Financing Sources (Uses):				
Appropriated fund balance.....	38,500	38,500	-	(38,500)
Net change in fund balance.....	-	-	(29,983)	(29,983)
Fund balances, beginning of year.....	72,300	72,300	72,300	-
Fund balances, end of year.....	<u>\$ 72,300</u>	<u>72,300</u>	<u>42,317</u>	<u>(29,983)</u>



**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR HOLLY HILL POLICE EXPLORERS FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 7**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	5	5
Contributions.....	<u>1,400</u>	<u>-</u>	<u>1,177</u>	<u>1,177</u>
Total revenue.....	<u>1,400</u>	<u>-</u>	<u>1,182</u>	<u>1,182</u>
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	<u>1,400</u>	<u>1,100</u>	<u>289</u>	<u>811</u>
		-		
Excess of revenue over (under)				
expenditures.....	-	(1,100)	893	1,993
Fund balances, beginning of year.....	<u>1,664</u>	<u>1,664</u>	<u>1,664</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 1,664</u>	<u>564</u>	<u>2,557</u>	<u>1,993</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 8**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Housing and Urban				
Development.....	\$ 92,300	40,000	40,569	569
Expenditures:				
Current:				
Physical Environment:				
Capital outlay .....	92,300	40,000	40,569	(569)
Net change in fund balance.....	-	-	-	-
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR LOCAL LAW ENFORCEMENT BLOCK GRANT FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 9**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Justice.....	\$ -	5,700	5,507	(193)
Total revenue.....	-	5,700	5,507	(193)
Expenditures:				
Current:				
Public Safety:				
Operating expenditures.....	-	1,300	1,312	(12)
Capital outlay.....	-	4,400	4,336	64
Total expenditures.....	-	5,700	5,648	52
Excess of revenue over (under)				
expenditures.....	-	-	(141)	(141)
Other Financing Sources (Uses):				
Transfers in.....	-	-	141	141
Net change in fund balance.....	-	-	-	-
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	-	-

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR CAPITAL PROJECTS FUND**  
For the Fiscal Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 10**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	100	5,762	5,662
Expenditures:				
Capital Outlay:				
General government.....	592,200	593,200	46,345	546,855
Public safety.....	85,200	80,700	79,075	1,625
Transportation.....	81,200	81,300	20,073	61,227
Culture/recreation.....	1,151,000	671,700	89,286	582,414
Total expenditures.....	1,909,600	1,426,900	234,779	1,192,121
Excess of revenue over (under)				
expenditures.....	(1,909,600)	(1,426,800)	(229,017)	1,197,783
Other Financing Sources (Uses):				
Transfers in.....	1,909,600	1,426,800	1,243,400	(183,400)
Transfers (out).....	-	-	(67,411)	(67,411)
Total other financing sources.....	1,909,600	1,426,800	1,175,989	(250,811)
Net change in fund balance.....	-	-	946,972	946,972
Fund balances, beginning of year .....	131,223	131,223	131,223	-
Fund balances, end of year .....	<u>\$ 131,223</u>	<u>131,223</u>	<u>1,078,195</u>	<u>946,972</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**  
**CITY OF HOLLY HILL, FLORIDA**  
*(Accrual basis of accounting)*

	2017	2016	2015
<b>Governmental Activities:</b>			
Net investment in capital assets.....	\$ 13,755,952	\$ 16,030,653	\$ 15,794,251
Restricted.....	6,583,871	4,442,234	3,953,513
Unrestricted (deficit).....	<u>(997,664)</u>	<u>(1,397,870)</u>	<u>(1,820,824)</u>
Total governmental activities net position.....	<u>19,342,159</u>	<u>19,075,017</u>	<u>17,926,940</u>
<b>Business-type Activities:</b>			
Net investment in capital assets.....	10,500,202	9,338,226	8,306,571
Restricted.....	3,040,594	3,618,071	3,552,810
Unrestricted.....	<u>11,083,496</u>	<u>10,027,035</u>	<u>9,575,372</u>
Total business-type activities net position.....	<u>24,624,292</u>	<u>22,983,332</u>	<u>21,434,753</u>
<b>Primary Government:</b>			
Net investment in capital assets.....	24,256,154	25,368,879	24,100,822
Restricted.....	9,624,465	8,060,305	7,506,323
Unrestricted.....	<u>10,085,832</u>	<u>8,629,165</u>	<u>7,754,548</u>
Total primary government net position.....	<u>\$ 43,966,451</u>	<u>\$ 42,058,349</u>	<u>\$ 39,361,693</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						
2014	2013	2012	2011	2010	2009	2008
\$ 15,003,479	\$ 14,212,302	\$ 12,676,997	\$ 8,660,237	\$ 8,082,263	\$ 10,452,104	\$ 9,127,455
3,670,810	3,856,892	4,815,752	8,270,597	7,693,108	6,887,782	3,863,424
<u>2,736,658</u>	<u>2,522,450</u>	<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>21,410,947</u>	<u>20,591,644</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>
7,665,165	5,175,795	7,180,534	7,253,676	7,358,919	5,469,745	5,540,666
3,517,035	4,083,410	2,671,621	2,974,207	3,153,723	3,373,266	3,511,420
<u>9,460,140</u>	<u>9,983,362</u>	<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>20,642,340</u>	<u>19,242,567</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>
22,668,644	19,388,097	19,857,531	15,913,913	15,441,182	15,921,849	14,668,121
7,187,845	7,940,302	7,487,373	11,244,804	10,846,831	10,261,048	8,763,386
<u>12,196,798</u>	<u>12,505,812</u>	<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>\$ 42,053,287</u>	<u>\$ 39,834,211</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>



**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL, FLORIDA**  
*(Accrual basis of accounting)*

	2017	2016	2015
Expenses:			
Governmental Activities:			
General government.....	\$ 2,262,357	\$ 2,303,343	\$ 2,294,042
Public safety.....	7,074,310	4,223,371	4,543,641
Physical environment.....	62,816	22,876	12,801
Transportation.....	558,106	945,451	685,998
Economic environment.....	481,087	500,992	550,314
Culture/recreation.....	1,028,004	967,372	945,614
Interest on long-term debt.....	156,078	170,864	185,409
Total governmental activities expenses.....	<u>11,622,758</u>	<u>9,134,269</u>	<u>9,217,819</u>
Business-Type Activities:			
Water and sewer.....	5,095,534	4,749,834	4,547,616
Stormwater Management.....	760,023	803,918	786,211
Solid Waste.....	1,760,984	1,773,349	1,715,096
Total business-type activities expenses.....	<u>7,616,541</u>	<u>7,327,101</u>	<u>7,048,923</u>
Total primary government expenses.....	<u>19,239,299</u>	<u>16,461,370</u>	<u>16,266,742</u>
Program Revenues:			
Governmental Activities:			
Charges for Services:			
General government.....	1,102,806	1,040,484	1,069,540
Public safety.....	220,607	198,576	250,244
Physical environment.....	-	-	-
Transportation.....	96,591	104,955	100,410
Economic environment.....	-	-	-
Culture/recreation.....	17,619	22,813	18,296
Operating grants and contributions.....	4,011,193	1,483,592	1,503,092
Capital grants and contributions.....	230,421	195,997	456,138
Total governmental activities program revenues.....	<u>5,679,237</u>	<u>3,046,417</u>	<u>3,397,720</u>
Business-Type Activities:			
Charges for Services:			
Water/Sewer.....	6,462,660	6,188,254	5,933,831
Stormwater Management.....	947,208	946,661	801,878
Solid Waste.....	2,587,645	2,477,576	2,314,039
Operating grants and contributions.....	-	-	-
Capital grants and contributions.....	3,330	29,484	6,660
Total business-type activities program revenues.....	<u>10,000,843</u>	<u>9,641,975</u>	<u>9,056,408</u>
Total primary government program revenues.....	<u>15,680,080</u>	<u>12,688,392</u>	<u>12,454,128</u>

