

CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010



CITY COMMISSION (AS OF 09/13/2011)

HONORABLE ROY JOHNSON, MAYOR

DISTRICT 1 – JOHN PENNY
DISTRICT 2 – RICK GLASS
DISTRICT 3 – DONNIE MOORE
DISTRICT 4 – LIZ TOWSLEY PATTON

CITY MANAGER

JAMES MCCROSKEY

CITY ATTORNEY

SCOTT SIMPSON, ESQ.

DIRECTOR OF FINANCE

KURT D. SWARTZLANDER

Prepared by:
Holly Hill Finance Department

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September 30, 2010
CITY OF HOLLY HILL, FLORIDA

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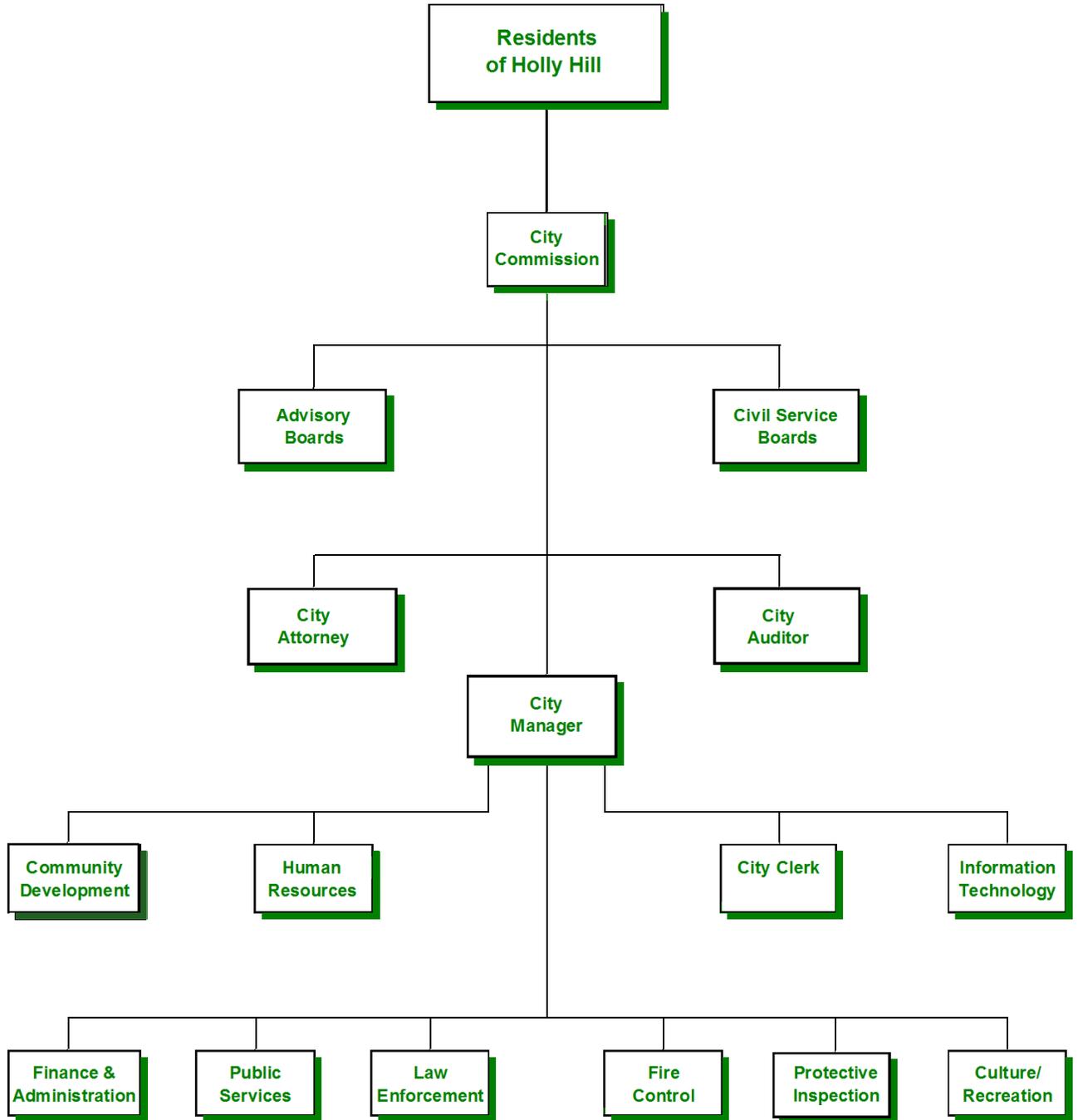
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ORGANIZATION CHART

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**CITY OF HOLLY HILL
ORGANIZATION CHART
2009 - 2010**



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CITY OF HOLLY HILL, FLORIDA

CERTIFICATE OF ACHIEVEMENT AWARDED

For the Year Ended September 30, 2009

*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, 2009.*

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, 2009
CITY OF HOLLY HILL, FLORIDA

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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LETTER OF TRANSMITTAL

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CITY OF HOLLY HILL

The City with a Heart

1065 Ridgewood Avenue ♥ Holly Hill, Florida 32117

www.hollyhillfl.org

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

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

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

**Economic
Development**
386-248-9424
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Finance
386-248-9427
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**Human
Resources**
386-248-9440
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**Information
Technology**
386-248-9449
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**Public
Works**
386-248-9463
Fax 386-248-9448

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

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

September 13, 2011

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

State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. We hereby issue the comprehensive annual financial report of the City of Holly Hill for the fiscal year ended September 30, 2010.

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

Brent Millikan & Company, P.A., a firm of licensed certified public accountants, has audited the City of Holly Hill's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Holly Hill for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Holly Hill's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of Government

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

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

Factors Affecting Financial Condition

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

During 2010, the City's ad valorem tax base decreased substantially with an overall drop in taxable values of 21.2%. This impact was mostly felt in the revenue stream of the Community Redevelopment Area.

Local Economy - The City of Holly Hill is currently experiencing a challenging economic environment along with the rest of the country. The opportunity for additional growth still exists in an already dynamic business and industrial community. The City is actively encouraging new and expanded business development in core commercial areas and promoting the upgrading of older residential areas by providing assistance whenever possible through its Community Redevelopment Area.

Long-Term Financial Planning – In 2007, the City of Holly Hill in an effort to more seriously address long-term financial planning adopted a resolution of Fiscal Integrity Principles. This resolution contained such items as establishing fund balance policies, criteria underlying salary and wage adjustments, current and long-term budgeting policies (including a capital improvement program), and required fiscal monitoring and reporting.

Cash Management - The City maintains pooled cash and investment accounts for all cash and investments under its control. Cash temporarily idle during the year was invested in demand deposit and time deposit accounts and U.S. Treasury securities ranging from 12 to 24 months to maturity. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with state statutes. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. At September 30, 2010, unrestricted cash was invested primarily in U.S. Treasury obligations.

Risk Management - The City contracts for all known risk elements through the purchase of insurance from outside insurance companies. In addition, various risk control techniques are in place to minimize accident related losses. These include the establishment of safety rules and procedures, accident prevention training, and the ongoing efforts of the safety committee, which is charged with (1) reviewing accident reports to identify and verify their causes; (2) recommending corrective actions; (3) reviewing employee safety suggestions; (4) hearing and investigating employee complaints; (5) investigating hazardous conditions, material or equipment; and (6) recommending awards or penalties. All insurance coverage is held by commercial carriers and no settlements in excess of claims have been incurred during the past three fiscal years.

Pension Trust Fund Operations - The Municipal Firefighters', Police Officers' and General Employees' Pension Trust Funds net assets increased during the fiscal year ended September 30, 2010. Deductions and expenses were as expected and did not show great fluctuations. Each year an independent actuary is engaged by the pension plan trustees who calculates the amount of the annual contribution that the city must deposit to the pension plans to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the Actuary. Please see the notes to the financial statements for more information.

The City of Holly Hill also provides the opportunity for retirees to continue their health care and life insurance coverage. As of the end of the current fiscal year there were 7 retired employees purchasing the health insurance benefits, 4 have elected to continue dental coverage and 34 have elected to continue their life insurance, both types of coverage are financed by the retiree on a pay-as-you-go basis. GAAP requires the City to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. As a phase 2 government the City implemented the provisions of GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in its financial statements in the fiscal year ending September 30, 2009.

Additional information on the City of Holly Hill's pension arrangements and post employment benefits can be found in the notes to the financial statements.

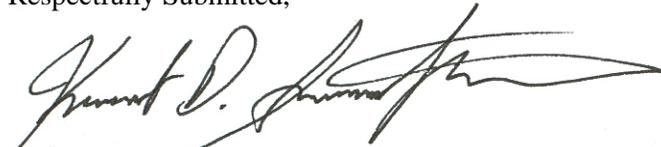
Awards - The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Holly Hill, for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the thirty third consecutive year that the City of Holly Hill has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Kurt D. Swartzlander", with a long, sweeping horizontal flourish extending to the right.

Kurt D. Swartzlander
Administrative Services Director

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***

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INDEPENDENT AUDITORS' REPORT

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BM&C

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Holly Hill, Florida's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Community Redevelopment Agency funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011, on our consideration of City of Holly Hill, Florida's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 29 through 38 and 50 through 51 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Holly Hill, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

Brent Milliken & Co., P.A.

September 13, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Holly Hill, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2010. 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 of the City totaled \$63.1 million at the close of the 2010 fiscal year compared to \$63.8 million last year. Total assets exceeded liabilities by approximately \$32.8 million (*combined net assets*) compared with \$32.7 million one year earlier. The unrestricted component of the City's combined net assets totaled \$6.7 million at year end. This represents the unrestricted amount available to be used to meet the City's ongoing obligations to its citizens and creditors.
- Net assets of the City's governmental activities totaled \$17.9 million, a decrease of approximately \$3.9 million over last year's \$21.8 million. At the same time, net assets of its business-type activities totaled \$15.0 million, an increase of approximately \$3.9 million over last year's \$11.0 million. These changes are attributable to a reclassification of the Stormwater Fund from a governmental activity to a business type activity.
- During 2010, the City's combined governmental operating expenses were \$8.9 million, which was \$1.2 million less than the \$10.1 million generated in governmental program charges, grants, contributions, taxes and other revenues for providing its various governmental program activities and programs. This compares favorably with excess revenues recognized in the prior years.
- The City's business-type activities produced net operating income of \$1.4 million for 2010 based on consumptive water/sewer/solid waste utility sales of \$7.2 million. The operating margins in these funds continue to be capable of providing direct financial support to the City's governmental funds. Net operating transfers out in 2010 totaled \$952,600.
- Total operating costs incurred by the City in providing its various programs increased to \$16.2 million in 2010 compared to \$15.5 million in 2009. Operating expenses in 2010 totaled \$8.9 million and \$7.3 million for the City's governmental activities and business-type activities, respectively.
- Unreserved fund equity in the General Fund increased by \$756,495 in 2010 and totaled \$3.0 million at year end.
- Resources earned and available for appropriation in the current year (\$6,843,228) were 1.01% greater than amounts anticipated in the General Fund's operating budget. General Fund expenditures (\$7,194,326) were \$62,974 (1.0%) less than the City's revised appropriations for the year.

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 assets and a statement of activities, which are described as follows:

- A statement of net assets 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 assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets, 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 assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government services, public safety (police, fire and building inspection), highways and streets, stormwater management, economic

development, and recreation and leisure services. The business-type activities of the City include its water and sewer utility and solid waste utility operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 47 and 51.

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 Trust (special revenue) Fund, and the Community Redevelopment Capital Projects Fund, all of which are considered to be major funds. Data from the eight other governmental funds are combined into a single, aggregated presentation and include the remainder of the City's special revenue, capital projects and debt service 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 44 to 53 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 54 to 58 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 assets and changes in fiduciary net assets. 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 59 to 60 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 63 to 93 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide certain pension benefits to its employees and information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 97 to 98 of this report.

Government-Wide Financial Analysis of the City as a Whole

Net Assets. As noted previously, net assets may serve over time as a useful indicator of a government's financial position. This year, the City's combined net assets increased to \$32,965,329 at the end of 2010 from \$32,742,659 at the end of 2009. Looking at the net assets of the City's governmental and business-type activities separately, we can see that the City experienced a decrease in the net assets of its government activities (-18%) and experienced an increase in its business-type activities (37%). These significant changes are primarily attributable to a reclassification of the Stormwater fund from a governmental activity to a business-type activity with an effective date of 10/1/09.

Net assets of the City's governmental activities totaled \$17,923,614 at the end of the fiscal year. Of this amount, approximately 88% is either restricted as to the purposes they can be used for or is invested in capital assets (land, buildings and equipment). Consequently, unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$2,148,243 at the end of 2010.

Net assets of the City's business-type activities totaled \$15,041,715 at the end of the fiscal year. Approximately 49% of its total net assets (\$7,358,919) reflects its net investment in capital assets, less that portion of related debt used to acquire those assets that is still outstanding. These capital assets are used to provide water and sewer utility services, stormwater management services, and solid waste utility services to our customers; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that under normal circumstances the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Long-term debt obligations, including current maturities, associated with this capitalization totaled \$20,243,813 at the end of 2010. At the end of the current and prior fiscal years, the City reports positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

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

Net Assets
September 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets.....	\$ 11,970,382	13,029,945	9,064,899	6,963,722	21,035,281	19,993,667
Capital assets, net.....	13,396,018	20,195,597	28,648,322	23,638,441	42,044,340	43,834,038
Total assets	<u>25,366,400</u>	<u>33,225,542</u>	<u>37,713,221</u>	<u>30,602,163</u>	<u>63,079,621</u>	<u>63,827,705</u>
Liabilities:						
Long-term debt outstanding.....	6,276,798	10,538,970	20,243,813	18,168,696	26,520,611	28,707,666
Other liabilities	1,165,988	912,534	2,427,693	1,464,846	3,593,681	2,377,380
Total liabilities	<u>7,442,786</u>	<u>11,451,504</u>	<u>22,671,506</u>	<u>19,633,542</u>	<u>30,114,292</u>	<u>31,085,046</u>
Net assets:						
Invested in capital assets, net of related debt.....	8,082,263	10,452,104	7,358,919	5,469,745	15,441,182	15,921,849
Restricted.....	7,693,108	6,887,782	3,153,723	3,373,266	10,846,831	10,261,048
Unrestricted	2,148,243	4,434,152	4,529,073	2,125,610	6,677,316	6,559,762
Total net assets	<u>\$ 17,923,614</u>	<u>21,774,038</u>	<u>15,041,715</u>	<u>10,968,621</u>	<u>32,965,329</u>	<u>32,742,659</u>

Changes in Net Assets. While the statement of net assets shows a snapshot of the City’s financial position at the end of the fiscal year, the statement of changes in net assets provides answers as to the nature and source of those changes. During 2010, the City’s combined net assets increased \$222,671 while the City’s overall gross revenues decreased \$2,537,959. This decrease is primarily due to continued reductions in property and other taxes, and from significant declines in other government support (intergovernmental revenues). The following is a comparative summary of changes in net assets for 2010 and 2009:

Changes in Net Assets
Fiscal Year Ended September 30, 2010 and 2009

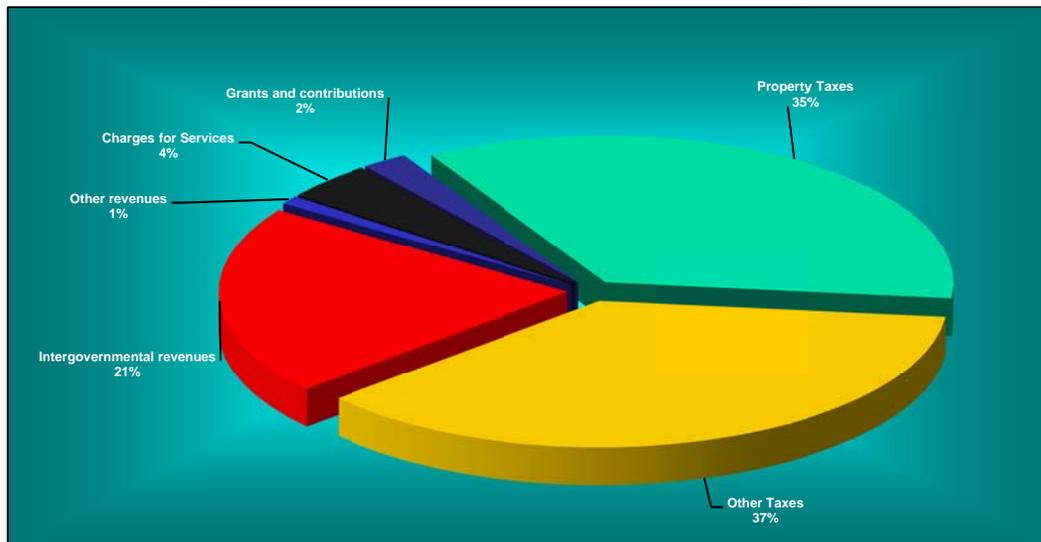
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services.....	\$ 387,182	1,326,585	7,230,443	6,604,367	7,617,625	7,930,952
Operating grants/other.....	76,630	107,566	765	8,645	77,395	116,211
Capital grants/other.....	117,781	142,086	12,804	3,330	130,585	145,416
General revenues:						
Property taxes.....	3,220,600	4,344,229	-	-	3,220,600	4,344,229
Other taxes.....	3,373,075	3,596,541	-	-	3,373,075	3,596,541
Intergovernmental.....	1,924,018	2,522,732	-	-	1,924,018	2,522,732
Other revenues.....	85,125	283,274	3,391	30,418	88,516	313,692
Total revenues.....	<u>9,184,411</u>	<u>12,323,013</u>	<u>7,247,403</u>	<u>6,646,760</u>	<u>16,431,814</u>	<u>18,969,773</u>
Expenses:						
General government.....	1,847,021	1,766,893	-	-	1,847,021	1,766,893
Public safety.....	4,192,672	4,171,506	-	-	4,192,672	4,171,506
Transportation.....	957,840	897,081	-	-	957,840	897,081
Economic environment.....	819,830	999,740	-	-	819,830	999,740
Physical environment.....	-	563,880	-	-	-	563,880
Culture/recreation.....	885,945	1,061,483	-	-	885,945	1,061,483
Interest on long-term debt.....	244,726	363,189	-	-	244,726	363,189
Water and sewer utilities.....	-	-	5,214,124	4,432,662	5,214,124	4,432,662
Stormwater management.....	-	-	764,593	-	764,593	-
Solid waste utilities.....	-	-	1,282,392	1,267,242	1,282,392	1,267,242
Total expenses.....	<u>8,948,034</u>	<u>9,823,772</u>	<u>7,261,109</u>	<u>5,699,904</u>	<u>16,209,143</u>	<u>15,523,676</u>
Excess before transfers.....	236,377	2,499,241	(13,706)	946,856	222,671	3,446,097
Transfers in (out).....	910,600	1,112,600	(910,600)	(1,112,600)	-	-
Increase (decrease) in net assets....	<u>\$ 1,146,977</u>	<u>3,611,841</u>	<u>(924,306)</u>	<u>(165,744)</u>	<u>222,671</u>	<u>3,446,097</u>

Overall, approximately 35% of the City's total revenues come from property taxes, while almost 37% of every dollar raised comes from some source of other taxes collected by the City. Intergovernmental revenues (those received from other governments) amounts to approximately 21% of the City's revenues. Another 4% comes from fees charged for services, while the remaining 3% is a combination of state and federal financial assistance, operating and capital grants and donations, interest and other earnings.