Table 2

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 2,137,770	\$ 2,298,533	\$ 2,348,014	\$ 2,332,984	\$ 1,847,021	\$ 1,766,893	\$ 1,703,645
4,531,911	3,978,943	3,852,378	3,798,676	4,192,672	4,171,506	3,792,083
11,717	-	-	-	-	563,880	606,409
657,879	578,257	289,592	438,564	957,840	897,081	881,449
676,361	1,242,706	886,764	533,531	819,830	999,740	774,449
965,559	949,879	866,369	692,810	885,945	1,061,483	950,267
<u>200,108</u>	<u>174,347</u>	<u>204,683</u>	<u>235,237</u>	<u>244,726</u>	<u>363,189</u>	<u>381,840</u>
<u>9,181,305</u>	<u>9,222,665</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>
4,244,775	4,001,497	4,243,185	4,215,684	5,214,124	4,432,662	4,475,164
758,301	655,116	651,874	687,803	764,593	-	-
<u>1,650,414</u>	<u>1,662,292</u>	<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>6,653,490</u>	<u>6,318,905</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>15,834,795</u>	<u>15,541,570</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>
1,156,153	1,016,014	1,004,448	241,477	217,576	202,645	205,206
413,875	382,829	396,331	208,354	87,162	112,794	132,372
-	-	-	-	-	861,459	853,801
91,226	92,495	80,523	108,177	54,413	70,075	62,422
613	5,765	-	-	-	-	-
16,518	14,531	23,338	30,526	28,031	79,612	84,861
1,436,128	1,143,863	1,224,367	1,465,666	1,279,191	1,580,344	1,304,941
<u>199,013</u>	<u>209,098</u>	<u>397,333</u>	<u>189,546</u>	<u>117,781</u>	<u>142,086</u>	<u>106,711</u>
<u>3,313,526</u>	<u>2,864,595</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>
5,675,300	5,772,142	5,539,606	5,310,187	4,675,679	4,923,630	4,916,507
796,720	803,372	805,923	844,920	866,784	-	-
2,196,706	1,962,148	1,689,857	1,671,500	1,687,980	1,680,737	1,682,888
-	-	-	11,487	765	8,645	-
<u>11,151</u>	<u>5,052</u>	<u>8,643</u>	<u>18,072</u>	<u>12,804</u>	<u>3,330</u>	<u>26,640</u>
<u>8,679,877</u>	<u>8,542,714</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>11,993,403</u>	<u>11,407,309</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>

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL, FLORIDA**  
*(Accrual basis of accounting)*

	2017	2016	2015
Net (Expense)/Revenue:			
Governmental activities.....	\$ (5,943,521)	\$ (6,087,852)	\$ (5,820,099)
Business-type activities.....	<u>2,384,302</u>	<u>2,314,874</u>	<u>2,007,485</u>
Total primary government net expense.....	<u>(3,559,219)</u>	<u>(3,772,978)</u>	<u>(3,812,614)</u>
General Revenues and Other Changes in Net Position:			
Governmental Activities:			
Taxes:			
Property taxes.....	3,605,020	3,543,276	3,390,137
Sales taxes.....	652,102	630,891	602,221
Public service taxes.....	1,738,944	1,722,500	1,733,315
Intergovernmental revenues.....	348,443	324,537	319,010
Investment earnings.....	58,921	50,743	8,900
Miscellaneous revenue.....	83,960	148,182	168,310
Gain (loss) on capital asset disposal.....	(1,090,468)	-	-
Transfers.....	<u>813,741</u>	<u>815,800</u>	<u>631,800</u>
Total governmental activities.....	<u>6,210,663</u>	<u>7,235,929</u>	<u>6,853,693</u>
Business-Type Activities:			
Investment earnings.....	39,981	19,936	10,348
Transfers.....	(813,741)	(815,800)	(631,800)
Other.....	<u>30,418</u>	<u>29,569</u>	<u>-</u>
Total business-type activities.....	<u>(743,342)</u>	<u>(766,295)</u>	<u>(621,452)</u>
Total primary government.....	<u>\$ 5,467,321</u>	<u>\$ 6,469,634</u>	<u>\$ 6,232,241</u>
Changes in Net Position:			
Governmental activities.....	\$ 267,142	\$ 1,148,077	\$ 1,033,594
Business-type activities.....	<u>1,640,960</u>	<u>1,548,579</u>	<u>1,386,033</u>
Total primary government.....	<u>\$ 1,908,102</u>	<u>\$ 2,696,656</u>	<u>\$ 2,419,627</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						
2014	2013	2012	2011	2010	2009	2008
\$ (5,867,779)	\$ (6,358,070)	\$ (5,321,460)	\$ (5,788,056)	\$ (7,163,880)	\$ (6,774,757)	\$ (6,339,828)
<u>2,026,387</u>	<u>2,223,809</u>	<u>1,928,042</u>	<u>1,673,010</u>	<u>(17,097)</u>	<u>916,438</u>	<u>763,388</u>
<u>(3,841,392)</u>	<u>(4,134,261)</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>
3,322,229	3,199,635	3,208,390	3,435,096	3,220,600	4,344,229	2,542,372
565,457	536,137	510,207	521,190	522,556	478,250	573,309
1,714,214	1,676,393	1,616,522	1,635,185	1,647,958	1,645,513	1,513,683
300,608	288,696	275,803	1,498,361	1,924,018	2,522,732	1,303,179
4,002	14,658	2,646	4,627	7,058	52,685	304,079
148,772	156,425	78,127	93,918	78,067	230,589	301,204
-	-	-	-	-	-	-
<u>631,800</u>	<u>616,800</u>	<u>616,800</u>	<u>150,000</u>	<u>910,600</u>	<u>1,112,600</u>	<u>1,112,600</u>
<u>6,687,082</u>	<u>6,488,744</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>
5,186	8,601	1,747	1,747	3,391	26,877	156,163
(631,800)	(616,800)	(150,000)	(150,000)	(910,600)	(1,112,600)	(1,112,600)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,541</u>	<u>20,396</u>
<u>(626,614)</u>	<u>(608,199)</u>	<u>(148,253)</u>	<u>(148,253)</u>	<u>(907,209)</u>	<u>(1,082,182)</u>	<u>(936,041)</u>
<u>\$ 6,060,468</u>	<u>\$ 5,880,545</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>
\$ 819,303	\$ 130,674	\$ 987,035	\$ 1,550,321	\$ 1,146,977	\$ 3,611,841	\$ 1,310,598
<u>1,399,773</u>	<u>1,615,610</u>	<u>1,779,789</u>	<u>1,524,757</u>	<u>(924,306)</u>	<u>(165,744)</u>	<u>(172,653)</u>
<u>\$ 2,219,076</u>	<u>\$ 1,746,284</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>