Governmental Activities

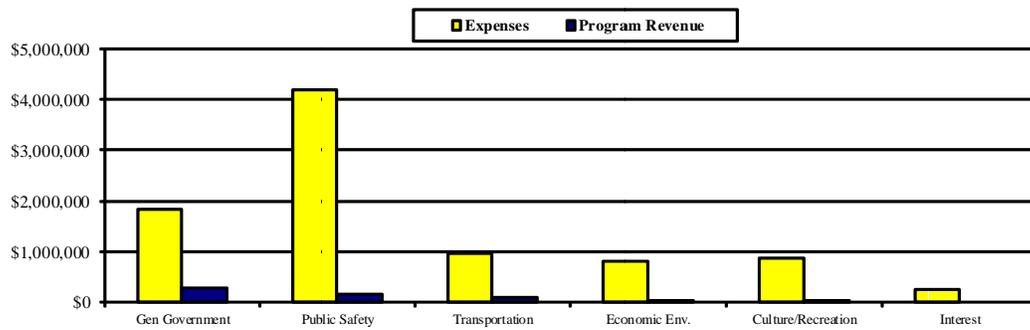
Total revenue for the City's governmental activities decreased in 2010. Overall, the City's governmental revenue totaled \$9,184,411, which represents a decrease of \$3,138,602, or 25% below last year's reported governmental revenues of \$12,323,013. This decrease was primarily attributable to a significant decrease in property tax collections within our Community Redevelopment Agency and from the reclassification of the operating activities of the stormwater management fund, which is now reported as a business-type activity. In 2010, the City experienced an overall \$939,403 decrease in its charges for services, which totaled \$387,182, compared to \$1,326,585 the prior year (related exclusively to the reclassification of stormwater management revenues of approximately \$1 million). While the revenue decrease experienced for the year was approximately 25.47% overall, revenues earned from the assessment of ad valorem taxes decreased approximately 25.86%, or \$1,123,629. Ad valorem taxes totaling \$3,220,600 were earned in 2010 compared with \$4,344,229 in the prior year. The ad valorem millage rate for operating purposes was increased from 4.8872 mills with the 2008 tax levy (collected during fiscal 2009) to 5.7258 mills with the 2009 levy (collected during fiscal 2010). The following is a summary of the City's governmental revenues by source:

Revenues by Source – Governmental Activities



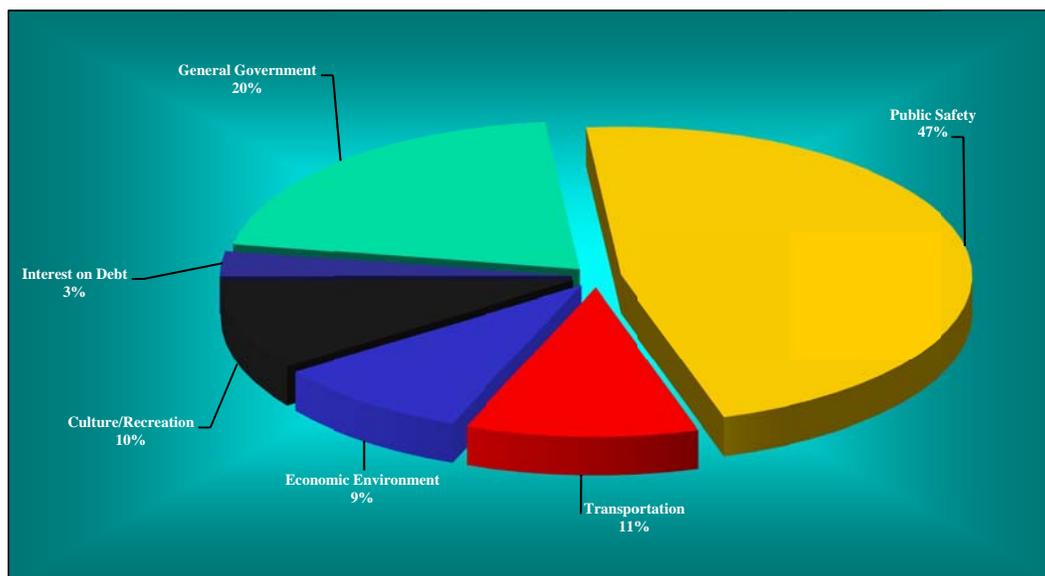
An individual comparison of the City's functional program revenues and costs of providing program services to its citizens is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are listed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

Expenses –versus- Program Revenue



Combined governmental activities expenses totaled \$8,948,034, which represents a decrease of \$875,738 compared to last year’s expenses of \$9,823,772. Over the last several years, a trend had emerged with respect to a widening gap between property taxes, which are often thought of as paying for core governmental services such as police and fire, and the actual costs of those public safety expenses. At year end, this gap was approximately \$1 million, as compared to \$173,000 the prior year.

Expenses by Function - Governmental Activities



Business-type Activities

Business-type activities reported a decrease in the City’s net assets of \$924,306 in 2010, compared to a decrease of \$165,744 during 2009. Overall, net assets from the City’s business-type activities (\$15,041,715) account for only 45.6% of the City’s combined total net assets at September 30, 2010. The major sources of operating revenue for the City’s business-type activities include charges for services for water and sewer utilities (\$4,675,679), stormwater management fees (\$866,784) and solid waste utilities (\$1,687,980). Combined operating revenues from these two activities remained relatively stable in 2010 and totaled \$7,230,443, compared to \$6,604,367 in the prior year. Water and sewer utility revenues decreased by \$247,951 over last year’s revenue, while charges for solid waste removal increased by

\$7,243. Investment earnings decreased from \$26,877 in 2009 to \$3,391 in 2010 as a result of decreased interest rates experienced on a national level. Capital contributions increased in the water and sewer utility fund in 2010 and totaled \$12,804, compared to \$3,330 in 2009. 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 \$7,261,109 in 2010, compared to \$5,699,904 in 2009. During 2010, \$662,138 of this increase was attributable to the reclassification of the stormwater management fund as a business-type activity.

Financial Analysis of the City's Funds

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

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

As the City completed the current fiscal year, its governmental funds reported a combined fund balance of \$10,945,870, which was down \$841,756 below the \$11,787,626 reported last year. Approximately 91% of this amount (\$10,010,228) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$184,601), 2) to pay debt service (\$229,719), 3) to finance specialized law enforcement investigations (\$99,501), and 4) as other restricted funds (\$421,821).

The general fund is the chief operating fund of the City. As of September 30, 2010, the unreserved fund balance in the general fund totaled \$2,961,396, while total fund balance increased from \$2,361,217 in 2009 to \$3,273,819 in 2010. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 41.2% (or 150 days) of total general fund expenditures (\$7,194,326), while total fund balance represents 45.5% of that same amount. City officials have established a target threshold of 25% (or 91 days) in unreserved funds compared to General Fund expenditures.

Fund balance in the general fund increased by \$912,602 during the current fiscal year. The significant portion of this increase is attributable to significant cost savings measures implemented throughout the year. Fund balance in the Community Redevelopment Agency increased in 2010 with a net increase of \$1,180,229. Fund Balance in the Community Redevelopment Agency Capital Projects fund decreased in 2010 to \$2,664,402 from \$3,103,233 in 2009 as a result of the continued disbursement of the proceeds of the CRA Redevelopment Note, Series 2005. All other funds remained relatively stable for the year.

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

Unrestricted net assets in the Water and Sewer Fund at the end of the current fiscal year amounted to \$1,381,553, compared to \$1,692,820 one year earlier. Combined net assets totaled \$9,313,972 at year end.

Unrestricted net assets in the Stormwater Management Fund totaled \$2,542,827, at the end of 2010, compared to \$2,460,387 at the beginning of the year. Combined net assets totaled \$5,108,724 at year end.

Unrestricted net assets in the Solid Waste Fund totaled \$604,693, at the end of 2010, compared to \$432,790 at the end of the prior fiscal year. Combined net assets totaled \$619,019 at year end.

No significant changes were recognized in the providing of full-service utility services to City customers in 2010. While a sizable increase was initially anticipated during the prior fiscal year as a result of the completion of the Marina Grande Condominium Project, a large percentage of the available residential units remained unoccupied at the end of the fiscal year.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2010 and 2009, the City's investment in capital assets for its governmental and business type activities totaled \$42,044,340 and \$43,834,038, respectively. These amounts are stated net of accumulated depreciation. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule.

Capital Assets
September 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land.....	\$ 1,680,569	2,191,345	665,515	154,739	2,346,084	2,346,084
Construction work in progress.....	9,885	250,873	-	5,327,642	9,885	5,578,515
Buildings.....	3,511,685	3,582,118	4,893,047	5,098,755	8,404,732	8,680,873
Improvements other than buildings.....	2,164,070	1,701,860	15,354,992	10,372,126	17,519,062	12,073,986
Machinery and equipment.....	678,664	950,033	2,012,613	2,685,179	2,691,277	3,635,212
Infrastructure.....	<u>5,351,145</u>	<u>11,519,368</u>	<u>5,722,155</u>	<u>-</u>	<u>11,073,300</u>	<u>11,519,368</u>
Net total.....	<u>\$ 13,396,018</u>	<u>20,195,597</u>	<u>28,648,322</u>	<u>23,638,441</u>	<u>42,044,340</u>	<u>43,834,038</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 (exclusive of compensated absences) totaled \$26,603,157, all of which are secured solely by specified revenue sources. More detailed information about the City's long-term debt is presented in Note 11 to the financial statements.

The City has an outstanding revenue bond obligation in the amount of \$9,680,000 at year end. The proceeds of these bonds were used to finance improvements to the City's water and sewer utility system and to refund previously issued bonds outstanding. These bonds are payable from revenues generated from the water and sewer system and are payable serially through 2022. The carrying value of this obligation (\$9,074,453) is reported net of unamortized debt premium (\$1,917) and deferred amount on advance refunding (\$607,464) in the financial statements.

The City has two outstanding revenue note obligations totaling \$6,533,755 at year end. The proceeds from these obligations were used to finance community redevelopment projects (\$5,313,755), and to provide working capital to the water and sewer utility fund (\$1,220,000). The governmental activities notes are payable from all of the City's general revenues with the exception of its ad valorem tax revenue, and by a pledge on the City's utility service tax revenues, and are due in varying amounts through 2026. The business-type note is payable from utility fund revenues and is subordinate to the outstanding revenue bonds.

The City also has several low-interest rate revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$10,994,949 in aggregate, at year end. The proceeds of the FDEP loan issued in 1998 (\$1,484,992 currently outstanding), the FDEP loan issued in 2005 (\$565,139 currently outstanding), and the FDEP loan issued in 2007 (\$4,995,098 currently outstanding) were used to finance the construction of wastewater infiltration and inflow correction facilities. The second FDEP loan issued in 2001 (\$3,949,720 currently outstanding) was

used to finance construction of needed stormwater drainage improvements. These notes are secured by the City's water and sewer utility and stormwater utility revenues, respectively, and are payable in varying amounts through 2023.

Economic Factors and Next Year's Budgets and Rates

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

The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 11.0% at the end of September 2010, which is slightly lower than the 11.7% rate experienced one year earlier.

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

The overall taxable value of real and personal property on the 2010 levy declined from \$639,561,053 million in 2009 to \$542,394,099 million in 2010. Coupled with these conditions, the City is also facing many challenges in the fiscal year 2011 budget due to projected revenue decreases as a result of state legislated reform, a declining economy, and decrease in real estate property tax values. At the same time, the City is experiencing rising prices for many of the basic operating expenses, such as utilities, gas and fuel, and insurance costs. To meet these challenges management has taken various measures to reduce spending and prioritize its capital needs.

In October 2010, the City Commission adopted an operating ad valorem millage rate of 6.5955 mills for fiscal year 2011, compared to a rate of 5.7258 mills approved for 2010. In developing its 2011 budget estimates, the City has anticipated appropriating \$5,460,900 million in prior year surplus reserve funds to balance the City's combined overall financing needs, which are estimated to be approximately \$23 million for fiscal 2011.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Statement 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents.....	\$ 11,156,091	4,576,326	15,732,417
Receivables, net of allowance for uncollectible accounts.....	276,153	685,209	961,362
Due from other governments.....	384,249	306,611	690,860
Inventories.....	23,956	26,578	50,534
Prepaid expenses.....	27,309	45	27,354
Unamortized debt issuance costs.....	5,967	263,436	269,403
Temporarily restricted-cash and cash equivalents.....	-	3,206,694	3,206,694
Net pension asset.....	96,657	-	96,657
Capital assets:			
Land and construction in progress.....	1,690,454	665,515	2,355,969
Other capital assets, net of depreciation.....	<u>11,705,564</u>	<u>27,982,807</u>	<u>39,688,371</u>
Total assets	<u>25,366,400</u>	<u>37,713,221</u>	<u>63,079,621</u>
Liabilities:			
Accounts payable and accrued liabilities.....	804,571	338,500	1,143,071
Customer deposits and unearned income.....	210,600	682,292	892,892
Payable from Restricted Assets:			
Current maturities of long-term debt.....	-	1,314,946	1,314,946
Accounts payable and accrued liabilities.....	-	52,972	52,972
Compensated absences-current.....	150,817	38,983	189,800
Bonds, notes, and other payables:			
Due or payable within one year.....	232,357	-	232,357
Due or payable in more than one year.....	5,081,398	19,974,457	25,055,855
Net post-employment benefits obligation.....	510,594	152,406	663,000
Compensated absences-long term.....	<u>452,449</u>	<u>116,950</u>	<u>569,399</u>
Total liabilities	<u>7,442,786</u>	<u>22,671,506</u>	<u>30,114,292</u>
Net assets:			
Invested in capital assets net of related debt	8,082,263	7,358,919	15,441,182
Restricted for:			
Public safety.....	122,808	-	122,808
Community redevelopment projects.....	7,093,632	-	7,093,632
Transportation.....	295,442	-	295,442
Recreation projects.....	51,804	-	51,804
Utility plant expansion.....	-	2,934,825	2,934,825
Debt service.....	129,422	218,898	348,320
Unrestricted	<u>2,148,243</u>	<u>4,529,073</u>	<u>6,677,316</u>
Total net assets	<u>\$ 17,923,614</u>	<u>15,041,715</u>	<u>32,965,329</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government.....	\$ 1,847,021	217,576	57,789	-
Public safety.....	4,192,672	87,162	16,538	61,479
Transportation.....	957,840	54,413	-	51,446
Economic environment.....	819,830	-	-	3,432
Culture/recreation.....	885,945	28,031	2,303	1,424
Interest on long-term debt	244,726	-	-	-
Total governmental activities.....	<u>8,948,034</u>	<u>387,182</u>	<u>76,630</u>	<u>117,781</u>
Business-type activities:				
Water and Sewer.....	5,214,124	4,675,679	-	12,804
Stormwater Management.....	764,593	866,784	-	-
Solid Waste.....	1,282,392	1,687,980	765	-
Total business-type activities.....	<u>7,261,109</u>	<u>7,230,443</u>	<u>765</u>	<u>12,804</u>
Total primary government.....	<u>\$ 16,209,143</u>	<u>7,617,625</u>	<u>77,395</u>	<u>130,585</u>

General revenues:

Property taxes, levied for general purposes.....
Property taxes, levied for tax increment district.....
Sales taxes.....
Local option gas taxes.....
Casualty and fire insurance premium taxes.....
Franchise taxes.....
Public service taxes.....
State revenue sharing.....
Other intergovernmental revenues.....
Investment earnings.....
Miscellaneous revenue.....
Transfers.....

Total general revenues and transfers.....

Change in net assets.....

Net assets - beginning of year.....

Net assets - ending.....

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

Statement 2

Net Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(1,571,656)		(1,571,656)
(4,027,493)		(4,027,493)
(851,981)		(851,981)
(816,398)		(816,398)
(854,187)		(854,187)
(244,726)		(244,726)
(8,366,441)		(8,366,441)
	(525,641)	(525,641)
	102,191	102,191
	406,353	406,353
	(17,097)	(17,097)
(8,366,441)	(17,097)	(8,383,538)
2,132,516	-	2,132,516
1,088,084	-	1,088,084
522,556	-	522,556
276,379	-	276,379
115,408	-	115,408
810,774	-	810,774
1,647,958	-	1,647,958
341,944	-	341,944
1,582,074	-	1,582,074
7,058	3,391	10,449
78,067	-	78,067
910,600	(910,600)	-
9,513,418	(907,209)	8,606,209
1,146,977	(924,306)	222,671
16,776,637	15,966,021	32,742,658
\$ 17,923,614	15,041,715	32,965,329

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
Assets:			
Cash and cash equivalents.....	\$ 3,289,658	4,442,910	2,838,974
Receivables (net):			
Accounts receivable.....	250,737	-	-
Due from other funds.....	5,299	-	-
Due from other governments.....	379,559	-	-
Inventories.....	23,956	-	-
Prepays.....	<u>27,309</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 3,976,518</u>	<u>4,442,910</u>	<u>2,838,974</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities.....	\$ 502,277	13,680	174,572
Due to other funds.....	-	-	-
Deposits/deferred revenues.....	<u>200,422</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>702,699</u>	<u>13,680</u>	<u>174,572</u>
Fund Balances:			
Reserved for:			
Encumbrances.....	-	63,717	120,884
Nonspendable prepaids/inventories.....	51,265	-	-
Law enforcement.....	2,109	-	-
Fire protection.....	-	-	-
Transportation.....	251,048	-	-
Recreation.....	8,001	-	-
Debt service.....	-	-	-
Unreserved, reported in			
General fund.....	2,961,396	-	-
Capital projects fund.....	-	-	2,543,518
Special revenue funds.....	<u>-</u>	<u>4,365,513</u>	<u>-</u>
Total fund balances.....	<u>3,273,819</u>	<u>4,429,230</u>	<u>2,664,402</u>
Total liabilities and fund balances	<u>\$ 3,976,518</u>	<u>4,442,910</u>	<u>2,838,974</u>

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

Statement 3

Nonmajor Governmental Funds	Total Governmental Funds
584,549	11,156,091
18,402	269,139
-	5,299
4,690	384,249
-	23,956
<u>-</u>	<u>27,309</u>
<u>607,641</u>	<u>11,866,043</u>
13,745	704,274
5,299	5,299
<u>10,178</u>	<u>210,600</u>
<u>29,222</u>	<u>920,173</u>
-	184,601
-	51,265
97,392	99,501
23,307	23,307
44,394	295,442
43,806	51,807
229,719	229,719
-	2,961,396
130,914	2,674,432
<u>8,887</u>	<u>4,374,400</u>
<u>578,419</u>	<u>10,945,870</u>
<u>607,641</u>	<u>11,866,043</u>