**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL, FLORIDA**  
*(Modified accrual basis of accounting)*

	2017	2016	2015
<b>General Fund:</b>			
Nonspendable.....	\$ 75,110	\$ 9,554	\$ 13,296
Restricted.....	235,491	99,491	228,309
Committed.....	-	-	-
Assigned.....	1,011,304	1,146,501	767,132
Unassigned.....	<u>1,219,178</u>	<u>3,791,172</u>	<u>3,676,556</u>
Total general fund.....	<u>\$ 2,541,083</u>	<u>\$ 5,046,718</u>	<u>\$ 4,685,293</u>
<b>All Other Governmental Funds:</b>			
Nonspendable.....	\$ 1,220	\$ -	\$ -
Restricted.....	8,515,283	8,226,566	7,843,852
Committed.....	1,078,195	131,223	131,004
Assigned.....	2,557	1,664	4,597
Unassigned.....	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds.....	<u>\$ 9,597,255</u>	<u>\$ 8,359,453</u>	<u>\$ 7,979,453</u>

Notes:

Taken from Balance Sheet Statement 3.

**Table 3**

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 19,653	\$ 17,395	\$ 1,645	\$ 1,721	\$ 51,265	\$ 2,594	\$ 1,387
316,533	196,458	605,017	509,827	261,158	143,688	125,983
-	-	-	-	-	10,034	2,485
1,617,533	558,359	1,780,964	975	-	-	-
<u>2,352,968</u>	<u>3,016,441</u>	<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>\$ 4,306,687</u>	<u>\$ 3,788,653</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>
\$ -	\$ 16,400	\$ -	\$ 55,000	\$ -	\$ 26,573	\$ 29,529
7,500,251	8,558,234	4,210,735	7,760,770	7,356,536	6,633,540	4,589,388
130,991	130,978	130,961	130,945	315,515	414,733	1,517,915
8,799	4,453	20,045	20,603	-	2,351,563	1,932,244
-	-	(1,715)	(15,199)	-	-	-
<u>\$ 7,640,041</u>	<u>\$ 8,710,065</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>

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL, FLORIDA**  
*(Modified accrual basis of accounting)*

	2017	2016	2015
Revenue:			
Taxes .....	\$ 6,057,443	\$ 5,910,665	\$ 5,735,019
Permits and fees .....	985,112	977,793	997,830
Intergovernmental .....	2,329,931	2,178,772	2,459,898
Charges for services .....	144,036	152,030	130,129
Fines and forfeitures .....	59,294	37,071	115,209
Miscellaneous .....	<u>1,503,510</u>	<u>233,659</u>	<u>179,722</u>
Total revenue .....	<u>11,079,326</u>	<u>9,489,990</u>	<u>9,617,807</u>
Expenditures:			
General government .....	2,065,509	2,138,730	2,079,960
Public safety .....	6,820,451	4,200,985	4,188,393
Physical environment .....	-	-	-
Transportation .....	296,719	722,949	522,141
Economic environment .....	255,518	309,424	563,039
Culture/recreation .....	823,203	1,046,301	1,212,663
Capital outlay .....	2,052,201	298,994	119,004
Debt Service:			
Principal retirement .....	685,000	670,000	655,000
Interest and fiscal charges .....	<u>162,299</u>	<u>176,982</u>	<u>191,388</u>
Total expenditures .....	<u>13,160,900</u>	<u>9,564,365</u>	<u>9,531,588</u>
Excess of revenue over (under) expenditures .....	<u>(2,081,574)</u>	<u>(74,375)</u>	<u>86,219</u>
Other Financing Sources (Uses):			
Revenue bonds issued .....	-	-	-
Transfers in .....	2,979,593	1,676,473	1,479,302
Transfers out .....	(2,165,852)	(860,673)	(847,502)
Payment to refunded bond escrow .....	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) .....	<u>813,741</u>	<u>815,800</u>	<u>631,800</u>
Net change in fund balances .....	<u>\$ (1,267,833)</u>	<u>\$ 741,425</u>	<u>\$ 718,019</u>
Debt service as a percentage of noncapital expenditures .....	<u>7.7%</u>	<u>9.6%</u>	<u>10.1%</u>

Table 4

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
\$ 5,648,079	\$ 5,431,600	\$ 5,381,971	\$ 5,623,744	\$ 5,872,297	\$ 6,300,929	\$ 4,500,797
1,072,873	968,414	869,747	1,016,041	897,290	955,638	974,290
2,078,751	1,816,087	2,032,148	2,406,507	2,628,694	3,243,739	2,082,755
133,288	126,279	123,709	162,466	100,671	1,031,913	1,025,165
271,272	228,493	319,638	124,005	45,985	57,404	61,567
<u>154,773</u>	<u>173,812</u>	<u>96,308</u>	<u>100,998</u>	<u>88,078</u>	<u>332,718</u>	<u>657,481</u>
<u>9,359,036</u>	<u>8,744,685</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>
2,048,137	2,259,139	2,376,905	2,411,056	1,672,409	1,765,165	1,749,913
4,335,023	4,409,235	3,808,003	3,596,628	3,915,840	3,915,435	3,890,331
-	-	-	-	-	299,800	322,913
426,670	783,393	274,514	126,887	729,145	751,625	818,689
1,084,763	1,597,229	2,725,325	580,112	787,094	2,271,230	554,760
1,001,836	995,081	746,812	538,632	734,731	895,344	836,617
798,564	221,442	2,129,771	857,414	615,324	217,422	2,208,584
640,000	336,283	155,367	269,729	222,179	464,473	558,115
<u>207,834</u>	<u>127,837</u>	<u>145,059</u>	<u>238,097</u>	<u>248,262</u>	<u>359,613</u>	<u>377,018</u>
<u>10,542,827</u>	<u>10,729,639</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>(1,183,791)</u>	<u>(1,984,954)</u>	<u>(3,538,235)</u>	<u>815,206</u>	<u>708,031</u>	<u>982,234</u>	<u>(2,014,885)</u>
-	5,000,000	4,835,000	112,115	-	-	-
1,486,402	1,226,600	1,117,408	620,500	1,734,200	2,086,910	1,981,934
(854,602)	(609,800)	(500,608)	(470,500)	(823,600)	(974,310)	(869,334)
<u>-</u>	<u>-</u>	<u>(5,069,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>631,800</u>	<u>5,616,800</u>	<u>381,916</u>	<u>262,115</u>	<u>910,600</u>	<u>1,112,600</u>	<u>1,112,600</u>
<u>\$ (551,991)</u>	<u>\$ 3,631,846</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>9.7%</u>	<u>5.4%</u>	<u>3.8%</u>	<u>6.7%</u>	<u>5.7%</u>	<u>7.7%</u>	<u>10.3%</u>