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Fund balances - total governmental funds	\$ 10,945,870
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....	13,396,018
Delinquent tax revenue deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt.....	7,014
Negative net pension obligation reported in the Municipal Firefighters' Pension Trust Fund.....	67,142
Negative net pension obligation reported in the Municipal Police Officers' Retirement Trust Fund.....	29,515
Net post-retirement benefits obligation which is actuarially due and payable in the current period which will be accumulated in future periods.....	(510,594)
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.....	(5,313,755)
Accrued interest payable.....	(100,297)
Unamortized debt costs.....	5,967
Compensated absences.....	(603,266)
	<u>(6,011,351)</u>
Net assets of governmental activities	<u>\$ 17,923,614</u>

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

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

For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
Revenue:			
Taxes.....	\$ 4,784,213	1,088,084	-
Permits and fees	889,731	-	-
Intergovernmental.....	959,561	1,558,911	-
Charges for services	100,671	-	-
Fines and forfeitures.....	30,097	-	-
Investment income.....	4,255	1,190	-
Miscellaneous	74,700	3,367	1,331
Total revenue.....	6,843,228	2,651,552	1,331
Expenditures:			
Current:			
General government.....	1,695,878	-	-
Public safety	3,916,012	-	-
Transportation.....	808,076	-	-
Economic environment	-	647,723	440,162
Culture/recreation	774,360	-	-
Capital Outlay:			
Public safety	-	-	-
Transportation.....	-	-	-
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges.....	-	-	-
Total expenditures.....	7,194,326	647,723	440,162
Excess of revenue over (under) expenditures.....	(351,098)	2,003,829	(438,831)
Other Financing Sources (Uses):			
Transfers in	1,263,700	-	-
Transfers out.....	-	(823,600)	-
Total other financing sources (uses).....	1,263,700	(823,600)	-
Net changes in fund balances.....	912,602	1,180,229	(438,831)
Fund balances, beginning of year	2,361,217	3,249,001	3,103,233
Fund balances, end of year	\$ 3,273,819	4,429,230	2,664,402

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

Statement 4

Nonmajor Governmental Funds	Total Governmental Funds
-	5,872,297
7,559	897,290
110,222	2,628,694
-	100,671
15,888	45,985
-	5,445
<u>3,235</u>	<u>82,633</u>
<u>136,904</u>	<u>9,633,015</u>
-	1,695,878
9,712	3,925,724
-	808,076
-	1,087,885
5,276	779,636
74,716	74,716
82,628	82,628
222,179	222,179
<u>248,262</u>	<u>248,262</u>
<u>642,773</u>	<u>8,924,984</u>
<u>(505,869)</u>	<u>708,031</u>
470,500	1,734,200
<u>-</u>	<u>(823,600)</u>
<u>470,500</u>	<u>910,600</u>
(35,369)	1,618,631
<u>613,788</u>	<u>9,327,239</u>
<u>578,419</u>	<u>10,945,870</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, 2010
CITY OF HOLLY HILL, FLORIDA

Net change in fund balances - total governmental funds \$ 1,618,631

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.....	615,324	
Depreciation expense.....	<u>(662,731)</u>	(47,407)

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 222,179

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

Increase (decrease) in delinquent taxes.....	(448,604)	
Gains (losses) on asset sales.....	<u>(24,410)</u>	(473,014)

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

Police Officers' Retirement Trust Fund.....	(912)	
Municipal Firemen's Pension Trust Fund.....	<u>(7,723)</u>	(8,635)

(Increase) decrease in net post-employment benefit obligation..... (251,831)

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.....	83,518	
Amortization of debt issuance costs.....	(658)	
Change in accrued interest on bonds and notes payable	<u>4,194</u>	<u>87,054</u>

Change in net assets of governmental activities \$ 1,146,977

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, 2010
CITY OF HOLLY HILL, FLORIDA

	Original	Final	Actual Amounts	Variance
Revenue:				
Taxes.....	\$ 4,621,200	4,685,843	4,784,213	98,370
Permits and fees.....	942,600	960,796	889,731	(71,065)
Intergovernmental revenue.....	875,500	932,435	959,561	27,126
Charges for services.....	158,100	112,085	100,671	(11,414)
Fines and forfeitures.....	28,700	27,296	30,097	2,801
Investment income.....	15,000	4,108	4,255	147
Miscellaneous.....	32,000	73,637	74,700	1,063
Total revenues.....	6,673,100	6,796,200	6,843,228	47,028
Expenditures:				
Current:				
General government.....	1,883,700	1,690,500	1,695,878	(5,378)
Public safety.....	4,382,200	3,893,800	3,916,012	(22,212)
Transportation.....	936,500	912,200	808,076	104,124
Culture/recreation.....	928,300	760,800	774,360	(13,560)
Total expenditures.....	8,130,700	7,257,300	7,194,326	62,974
Excess of revenue over (under) expenditures.....	(1,457,600)	(461,100)	(351,098)	110,002
Other Financing Sources (Uses):				
Transfers in.....	1,457,600	755,700	1,263,700	508,000
Transfers (out).....	-	(286,600)	-	286,600
Appropriated fund balance.....	-	(8,000)	-	8,000
Total financing sources (uses).....	1,457,600	461,100	1,263,700	802,600
Net change in fund balance.....	-	-	912,602	912,602
Fund balance, beginning of year.....	2,361,217	2,361,217	2,361,217	-
Fund balance, end of year.....	\$ 2,361,217	2,361,217	3,273,819	912,602

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

BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Statement 6

	Original	Final	Actual Amounts	Variance
Revenue:				
Taxes.....	\$ 1,086,200	1,086,200	1,088,084	1,884
Intergovernmental revenue.....	1,771,300	1,771,300	1,558,911	(212,389)
Investment income.....	2,400	2,400	1,190	(1,210)
Miscellaneous.....	<u>-</u>	<u>-</u>	<u>3,367</u>	<u>3,367</u>
Total revenues.....	<u>2,859,900</u>	<u>2,859,900</u>	<u>2,651,552</u>	<u>(208,348)</u>
Expenditures:				
Current:				
Economic environment.....	<u>4,943,900</u>	<u>4,943,900</u>	<u>647,723</u>	<u>4,296,177</u>
Total expenditures.....	<u>4,943,900</u>	<u>4,943,900</u>	<u>647,723</u>	<u>4,296,177</u>
Excess of revenue over (under) expenditures.....	<u>(2,084,000)</u>	<u>(2,084,000)</u>	<u>2,003,829</u>	<u>4,087,829</u>
Other Financing Sources (Uses):				
Transfers (out).....	(823,600)	(823,600)	(823,600)	-
Appropriated fund balance.....	<u>2,907,600</u>	<u>2,907,600</u>	<u>-</u>	<u>(2,907,600)</u>
Total financing sources (uses).....	<u>2,084,000</u>	<u>2,084,000</u>	<u>(823,600)</u>	<u>(2,907,600)</u>
Net change in fund balance.....	-	-	1,180,229	1,180,229
Fund balance, beginning of year.....	<u>3,249,001</u>	<u>3,249,001</u>	<u>3,249,001</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 3,249,001</u>	<u>3,249,001</u>	<u>4,429,230</u>	<u>1,180,229</u>

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Assets:				
Current Assets:				
Cash and cash equivalents.....	\$ 1,889,199	2,436,377	250,750	4,576,326
Accounts receivable (net).....	418,377	115,373	151,459	685,209
Due from other governments.....	-	-	306,611	306,611
Inventories.....	25,730	848	-	26,578
Prepaid expenses.....	45	-	-	45
Restricted-cash and cash equivalents.....	<u>3,125,312</u>	<u>81,382</u>	<u>-</u>	<u>3,206,694</u>
Total current assets.....	<u>5,458,663</u>	<u>2,633,980</u>	<u>708,820</u>	<u>8,801,463</u>
Noncurrent Assets:				
Property and Equipment:				
Land.....	154,739	510,776	-	665,515
Buildings and improvements.....	33,550,027	8,526,821	54,651	42,131,499
Machinery and equipment.....	<u>5,074,125</u>	<u>345,268</u>	<u>601,668</u>	<u>6,021,061</u>
	38,778,891	9,382,865	656,319	48,818,075
Less: accumulated depreciation.....	<u>(16,598,157)</u>	<u>(2,929,603)</u>	<u>(641,993)</u>	<u>(20,169,753)</u>
Total property and equipment (net of accumulated depreciation).....	<u>22,180,734</u>	<u>6,453,262</u>	<u>14,326</u>	<u>28,648,322</u>
Unamortized debt issuance costs.....	<u>209,076</u>	<u>54,360</u>	<u>-</u>	<u>263,436</u>
Total noncurrent assets.....	<u>22,389,810</u>	<u>6,507,622</u>	<u>14,326</u>	<u>28,911,758</u>
Total assets.....	<u>\$ 27,848,473</u>	<u>9,141,602</u>	<u>723,146</u>	<u>37,713,221</u>

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

Statement 7

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Liabilities:				
Current Liabilities:				
Accounts payable and accrued liabilities.....	\$ 205,256	29,117	104,127	338,500
Compensated absences.....	35,611	3,372	-	38,983
Deposits.....	<u>682,292</u>	<u>-</u>	<u>-</u>	<u>682,292</u>
Total current liabilities unrestricted.....	<u>923,159</u>	<u>32,489</u>	<u>104,127</u>	<u>1,059,775</u>
Current Liabilities Payable From Restricted Assets:				
Current maturities of long-term debt.....	1,051,154	263,792	-	1,314,946
Accounts payable and accrued liabilities.....	6,642	-	-	6,642
Accrued interest.....	<u>27,303</u>	<u>19,027</u>	<u>-</u>	<u>46,330</u>
Total current liabilities payable from restricted assets.....	<u>1,085,099</u>	<u>282,819</u>	<u>-</u>	<u>1,367,918</u>
Total current liabilities.....	<u>2,008,258</u>	<u>315,308</u>	<u>104,127</u>	<u>2,427,693</u>
Noncurrent Liabilities:				
Revenue bonds payable (net).....	9,609,453	-	-	9,609,453
Notes payable (net).....	6,679,076	3,685,928	-	10,365,004
Post-retirement benefits payable.....	130,880	21,526	-	152,406
Compensated absences.....	<u>106,834</u>	<u>10,116</u>	<u>-</u>	<u>116,950</u>
Total noncurrent liabilities.....	<u>16,526,243</u>	<u>3,717,570</u>	<u>-</u>	<u>20,243,813</u>
Total liabilities.....	<u>18,534,501</u>	<u>4,032,878</u>	<u>104,127</u>	<u>22,671,506</u>
Net Assets:				
Invested in capital assets, net of related debt	4,841,051	2,503,542	14,326	7,358,919
Restricted for debt service.....	156,543	62,355	-	218,898
Restricted for utility plant expansion.....	2,934,825	-	-	2,934,825
Unrestricted.....	<u>1,381,553</u>	<u>2,542,827</u>	<u>604,693</u>	<u>4,529,073</u>
Total net assets.....	<u>\$ 9,313,972</u>	<u>5,108,724</u>	<u>619,019</u>	<u>15,041,715</u>

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

Statement 8

For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Operating Revenue:				
Charges for Services:				
Water sales.....	\$ 2,207,442	-	-	2,207,442
Sewer treatment charges.....	2,230,388	-	-	2,230,388
Waste disposal fees.....	-	-	1,686,861	1,686,861
Stormwater management fee.....	-	866,784	-	866,784
Connections, service and cut-off charges....	55,384	-	-	55,384
Other revenues.....	<u>182,465</u>	<u>-</u>	<u>1,119</u>	<u>183,584</u>
Total operating revenue.....	<u>4,675,679</u>	<u>866,784</u>	<u>1,687,980</u>	<u>7,230,443</u>
Operating Expenses:				
Personal services.....	1,583,680	143,808	-	1,727,488
Depreciation and amortization	1,178,638	299,584	1,129	1,479,351
Utilities.....	311,943	24,773	189	336,905
Materials and supplies.....	329,379	37,845	-	367,224
Contractual services	251,966	132,480	1,272,651	1,657,097
Maintenance and repairs.....	184,331	10,858	-	195,189
Other charges	<u>5,203</u>	<u>12,790</u>	<u>8,423</u>	<u>26,416</u>
Total operating expenses	<u>3,845,140</u>	<u>662,138</u>	<u>1,282,392</u>	<u>5,789,670</u>
Operating income.....	<u>830,539</u>	<u>204,646</u>	<u>405,588</u>	<u>1,440,773</u>
Nonoperating Revenue (Expenses):				
Interest earnings	2,337	1,033	21	3,391
Intergovernmental grants	-	-	765	765
Gain (loss) on disposal of capital assets.....	(558,469)	-	-	(558,469)
Interest and debt expense.....	<u>(810,515)</u>	<u>(102,455)</u>	<u>-</u>	<u>(912,970)</u>
Net nonoperating revenue (expenses).....	<u>(1,366,647)</u>	<u>(101,422)</u>	<u>786</u>	<u>(1,467,283)</u>
Income before contributions and transfers	(536,108)	103,224	406,374	(26,510)
Capital contributions.....	12,804	-	-	12,804
Transfers in.....	-	42,000	-	42,000
Transfers (out).....	<u>(683,100)</u>	<u>(33,900)</u>	<u>(235,600)</u>	<u>(952,600)</u>
Net increase (decrease) in net assets.....	(1,206,404)	111,324	170,774	(924,306)
Net assets, beginning of year.....	<u>10,520,376</u>	<u>4,997,400</u>	<u>448,245</u>	<u>15,966,021</u>
Net assets, end of year.....	<u>\$ 9,313,972</u>	<u>5,108,724</u>	<u>619,019</u>	<u>15,041,715</u>

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Statement 9

For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Cash Flows From Operating Activities:				
Cash received from customers.....	\$ 4,727,549	921,750	1,693,952	7,343,251
Cash paid for personal services.....	(1,521,481)	(113,567)	-	(1,635,048)
Cash paid to suppliers.....	<u>(1,283,894)</u>	<u>(228,205)</u>	<u>(1,279,328)</u>	<u>(2,791,427)</u>
Net cash provided by operating activities.	<u>1,922,174</u>	<u>579,978</u>	<u>414,624</u>	<u>2,916,776</u>
Cash Flows From Noncapital and Related Financing Activities:				
Intergovernmental grant proceeds.....	5,350	-	40,640	45,990
Transfers (in).....	-	42,000	-	42,000
Transfers (out).....	<u>(683,100)</u>	<u>(33,900)</u>	<u>(235,600)</u>	<u>(952,600)</u>
Net cash provided by (used in) noncapital and related financing activities.....	<u>(677,750)</u>	<u>8,100</u>	<u>(194,960)</u>	<u>(864,610)</u>
Cash Flows From Capital and Related Financing Activities:				
Capital contributions and grants.....	12,804	-	765	13,569
Acquisition and construction of capital asset	(294,856)	(25,085)	-	(319,941)
Debt reduction outlays.....	(921,583)	(257,839)	-	(1,179,422)
Interest paid on capital debt obligations.....	<u>(796,236)</u>	<u>(95,778)</u>	<u>-</u>	<u>(892,014)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(1,999,871)</u>	<u>(378,702)</u>	<u>765</u>	<u>(2,377,808)</u>
Cash Flows From Investing Activities:				
Interest received.....	<u>2,337</u>	<u>1,033</u>	<u>21</u>	<u>3,391</u>
Net increase (decrease) in cash and cash equivalents.....	(753,110)	210,409	220,450	(322,251)
Cash and cash equivalents, beginning of year....	<u>5,767,621</u>	<u>2,307,350</u>	<u>30,300</u>	<u>8,105,271</u>
Cash and cash equivalents, end of year.....	<u>\$ 5,014,511</u>	<u>2,517,759</u>	<u>250,750</u>	<u>7,783,020</u>
Cash and Cash Equivalents:				
Unrestricted cash and cash equivalents.....	\$ 1,889,199	2,436,377	250,750	4,576,326
Restricted cash and cash equivalents.....	<u>3,125,312</u>	<u>81,382</u>	<u>-</u>	<u>3,206,694</u>
Total cash and cash equivalents.....	<u>\$ 5,014,511</u>	<u>2,517,759</u>	<u>250,750</u>	<u>7,783,020</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, 2010
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).....	\$ 830,539	204,646	405,588	1,440,773
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation.....	1,178,638	299,585	1,129	1,479,352
Provision for bad debts.....	34,907	4,829	4,803	44,539
Changes in assets and liabilities:				
Accounts receivable.....	37,118	54,966	1,169	93,253
Inventories.....	7,501	23,314	-	30,815
Prepaid expenses.....	(1)	-	-	(1)
Accounts payable/accrued liabilities....	(243,479)	(17,177)	1,935	(258,721)
Compensated absences.....	(2,353)	(802)	-	(3,155)
Customer deposits.....	14,752	-	-	14,752
Post-employment benefit obligation....	<u>64,552</u>	<u>10,617</u>	<u>-</u>	<u>75,169</u>
Net cash provided by operating activities.	<u>\$ 1,922,174</u>	<u>579,978</u>	<u>414,624</u>	<u>2,916,776</u>

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Statement 10

Assets:	
Cash and cash equivalents.....	\$ 624,339
Receivables:	
State contributions receivable.....	16,650
Interest and dividends receivable.....	<u>34,942</u>
Total accounts receivable.....	51,592
Investments, at fair value	
U.S. Treasury obligations.....	914,512
U. S. Government Agencies.....	574,811
Corporate/municipal debt obligations	1,506,810
Corporate equity securities.....	3,776,322
Mutual funds.....	<u>2,202,576</u>
Total investments.....	<u>8,975,031</u>
Total assets.....	9,650,962
Liabilities:	
Accounts payable.....	23,288
Deferred revenue-unearned contributions.....	<u>19,825</u>
Total liabilities.....	<u>43,113</u>
Net assets:	
Held in trust for pension benefits.....	<u>\$ 9,607,849</u>

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

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

Statement 11

For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Additions:	
Contributions from:	
Employer	\$ 493,392
State	132,058
Plan members	<u>100,658</u>
Total contributions.....	726,108
Investment income:	
Net realized and unrealized appreciation (depreciation) in fair value of investments.....	591,978
Interest and dividend earnings	<u>212,180</u>
	804,158
Less: investment management fees	<u>(85,854)</u>
Total investment income	<u>718,304</u>
Total additions	1,444,412
Deductions:	
Benefit payments and refunds	485,217
Refunds/withdrawals	83,104
Administrative expenses	<u>53,769</u>
Total deductions.....	<u>622,090</u>
Net increase.....	822,322
Net assets held in trust for pension benefits:	
Beginning of year	<u>8,785,527</u>
End of year	<u>\$ 9,607,849</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, 2010

CITY OF HOLLY HILL, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Unit. The City of Holly Hill Community Redevelopment Fund was created by Ordinance 2426 to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment. Although legally separate, the same elected City Commission members serve as the governing board of the Community Redevelopment Fund. Since the City is financially accountable for the activities of the Fund, its governing board is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a special revenue fund.

B. Government-Wide and Fund Financial Statements

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

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

The Statement of Net Assets 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 assets for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

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

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

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

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

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

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions are 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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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.

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

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

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

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

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

The City reports the following major governmental funds:

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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 2005.

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 Law Enforcement Trust Fund, Holly Hill Police Explorers Fund, Recreation Activity Fund, Community Development Block Grant Fund, and the Local Law Enforcement Block Grant Fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt servicing of the City's outstanding State Revolving Fund Loan commitments.