**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
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
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
2016	2015	\$ 348,087,286	\$ 121,955,224	\$ 52,170,203	\$ 35,680	\$ 34,610,358
2017	2016	\$ 368,014,057	\$ 130,150,602	\$ 53,764,117	\$ 38,763	\$ 35,861,332

Source: Property Appraiser, Volusia County, Florida  
Taxable Values by Property Class Report

Note: <sup>1</sup>Property 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 <sup>1</sup>	Total Direct Tax Rate <sup>1</sup>
\$ 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
\$ 27,050,216	\$ 17,106,186	\$ 58,516,953	\$ 659,532,106	\$ 147,253,118	\$ 512,278,988	6.89490
\$ 26,995,665	\$ 17,761,873	\$ 58,447,308	\$ 691,033,717	\$ 151,762,995	\$ 539,270,722	6.89490

**DIRECT AND OVERLAPPING PROPERTY TAX RATES<sup>1</sup>**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL, FLORIDA**

Fiscal Year	Tax Year	Holly Hill	Volusia County-Operating <sup>2</sup>	Volusia County-Voter Approved	Volusia County-School District <sup>2</sup>	St. Johns Water Management District
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
2016	2015	7.13040	6.87090	0.40000	7.19700	0.30230
2017	2016	6.89490	6.65200	0.40000	6.84800	0.28850

Source: Financial and Administrative Services, Volusia County, Florida

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

<sup>1</sup>All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2017 data was obtained from the 2016 calendar year tax roll).

<sup>2</sup>Includes 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
0.03450	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
0.03200	0.95500	0.18800	0.09290	23.16850
0.03200	0.75610	0.18800	0.09290	22.15240

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT AND NINE YEARS AGO  
CITY OF HOLLY HILL, FLORIDA**

Taxpayer	September 30, 2017		
	Assessed Taxable Value (\$ in Thousands)	Rank	Percent to Total Assessed Taxable Value
HHA Borrower, LLC.....	\$ 42,993	1	6.65%
Holly Hill RHF Housing, Inc.....	11,976	2	1.85%
Florida Power & Light Company.....	11,080	3	1.71%
Sun Holly Forest, LLC.....	8,000	4	1.24%
J 8 Land Partners LLLP.....	6,391	5	0.99%
Highlander Corp.....	6,068	6	0.94%
Charleston Place Ltd. Ptr.....	5,954	7	0.92%
SNH SE Holly Hill LLC.....	5,658	8	0.87%
United Rentals N America Inc.....	4,451	9	0.69%
NAC Health Plan Inc.....	4,199	10	0.65%
Holly Hill (E&A) LLC	-		
Riviera Senior Living	-		
Holly Station Inc	-		
Holly Hill Holdings LTD	-		
Totals.....	<u>\$ 106,770</u>		16.50%

Source: Property Appraiser, Volusia County, Florida

**Table 7**

September 30, 2008			
Assessed Taxable Value (\$ in Thousands)	Rank	Percent to Total Assessed Taxable Value	
\$ 10,755	2	2.35%	
15,915	1	3.48%	
7,916	6	1.73%	
10,268	3	2.25%	
-			
7,896	7	1.73%	
8,192	5	1.79%	
-			
-			
-			
6,218	10	1.46%	
7,821	8	1.91%	
6,686	9	1.46%	
8,701	4	1.91%	
<hr/>			
<u>\$ 90,368</u>		20.08%	

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**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**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
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%	\$ 15,556	\$ 3,219,211	97.22%
2014	\$	3,419,275	\$ 3,296,191	96.40%	\$ 15,607	\$ 3,311,798	96.86%
2015	\$	3,473,127	\$ 3,413,302	98.28%	\$ 4,250	\$ 3,417,552	98.40%
2016	\$	3,657,068	\$ 3,537,828	96.74%	\$ 3,694	\$ 3,541,522	96.84%
2017	\$	3,718,849	\$ 3,601,297	96.84%	\$ -	\$ 3,601,297	96.84%

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. 2017 collections are from the 2016 tax levy) and reported in the year used for revenue recognition.



**WATER PRODUCED AND CONSUMED/WASTEWATER TREATED  
LAST TEN FISCAL YEARS  
CITY OF HOLLY HILL, FLORIDA**

**Table 9**

Fiscal Year Ended September	Gallons of Water Production	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated
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	333,052,000	330,372,000	2,680,000	0.80%	641,625,000
2016	351,220,000	337,400,000	13,820,000	3.93%	548,690,000
2017	376,182,000	328,051,000	48,131,000	12.79%	616,850,000

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  
CITY OF HOLLY HILL, FLORIDA**

**Table 10**

Fiscal Year Ended September 30	Monthly Water Service Fees			Monthly Sewer Service Fees			Over 15,000 Gallons
	0 to 2,999 Gallons	3000 to 14,999 Gallons	Over 15,000 Gallons	0 to 2,999 Gallons	Over 3,000 Gallons		
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	\$ 12.04	\$ 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
2016	\$ 14.01	\$ 6.62	\$ 7.94	\$ 16.11	\$ 7.61		N/A
2017	\$ 14.43	\$ 6.82	\$ 8.18	\$ 16.59	\$ 7.84		N/A

Source: Finance Department, City of Holly Hill, Florida

**TEN LARGEST WATER AND SEWER CUSTOMERS  
CURRENT AND NINE YEARS AGO  
CITY OF HOLLY HILL, FLORIDA**

Customer Account Name	September 30, 2017		
	Annual Water/ Sewer Sales	Rank	Percent to Total Combined Water/Sewer Sales
MGH Condo Assoc Inc #3920.....	\$ 206,383	1	4.04%
Angelica Health Services.....	58,417	2	1.14%
Product Quest.....	47,685	3	0.93%
Holly Point Apts (Royal American).....	45,096	4	0.88%
MGH Condo Assoc Inc.....	29,802	5	0.58%
Maple Leaf Own Condo.....	26,628	6	0.52%
Bishops Glen.....	26,481	7	0.52%
Blue Tide Apartments #B.....	25,447	8	0.50%
Sun Communities.....	25,286	9	0.50%
Blue Tide Apartments #A.....	21,344	10	0.42%
Tar Eagle LLC.....	-		
Riviera Senior Living.....	-		
Florida Health Care.....	-		
Holly Station Inc.....	-		
Total.....	<u>\$ 512,569</u>		