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and payables

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

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

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

5. Capital Assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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

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

6. *Compensated Absences*

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

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

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

7. *Deferred Revenue*

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

8. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond discounts and debt issuance costs are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the effective interest method. Unamortized bond premium and discount are presented in aggregate on the

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

financial statements as increases and/or reductions of the carrying cost of the related long-term debt, as applicable. Unamortized debt issuance costs are presented as other assets. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

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

11. Reclassifications

Certain amounts for 2009 have been reclassified to conform to the 2010 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 assets:

Following the governmental fund balance sheet is a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. 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 assets 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 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, 2010, expenditures were incurred in excess of budgetary appropriations in the nonmajor Recreation Activity (PAL) Fund in the amount of \$1,020, all of which was funded in its entirety from prior year surplus funds. Expenditures were incurred in excess of budgetary appropriations in the nonmajor Community Development Block Grant Fund in the amount of \$3,585, all of which is expected to be funded with grant reimbursements next fiscal year. Expenditures were incurred in excess of budgetary appropriations in the nonmajor Local Law Enforcement Block Grant Fund in the amount of \$1,658, which is expected to be funded with grant reimbursements next fiscal year. Expenditures were incurred in excess of budgetary appropriations in the nonmajor Capital Projects Fund in the amount of \$42,843, all of which was funded in its entirety from prior year surplus funds.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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 5.7258 mills for the (2010 tax year) fiscal year ended September 30, 2010.

The property tax calendar is as follows:

Valuation Date	January 1												
Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1												
Within 35 days of certification of value, the City must advise the Property Appraiser of the prior year millage rate, current year proposed millage rate, current year rolled-back rate and the date, time and meeting place of the tentative budget hearing.	August 4												
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September 18												
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1												
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts:	November through March												
<table><thead><tr><th><u>Month Paid</u></th><th><u>Discount Percent</u></th></tr></thead><tbody><tr><td>November</td><td>4</td></tr><tr><td>December</td><td>3</td></tr><tr><td>January</td><td>2</td></tr><tr><td>February</td><td>1</td></tr><tr><td>March</td><td>0</td></tr></tbody></table>	<u>Month Paid</u>	<u>Discount Percent</u>	November	4	December	3	January	2	February	1	March	0	
<u>Month Paid</u>	<u>Discount Percent</u>												
November	4												
December	3												
January	2												
February	1												
March	0												
All unpaid taxes on real/tangible personal property become delinquent.	April 1												
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April/May												
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1												
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August 28												

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

NOTE 5 - DEPOSITS AND INVESTMENTS

At September 30, 2010, the City had the following investments and maturities:

	Fair Value	Less Than 1	Investment Maturities (Years)		
			From 1 to 5	From 6 to 10	Over 10
Repurchase agreements.....	\$ 5,591,000	5,591,000	-	-	-
SunTrust money market funds.....	13,334,614	13,334,614	-	-	-
Pension Trust:					
Money Market.....	624,339	624,339	-	-	-
U.S. Treasury.....	914,512	111,964	531,484	259,379	11,685
U.S. Government Agencies.....	574,811	-	295,633	33,613	245,565
Corporate/municipal bonds.....	1,506,810	-	960,630	492,617	53,563
Corporate equities.....	3,776,322	3,776,322	-	-	-
International equities.....	806,223	806,223	-	-	-
Mutual funds.....	<u>1,396,353</u>	<u>1,396,353</u>	-	-	-
Totals.....	<u>\$ 28,524,984</u>	<u>25,640,815</u>	<u>1,787,747</u>	<u>785,609</u>	<u>310,813</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. The remainder is invested in overnight repurchase agreements.

Investments held in the City’s Police and Fire pension trust funds (the “Plans”) 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 are generally made to guaranty the production of cash flows necessary to fund the plan’s required payments and operating expenses. These fixed rate investments earn slightly higher rates of return, which are necessary to support the Plan’s blended interest rate assumptions. Their fair values are inversely sensitive to changes in interest rates. In recent years, the Fire pension Plan has invested in domestic corporate equities and mutual funds, which fair value varies in conjunction with changes in the NYSE and NASDAQ stock index prices.

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 the principal and interest of which are unconditionally guaranteed by, the U.S. Government; interest bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision or in federal savings and loan

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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 City's pension trust Plans are limited by state statutes (Chapters 175 and 185, Florida Statutes) and by an investment policy adopted by the individual funds' Board of Trustees. The basic allowable investment instruments include obligations of, or obligations the principal and interest of which 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, 2010, the carrying amount of the City's deposits in demand deposit accounts totaled \$5,450, all of which is covered by depository insurance and/or collateral securities in accordance with the Act. Amounts do not include \$2,559 in cash funds on hand at the end of the fiscal year. The carrying amount of the City's \$5,591,000 investment in repurchase agreements is collateralized with securities held by the Trust Department of the City's depository bank in their name. The carrying amount of the City's \$13,334,614 investment in institutional money market accounts is uninsured and uncollateralized, all of which is invested in a RidgeWorth Investments U.S. Government Securities Money Market Fund (CUSIP 76628T49) which is backed by the full faith and credit of the United States of America.

All investments held by the City's Police and Fire pension trust Plans were uninsured, unregistered and held by the Plans' brokerage firms, who are also the counterparty for these particular securities. At September 30, 2010, the Plans fixed income corporate bonds held ratings of A- or better by Standard & Poor's.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

Concentrations of Credit Risk – Pursuant to the provisions of the City’s pension trust Plans’ investment policies, the Plans 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, 2010, the Plans had no investments in any one organization that represent five percent or more of plan net assets.

The overall composition of the Police pension trust Plan’s investment portfolio is further restricted to the investment authority provided in Section 185.06, Florida Statutes, which are hereby varied only in the following respects:

1. The aggregate of the trust Plan’s investments in equities (common stocks or equivalents) at market shall not exceed 67.5 percent of the Plan’s assets (presently 55 percent), with a target range of 62.5 to 67.5 percent;
2. The aggregate of the Plan’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 Plan’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 ten percent of the Plan’s assets.

NOTE 6 – RECEIVABLES (NET)

The City’s accounts receivable at September 30, 2010, consist of the following:

Governmental Activities:

General Fund:

Delinquent taxes receivable	\$ 7,014	
Accounts receivable-franchise/utility service payments	219,488	
Lien collections receivable	53,530	
Utility service tax	12,228	
Employees purchase program	9,922	
Other miscellaneous receivables	32,304	
Less allowance for doubtful accounts	<u>(76,736)</u>	257,750

Capital Projects Fund:

Other miscellaneous receivables	<u>18,402</u>	<u>18,402</u>
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Total governmental activities accounts receivable, net \$ 276,152

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

Business-Type Activities:

Water and Sewer Fund:

Billed accounts receivable	\$ 469,463	
Unbilled accounts receivable	139,795	
Other miscellaneous receivables	5,414	
Less allowance for doubtful accounts	<u>(196,295)</u>	418,377

Stormwater Drainage Fund:

Billed accounts receivable	76,603	
Unbilled accounts receivable	25,027	
Other miscellaneous receivables	37,175	
Less allowance for doubtful accounts	<u>(23,432)</u>	<u>115,373</u>

Solid Waste Fund:

Billed accounts receivable	132,753	
Unbilled accounts receivable	50,915	
Less allowance for doubtful accounts	<u>(32,209)</u>	<u>151,459</u>

Total business-type activities accounts receivable, net..... \$ 685,209

NOTE 7 – DEFERRED 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 Downpayment Assistance Program be carried out in a manner consistent with the HUD 24 CFR Part 92 requirements as well as local goals and objectives.

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

The aggregate balances due on the obligations at September 30, 2010 totaled \$69,699.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

NOTE 8 - 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, 2010, are as follows:

Governmental Activities:	<u>Transfer To</u>	<u>Transfer From</u>
General:		
Community Redevelopment Trust (*).....	\$ -	353,100
Water and Sewer.....	-	508,000
Solid Waste.....	-	150,000
Community Redevelopment Trust:		
General (*).....	353,100	-
Nonmajor governmental funds (*).....	470,500	-
Nonmajor governmental:		
Community Redevelopment Trust (*).....	<u>-</u>	<u>470,500</u>
Totals - governmental activities.....	<u>823,600</u>	<u>1,481,600</u>

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

Business-type Activities:	<u>Transfer To</u>	<u>Transfer From</u>
Water and Sewer:		
General.....	508,000	-
Stormwater Drainage.....	42,000	-
Stormwater Drainage:		
Water and Sewer.....		42,000
Solid Waste:		
General.....	<u>150,000</u>	<u>-</u>
Totals - business-type activities.....	<u>700,000</u>	<u>42,000</u>
Totals - all activities.....	<u>\$ 1,523,600</u>	<u>1,523,600</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

NOTE 9 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2010, is as follows:

	Balance 09/30/09	Addition	Deletions	Balance 09/30/10
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 1,680,569	-	-	1,680,569
Construction work in progress.....	<u>250,873</u>	<u>92,520</u>	<u>(333,508)</u>	<u>9,885</u>
Total capital assets not being depreciated....	<u>1,931,442</u>	<u>92,520</u>	<u>(333,508)</u>	<u>1,690,454</u>
Capital assets being depreciated:				
Buildings.....	4,800,760	46,414	-	4,847,174
Improvements other than buildings.....	2,809,066	714,309	-	3,523,375
Machinery and equipment.....	3,099,224	95,589	(380,337)	2,814,476
Infrastructure.....	<u>8,858,698</u>	<u>-</u>	<u>-</u>	<u>8,858,698</u>
Total capital assets being depreciated.....	<u>19,567,748</u>	<u>856,312</u>	<u>(380,337)</u>	<u>20,043,723</u>
Less accumulated depreciation for:				
Buildings.....	(1,232,837)	(102,652)		(1,335,489)
Improvements other than buildings.....	(1,168,163)	(191,142)	-	(1,359,305)
Machinery and equipment.....	(2,300,326)	(191,412)	355,926	(2,135,812)
Infrastructure.....	<u>(3,330,028)</u>	<u>(177,525)</u>	<u>-</u>	<u>(3,507,553)</u>
Total accumulated depreciation.....	<u>(8,031,354)</u>	<u>(662,731)</u>	<u>355,926</u>	<u>(8,338,159)</u>
Total capital assets being depreciated, net...	<u>11,536,394</u>	<u>193,581</u>	<u>(24,411)</u>	<u>11,705,564</u>
Governmental activities capital assets, net...	<u>\$13,467,836</u>	<u>286,101</u>	<u>(357,919)</u>	<u>13,396,018</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

	Balance 09/30/09	Addition	Deletions	Balance 09/30/10
Business-type activities:				
Capital assets not being depreciated:				
Land.....	\$ 665,515	-	-	665,515
Construction work in progress.....	<u>5,327,642</u>	<u>538,764</u>	<u>(5,866,406)</u>	<u>-</u>
Total capital assets not being depreciated....	<u>5,993,157</u>	<u>538,764</u>	<u>(5,866,406)</u>	<u>665,515</u>
Capital assets being depreciated:				
Buildings.....	10,953,873	4,885	-	10,958,758
Improvements other than buildings.....	17,140,727	5,635,497	-	22,776,224
Machinery and equipment.....	7,995,530	7,201	(1,981,670)	6,021,061
Infrastructure.....	<u>8,396,517</u>	<u>-</u>	<u>-</u>	<u>8,396,517</u>
Total capital assets being depreciated.....	<u>44,486,647</u>	<u>5,647,583</u>	<u>(1,981,670)</u>	<u>48,152,560</u>
Less accumulated depreciation for:				
Buildings.....	(5,840,923)	(224,788)	-	(6,065,711)
Improvements other than buildings.....	(6,707,644)	(713,588)	-	(7,421,232)
Machinery and equipment.....	(5,159,216)	(272,433)	1,423,201	(4,008,448)
Infrastructure.....	<u>(2,405,818)</u>	<u>(268,544)</u>	<u>-</u>	<u>(2,674,362)</u>
Total accumulated depreciation.....	<u>(20,113,601)</u>	<u>(1,479,353)</u>	<u>1,423,201</u>	<u>(20,169,753)</u>
Total capital assets being depreciated, net...	<u>24,373,046</u>	<u>4,168,230</u>	<u>(558,469)</u>	<u>27,982,807</u>
Business-type capital assets, net.....	<u>\$30,366,203</u>	<u>4,706,994</u>	<u>(6,424,875)</u>	<u>28,648,322</u>

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

Governmental activities:	
General government.....	\$ 65,460
Public safety.....	111,120
Transportation.....	228,569
Economic environment.....	94,236
Physical environment.....	20
Culture/recreation.....	<u>163,326</u>
Total depreciation expense - governmental activities...	<u>\$ 662,731</u>
Business-type activities:	
Water and Sewer Fund.....	\$ 1,178,638
Stormwater Drainage.....	299,586
Solid Waste Fund.....	<u>1,129</u>
Total depreciation expense - business-type activities...	<u>\$ 1,479,353</u>

NOTE 10 – OPERATING LEASES

The City is committed under various noncancelable 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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
 September 30, 2010
 CITY OF HOLLY HILL, FLORIDA

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, 2010 are as follows:

Fiscal Year	Amount
September 30, 2011.....	\$ 15,451
September 30, 2012.....	13,526
September 30, 2013.....	11,007
September 30, 2014.....	<u>2,927</u>
Total.....	<u>\$ 42,911</u>

Rental expense under these obligations totaled \$16,826 for the year ended September 30, 2010.

NOTE 11 - LONG-TERM DEBT

The City's long-term debt outstanding at September 30, 2010, is as follows:

A. Governmental Activities:

	Balance Due	Current Maturities
Revenue Notes Payable:		
Promissory notes payable to Sun Trust Bank of Volusia County:		
4.35% Community Redevelopment Agency (CRA)		
Redevelopment Revenue Note, Series 2005 dated		
May 2, 2005; for constructing improvements in the City's		
designated redevelopment areas; \$235,234 due semi-annually		
through 2026; secured by tax increment revenues.....	\$ 5,313,755	<u>232,357</u>
Total revenue notes payable	\$ 5,313,755	232,357
Compensated absences (current portion estimated)	<u>603,266</u>	<u>150,817</u>
Total governmental activities long-term debt.....	<u>\$ 5,917,021</u>	<u>383,174</u>

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

	Balances 09/30/09	Additions	Deletions	Balances 09/30/10
Notes payable:				
SunTrust Bank- 4.53% CRA				
Redevelopment Revenue Note,				
Series 2005.....	\$ 5,535,934	0	(222,179)	5,313,755
Compensated absences	<u>686,784</u>	<u>706,347</u>	<u>(789,865)</u>	<u>603,266</u>
Totals	<u>\$ 6,237,008</u>	<u>706,347</u>	<u>(1,012,044)</u>	<u>5,917,0021</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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

Fiscal Year	SunTrust Loan
September 30, 2011.....	\$ 470,468
September 30, 2012.....	470,469
September 30, 2013.....	470,468
September 30, 2014.....	470,469
September 30, 2015.....	470,469
September 30, 2016 through 2020.....	2,352,344
September 30, 2021 through 2025.....	2,352,342
September 30, 2026	<u>470,469</u>
Total debt service requirements.....	7,527,498
Less: interest.....	<u>(2,213,743)</u>
Net principal amount.....	<u>\$ 5,313,755</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.

Total interest incurred for governmental activities for the year ended September 30, 2010 was \$229,584.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

B. Business-Type Activities:

	Balance Due	Current Maturities
Water and Sewer System Refunding Revenue Bond, Series 2002 2.00% to 5.00%, due serially to 2022	\$ 9,680,000	625,000
Promissory notes payable to Sun Trust Bank of Volusia County: 3.82% Water and Sewer System Improvement Revenue Bond, Series 2005 dated October 11, 2005, due serially to 2025	1,220,000	60,000
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	1,484,992	115,147
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	565,139	28,941
State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement - 3.27% construction loan (\$353,840) dated January 30, 2001; 3.16% loan (\$884,371) dated September 10, 2001; 2.12% loan (\$1,459,241) dated July 24, 2002; 1.99% loan (\$2,601,357) dated June 24, 2003, in the aggregate amount of \$5,298,810 for local stormwater pollution control and drainage improvements, with combined total payments of \$176,808, due semi-annually, on January 15 and July 15, commencing on January 15, 2005... through 2023; secured with stormwater management service charges	3,949,720	263,792
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	<u>4,995,098</u>	<u>222,066</u>
Total bonds and notes payable	21,894,949	1,314,946
Plus: unamortized debt premium	1,917	-
Less: deferred amount on advance refunding	<u>(607,464)</u>	<u>-</u>
Net long-term bonded debt	21,289,402	1,314,946
Compensated absences (current portion estimated)	<u>155,933</u>	<u>38,983</u>
Total business-type activities long-term debt	<u>\$21,445,335</u>	<u>1,353,929</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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

	Balances 09/30/09	Additions	Deletions	Balances 09/30/10
Water and Sewer System Refunding				
Revenue Bond, Series 2002	\$ 10,285,000	-	(605,000)	9,680,000
Water and Sewer System Improvement				
Revenue Bond, Series 2005	1,280,000	-	(60,000)	1,220,000
Notes Payable - FDEP-Clean Water				
State Revolving Fund Loans	11,509,371	-	(514,422)	10,994,949
Compensated absences	<u>159,088</u>	<u>160,134</u>	<u>(163,289)</u>	<u>155,933</u>
Totals	<u>\$ 23,233,459</u>	<u>160,134</u>	<u>(1,342,711)</u>	<u>22,050,882</u>

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

Fiscal Year	Revenue Bonds	Revenue Notes	Total
September 30, 2011	\$ 1,179,435	884,089	2,063,524
September 30, 2012	1,187,925	884,089	2,072,014
September 30, 2013	1,184,242	884,089	2,068,331
September 30, 2014	1,188,879	884,089	2,072,968
September 30, 2015	1,185,705	884,089	2,069,794
September 30, 2016 through 2020	5,921,386	4,420,445	10,341,831
September 30, 2021 through 2025	2,698,418	3,071,444	5,769,862
September 30, 2026 through 2029	<u>-</u>	<u>1,213,569</u>	<u>1,213,569</u>
Total debt service requirements	14,545,990	13,125,903	27,671,893
Less: interest	<u>(3,645,988)</u>	<u>(2,130,952)</u>	<u>(5,776,940)</u>
Net principal amount	<u>\$10,900,002</u>	<u>10,994,951</u>	<u>21,894,953</u>

The authorization for the Water and Sewer System Refunding Revenue Bonds, Series 2002 (the "Series 2002 bonds") provides that the City will not issue additional obligations unless they are payable on a parity with the Series 2002 bonds and only upon the conditions and within the limitations of the authorizing resolution. The 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 bond resolution and 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 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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

defined in the bond resolution, units of participation in the Local Government Surplus Funds Trust Fund, and any other investments allowed by Florida law.

The notes payable to the State of Florida, Department of Environmental Protection, State Revolving Fund Loan are secured by pledged revenues of the City; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Series 2002 bonds.

Total interest incurred for business-type activities for the year ended September 30, 2010 was \$785,345.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a twelve-year open period. The following table shows the components of the City’s annual OPEB for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan based on a the most recent actuarial valuation dated October 1, 2008:

	Estimated <u>09/30/2009</u>	Estimated <u>09/30/2010</u>
Annual required contribution (ARC)	\$ 368,000	391,000
Interest on prior Net OPEB obligation.....	0	13,000
Prior Net OPEB obligation adjustment	<u>0</u>	<u>(38,000)</u>
Annual OPEB cost (expense).....	368,000	366,000
Estimated net contributions made	<u>(32,000)</u>	<u>(39,000)</u>
Increase in net OPEB obligation	336,000	327,000
Net OPEB obligation-beginning of year	<u>0</u>	<u>366,000</u>
Net OPEB obligation-end of year	<u>\$ 336,000</u>	<u>663,000</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

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 2010 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>
09/30/08	n/a	n/a	n/a
09/30/09	\$368,000	8.42%	\$336,000
09/30/10	\$366,000	10.38%	\$663,000

Funded Status and Funding Progress. As of October 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,782,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,782,000. The covered payroll (annual payroll of active employees covered under the plan) was \$4,875,000, and the ratio of the UAAL to the covered payroll was 36.6%.

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.

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, 2008 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4.0% percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% percent initially, reduced by 0.5% annual decreases to an ultimate rate of 5.5% in 2018. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 12-year open period, level-dollar payment.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

NOTE 13 - PENSION PLANS

A. General Employees – Florida Retirement System

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

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

The City made the required contributions to the plan for the fiscal years ended September 30, 2010, 2009, and 2008, which were \$280,567, \$299,191, and \$290,848, respectively. There were no employee contributions made during these years. The following is a summary of employer contribution percentages for qualifying compensation paid to general participants/Senior Management Service Class (SMSC) participants/Deferred Retirement Option Program (DROP) participants in effect during each of the past three fiscal years ended September 30, 2010, 2009, and 2008 by retirement plan periods:

	<u>Regular</u> <u>Employees</u>	<u>SMSC</u> <u>Employees</u>	<u>DROP</u> <u>Employees</u>
Plan year beginning July 1, 2010	9.85%	13.12%	10.91%
Plan year beginning July 1, 2009	9.85%	13.12%	10.91%
Plan year beginning July 1, 2008	9.85%	13.12%	10.91%
Plan year beginning July 1, 2007	9.85%	-	10.91%

B. General Employees – Florida Municipal Pension Trust Fund

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

95-338, Laws of Florida with respect to such employees. At September 30, 2010, 17 employees continued to participate in the 457(b) plan,

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

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

Employees immediately vest in the elective deferral contributions made to the Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service. 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.

Employee contributions to the 457(b) Plan for the fiscal years ended September 30, 2010, 2009, and 2008 were \$46,900, \$59,764, and \$70,386, respectively.

C. General Employees – ICMA

The City offers electing management employees participation in a Money Purchase Plan and Trust, created in accordance with Section 401(a) of the Internal Revenue Code. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 59½ (normal retirement age) the participants may elect to commence receiving benefits which equal accumulated employers' contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. The City contributed 10% of the employees' covered payroll to the Plan. For the years ended September 30, 2010, 2009, and 2008, the City's contributions to the Plan totaled \$12,197, \$9,726, and \$29,151, respectively.

The City also offers an alternative Section 457 plan to accommodate supplemental employee elective deferrals for employees covered in the City's defined benefit plans. The assets of this plan are also administered by the International City Managers Association Retirement Corporation. Supplemental employee contributions to the Plan for the fiscal years ended September 30, 2010, 2009, and 2008, totaled \$36,503, \$27,307, and \$98,609, respectively.

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

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

All certified police officers and firefighters are eligible to participate in the respective plans upon employment. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Police Plan and the Fire Plan can be found in Chapters 185 and 175, Florida Statutes, respectively. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The act also provides that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff, local financial institutions, and third-party fund custodians.

Full-time, uniformed police officers are eligible to participate in the Police Plan upon employment by the City. Full-time, uniformed firefighters are eligible to participate in the Fire Plan upon employment with the City. Employees vest with full benefits after 10 years of service. Normal retirement occurs for police officers at the earlier of age 55 and 10 years of credited service or 20 years of credited service regardless of age but no earlier than age 55 for vested terminations. Normal retirement for firefighters occurs at age 50. Firefighters are eligible for early retirement after attaining age 48 with 10 years of service. An independent actuary appointed by the Board of Trustees actuarially determines benefits to be paid to retirees. Current membership in the pension plans is composed of the following, as included in the most recent actuarial valuations both of which are dated October 1, 2010:

	<u>Police Plan</u>	<u>Fire Plan</u>
Service retirees receiving benefits.	9	5
Beneficiaries receiving benefits	2	0
Vested terminated employees.....	1	2
Disability retirees receiving benefits	2	0
Employees receiving DROP benefits	5	1
Active employees	<u>23</u>	<u>10</u>
Total participants	<u>42</u>	<u>18</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

Contribution Requirements and Contributions Made. The City provides contributions to the Police Plan and Fire Plan under the authority of Chapters 185 and 175, Florida Statutes, respectively, and pursuant to City ordinances. Employees covered under the plans are required to make contributions of 5% (Police Plan) and 8.0% (Fire Plan) of their compensation. The City is required to contribute the remaining amounts necessary to fund the Plans based on the funding amounts determined by the Plans' actuaries. During the most recent year, the City's pension contributions included the City's share of Fire Insurance Premium Taxes (\$45,611) and Casualty Insurance Premium Taxes (\$69,797) received annually from the State of Florida on behalf of each plan's covered employees. Additionally, amounts from the State Firefighter's Supplemental Compensation Trust Fund (\$16,650) were received from the State of Florida and used to reduce the City's required contribution.

The City has adopted GASB Statement No. 27 on pension accounting and reporting. This statement requires the computation of a net pension obligation (NPO) or asset which would result if the City's contributions to the pension funds did not equal the annual pension cost as computed by the plan actuaries. During the current year, the City evaluated both plans to determine the net pension obligations or assets at October 1, 2010 (the most recent valuation dates).

The City's annual pension cost and net pension obligations to the Police and Fire Plans (based on the most current valuations available-October 1, 2010) were as follows:

Municipal Police Officers' Retirement Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2010.....	\$ 387,808	100%	\$ (29,515)
09/30/2009.....	260,812	100%	(30,812)
09/30/2008.....	396,560	100%	(30,427)

Municipal Firefighters' Pension Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2010.....	\$ 105,163	100%	\$ (67,142)
09/30/2009.....	47,502	100%	(77,034)
09/30/2008.....	223,749	100%	(74,865)

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

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

	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
Actuarially determined contribution.	\$ 396,940	261,197	386,511
Interest on NPO	(2,254)	(2,282)	(2,311)
Adjustment	<u>1,874</u>	<u>1,897</u>	<u>3,608</u>
Annual Pension Cost	396,560	260,812	387,808
Contributions made	<u>396,940</u>	<u>261,197</u>	<u>386,511</u>
Increase (decrease) in NPO	(380)	(385)	1,297
NPO - beginning of year	<u>(30,047)</u>	<u>(30,427)</u>	<u>(30,812)</u>
NPO - end of year.....	<u>(30,427)</u>	<u>(30,812)</u>	<u>(29,515)</u>

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

	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
Actuarially determined contribution.	\$ 223,749	47,502	105,163
Interest on NPO	(5,457)	(5,615)	(5,778)
Adjustment	<u>3,349</u>	<u>3,446</u>	<u>15,670</u>
Annual Pension Cost	221,641	45,333	115,055
Contributions made	<u>223,749</u>	<u>47,502</u>	<u>105,163</u>
Increase in NPO.....	(2,108)	(2,169)	9,892
NPO - beginning of year	<u>(72,757)</u>	<u>(74,865)</u>	<u>(77,034)</u>
NPO - end of year.....	<u>\$ (74,865)</u>	<u>(77,034)</u>	<u>(67,142)</u>

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

The actuarial valuations for both plans were prepared in accordance with GASB Statements No. 25 and 27. Significant actuarial assumptions used in the valuations for each plan (based on the most current valuations available-October 1, 2010) are as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>
Contribution rates as of 09/30/10:		
City.....	37.9%	16.9%
Plan Members.....	5.0%	8.0%
Actuarially determined contribution.....	\$386,511	\$105,163
Contributions made	\$386,511	\$105,163
Actuarial valuation dates	10/01/08	10/01/08
Actuarial cost method.....	Entry Age Normal	Entry Age Normal
Amortization method.....	Level % of Pay, Closed	Level % of Pay, Closed
Remaining amortization period	28 Years (as of 10/1/10)	28 Years (as of 10/1/10)
Asset valuation method	4yr. Smooth	4yr. Smooth
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases *	6.0%	6.0%
*Includes inflation at.....	3.0%	3.0%
Post retirement cost of living adjustment.	0.0%	0.0%

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

Funded Status and Funding Progress - Based on the October 1, 2010 actuarial valuation, the Police Plan was 60.63% funded. The actuarial accrued liability for benefits was \$10,378,081 and the actuarial value of assets was \$6,291,928 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,086,153. Based on the October 1, 2010 actuarial valuation, the Fire Plan was 71.76% funded. The actuarial accrued liability for benefits was \$4,340,101 and the actuarial value of assets was \$3,114,518 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,225,583.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

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 assets and statement of changes in fiduciary net assets 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, 2010.

Statements of Fiduciary Plan Net Assets
September 30, 2010

	<u>Police</u>	<u>Fire</u>
Assets:		
Cash and cash equivalents.....	\$ 456,254	168,085
Receivables:		
State contributions receivable.....	-	16,650
Interest and dividends receivable.....	25,237	9,705
Total accounts receivable.....	<u>25,237</u>	<u>26,355</u>
Investments, at fair value		
U.S. Treasuries.....	831,710	82,802
U.S. government agencies.....	260,611	314,200
Corporate and municipal debt obligations	950,080	556,730
Corporate equity securities.....	4,208,534	374,011
Mutual Funds.....	-	1,396,353
Total investments.....	<u>6,250,935</u>	<u>2,724,096</u>
 Total assets.....	 6,732,426	 2,918,536
Liabilities:		
Accounts payable.....	16,880	6,408
Deferred revenue-unearned contributions.....	-	19,825
Total liabilities.....	<u>16,880</u>	<u>26,233</u>
 Net assets:		
Held in trust for pension benefits.....	<u>\$ 6,715,546</u>	<u>2,892,303</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Statement of Changes in Fiduciary Plan Net Assets
For the Fiscal Year Ended September 30, 2010

	<u>Police</u>	<u>Fire</u>
Additions:		
Contributions from:		
Employer.....	\$ 388,229	105,163
State.....	69,797	62,261
Plan members	<u>51,386</u>	<u>49,272</u>
Total contributions.....	<u>509,412</u>	<u>216,696</u>
Investment income:		
Net realized and unrealized appreciation (depreciation) in fair value of investments.....	459,426	132,552
Interest and dividend earnings.....	<u>135,276</u>	<u>76,904</u>
Investment income	594,702	209,456
Less: investment management fees	<u>(65,418)</u>	<u>(20,436)</u>
Net investment income	<u>529,284</u>	<u>189,020</u>
Total additions	<u>1,038,696</u>	<u>405,716</u>
Deductions:		
Benefit payments and refunds	426,005	142,316
Administrative expenses	<u>29,834</u>	<u>23,935</u>
Total deductions.....	<u>455,839</u>	<u>166,251</u>
Net increase.....	582,857	239,465
Net assets held in trust for pension benefits:		
Beginning of year	<u>6,132,689</u>	<u>2,652,838</u>
End of year.....	<u>\$ 6,715,546</u>	<u>2,892,303</u>

NOTE 15 - LEGAL MATTERS

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

NOTE 16 - COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2010

CITY OF HOLLY HILL, FLORIDA

NOTE 17 – RISK MANAGEMENT

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

NOTE 18 – SUBSEQUENT EVENTS

The City entered into a capital lease agreement in April 2011 for the purchase of telephone and networking equipment, with a present value of \$112,116. The capital lease term will be three years beginning in April 2011 through April 2013, and will be funded with minimum annual payments of \$37,372. The total amount of future minimum payments is \$112,116.

On April 26, 2011 the City issued a Water & Sewer Revenue Bond, Series 2011, in the amount of \$4,550,000 maturing October 1, 2030 with an interest rate of 3.46%. The bond was issued for the construction of capital improvements to the City's combined water and sewer system.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 13, 2011, the date the financial statements were available to be issued

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Schedule 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c)
<u>Municipal Firefighters' Retirement System</u>						
10/01/2010	\$ 3,114,518	\$ 4,340,101	\$ 1,225,583	71.76%	\$ 513,599	238.63%
10/01/2009	\$ 3,067,387	\$ 4,317,679	\$ 1,250,292	71.04%	\$ 630,037	198.45%
10/01/2008	\$ 2,954,229	\$ 4,396,537	\$ 1,442,308	67.19%	\$ 628,094	229.63%
10/01/2007	\$ 2,811,291	\$ 4,449,389	\$ 1,638,098	63.18%	\$ 748,437	218.87%
10/01/2006	\$ 2,540,064	\$ 4,206,459	\$ 1,666,395	60.38%	\$ 765,112	217.80%
10/01/2005	\$ 2,312,599	\$ 3,845,060	\$ 1,532,461	60.14%	\$ 734,633	208.60%
<u>Municipal Police Officers' Retirement Trust Fund</u>						
10/01/2010	\$ 6,291,928	\$ 10,378,081	\$ 4,086,153	60.63%	\$ 1,018,222	401.30%
10/01/2009	\$ 6,333,782	\$ 10,155,787	\$ 3,822,005	62.37%	\$ 1,154,107	331.17%
10/01/2008	\$ 6,685,951	\$ 9,467,373	\$ 2,781,422	70.62%	\$ 1,141,987	243.56%
10/01/2007	\$ 6,342,395	\$ 8,191,184	\$ 1,848,789	77.43%	\$ 1,118,612	165.28%
10/01/2006	\$ 5,831,687	\$ 7,549,788	\$ 1,718,101	77.24%	\$ 1,192,362	144.09%
10/01/2005	\$ 5,355,209	\$ 7,073,310	\$ 1,718,101	75.71%	\$ 1,075,136	159.80%
<u>Holly Hill Post-Retirement Benefits Plan</u>						
10/01/2008	\$ -	\$ 1,782,000	\$ 1,782,000	0.00%	\$ 4,875,000	36.55%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS OF EMPLOYER AND OTHER
CONTRIBUTING ENTITIES
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Schedule 2

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Employer Contributions</u>	<u>State Contributions</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
<u>Municipal Firefighters' Retirement System</u>					
2010	\$ 167,424	\$ 105,163	\$ 62,261	\$ 167,424	100.00%
2009	\$ 197,016	\$ 47,502	\$ 149,514	\$ 197,016	100.00%
2008	\$ 223,749	\$ 223,749	\$ -	\$ 223,749	100.00%
2007	\$ 225,601	\$ 155,785	\$ 123,907	\$ 279,692	123.98%
2006	\$ 135,419	\$ 99,546	\$ 35,873	\$ 135,419 *	100.00%
2005	\$ 158,624	\$ 122,751	\$ 35,873	\$ 158,624 *	100.00%

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

<u>Municipal Police Officers' Retirement Trust Fund</u>					
2010	\$ 456,309	\$ 386,511	\$ 69,797	\$ 456,308	100.00%
2009	\$ 412,016	\$ 261,197	\$ 150,819	\$ 412,016	100.00%
2008	\$ 396,940	\$ 396,940	\$ -	\$ 396,940	100.00%
2007	\$ 348,202	\$ 273,503	\$ 74,699	\$ 348,202	100.00%
2006	\$ 268,913	\$ 197,266	\$ 74,699	\$ 271,965	101.13%
2005	\$ 154,263	\$ 79,564	\$ 74,699	\$ 154,263	100.00%

<u>Holly Hill Post-Retirement Benefits Plan</u>					
2009	\$ 368,000	\$ 31,000	\$ -	\$ 31,000	8.42%

***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.

Debt Service Fund - is created and used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Community Redevelopment Agency Debt Service Fund - to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs on the Community Redevelopment Agency's Revenue Development Bond, Series 2005.

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.

Community Redevelopment Agency Capital Projects Fund - to account for the restricted financial resources to be used for the acquisition or construction of major capital facilities in the Community Redevelopment Agency.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Nonmajor Special Revenue

	Impact Fees Trust	Law Enforcement Trust	Holly Hill Police Explorers	Recreation Activity PAL	Community Development Block Grant
Assets:					
Cash and cash equivalents.....	\$ 145,220	63,679	1,906	18,775	5,488
Accounts receivable.....	-	-	-	-	-
Due from other governments.....	-	-	-	-	-
Total assets.....	<u>\$ 145,220</u>	<u>63,679</u>	<u>1,906</u>	<u>18,775</u>	<u>5,488</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	-	-	-	3,660
Due to other funds.....	-	-	-	-	2,793
Deferred revenue.....	-	-	-	-	5,488
Total liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,941</u>
Fund Balances:					
Reserved for:					
Law enforcement	33,713	63,679	-	-	-
Fire protection	23,307	-	-	-	-
Transportation	44,394	-	-	-	-
Recreation	43,806	-	-	-	-
Debt service	-	-	-	-	-
Unreserved (deficit).....	-	-	1,906	18,775	(6,453)
Total fund balances	<u>145,220</u>	<u>63,679</u>	<u>1,906</u>	<u>18,775</u>	<u>(6,453)</u>
Total liabilities and fund balances	<u>\$ 145,220</u>	<u>63,679</u>	<u>1,906</u>	<u>18,775</u>	<u>5,488</u>

Exhibit 1

Funds	Total	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total
Local Law Enforcement Block Grant	Nonmajor Special Revenue Funds	CRA Debt Service Fund	Capital Projects Fund	All Nonmajor Governmental Funds
-	235,068	229,719	119,762	584,549
-	-	-	18,402	18,402
<u>4,690</u>	<u>4,690</u>	<u>-</u>	<u>-</u>	<u>4,690</u>
<u>4,690</u>	<u>239,758</u>	<u>229,719</u>	<u>138,164</u>	<u>607,641</u>
2,835	6,495	-	7,250	13,745
2,506	5,299	-	-	5,299
<u>4,690</u>	<u>10,178</u>	<u>-</u>	<u>-</u>	<u>10,178</u>
<u>10,031</u>	<u>21,972</u>	<u>-</u>	<u>7,250</u>	<u>29,222</u>
-	97,392	-	-	97,392
-	23,307	-	-	23,307
-	44,394	-	-	44,394
-	43,806	-	-	43,806
-	-	229,719	-	229,719
<u>(5,341)</u>	<u>8,887</u>	<u>-</u>	<u>130,914</u>	<u>139,801</u>
<u>(5,341)</u>	<u>217,786</u>	<u>229,719</u>	<u>130,914</u>	<u>578,419</u>
<u>4,690</u>	<u>239,758</u>	<u>229,719</u>	<u>138,164</u>	<u>607,641</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