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

**Table 11**

September 30, 2008		
Annual Water/ Sewer Sales	Rank	Percent to Total Combined Water/Sewer Sales
\$ -		
426,438	1	9.73%
-		
71,284	2	1.63%
-		
36,926	4	0.84%
35,540	5	0.81%
45,426	3	1.04%
14,759	9	0.34%
-		
26,413	6	0.60%
21,282	7	0.49%
18,746	8	0.43%
10,886	10	0.25%
<u>\$ 707,700</u>		

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**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)
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
2016	\$ 7,570,000	\$ -	\$ -	\$ 7,570,000	\$ 12,060,000	\$ 6,980,042
2017	\$ 6,885,000	\$ -	\$ -	\$ 6,885,000	\$ 10,820,000	\$ 6,253,203

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
\$ 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
\$ 19,040,042	\$ 26,610,042	5.48%	\$ 2,255
\$ 17,073,203	\$ 23,958,203	4.74%	\$ 2,006

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
CITY OF HOLLY HILL, FLORIDA**

**Table 13**

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

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****Table 14**

Year Ended September 30, 2017

CITY OF HOLLY HILL, FLORIDA

Governmental Unit	Principal Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
County of Volusia, Florida			
General Obligation Bonds.....	\$ 12,525,000	1.8641%	233,482
City direct debt.....			<u>6,885,000</u>
Total direct and overlapping debt.....			<u>\$ 7,118,482</u>

Source: Assessed valuation data used to estimate applicable percentage provided by Volusia County Property Appraiser. Debt outstanding data provided by each government unit at 09/30/2017.

Note: Includes all direct debt - including bonds, notes, loans and capital leases  
Estimated percentage based on the 2017 Tax Levy (Form DR-420)



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**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
CITY OF HOLLY HILL, FLORIDA

**Table 15**

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<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**  
**CITY OF HOLLY HILL, FLORIDA**  
(\$000's)

	2017	2016	2015	2014
<b>CRA Redevelopment Revenue Notes:</b>				
(Defined) revenues.....	\$ 2,130	\$ 2,000	\$ 1,972	\$ 1,847
Less: operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue available for debt service.....	2,130	2,000	1,972	1,847
<b>Debt Service payments:</b>				
Principal.....	685	670	655	640
Interest.....	<u>162</u>	<u>177</u>	<u>192</u>	<u>208</u>
Total debt service payments.....	<u>\$ 847</u>	<u>\$ 847</u>	<u>\$ 847</u>	<u>\$ 848</u>
Coverage ratio (times).....	<u>2.51</u>	<u>2.36</u>	<u>2.33</u>	<u>2.18</u>
<b>FDEP Clean Water State Revolving Fund Loans:</b>				
(Defined) stormwater revenues.....	\$ 947	\$ 947	\$ 802	\$ 796
Less: operating expenses	<u>407</u>	<u>457</u>	<u>440</u>	<u>394</u>
Net revenue available for debt service.....	540	490	362	402
<b>Debt Service payments:</b>				
Principal.....	303	296	289	283
Interest.....	<u>50</u>	<u>56</u>	<u>65</u>	<u>71</u>
Total debt service payments.....	<u>\$ 353</u>	<u>\$ 352</u>	<u>\$ 354</u>	<u>\$ 354</u>
Coverage ratio (times).....	<u>1.53</u>	<u>1.39</u>	<u>1.02</u>	<u>1.14</u>
<b>Water and Sewer System Revenue Bonds:</b>				
(Defined) water/sewer system revenues.....	\$ 6,463	\$ 6,188	\$ 5,934	\$ 5,675
Less: operating expenses	<u>3,101</u>	<u>2,691</u>	<u>2,519</u>	<u>2,478</u>
Net revenue available for debt service.....	3,362	3,497	3,415	3,197
<b>Debt Service payments:</b>				
Principal.....	1,240	1,215	1,190	985
Interest.....	<u>297</u>	<u>325</u>	<u>352</u>	<u>370</u>
Total debt service payments.....	<u>\$ 1,537</u>	<u>\$ 1,540</u>	<u>\$ 1,542</u>	<u>\$ 1,355</u>
Coverage ratio (times).....	<u>2.19</u>	<u>2.27</u>	<u>2.21</u>	<u>2.36</u>
<b>FDEP Clean Water State Revolving Fund Loans:</b>				
<b>Subordinate Debt Service payments:</b>				
Principal.....	425	413	403	394
Interest.....	<u>107</u>	<u>117</u>	<u>126</u>	<u>137</u>
Total debt service payments.....	<u>\$ 532</u>	<u>\$ 530</u>	<u>\$ 529</u>	<u>\$ 531</u>
Combined Coverage ratio (times).....	<u>1.62</u>	<u>1.69</u>	<u>1.65</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					
2013	2012	2011	2010	2009	2008
\$ 1,511	\$ 1,570	\$ 2,009	\$ 2,647	\$ 3,595	\$ 1,343
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,511	1,570	2,009	2,647	3,595	1,343
300	246	232	222	212	203
99	224	238	248	258	267
<u>\$ 399</u>	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>
3.79	3.34	4.27	5.63	7.65	2.86
\$ 803	\$ 806	\$ 845	\$ 867	\$ 861	\$ 854
<u>283</u>	<u>270</u>	<u>291</u>	<u>362</u>	<u>367</u>	<u>323</u>
520	536	554	505	494	531
276	270	264	258	252	246
78	84	90	96	102	108
<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>
<u>1.47</u>	<u>1.51</u>	<u>1.56</u>	<u>1.43</u>	<u>1.40</u>	<u>1.50</u>
\$ 5,776	\$ 5,553	\$ 5,311	\$ 4,678	\$ 4,950	\$ 5,072
<u>2,373</u>	<u>2,242</u>	<u>2,269</u>	<u>2,666</u>	<u>2,632</u>	<u>2,671</u>
3,403	3,311	3,042	2,012	2,318	2,401
985	855	685	605	585	565
402	563	563	471	492	512
<u>\$ 1,387</u>	<u>\$ 1,418</u>	<u>\$ 1,248</u>	<u>\$ 1,076</u>	<u>\$ 1,077</u>	<u>\$ 1,077</u>
<u>2.45</u>	<u>2.33</u>	<u>2.44</u>	<u>1.87</u>	<u>2.15</u>	<u>2.23</u>
385	376	366	256	250	120
146	155	164	172	118	70
<u>\$ 531</u>	<u>\$ 531</u>	<u>\$ 530</u>	<u>\$ 428</u>	<u>\$ 368</u>	<u>\$ 190</u>
<u>1.77</u>	<u>1.70</u>	<u>1.71</u>	<u>1.34</u>	<u>1.60</u>	<u>1.90</u>

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**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL**

**Table 17**

Fiscal Year Ended September 30	Population <sup>1</sup>	Volusia County Personal Income <sup>2</sup>	Per Capita Personal Income <sup>2</sup>	Median Household Income <sup>2</sup>	Median HUD Income <sup>2</sup>	County Unemployment Rate <sup>2</sup>
2008	12,759	\$16,957,308,000	\$ 32,789	\$ 45,831	\$ 52,300	6.50%
2009	12,695	\$15,943,684,000	\$ 32,255	\$ 41,390	n/a	11.70%
2010	11,659	\$16,512,482,000	\$ 32,212	\$ 44,400	n/a	12.50%
2011	11,633	\$17,078,915,000	\$ 33,436	\$ 44,169	n/a	10.00%
2012	11,628	\$17,445,812,000	\$ 34,445	\$ 43,419	n/a	10.00%
2013	11,679	\$17,611,927,000	\$ 17,371	\$ 27,313	n/a	6.00%
2014	11,765	\$18,413,739,000	\$ 23,844	\$ 41,714	n/a	5.60%
2015	11,985	\$19,297,694,000	\$ 24,026	\$ 41,117	n/a	5.30%
2016	12,142	\$20,461,018,000	\$ 20,231	\$ 43,070	n/a	5.20%
2017	12,479	n/a	n/a	n/a	n/a	3.70%

Sources:

<sup>1</sup>U.S. Department of Commerce, Bureau of Census, for 2013. All other periods are estimated.

<sup>2</sup>Amount obtained from Bureau of Economic Analysis for Volusia County, Florida.

<sup>3</sup>Florida Research and Economic Information Database Application (FREIDA). Amounts indicated are for Volusia County.

<sup>4</sup>US Department of Housing and Urban Development, HUD User Data Set

**PRINCIPAL EMPLOYERS  
CURRENT AND TEN YEARS AGO  
CITY OF HOLLY HILL**

Employer	September 30, 2017		
	Total Employees	Rank	Percent to Total City Employment
Florida Health Care.....	800	1	13.90%
Metra Electronics Corporation.....	501	2	8.70%
Holly Hill R.H.F. Housing Inc ( Bishop's Glen).....	235	3	4.08%
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%
R & R Industries, Inc.....	79	9	1.37%
Angelica.....	59	8	1.03%
Five Star Quality Care.....	48	10	0.83%
EVAC Ambulance (Emergency Medical Foundation).....			
Publix Supermarkets.....			
Olson Electric Company, Inc.....			
Winn Dixie.....			
Total.....	<u>2,274</u>		<u>39.51%</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, 2008		
Total Employees	Rank	Percent to Total City Employment
200	3	2.02%
N/A	N/A	N/A
200	2	2.02%
100	8	1.01%
N/A	N/A	N/A
196	5	1.98%
132	7	1.34%
N/A	N/A	N/A
200	4	2.02%
N/A	N/A	N/A
250	1	2.53%
155	6	1.57%
100	9	1.01%
98	10	0.99%
1,631		16.50%
9,883		



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

	Full-Time			
	2017	2016	2015*	2014
General Government:				
City Commission.....	5.0	5.0	5.0	5.0
City Manager.....	2.0	2.0	3.6	2.5
Finance/Administration.....	11.8	11.8	10.0	12.0
Human Relations.....	1.0	1.0	1.0	1.0
Public Safety:				
Police:				
Officers.....	25.0	25.0	27.0	31.0
Civilians.....	5.7	5.7	5.7	5.0
Fire:				
Firefighters and officers.....	13.0	13.0	13.0	13.5
Civilians.....	1.0	1.0	1.0	1.0
Protective Inspection.....	4.0	4.0	4.0	-
Physical Environment:				
Transportation.....	7.0	7.0	7.0	2.5
Buildings & Grounds.....	6.5	6.5	6.0	6.0
Culture/Recreation:				
Recreation.....	-	-	-	-
Economic Environment:				
Community Redevelopment.....	2.0	2.0	2.0	2.0
Public Works:				
Administration.....	-	-	-	6.0
Stormwater.....	4.2	4.2	4.7	3.5
Public Utilities:				
Water.....	14.0	14.0	14.0	14.5
Sewer.....	<u>12.1</u>	<u>12.1</u>	<u>12.1</u>	<u>12.0</u>
Total	<u>114.3</u>	<u>114.3</u>	<u>116.1</u>	<u>117.5</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,

2013	2012	2011	2010	2009	2008
5.0	5.0	5.0	5.0	5.0	5.0
2.5	2.5	2.5	2.0	4.5	5.0
12.0	12.0	13.0	9.5	9.0	9.0
1.0	1.0	1.0	1.0	1.0	1.0
30.0	29.0	32.0	32.0	32.0	36.0
5.0	5.0	5.0	-	-	-
13.5	13.5	13.0	14.0	14.0	16.5
1.0	1.0	1.5	-	-	-
-	-	-	-	6.0	6.0
2.5	2.5	2.5	2.5	7.0	8.0
6.0	6.0	5.0	3.0	6.0	11.0
-	-	-	-	7.5	7.5
2.0	2.0	1.0	-	1.0	1.0
6.0	6.0	6.0	4.0	4.0	5.0
3.5	3.5	3.0	2.0	4.0	4.0
14.5	14.5	14.5	13.0	11.0	12.0
<u>12.0</u>	<u>13.0</u>	<u>13.0</u>	<u>13.0</u>	<u>11.0</u>	<u>11.0</u>
<u>116.5</u>	<u>116.5</u>	<u>118.0</u>	<u>101.0</u>	<u>123.0</u>	<u>138.0</u>

**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL, FLORIDA**

	Fiscal			
	2017	2016	2015	2014
Police:				
Physical arrests.....	1105	945	741	838
Parking violations.....	0	0	0	0
Traffic violations.....	1139	1704	2765	1992
Fire:				
Emergency responses.....	3154	2855	2834	2423
Inspections.....	1492	1401	1089	781
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	1.26	0.74	0
Water:				
New connections.....	5	7	2	46
Water main breaks.....	5	3	1	6
Average daily consumption (thousands of gallons)...	1,030,000	959,000	917,000	960,000
Peak daily consumption (thousands of gallons).....	1,237,000	1,145,000	1,099,000	1,136,000
Sewer:				
Average daily treatment (thousands of gallons).....	1,690,000	1,520,000	1,757,876	1,542,658

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					
2013	2012	2011	2010	2009	2008
935	1,192	896	929	1,111	1,520
0	0	1	0	0	0
1,358	1,218	1,598	1,960	1,831	2,466
2,668	2,480	2,480	2,750	2,486	2,753
1134	522	522	400	618	603
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
5.82	0	0	1	0	0
1	4	5	2	25	51
12	22	11	27	14	11
967,000	1,024,000	1,005,000	1,087,490	1,116,142	1,233,992
1,153,000	1,175,000	1,110,000	1,285,000	1,690,000	1,670,000
1,542,822	1,411,811	1,455,655	1,618,767	1,947,945	1,189,023