	Nonmajor Special Revenue Funds				
	Impact Fees Trust	Law Enforcement Trust	Holly Hill Police Explorers	Recreation Activity PAL	Community Development Block Grant
Revenue:					
Permits and fees.....	\$ 7,559	-	-	-	-
Intergovernmental	-	-	-	-	3,432
Fines and forfeitures	-	15,888	-	-	-
Miscellaneous	<u>100</u>	<u>50</u>	<u>650</u>	<u>2,306</u>	<u>-</u>
Total revenue.....	<u>7,659</u>	<u>15,938</u>	<u>650</u>	<u>2,306</u>	<u>3,432</u>
Expenditures:					
Current:					
Public safety.....	-	5,844	-	-	-
Culture/recreation.....	-	-	1,756	3,520	-
Capital Outlay:					
Public safety.....	-	14,626	-	-	-
Transportation.....	-	-	-	-	9,885
Debt Service:					
Principal retirements.....	-	-	-	-	-
Interest payments.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>20,470</u>	<u>1,756</u>	<u>3,520</u>	<u>9,885</u>
Excess of revenue over (under) expenditures	7,659	(4,532)	(1,106)	(1,214)	(6,453)
Other Financing Sources (Uses):					
Transfers in.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances....	7,659	(4,532)	(1,106)	(1,214)	(6,453)
Fund balances, beginning of year.....	<u>137,561</u>	<u>68,211</u>	<u>3,012</u>	<u>19,989</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 145,220</u>	<u>63,679</u>	<u>1,906</u>	<u>18,775</u>	<u>(6,453)</u>

Exhibit 2

		Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total
Local Law Enforcement Block Grant	Total Nonmajor Special Revenue Funds	CRA Debt Service Fund	Capital Projects Fund	All Nonmajor Governmental Funds
-	7,559	-	-	7,559
58,426	61,858	-	48,364	110,222
-	15,888	-	-	15,888
<u>-</u>	<u>3,106</u>	<u>76</u>	<u>53</u>	<u>3,235</u>
<u>58,426</u>	<u>88,411</u>	<u>76</u>	<u>48,417</u>	<u>136,904</u>
3,868	9,712	-	-	9,712
-	5,276	-	-	5,276
60,090	74,716	-	-	74,716
-	9,885	-	72,743	82,628
-	-	222,179	-	222,179
<u>-</u>	<u>-</u>	<u>248,262</u>	<u>-</u>	<u>248,262</u>
<u>63,958</u>	<u>99,589</u>	<u>470,441</u>	<u>72,743</u>	<u>642,773</u>
(5,532)	(11,178)	(470,365)	(24,326)	(505,869)
<u>-</u>	<u>-</u>	<u>470,500</u>	<u>-</u>	<u>470,500</u>
(5,532)	(11,178)	135	(24,326)	(35,369)
<u>191</u>	<u>228,964</u>	<u>229,584</u>	<u>155,240</u>	<u>613,788</u>
<u>(5,341)</u>	<u>217,786</u>	<u>229,719</u>	<u>130,914</u>	<u>578,419</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR IMPACT FEES TRUST FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 3

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Permits and Fees:				
Law enforcement impact fees.....	\$ -	1,900	1,983	83
Fire protection impact fees.....	-	1,000	1,070	70
Roads and streets impact fees.....	-	3,100	3,082	(18)
Recreation and parks impact fees.....	-	1,400	1,424	24
	<u>-</u>	<u>7,400</u>	<u>7,559</u>	<u>159</u>
Miscellaneous:				
Interest earnings.....	-	-	100	100
Total revenue.....	-	7,400	7,659	259
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	-	7,400	7,659	259
Appropriated fund balance.....	-	(7,400)	-	7,400
Net change in fund balance.....	-	-	7,659	7,659
Fund balances, beginning of year	<u>137,561</u>	<u>137,561</u>	<u>137,561</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 137,561</u>	<u>137,561</u>	<u>145,220</u>	<u>7,659</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR LAW ENFORCEMENT TRUST FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 4

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Fines and Forfeitures:				
Confiscated property.....	-	20,500	15,888	(4,612)
Miscellaneous:				
Interest earnings.....	-	-	50	50
Total revenue.....	-	20,500	15,938	(4,562)
Expenditures:				
Current:				
Public Safety:				
Operating expenditures.....	-	5,900	5,844	56
Capital outlay.....	-	14,600	14,626	(26)
Total expenditures	-	20,500	20,470	30
Excess of revenue over (under) expenditures	-	-	(4,532)	(4,532)
Fund balances, beginning of year.....	68,211	68,211	68,211	-
Fund balances, end of year.....	<u>\$ 68,211</u>	<u>68,211</u>	<u>63,679</u>	<u>(4,532)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR HOLLY HILL POLICE EXPLORERS FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 5

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Contributions.....	\$ -	1,800	650	(1,150)
Total revenue.....	-	1,800	650	(1,150)
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	-	1,800	1,756	44
Excess of revenue over (under) expenditures.....	-	-	(1,106)	(1,106)
Fund balances, beginning of year.....	3,012	3,012	3,012	-
Fund balances, end of year.....	<u>\$ 3,012</u>	<u>3,012</u>	<u>1,906</u>	<u>(1,106)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RECREATION ACTIVITY (PAL) FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 6

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	3	3
Contributions.....	-	2,500	2,303	(197)
Total revenue	-	2,500	2,306	(194)
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	-	2,500	3,520	(1,020)
Excess of revenue over (under) expenditures.....	-	-	(1,214)	(1,214)
Fund balances, beginning of year	19,989	19,989	19,989	-
Fund balances, end of year	<u>\$ 19,989</u>	<u>\$ 19,989</u>	<u>\$ 18,775</u>	<u>\$ (1,214)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 7

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Housing and Urban Development.....	\$ 89,700	6,300	3,432	(2,868)
Total revenue.....	89,700	6,300	3,432	(2,868)
Expenditures:				
Current:				
Transportation:				
Capital outlay.....	89,700	6,300	9,885	(3,585)
Total expenditures.....	89,700	6,300	9,885	(3,585)
Excess of revenue over (under) expenditures.....	-	-	(6,453)	(6,453)
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	(6,453)	(6,453)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR LOCAL LAW ENFORCEMENT BLOCK GRANT FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 8

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Justice.....	\$ -	62,300	58,426	(3,874)
Total revenue.....	-	62,300	58,426	(3,874)
Expenditures:				
Current:				
Public Safety:				
Operating expenditures.....	-	3,300	3,868	(568)
Capital outlay.....	-	59,000	60,090	(1,090)
Total expenditures.....	-	62,300	63,958	(1,658)
Excess of revenue over (under) expenditures.....	-	-	(5,532)	(5,532)
Fund balances, beginning of year.....	191	191	191	-
Fund balances, end of year.....	\$ 191	191	(5,341)	(5,532)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR COMMUNITY REDEVELOPMENT
AGENCY DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 9

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	76	76
Expenditures:				
Debt Service:				
Principal retirement.....	222,200	222,200	222,179	21
Interest payments.....	248,300	248,300	248,262	38
Total expenditures.....	470,500	470,500	470,441	59
Excess of revenue over (under) expenditures.....	(470,500)	(470,500)	(470,365)	135
Other Financing Sources (Uses):				
Transfers in.....	470,500	470,500	470,500	-
Net change in fund balance.....	-	-	135	135
Fund balances, beginning of year	229,584	229,584	229,584	-
Fund balances, end of year.....	\$ 229,584	229,584	229,719	135

BUDGETARY COMPARISON SCHEDULE

Exhibit 10

COMMUNITY REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND-MAJOR FUND

For the Fiscal Year Ended September 30, 2010

CITY OF HOLLY HILL, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental Revenues:				
State grants.....	\$ 200,000	200,000	-	(200,000)
Miscellaneous:				
Interest earnings.....	-	-	1,331	1,331
Total revenue.....	200,000	200,000	1,331	(198,669)
Expenditures:				
Current:				
Economic Environment:				
Operating expenditures.....	125,200	125,200	126,692	(1,492)
Capital outlay.....	2,321,900	2,321,900	300,792	2,021,108
Grants and aid.....	-	-	12,678	(12,678)
Total expenditures.....	2,447,100	2,447,100	440,162	2,006,938
Excess of revenue over (under) expenditures.....	(2,247,100)	(2,247,100)	(438,831)	1,808,269
Other Financing Sources (Uses):				
Appropriated fund balance.....	2,247,100	2,247,100	-	(2,247,100)
Net change in fund balance.....	-	-	(438,831)	(438,831)
Fund balances, beginning of year.....	3,103,233	3,103,233	3,103,233	-
Fund balances, end of year.....	\$ 3,103,233	3,103,233	2,664,402	(438,831)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Exhibit 11

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental:				
Federal grants:				
Federal Highway Administration.....	\$ -	29,900	48,364	18,464
Miscellaneous:				
Interest earnings.....	-	-	53	53
Total revenue.....	-	29,900	48,417	18,517
Expenditures:				
Current:				
Transportation:				
Capital outlay.....	-	29,900	72,743	(42,843)
Total expenditures.....	-	29,900	72,743	(42,843)
Excess of revenue over (under) expenditures.....	-	-	(24,326)	(24,326)
Fund balances, beginning of year	155,240	155,240	155,240	-
Fund balances, end of year	\$ 155,240	155,240	130,914	(24,326)

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. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.*

NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

	2010	2009	2008
Governmental Activities:			
Invested in capital assets, net of related debt.....	\$ 8,082,263	\$ 10,452,104	\$ 9,127,455
Restricted.....	7,693,108	6,887,782	3,863,424
Unrestricted.....	<u>2,148,243</u>	<u>4,434,152</u>	<u>5,171,318</u>
Total governmental activities net assets.....	<u>17,923,614</u>	<u>21,774,038</u>	<u>18,162,197</u>
Business-type Activities:			
Invested in capital assets, net of related debt.....	7,358,919	5,469,745	5,540,666
Restricted.....	3,153,723	3,373,266	3,511,420
Unrestricted.....	<u>4,529,073</u>	<u>2,125,610</u>	<u>2,082,279</u>
Total business-type activities net assets.....	<u>15,041,715</u>	<u>10,968,621</u>	<u>11,134,365</u>
Primary Government:			
Invested in capital assets, net of related debt.....	15,441,182	15,921,849	14,668,121
Restricted.....	10,846,831	10,261,048	8,763,386
Unrestricted.....	<u>6,677,316</u>	<u>6,559,762</u>	<u>5,865,055</u>
Total primary government net assets.....	<u>\$ 32,965,329</u>	<u>\$ 32,742,659</u>	<u>\$ 29,296,562</u>

Note:

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

Table 1

Fiscal Year				
2007	2006	2005	2004	2003
\$ 7,105,203	\$ 12,446,679	\$ 5,352,066	\$ 11,024,444	\$ 10,344,199
6,878,382	2,431,487	8,610,689	1,459,262	1,199,398
<u>2,868,014</u>	<u>987,391</u>	<u>1,174,051</u>	<u>1,777,068</u>	<u>2,447,696</u>
<u>16,851,599</u>	<u>15,865,557</u>	<u>15,136,806</u>	<u>14,260,774</u>	<u>13,991,293</u>
4,882,961	4,065,661	4,469,861	3,924,901	4,528,390
4,250,465	4,335,610	2,337,539	2,190,356	1,603,691
<u>2,173,592</u>	<u>2,482,583</u>	<u>2,899,688</u>	<u>3,129,737</u>	<u>2,842,229</u>
<u>11,307,018</u>	<u>10,883,854</u>	<u>9,707,088</u>	<u>9,244,994</u>	<u>8,974,310</u>
11,988,164	16,512,340	9,821,927	14,949,345	14,872,589
11,128,847	6,767,097	10,948,228	3,649,618	2,803,089
<u>5,041,606</u>	<u>3,469,974</u>	<u>4,073,739</u>	<u>4,906,805</u>	<u>5,289,925</u>
<u>\$ 28,158,617</u>	<u>\$ 26,749,411</u>	<u>\$ 24,843,894</u>	<u>\$ 23,505,768</u>	<u>\$ 22,965,603</u>

CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

	2010	2009	2008
Expenses:			
Governmental Activities:			
General government.....	\$ 1,847,021	\$ 1,766,893	\$ 1,703,645
Public safety.....	4,192,672	4,171,506	3,792,083
Transportation.....	957,840	897,081	881,449
Economic environment.....	819,830	999,740	774,449
Physical environment.....	-	563,880	606,409
Culture/recreation.....	885,945	1,061,483	950,267
Interest on long-term debt.....	<u>244,726</u>	<u>363,189</u>	<u>381,840</u>
Total governmental activities expenses.....	<u>8,948,034</u>	<u>9,823,772</u>	<u>9,090,142</u>
Business-Type Activities:			
Water and sewer.....	5,214,124	4,432,662	4,475,164
Stormwater Management.....	764,593	-	-
Solid Waste.....	<u>1,282,392</u>	<u>1,267,242</u>	<u>1,387,483</u>
Total business-type activities expenses.....	<u>7,261,109</u>	<u>5,699,904</u>	<u>5,862,647</u>
Total primary government expenses.....	<u>16,209,143</u>	<u>15,523,676</u>	<u>14,952,789</u>
Program Revenues:			
Governmental Activities:			
Charges for Services:			
General government.....	217,576	202,645	205,206
Public safety.....	87,162	112,794	132,372
Transportation.....	54,413	70,075	62,422
Physical environment.....	-	861,459	853,801
Culture/recreation.....	28,031	79,612	84,861
Operating grants and contributions.....	76,630	107,566	131,255
Capital grants and contributions.....	<u>117,781</u>	<u>142,086</u>	<u>106,711</u>
Total governmental activities program revenues.....	<u>581,593</u>	<u>1,576,237</u>	<u>1,576,628</u>
Business-Type Activities:			
Charges for Services:			
Water/Sewer.....	4,675,679	4,923,630	4,916,507
Stormwater Management.....	866,784	-	-
Solid Waste.....	1,687,980	1,680,737	1,682,888
Operating grants and contributions.....	765	8,645	-
Capital grants and contributions.....	<u>12,804</u>	<u>3,330</u>	<u>26,640</u>
Total business-type activities program revenues.....	<u>7,244,012</u>	<u>6,616,342</u>	<u>6,626,035</u>
Total primary government program revenues.....	<u>7,825,605</u>	<u>8,192,579</u>	<u>8,202,663</u>

Table 2

Fiscal Year				
2007	2006	2005	2004	2003
\$ 1,731,529	\$ 1,635,694	\$ 1,537,736	\$ 1,426,332	\$ 1,266,274
4,313,294	3,880,653	3,556,976	3,270,335	3,024,156
909,548	505,509	537,269	886,017	809,073
728,308	810,374	420,463	334,097	114,213
592,897	329,480	226,225	457,326	311,713
1,189,787	2,086,894	1,193,577	909,289	922,641
<u>490,530</u>	<u>448,914</u>	<u>144,761</u>	<u>123,804</u>	<u>41,186</u>
<u>9,955,893</u>	<u>9,697,518</u>	<u>7,617,007</u>	<u>7,407,200</u>	<u>6,489,256</u>
4,266,735	4,238,066	3,842,182	3,569,542	3,420,186
-	-	-	-	-
<u>1,398,151</u>	<u>1,662,639</u>	<u>1,591,794</u>	<u>2,735,571</u>	<u>1,107,784</u>
<u>5,664,886</u>	<u>5,900,705</u>	<u>5,433,976</u>	<u>6,305,113</u>	<u>4,527,970</u>
<u>15,620,779</u>	<u>15,598,223</u>	<u>13,050,983</u>	<u>13,712,313</u>	<u>11,017,226</u>
181,712	190,163	296,630	288,931	6,342
210,715	410,324	72,895	61,738	334,807
72,015	63,390	54,779	55,473	45,858
692,574	681,386	674,491	531,867	423,109
100,931	104,153	81,047	77,385	79,083
57,101	75,394	47,815	58,959	186,284
<u>941,912</u>	<u>426,699</u>	<u>336,710</u>	<u>536,974</u>	<u>-</u>
<u>2,256,960</u>	<u>1,951,509</u>	<u>1,564,367</u>	<u>1,611,327</u>	<u>1,075,483</u>
4,634,512	4,646,385	4,307,737	4,084,770	4,046,227
-	-	-	-	-
1,782,639	1,751,147	1,685,183	1,532,145	1,543,664
-	-	465,949	1,479,833	-
<u>140,052</u>	<u>1,434,318</u>	<u>98,700</u>	<u>118,956</u>	<u>105,235</u>
<u>6,557,203</u>	<u>7,831,850</u>	<u>6,557,569</u>	<u>7,215,704</u>	<u>5,695,126</u>
<u>8,814,163</u>	<u>9,783,359</u>	<u>8,121,936</u>	<u>8,827,031</u>	<u>6,770,609</u>

CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA
(Accrual basis of accounting)

	2010	2009	2008
Net (Expense)/Revenue:			
Governmental activities.....	\$ (8,366,441)	\$ (8,247,535)	\$ (7,513,514)
Business-type activities.....	<u>(17,097)</u>	<u>916,438</u>	<u>763,388</u>
Total primary government net expense.....	<u>(8,383,538)</u>	<u>(7,331,097)</u>	<u>(6,750,126)</u>
General Revenues and Other Changes in Net Assets:			
Governmental Activities:			
Taxes:			
Property taxes.....	3,220,600	4,344,229	2,542,372
Sales taxes.....	522,556	478,250	573,309
Local option gas tax.....	276,379	279,575	277,727
Casualty and fire insurance premium taxes	115,408	300,333	-
Franchise fees.....	810,774	892,870	895,959
Public service taxes.....	1,647,958	1,645,513	1,513,683
Intergovernmental revenues.....	1,924,018	2,522,732	1,303,179
Investment earnings.....	7,058	52,685	304,079
Miscellaneous revenue.....	78,067	230,589	301,204
Transfers.....	<u>910,600</u>	<u>1,112,600</u>	<u>1,112,600</u>
Total governmental activities.....	<u>9,513,418</u>	<u>11,859,376</u>	<u>8,824,112</u>
Business-Type Activities:			
Investment earnings.....	3,391	26,877	156,163
Transfers.....	(910,600)	(1,112,600)	(1,112,600)
Other.....	<u>-</u>	<u>3,541</u>	<u>20,396</u>
Total business-type activities.....	<u>(907,209)</u>	<u>(1,082,182)</u>	<u>(936,041)</u>
Total primary government.....	<u>\$ 8,606,209</u>	<u>\$ 10,777,194</u>	<u>\$ 7,888,071</u>
Changes in Net Assets:			
Governmental activities.....	\$ 1,146,977	\$ 3,611,841	\$ 1,310,598
Business-type activities.....	<u>(924,306)</u>	<u>(165,744)</u>	<u>(172,653)</u>
Total primary government.....	<u>\$ 222,671</u>	<u>\$ 3,446,097</u>	<u>\$ 1,137,945</u>