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**CITY OF HOLLY HILL**

	2017	2016	2015	2014
Police:				
Stations.....	1	1	1	1
Patrol units <sup>1</sup> .....	4	4	3	4
Fire stations.....	1	1	1	1
Public Works-Transportation:				
Streets (miles) <sup>2</sup> .....	68.5	68.5	68.5	68.5
Streetlights <sup>4</sup> .....	1033	1033	1033	1033
Parks and recreation:				
Acreage.....	96.8	96.8	96.8	96.8
Dog Park.....	1	1	1	1
Playgrounds.....	5	5	4	4
Tennis Courts.....	2	2	2	2
Shuffleboard courts.....	-	-	-	-
Fishing Piers.....	4	4	4	3
Boat Ramps.....	1	1	1	1
Swimming Pools.....	1	1	1	1
Baseball/softball diamonds.....	5	5	5	5
Community centers.....	2	2	3	4
Water:				
Water mains (miles).....	75.0	75.0	75.0	75.0
Fire hydrants.....	402	402	392	389
Treatment capacity (millions of gallons).....	2.3	2.3	2.3	2.3
Sewer:				
Sanitary sewers (miles) <sup>3</sup> .....	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

<sup>1</sup>Does not include special patrols i.e. CRA SRT

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

<sup>3</sup>Historically recalculated based on current GIS data

<sup>4</sup>FPL Audit June 2013

**Table 21**

Fiscal Year					
2013	2012	2011	2010	2009	2008
1	1	1	1	1	2
4	4	4	4	4	4
1	1	1	1	1	1
68.5	68.5	68.5	68.5	68.5	68.5
1,033	963	963	963	963	963
96.8	96.8	84	84	84	84
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
-	-	-	-	-	-
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
5	5	5	5	5	5
4	2	2	2	2	2
75.0	75.0	73.9	73.9	73.4	73.4
364	364	355	350	304	304
2.3	2.3	2.3	2.3	2.3	2.3
66.2	66.2	66.2	66	66.0	66
42	42	42	42	42	42
3.0	3.0	3.0	2.4	2.4	2.4

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## ***COMPLIANCE SECTION***



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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended September 30, 2017

CITY OF HOLLY HILL, FLORIDA

HOLLY HILL, FLORIDA

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Total Federal Expenditures
<b><i>Other Programs:</i></b>			
Department of Homeland Security:			
Passed-through Florida Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster Delarations):			
Hurricane Matthew (FEMA-4283-DR-FL)	97.036	17-PA-U5-06-74-01-031	\$ 1,923,521
Hurricane Irma (FEMA-4337-DR-FL)	97.036	(no number provided)	<u>262,817</u>
<i>Total Department of Homeland Security</i>			<u>2,186,338</u>
United States Department of Justice:			
Passed-through Florida Department of Law Enforcement:			
Edward Byrne Memorial Justice Assistance Grant Program:			
Emergency Operations Center Tech Update	16.738	2017-JAGD-VOLU-1-F8-064	<u>5,507</u>
<i>Total United States Department of Justice</i>			<u>5,507</u>
Department of Housing and Urban Development:			
Passed-through County of Volusia, Florida:			
Community Development Block Grant:			
Ross Point Playground, Lift Station #12	14.218	B-15-UC-12-008	39,938
Lift Station #1 Rehabilitation	14.218	B-16-UC-12-008	<u>630</u>
<i>Total Department of Housing and Urban Development</i>			<u>40,568</u>
<b><i>Total Other Programs</i></b>			<u>2,232,413</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<u>\$ 2,232,413</u>

The accompanying notes are an integral part of this schedule.

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA  
HOLLY HILL, FLORIDA

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### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the Federal Award activity of the City of Holly Hill, Florida (the “City”), under programs of the federal government for the year ended September 30, 2017 in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Rules of the Executive Office of the Governor of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For all programs, expenditures listed are only the federal share. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

The grants reflect transactions for the September 30, 2017 fiscal year irrespective of the year, and/or period, of grant award and, accordingly, the schedule of expenditures of federal awards does not include a full year's activity for grants awarded or terminated on dates not coinciding with the aforementioned fiscal year.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts (when shown on the Schedule) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### **NOTE 3 - SUB RECIPIENTS**

The City of Holly Hill, Florida, did not provide any federal awards to sub recipients for the fiscal year ended September 30, 2017.

### **NOTE 4 - INDIRECT COST RATE**

The City of Holly Hill, Florida, has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **NOTE 5 - NONCASH AWARDS**

The City of Holly Hill, Florida, received no noncash awards in the fiscal year ended September 30, 2017.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-  
FEDERAL PROGRAMS**

Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA  
HOLLY HILL, FLORIDA

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**Section I. Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   no

Significant deficiency(ies) identified?        Yes   X   no

Noncompliance material to financial statements noted?        Yes   X   no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?        Yes   X   no

Significant deficiency(ies) identified?        Yes   X   no

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

Any audit findings disclosed that are required to be  
reported in accordance with CFR 200.516(a)        Yes   X   no

The programs/projects tested as major programs/projects included the following:

<u>Federal Programs or Clusters:</u>	<u>Federal CFDA No.</u>
--------------------------------------	-------------------------

Disaster Grants – Public Assistance (Presidentially Declared Disasters) - Other Program	97.036
--	--------

Dollar threshold used to distinguish between

Type A and Type B programs:

Federal programs \$750,000

Auditee qualified as low-risk auditee?        Yes   x   no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-  
FEDERAL PROGRAMS (Continued)**  
Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA  
HOLLY HILL, FLORIDA

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**Section II—Financial Statement Findings**

*A. Internal Control Over Financial Reporting*

No matters were reported.

*B. Compliance and Other Matters*

No matters were reported.

**Section III—Federal Award Findings and Questioned Costs**

*A. Compliance*

No matters were reported.

*B. Internal Control Over Financial Reporting*

No matters were reported.

**Section IV - Other Issues**

No Summary Schedule of Prior Audit Findings or Corrective Action Plan is required because there were no current or prior year findings related to Federal programs or State projects.

**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, 2017, 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 11, 2018.

**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*.

## 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 11, 2018

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Holly Hill, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Holly Hill, Florida's major federal programs for the year ended September 30, 2017. The City of Holly Hill, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Holly Hill, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Holly Hill, Florida's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Holly Hill, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.



## Report on Internal Control over Compliance

Management of the City of Holly Hill, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of Holly Hill, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Holly Hill, Florida's internal control over compliance.

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

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

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

BMC CPAs

April 11, 2018

## **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, 2017, and have issued our report thereon dated April 11, 2018.

### **Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and Chapter 10.550, Rules of the Florida Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants’ Report on an Examination Conducted in Accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated April 11, 2018, 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 and Management**

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 review of financial information provided by same. The financial condition assessment was done as of September 30, 2017.

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 made recommendations that are included in the attached Schedule of Findings under the heading of "Financial Condition and Management".

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or 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 made recommendations that are included in the attached Schedule of Findings under the heading of "Additional Matters".

## **City's Response to Findings**

The City's response to the findings identified in our engagement is described in the accompanying letter of responses. The City's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

## **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.

Handwritten signature in dark ink that reads "BMC CPAs". The letters are stylized and slanted.

April 11, 2018

**SCHEDULE OF FINDINGS**  
Year Ended September 30, 2017  
CITY OF HOLLY HILL, FLORIDA  
HOLLY HILL, FLORIDA

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**Financial Condition and Management**

**ML-1 Capitalization Threshold for Capital Asset Procurements**

At the present time, the City's capitalization criteria and threshold for capital asset procurements requires that all procurements of capital assets with an estimated useful life of greater than one year, and a value of greater than \$1,000, be capitalized in the City's capital asset management system. The term capital assets is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water rights) or tangible (e.g., land, buildings, building improvements, vehicles, machinery, equipment and infrastructure). It is incumbent upon management to maintain adequate control over all of the City's resources, including capital assets, to minimize the risk of loss or misuse.

As a result of the implementation of the current \$1,000 threshold, the City is expending significant additional resources in the unnecessary efforts to track the use and maintenance of immaterial capital asset purchases from the date they are purchased, throughout their entire holding period and subsequent disposal.

Recommendation: We recommend that the City should seriously consider updating its capitalization policies and procedures to conform with current best practices, as established by the GFOA. The GFOA recommends that state and local governments consider establishing capitalization thresholds at a minimum of \$5,000.

**ML-2 Investment of Surplus Cash Funds**

In the past few years, the City has chosen to continue to reduce and/or eliminate its custodial risk associated with the investment of surplus cash funds. Since the potential rates of return on investment of surplus funds have significantly risen in each of the last two years, we believe that the City should seriously consider reviewing its current investment policy to ensure that you are able to secure the best possible rates of investment return within acceptable risk levels.

An investment policy describes the parameters for investing funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored. The document itself serves as a communication tool for the staff, elected officials, the public, rating agencies, bondholders, and any other stakeholders on investment guidelines and priorities. An investment policy enhances the quality of decision making and demonstrates a commitment to the fiduciary care of public funds, making it the most important element in a public funds investment program.

Recommendation: We recommend that the City should review and update its current investment policy to provide your management team the ability to revise the City's investment portfolio options to maximize its investment earning within established risk levels.

### **ML-3 Fund Balance Policy**

While the City routinely discusses and establishes informal policies for the retention of equity sufficient to fund future appropriations, it has not established any comprehensive, formal policies to identify the various levels and components of net assets, the appropriate adequacy of unrestricted fund balances in the various funds that should take into account the City's own unique circumstances and needs, and the definition of conditions warranting its use, and if a fund balance falls below the government's policy level, a solid plan to replenish it.

Recommendation: We recommend that the City should consider establishing a formal policy on the level of unrestricted fund balance to be maintained in the general fund for current operating and future budgetary purposes. Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the City would increase or decrease the level of unrestricted fund balance over a specific time period. The policy should also provide broad guidance for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

### **ML-4 Accounting for Future Hurricane and Disaster Relief Activities**

The City experienced two natural presidentially declared disasters during the fiscal year ended September 30, 2017. On October 3, 2016, the incident period commenced for the expenditure of disaster relief funds associated with Hurricane Matthew. Approximately eleven months later on September 4, 2017, the incident period commenced for the expenditure of disaster relief funds associated with Hurricane Irma. Neither of these events were anticipated to occur in advance. As a result, expenditures for these events were spread over a number of funds when they were incurred.

In responding to the demand to establish sufficient disaster relief efforts, the City was forced to expend significant funds to finance the cleanup efforts well in advance of receiving any financial support from the federal or state governments. While the City was successfully able to finance these expenditures internally, the actual sources of funding came from more than one source. In other words, the actual costs for these response efforts were recorded in more than one City fund when they occurred. As the expenditures incurred for disaster relief response are typically recognized as part of the City's public safety efforts (funded exclusively in the General Fund), subsequent steps were required to reimburse the other operating funds for the interim financing provided to the General Fund to assist in financing these storm related, disaster relief expenditures.

Recommendation: We recommend that the City should consider establishing separate funds (or sub funds) to account for all future disaster relief activities to ensure that the City's portion of the funding for the public safety, disaster relief expenditures is borne exclusively by the General Fund. This will facilitate the compiling of the underlying costs and other required data to one fund, while providing the means to separately identify and isolate the City's required matching payments to be borne by the General Fund.

### **Additional Matters**

### **ML-5 Timeliness of Deposit of Premium Tax Trust Fund Remittance – Police Officers' Retirement Trust Fund**

Pursuant to Section 185.11, Florida Statutes, amounts received by the Holly Hill Police Officers' Retirement Trust Fund (the Plan) in distributions from the Police and Firefighters' Premium Tax Trust Fund (the State) and received by the City shall be deposited by the municipality immediately, and under no circumstances more than 5 days after receipt, with the board of trustees. Documentation exists corroborating that the State payment in the amount of \$117,002 was received and deposited in the City's


account on August 14, 2017. Documentation also exists that corroborates that the City immediately prepared a check and subsequently remitted it by U.S. mail to the Plan's Trust Custodian on the same day. However, due to mail delays, or custodial handling matters, the payment remittance was not deposited in the Plan's custodial account until August 25, 2017, or 11 days after the check was remitted to the custodian by the City. By the custodian's failure to make timely deposits of State and Sponsor contributions, the pension fund's investment earnings capabilities are diminished.


Recommendation: We recommend that the City Police Plan's Board of Trustees work with their Plan Custodian to take the necessary steps to ensure that all State and Plan Sponsor contribution remittances are received and deposited to the trust account on a timely basis in accordance with the provisions of Section 185.11, F.S.

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MEMO TO: The Honorable Mayor and City Commission  
The State Auditor General

THRU: Joseph Forte, City Manager 

FROM: Jonathan C. McKinney, Finance Director 

DATE: April 11, 2018

SUBJECT: Reply to the Independent Auditor's Report on Internal Control and Management  
Letter Comments for Fiscal Year Ended September 30, 2017

## **FINANCIAL STATEMENT FINDINGS**

### Capitalization Threshold for Capital Asset Procurements

Management concurs with this comment and recommendation to develop a policy that conform with current best practices.

### Investment of Surplus Cash Funds

Management concurs with this comment and recommendation to develop an investment policy.

### Fund Balance Policy

Management concurs with this comment and recommendation to develop a fund balance policy.

### Accounting for Future Hurricane and Disaster Relief Activities

Management concurs with this comment and recommendation to establish separate funds to account for disaster relief activities.

### Timeliness of Deposit of Premium Tax Trust Fund Remittance

Management concurs with this comment and recommendation to remit all contributions in accordance with Florida Statute 185.



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**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 (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the period October 1, 2016 to September 30, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the period October 1, 2016 to September 30, 2017.

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 11, 2018

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