Table 2

Fiscal Year				
2007	2006	2005	2004	2003
\$ (7,698,933)	\$ (7,746,009)	\$ (6,052,640)	\$ (5,795,873)	\$ (5,413,773)
<u>892,317</u>	<u>1,931,145</u>	<u>1,123,593</u>	<u>910,591</u>	<u>1,167,156</u>
<u>(6,806,616)</u>	<u>(5,814,864)</u>	<u>(4,929,047)</u>	<u>(4,885,282)</u>	<u>(4,246,617)</u>
2,485,206	2,039,394	1,584,639	1,459,486	1,489,626
690,349	691,925	700,190	652,814	667,245
292,854	294,645	296,820	278,442	266,516
144,515	-	-	-	-
880,008	857,609	737,798	640,107	633,659
1,413,844	1,411,069	1,366,428	1,319,858	1,258,522
1,233,860	1,265,659	510,067	397,475	42,058
615,882	509,477	205,338	59,977	74,046
89,557	276,832	732,392	547,195	678,070
<u>838,900</u>	<u>1,128,150</u>	<u>795,000</u>	<u>710,000</u>	<u>935,000</u>
<u>8,684,975</u>	<u>8,474,760</u>	<u>6,928,672</u>	<u>6,065,354</u>	<u>6,044,742</u>
366,179	373,771	137,691	77,712	83,148
(838,900)	(1,128,150)	(795,000)	(710,000)	(935,000)
<u>3,568</u>	<u>-</u>	<u>(4,190)</u>	<u>(7,619)</u>	<u>26,194</u>
<u>(469,153)</u>	<u>(754,379)</u>	<u>(661,499)</u>	<u>(639,907)</u>	<u>(825,658)</u>
<u>\$ 8,215,822</u>	<u>\$ 7,720,381</u>	<u>\$ 6,267,173</u>	<u>\$ 5,425,447</u>	<u>\$ 5,219,084</u>
\$ 986,042	\$ 728,751	\$ 876,032	\$ 269,481	\$ 630,969
<u>423,164</u>	<u>1,176,766</u>	<u>462,094</u>	<u>270,684</u>	<u>341,498</u>
<u>\$ 1,409,206</u>	<u>\$ 1,905,517</u>	<u>\$ 1,338,126</u>	<u>\$ 540,165</u>	<u>\$ 972,467</u>

FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA
(Modified accrual basis of accounting)

	2010	2009	2008	2007
General Fund:				
Reserved.....	\$ 312,423	\$ 156,316	\$ 129,855	\$ 15,242
Unreserved.....	<u>2,961,396</u>	<u>2,204,901</u>	<u>1,493,861</u>	<u>1,426,366</u>
Total general fund.....	<u>\$ 3,273,819</u>	<u>\$ 2,361,217</u>	<u>\$ 1,623,716</u>	<u>\$ 1,441,608</u>
All Other Governmental Funds:				
Reserved.....	\$ 623,219	\$ 491,838	\$ 1,614,404	\$ 417,604
Unreserved, reported in:				
Special revenue funds.....	4,374,400	5,621,345	2,784,191	2,364,593
Capital projects funds.....	2,674,432	3,002,387	3,361,076	6,030,789
Debt service funds.....	<u>-</u>	<u>310,839</u>	<u>309,405</u>	<u>302,192</u>
Total all other governmental funds....	<u>\$ 7,672,051</u>	<u>\$ 9,426,409</u>	<u>\$ 8,069,076</u>	<u>\$ 9,115,178</u>

Note:
Taken from Balance Sheet Statement 3

Table 3

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 44,055	\$ 131,412	\$ 333,999	\$ 123,686	\$ 287,751	\$ 265,166
<u>1,668,286</u>	<u>1,592,141</u>	<u>1,746,494</u>	<u>2,552,300</u>	<u>2,578,006</u>	<u>2,412,481</u>
<u>\$ 1,712,341</u>	<u>\$ 1,723,553</u>	<u>\$ 2,080,493</u>	<u>\$ 2,675,986</u>	<u>\$ 2,865,757</u>	<u>\$ 2,677,647</u>
\$ 604,332	\$ 730,107	\$ 545,791	\$ 633,844	\$ 1,370,806	\$ 1,197,282
1,869,937	1,788,136	1,177,858	912,893	200,550	121,093
6,214,531	6,119,488	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,688,800</u>	<u>\$ 8,637,731</u>	<u>\$ 1,723,649</u>	<u>\$ 1,546,737</u>	<u>\$ 1,571,356</u>	<u>\$ 1,318,375</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA
(Modified accrual basis of accounting)

	2010	2009	2008	2007
Revenue:				
Taxes	\$ 5,872,297	\$ 6,300,929	\$ 4,500,797	\$ 5,240,974
Permits and fees	897,290	955,638	974,290	319,913
Intergovernmental	2,628,694	3,243,739	2,082,755	2,781,349
Charges for services	100,671	1,031,913	1,025,165	897,816
Fines and forfeitures	45,985	57,404	61,567	40,218
Miscellaneous	<u>88,078</u>	<u>332,718</u>	<u>657,481</u>	<u>847,312</u>
Total revenue	<u>9,633,015</u>	<u>11,922,341</u>	<u>9,302,055</u>	<u>10,127,582</u>
Expenditures:				
General government	1,672,409	1,765,165	1,749,913	1,655,728
Public safety	3,915,840	3,915,435	3,890,331	4,093,737
Transportation	729,145	751,625	818,689	680,808
Economic environment	787,094	2,271,230	554,760	718,528
Physical environment	-	299,800	322,913	264,820
Culture/recreation	734,731	895,344	836,617	1,023,783
Capital outlay.....	615,324	217,422	2,208,584	1,352,216
Debt Service:				
Principal retirement	222,179	464,473	558,115	583,185
Interest and fiscal charges	<u>248,262</u>	<u>359,613</u>	<u>377,018</u>	<u>399,741</u>
Total expenditures	<u>8,924,984</u>	<u>10,940,107</u>	<u>11,316,940</u>	<u>10,772,546</u>
Excess of revenue over (under) expenditures	<u>708,031</u>	<u>982,234</u>	<u>(2,014,885)</u>	<u>(644,964)</u>
Other Financing Sources (Uses):				
Debt Proceeds	-	-	-	-
Transfers in	1,734,200	2,086,910	1,981,934	1,543,084
Transfers out	(823,600)	(974,310)	(869,334)	(704,184)
Capital-related debt issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>910,600</u>	<u>1,112,600</u>	<u>1,112,600</u>	<u>838,900</u>
Net change in fund balances.....	<u>\$ 1,618,631</u>	<u>\$ 2,094,834</u>	<u>\$ (902,285)</u>	<u>\$ 193,936</u>
Debt service as a percentage of noncapital expenditures.....	<u>5.7%</u>	<u>7.7%</u>	<u>10.3%</u>	<u>10.4%</u>

Table 4

Fiscal Year						
2006	2005	2004	2003	2002	2001	
\$ 4,607,799	\$ 4,183,610	\$ 3,837,119	\$ 3,732,196	\$ 3,669,565	\$ 3,677,333	
518,996	284,989	277,733	264,819	247,330	241,509	
2,434,916	2,010,954	2,011,268	1,374,521	1,243,035	1,219,994	
877,539	827,162	681,770	562,248	549,750	516,804	
52,881	67,693	55,891	55,487	86,939	115,398	
<u>811,069</u>	<u>319,427</u>	<u>131,818</u>	<u>191,315</u>	<u>310,472</u>	<u>340,929</u>	
<u>9,303,200</u>	<u>7,693,835</u>	<u>6,995,599</u>	<u>6,180,586</u>	<u>6,107,091</u>	<u>6,111,967</u>	
1,571,903	1,466,599	1,428,653	1,225,562	1,644,990	1,327,157	
3,829,127	3,433,086	3,325,049	3,018,765	2,691,816	2,748,113	
890,927	634,688	1,079,104	1,100,742	847,439	690,707	
452,553	419,060	327,646	193,493	130,539	82,715	
303,840	259,554	3,144,603	2,394,921	936,195	610,272	
1,788,802	1,099,406	853,709	875,904	772,047	847,733	
572,661	645,976	148,142	-	344,297	-	
561,761	402,756	463,599	175,054	216,973	204,596	
<u>419,920</u>	<u>144,761</u>	<u>123,854</u>	<u>41,186</u>	<u>51,921</u>	<u>58,997</u>	
<u>10,391,494</u>	<u>8,505,886</u>	<u>10,894,359</u>	<u>9,025,627</u>	<u>7,636,217</u>	<u>6,570,290</u>	
<u>(1,088,294)</u>	<u>(812,051)</u>	<u>(3,898,760)</u>	<u>(2,845,041)</u>	<u>(1,529,126)</u>	<u>(458,323)</u>	
-	6,574,194	-	-	-	-	
2,084,469	1,479,489	1,451,958	1,193,004	883,147	692,191	
(956,319)	(684,490)	(741,958)	(258,005)	(183,147)	(2,191)	
<u>-</u>	<u>-</u>	<u>2,770,179</u>	<u>1,695,651</u>	<u>652,945</u>	<u>458,766</u>	
<u>1,128,150</u>	<u>7,369,193</u>	<u>3,480,179</u>	<u>2,630,650</u>	<u>1,352,945</u>	<u>1,148,766</u>	
<u>\$ 39,856</u>	<u>\$ 6,557,142</u>	<u>\$ (418,581)</u>	<u>\$ (214,391)</u>	<u>\$ (176,181)</u>	<u>\$ 690,443</u>	
<u>10.0%</u>	<u>7.0%</u>	<u>5.5%</u>	<u>2.4%</u>	<u>3.7%</u>	<u>4.0%</u>	

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 Year Ending September 30, 2010
 CITY OF HOLLY HILL, FLORIDA**

Fiscal Year Ended September 30,	Tax Year Ended December 31,	Residential Property	Commercial Property	Industrial Property	Agricultural Property ²	Institutional Property
2001	2000	229,913,299	65,035,534	36,172,511	-	40,789,494
2002	2001	240,188,185	69,720,327	36,443,970	-	40,126,607
2003	2002	270,472,710	71,524,950	38,197,873	-	40,976,363
2004	2003	299,650,724	88,091,927	42,953,904	-	43,112,432
2005	2004	349,685,713	96,111,858	51,064,002	169,094	46,235,460
2006	2005	410,935,009	118,719,392	58,386,687	175,533	49,130,546
2007	2006	558,731,053	126,193,025	62,399,173	351,206	57,392,092
2008	2007	594,845,048	144,677,587	68,763,473	408,784	63,257,856
2009	2008	694,638,646	184,510,990	71,203,486	402,260	49,566,970
2010	2009	479,872,329	169,983,130	70,783,249	242,760	43,910,044

Source: Property Appraiser, Volusia County, Florida

Note: ¹Property in the City of Holly Hill is reassessed each year by the Volusia County Property Appraiser. Property is assessed at actual value. Tax rates are per \$1,000 of assessed value.
²649 6th St. rezoned in 2003

Table 5

Government Property	Vacant Land and Other	Tangible Personal Property	Total Just Value	Less: Tax-Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate ¹
16,400,033	11,670,161	56,714,007	456,695,039	128,234,086	328,460,953	23.95607
16,444,217	14,039,018	58,691,245	475,653,569	130,697,836	344,955,733	23.69750
16,331,295	14,107,534	58,279,286	509,890,011	146,349,727	363,540,284	23.21150
17,945,682	16,622,686	56,743,054	565,120,409	160,084,135	405,036,274	22.51152
25,311,919	17,999,484	55,985,552	642,563,082	192,656,721	449,906,361	23.02952
27,641,569	21,224,422	56,424,310	742,637,468	224,752,663	517,884,805	22.46152
36,316,170	46,388,301	60,113,251	947,884,271	311,619,341	636,264,930	20.41090
37,676,966	48,454,177	67,157,881	1,025,241,772	303,984,163	721,257,609	19.04847
32,478,404	40,558,436	66,611,142	1,139,970,334	318,910,002	821,060,332	20.73350
29,211,428	23,189,992	68,279,755	885,472,687	181,154,749	646,923,352	22.90870

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Fiscal Year	Tax Year	Holly Hill	Volusia County-Operating	Volusia County-Voter Approved	Volusia County-School District	St. Johns Water Management District
2000	1999	5.09007	6.20400	0.16900	9.91700	0.48200
2001	2000	5.09007	6.20400	0.16300	9.15800	0.47200
2002	2001	4.75000	6.20400	0.40000	9.01500	0.46200
2003	2002	4.50000	6.20400	0.40000	8.89900	0.46200
2004	2003	4.08002	6.20400	0.40000	8.69900	0.46200
2005	2004	4.08002	6.20400	0.40000	8.51700	0.46200
2006	2005	4.08002	5.89400	0.40000	8.25900	0.46200
2007	2006	4.08000	4.73330	0.40000	7.68500	0.46200
2008	2007	3.68177	4.33262	0.37072	7.46700	0.41580
2009	2008	4.88720	5.00374	0.39999	7.45900	0.41580
2010	2009	5.7258	5.97434	0.40000	7.80500	0.41580

Source: Financial and Administrative Services, Volusia County, Florida

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

¹All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2010 data was obtained from the 2009 calendar year tax roll).

²Includes voted debt service millage rates, as applicable.

Table 6

Florida Inland Navigation District	Hospital District	East Volusia Mosquito Control District	Ponce DeLeon Inlet and Port Authority	Total- All Taxing Districts
0.04400	2.15174	0.23800	0.09000	24.38581
0.04100	2.50000	0.23800	0.09000	23.95607
0.03850	2.50000	0.23800	0.09000	23.69750
0.03850	2.38000	0.23800	0.09000	23.21150
0.03850	2.30000	0.23800	0.09000	22.51152
0.03850	3.00000	0.23800	0.09000	23.02952
0.03850	3.00000	0.23800	0.09000	22.46152
0.03850	2.75000	0.19020	0.07190	20.41090
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

PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Taxpayer	September 30, 2010		
	Assessed Taxable Value (\$ in Thousands)	Rank	Percent to Total Assessed Taxable Value
Holly Hill Associates, Inc.....	\$ 68,281	1	10.55%
Holly Hill RHF Housing, Inc.....	10,328	2	1.60%
Florida Power & Light.....	8,141	3	1.26%
Sun Communities, (Holly Forest Mobile Home Park).....	7,142	4	1.10%
Charleston Place Ltd., Partnership.....	5,951	5	0.92%
Highlander Corp.....	5,661	6	0.88%
Riverside Holly Hill LLC.....	5,623	7	0.87%
Metra Electronics, Inc.....	5,423	8	0.84%
Riviera Senior Living.....	5,088	9	0.79%
NAC Health Plan Inc.	4,772	10	0.74%
EIG Holly Hill, LLC	-		
Bellsouth Telecommunications.....	-		
KMC Telecom Leasing, Inc.			
Holly Point Apartments.....	-		
Polyvers, Ltd	-		
United Rentals.....	-		
Totals.....	<u>\$ 126,410</u>		19.54%

Source: Property Appraiser, Volusia County, Florida

Table 7

September 30, 2001		
Assessed Taxable Value (\$ in Thousands)	Rank	Percent to Total Assessed Taxable Value
7,547	2	1.65%
5,334	3	1.17%
4,269	4	0.93%
3,282	7	0.72%
		0.74%
3,467	6	0.76%
4,255	5	0.93%
8,900	1	1.95%
2,768	9	0.61%
2,740	10	0.60%
2,988	8	0.65%
<u>\$ 45,550</u>		10.71%

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

Table 8

Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA
(\$ in thousands)

Fiscal Year Ended September	Tax Year Ended December	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
2001	2000	1,675	1,618	96.60%	45	1,663	99.28%
2002	2001	1,631	1,569	96.20%	3	1,572	96.38%
2003	2002	1,615	1,550	95.98%	24	1,574	97.46%
2004	2003	1,655	1,592	96.19%	7	1,599	96.62%
2005	2004	1,836	1,765	96.13%	17	1,782	97.06%
2006	2005	2,113	2,040	96.55%	5	2,045	96.78%
2007	2006	2,133	2,080	97.52%	16	2,096	98.27%
2008	2007	2,603	2,514	96.58%	28	2,542	97.66%
2009	2008	4,013	3,904	97.28%	-	3,904	97.28%
2010	2009	3,684	3,656	99.24%	12	3,668	99.57%

* Total delinquent collections for the year regardless of year of origin.

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. 2010 collections are from the 2009 tax levy).

WATER PRODUCED AND CONSUMED/WASTEWATER TREATED
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Table 9

Fiscal Year Ended September	Gallons of Water Production ¹	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated
2001	368,335,000	368,335,000	n/a	n/a	427,710,000
2002	455,494,000	433,689,000	21,805,000	4.79%	510,050,000
2003	439,141,000	401,743,000	37,398,000	8.52%	805,684,000
2004	440,373,000	401,719,000	38,654,000	8.78%	840,960,000
2005	428,451,000	408,074,000	20,377,000	4.76%	773,960,000
2006	460,083,000	417,238,000	42,845,000	9.31%	675,550,000
2007	442,506,000	422,452,000	20,054,000	4.53%	623,450,000
2008	450,407,000	425,985,000	24,422,000	5.42%	433,993,400
2009	407,392,000	343,641,000	63,751,000	15.65%	711,000,000
2010	396,934,000	368,670,000	28,264,000	7.12%	590,850,000

Source: Finance Department, City of Holly Hill, Florida

Note: ¹In 2001, the Utility Department experienced problems with the finished water meters, thus the actual total finished water production was underreported.

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

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WATER AND SEWER UTILITY RATES
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Table 10

Fiscal Year Ended September 30	Monthly Water Service Fees			Monthly Sewer Service Fees		
	0 to 2,999 Gallons	3000 to 14,999 Gallons	Over 15,000 Gallons	0 to 2,999 Gallons	Over 3,000 Gallons	Over 15,000 Gallons
2001	8.67	4.08	4.89	9.97	4.69	N/A
2002	8.91	4.19	5.02	10.25	4.82	N/A
2003	9.04	4.25	5.10	10.40	4.89	N/A
2004	9.22	4.34	5.20	10.60	4.99	N/A
2005	9.50	4.47	5.35	10.93	5.14	N/A
2006	9.93	4.67	5.59	11.42	5.37	N/A
2007	10.33	4.86	5.83	11.88	5.59	N/A
2008	11.43	5.38	6.46	13.15	6.19	N/A
2009	11.91	5.61	6.73	13.70	6.45	N/A
2010	12.04	5.67	6.80	13.85	7.08	8.51

Source: Finance Department, City of Holly Hill, Florida

TEN LARGEST WATER AND SEWER CUSTOMERS
CURRENT AND NINE YEARS AGO
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Customer Account Name	September 30, 2010		
	Annual Water/ Sewer Sales	Rank	Percent to Total Combined Water/Sewer Sales
Angelica Health Services, Inc.	\$ 221,463	1	4.92%
MGH On the Halifax	201,606	2	4.48%
Bishops Glenn	197,263	3	4.38%
Hollypoint Apartments Limited	128,596	4	2.86%
Blue Tide Apartments	127,546	5	2.83%
Charleston Place LP	123,391	6	2.74%
Sun Communities Operating LMT	73,198	7	1.63%
Holly Square Association	58,417	8	1.30%
Riviera Senior Living, Inc	51,412	9	1.14%
Mapleleaf Gardens Condo Association	<u>49,635.28</u>	10	1.10%
Total	<u>\$ 1,232,528</u>		

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

N/A - Data not available for prior period.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Fiscal Year Ended September 30	Governmental Activities				Business-type	
	Redevelopment Notes	State Revolving Fund Loans (1)	Long Term Notes	Total	Water and Sewer Bonds	State Revolving Fund Loans (1)
2001	-	254,562	1,116,677	1,371,239	13,100,000	2,416,728
2002	-	907,507	899,705	1,807,212	14,030,000	2,288,733
2003	-	2,688,507	724,651	3,413,158	13,535,000	2,198,777
2004	-	5,182,243	547,845	5,730,088	13,030,000	2,106,001
2005	6,331,000	5,182,141	397,886	11,911,027	12,515,000	2,010,318
2006	6,145,761	4,946,745	256,760	11,349,266	11,985,000	2,217,678
2007	5,951,520	4,705,937	108,624	10,766,081	11,435,000	2,445,966
2008	5,748,380	4,459,586	-	10,207,966	10,870,000	5,846,291
2009	5,535,934	4,207,559	-	9,743,493	10,285,000	7,301,812
2010	5,313,755	-	-	5,313,755	9,680,000	10,994,949

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

Activities		Total Primary Government	Percent of Personal Income	Per Capita
Term Loans Payable	Total			
-	15,516,728	16,887,967	6.92%	\$ 1,387
-	16,318,733	18,125,945	7.19%	\$ 1,450
-	15,733,777	19,146,935	7.44%	\$ 1,531
-	15,136,001	20,866,089	6.46%	\$ 1,654
-	14,525,318	26,436,345	7.39%	\$ 2,095
1,450,000	15,652,678	27,001,944	7.47%	\$ 2,116
1,395,000	15,275,966	26,042,047	7.11%	\$ 2,016
1,340,000	18,056,291	28,264,257	7.29%	\$ 2,215
1,280,000	18,866,812	28,610,305	7.42%	\$ 2,254
1,220,000	21,894,949	27,208,704	7.24%	\$ 2,334

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**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Table 13

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Table 14

Governmental Unit	Principal Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
County of Volusia, Florida			
General Obligation Bonds.....	\$ 29,985,000	2.1456%	643,352
Other Debt:			
District School Board of Volusia County, Florida:			
State school bonds.....	13,035,000	2.1456%	279,676
Sales tax revenue bonds.....	161,260,000	2.1456%	3,459,961
Certificates of Participation.....	316,770,000	2.1456%	6,796,551
County of Volusia, Florida:			
Revenue bonds.....	222,607,000	2.1456%	4,776,209
Notes payable.....	40,308,800	2.1456%	<u>864,857</u>
Total overlapping debt.....			16,820,606
City direct debt.....			<u>5,313,755</u>
Total direct and overlapping debt.....			<u>\$ 22,134,361</u>

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

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL, FLORIDA

Table 15

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

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

	2010	2009	2008	2007
CRA Redevelopment Revenue Note, Series 2005:				
(Defined) revenues.....	\$ 2,647	\$ 3,595	\$ 1,343	\$ 1,179
Less: operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue available for debt service.....	2,647	3,595	1,343	1,179
Debt Service payments:				
Principal.....	222	212	203	194
Interest.....	<u>248</u>	<u>258</u>	<u>267</u>	<u>276</u>
Total debt service payments.....	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>
Coverage ratio (times).....	<u>5.63</u>	<u>7.65</u>	<u>2.86</u>	<u>2.51</u>
FDEP Clean Water State Revolving Fund Loans:				
(Defined) revenues.....	\$ 867	\$ 861	\$ 854	\$ 693
Less: operating expenses	<u>362</u>	<u>367</u>	<u>323</u>	<u>317</u>
Net revenue available for debt service.....	505	494	531	376
Debt Service payments:				
Principal.....	258	252	246	241
Interest.....	<u>96</u>	<u>102</u>	<u>108</u>	<u>113</u>
Total debt service payments.....	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>
Coverage ratio (times).....	<u>1.43</u>	<u>1.40</u>	<u>1.50</u>	<u>1.06</u>
Water and Sewer System Refunding Revenue Bonds, Series 2002:				
(Defined) revenues.....	\$ 4,678	\$ 4,950	\$ 5,072	\$ 4,995
Less: operating expenses	<u>2,666</u>	<u>2,632</u>	<u>2,671</u>	<u>2,578</u>
Net revenue available for debt service.....	2,012	2,318	2,401	2,417
Debt Service payments:				
Principal.....	605	585	565	550
Interest.....	<u>471</u>	<u>492</u>	<u>512</u>	<u>528</u>
Total debt service payments.....	<u>\$ 1,076</u>	<u>\$ 1,077</u>	<u>\$ 1,077</u>	<u>\$ 1,078</u>
Coverage ratio (times).....	<u>1.87</u>	<u>2.15</u>	<u>2.23</u>	<u>2.24</u>
FDEP Clean Water State Revolving Fund Loans:				
Subordinate Debt Service payments:				
Principal.....	256	250	120	117
Interest.....	<u>172</u>	<u>118</u>	<u>70</u>	<u>65</u>
Total debt service payments.....	<u>\$ 428</u>	<u>\$ 368</u>	<u>\$ 190</u>	<u>\$ 182</u>
Combined Coverage ratio (times).....	<u>1.34</u>	<u>1.60</u>	<u>1.90</u>	<u>1.92</u>

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

Table 16

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 938					
<u>-</u>					
938					
185					
<u>284</u>					
<u>\$ 469</u>					
<u>2.00</u>					
\$ 681	\$ 674	\$ 532			
<u>304</u>	<u>302</u>	<u>206</u>			
377	372	326			
235	253	165			
<u>119</u>	<u>120</u>	<u>89</u>			
<u>\$ 354</u>	<u>\$ 373</u>	<u>\$ 254</u>			
<u>1.06</u>	<u>1.00</u>	<u>1.28</u>			
\$ 5,016	\$ 4,537	\$ 4,263	\$ 4,245	\$ 4,492	\$ 4,130
<u>2,476</u>	<u>2,148</u>	<u>1,874</u>	<u>1,778</u>	<u>1,677</u>	<u>1,506</u>
2,540	2,389	2,389	2,467	2,815	2,624
530	515	505	-	330	310
<u>546</u>	<u>557</u>	<u>568</u>	<u>578</u>	<u>551</u>	<u>812</u>
<u>\$ 1,076</u>	<u>\$ 1,072</u>	<u>\$ 1,073</u>	<u>\$ 578</u>	<u>\$ 881</u>	<u>\$ 1,122</u>
<u>2.36</u>	<u>2.23</u>	<u>2.23</u>	<u>4.27</u>	<u>3.20</u>	<u>2.34</u>
99	96	93	90	49	
<u>62</u>	<u>65</u>	<u>68</u>	<u>71</u>	<u>72</u>	
<u>\$ 161</u>	<u>\$ 161</u>	<u>\$ 161</u>	<u>\$ 161</u>	<u>\$ 121</u>	
<u>2.05</u>	<u>1.94</u>	<u>1.94</u>	<u>3.34</u>	<u>2.81</u>	

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DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL

Table 17

Fiscal Year Ended September 30	Population ¹	Volusia County Personal Income ²	Per Capita Personal Income ²	Median Household Income ²	Median HUD Income ²	County Unemployment Rate ²
2001	12,180	\$ 11,261,965,000	\$ 24,955	\$ 34,740	n/a	4.30%
2002	12,503	11,708,760,000	25,543	35,010	n/a	5.50%
2003	12,504	12,241,289,000	26,269	36,100	46,600	5.20%
2004	12,612	13,418,533,000	28,149	37,247	n/a	4.50%
2005	12,620	14,260,372,000	29,346	38,457	n/a	3.60%
2006	12,759	15,292,033,000	30,937	40,857	n/a	3.20%
2007	12,916	16,126,228,000	32,232	42,268	n/a	4.00%
2008	12,759	16,307,391,000	32,789	45,831	52,300	6.50%
2009	12,695	15,994,714,000	32,255	41,390	n/a	11.70%
2010	11,659	n/a	n/a	n/a	n/a	12.50%

Sources:

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

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

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

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

**PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO**
Year Ending September 30, 2010
CITY OF HOLLY HILL

Employer	September 30, 2010		
	Total Employees	Rank	Percent to Total City Employment
Metra Electronics Corporation	450	1	7.81%
Holly Hill R.H.F. Housing, Inc. (Bishop's Glen)	225	2	3.90%
Florida Health Care	200	3	3.47%
Holly Hill Elementary/Middle School	196	4	3.40%
City of Holly Hill	100	5	1.73%
Cicero Masonry, Inc.	75	6	1.30%
R & R Industries, Inc.	60	7	1.04%
Parks Stage Restaurant	30	8	0.52%
Mediatech, Inc.	26	9	0.45%
Durostone Solid Surfaces, Inc.	18	9	0.31%
Total	<u>1,380</u>		<u>23.94%</u>
Estimated Civilian Labor Force	<u><u>5,764</u></u>		

Source: Volusia County Economic Development/AmericanTowns.com

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

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS**
 Year Ending September 30, 2010
 CITY OF HOLLY HILL, FLORIDA

	2010	2009	2008	2007
General Government:				
City Commission.....	5.0	5.0	5.0	5.0
City Manager.....	2.0	4.5	4.5	5.0
Finance/Administration.....	9.5	9.0	9.0	9.0
Human Relations.....	1.0	1.0	1.0	1.0
Protective Inspection	-	5.0	6.0	6.0
Public Safety:				
Police:				
Officers.....	32.0	33.0	32.0	36.0
Civilians.....	-	-	-	-
Fire:				
Firefighters and officers.....	14.0	15.0	14.0	16.5
Civilians.....	-	-	-	-
Physical Environment:				
Transportation.....	2.5	7.0	7.0	8.0
Buildings & Grounds.....	3.0	6.0	6.0	11.0
Culture/Recreation:				
Recreation.....	-	6.5	7.5	7.5
Economic Environment:				
Community Redevelopment.....	-	2.0	1.0	1.0
Public Works:				
Administration.....	4.0	4.0	4.0	5.0
Stormwater.....	2.0	3.0	4.0	4.0
Solid Waste.....	-	-	-	-
Public Utilities:				
Water.....	13.0	11.0	11.0	12.0
Sewer.....	<u>13.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>
Total	<u>101.0</u>	<u>123.0</u>	<u>123.0</u>	<u>138.0</u>

Source: City of Holly Hill Department of Human Resources

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

Table 19

Full-Time Equivalent Employees at September 30,

2006	2005	2004	2003	2002	2001
5.0	5.0	5.0	5.0	5.0	5.0
5.0	6.0	5.0	5.0	5.0	5.0
9.0	9.0	9.0	9.0	9.0	9.0
1.0	1.0	1.0	1.0	1.0	1.0
6.0	5.0	5.0	5.0	5.0	4.5
36.0	34.0	35.0	32.0	34.0	34.0
-	-	-	-	-	-
16.5	16.5	16.5	13.5	13.5	11.5
-	-	-	-	-	-
8.0	8.0	8.0	8.0	8.0	8.0
11.0	11.0	9.0	10.0	10.0	9.0
7.5	7.5	7.5	7.5	7.5	7.5
1.0	1.0	0.5	0.5	-	-
5.0	5.0	4.0	4.0	4.0	4.0
4.0	4.0	4.0	4.0	4.0	4.0
-	-	-	1.0	1.0	1.0
12.5	12.0	11.0	11.0	11.0	11.0
<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>9.0</u>
<u>137.5</u>	<u>135.0</u>	<u>130.5</u>	<u>126.5</u>	<u>128.0</u>	<u>123.5</u>

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
 Year Ending September 30, 2010
 CITY OF HOLLY HILL, FLORIDA

	2010	2009	2008	2007
Police:				
Physical arrests.....	929	1,111	1,520	1,444
Parking violations.....	0	0	0	0
Traffic violations.....	1960	1,831	2,466	2,095
Fire:				
Emergency responses.....	2750	2,486	2,753	2,296
Inspections.....	400	618	603	637
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).....	1	1	1	-
Water:				
New connections.....	2	25	51	51
Water main breaks.....	27	14	11	22
Average daily consumption (thousands of gallons)...	1,087,490	1,116,142	1,233,992	1,212,345
Peak daily consumption (thousands of gallons).....	1,285,000	1,690,000	1,670,000	1,558,000
Sewer:				
Average daily treatment (thousands of gallons).....	1,618,767	1,947,945	1,189,023	1,708,082

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

Table 20

Fiscal Year					
2006	2005	2004	2003	2002	2001
1,619	1,414	1,144	943	1,058	1,202
38	14	0	5	0	0
2,355	2,207	1,807	1,465	442	2,105
2,704	2,970	2,660	2,301	2,172	2,098
610	764	624	622	706	1,349
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
1	1	1	2	1	1
45	19	49	50	35	36
10	12	6	5	9	6
1,260,501	1,173,838	1,206,501	1,194,907	1,247,929	1,009,137
1,556,000	1,402,000	1,506,000	1,837,000	1,523,000	1,489,000
1,850,822	2,120,438	2,304,000	2,207,353	1,397,397	1,171,808

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Year Ending September 30, 2010
CITY OF HOLLY HILL

	2010	2009	2008	2007
Police:				
Stations.....	1	1	2	1
Patrol units ¹	4	4	4	4
Fire stations.....	1	1	1	1
Public Works-Transportation:				
Streets (miles) ²	68.5	68.5	68.5	67.0
Streetlights.....	963	963	963	963
Parks and recreation:				
Acreage.....	84	84	84	84
Dog Park.....	1	1	1	1
Playgrounds.....	4	4	4	4
Tennis Courts.....	2	2	2	2
Shuffleboard courts.....	-	-	-	9
Fishing Piers.....	3	3	3	3
Boat Ramps.....	1	1	1	1
Swimming Pools.....	1	1	1	1
Baseball/softball diamonds.....	5	5	5	5
Community centers.....	2	2	2	2
Water:				
Water mains (miles).....	73.9	73.4	73.4	73.4
Fire hydrants.....	350	304	304	304
Storage capacity (millions of gallons).....	2.3	2.3	2.3	2.3
Sewer:				
Sanitary sewers (miles) ³	66.2	66	66	66
Storm sewers (miles).....	42	42	42	42
Treatment capacity (millions of gallons).....	3	2.4	2.4	2.4

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

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

³Historically recalculated based on current GIS data

Table 21

Fiscal Year						
2006	2005	2004	2003	2002	2001	2000
1	1	1	1	1	1	1
4	4	4	4	4	4	4
1	1	1	1	1	1	1
67.0	67.5	67.5	67.5	65.5	65.5	63.5
963	963	941	940	938	937	929
84	84	84	84	84	81	51
1	1	1	1	1	-	
4	4	4	4	4	4	3
2	2	2	2	1	1	1
9	9	9	9	9	9	9
3	3	3	3	3	3	3
1	1	1	1	1	1	1
1	1	1	1	1	1	1
5	5	5	5	5	5	5
2	2	2	2	2	2	2
69.5	68.9	67.6	67.6	67.1	67.1	66.8
298	298	298	298	293	289	272
2.3	2.3	2.3	2.3	2.3	2.3	2.3
66	65.5	65	65	64	64	63
42	42	42	37	35	35	34
2.4	2.4	2.4	2.4	2.4	2.4	2.4

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COMPLIANCE SECTION

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BM&C

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

**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***

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

We have audited 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, as of and for the year ended September 30, 2010, which collectively comprise the City of Holly Hill, Florida's basic financial statements and have issued our report thereon dated September 13, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Holly Hill, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Holly Hill, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Holly Hill, Florida's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Holly Hill, Florida's financial statements are free of 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*.

We noted certain matters that we reported to management of City of Holly Hill, Florida, in a separate letter dated September 13, 2011.

This report is intended solely for the information and use of City Commission, management, others within the entity, specific legislative or regulatory bodies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.A.

September 13, 2011

BM&C

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

MANAGEMENT LETTER

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

We have audited the financial statements of City of Holly Hill, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated September 13, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 13, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the accompanying pages under the heading *Prior Year Matters*.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Holly Hill, Florida, complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are noted in the accompanying pages under the headings *Prior Year Matters* and *Current Year Matters*.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings other than those described in the second paragraph.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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. City of Holly Hill, Florida (primary government) was originally incorporated under the general laws of Florida on July 1, 1901 (Records of Incorporations, Volusia County, Vol. I, p.101). This incorporation was validated in 1903 by Laws of Florida, Chapter 5346 (1903). City of Holly Hill, Florida, included the City of Holly Hill Community Redevelopment Agency created by Ordinance No. 2426, which is reported as a blended component unit in the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that City of Holly Hill, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for City of Holly Hill, Florida, for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor City of Holly Hill, Florida' financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.A.

September 13, 2011

MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

PRIOR YEAR MATTERS

Section 10.554(1)(i)1., Rules of the Auditor General requires that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. All prior year matters have been appropriately resolved, except for the following:

2008-1 CRA Bond Compliance

The City of Holly Hill Community Redevelopment Agency (CRA) executed a Redevelopment Revenue Note in the amount of \$6,331,000 on May 2, 2005. According to the covenants contained in Section 3 of the "*Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, as Amended,*" the CRA certified that "It is expected that the Project (construction and improvement of capital assets within the Redevelopment Area) will be completed and at least 85 percent of the Sale Proceeds of the Bond will be allocated to Project expenditures within three years of the date [of the note] hereof." As of September 30, 2010, we continued to note that the City had not expended 85 percent of these funds.

Recommendation: According to the City's arbitrage covenant made at the date of the issuance of this note, all restricted (note) funds remaining unspent and on hand after three years become "yield restricted." Under these regulations, the City is forced to separately manage these funds to ensure complete compliance with federal requirements. While still required to maximize investment returns, the City is expressly prohibited from investing these proceeds at a yield that is higher than the arbitrage yield on the Note (4.53%). If, and when, these conditions simultaneously occur, steps must be taken to invest exclusively in federal government yield restricted investments to ensure that arbitrage excess earnings are not recognized until these funds are completely spent. Although this is not an issue in the present economy due to low interest rates, we suggest that management be aware of this in the future as this could become an extremely complex legal issue.

Auditee Response: *Management is aware of the arbitrage covenant and is will continue to monitor this matter closely.*

MANAGEMENT LETTER COMMENTS – (Continued)

Year Ended September 30, 2010
CITY OF HOLLY HILL, FLORIDA

CURRENT YEAR MATTERS

Section 10.554(1)(i), Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control: (1) any recommendations to improve financial management; (2) violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential; and based on professional judgment, (3) matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (b) control deficiencies that are not significant deficiencies. The following is a summary of our current year findings and recommendations:

2010-1 Capital Assets and Inventory Taking Procedures

The City performed and completed a physical inventory of its tangible personal property and other capital assets during the first few months of the 2010 fiscal year. However, during our subsequent examination of the actual documentation underlying the physical tasks of observing and counting the City's capital assets, we noted that no formal fixed asset inventory taking procedures were adopted or in place to provide the necessary assurance that all physical counts were (1) accurate, (2) comprehensive, (3) complete, and (4) properly documented. Furthermore, we noted that the physical count sheets were not dated to evidence the dates that the physical inventories were taken, nor was there any evidence of who was responsible for performing the inventory counts.

We also noted that no formal procedures were adopted, or in place, that required evidence of the detection and investigation of significant count and/or asset valuation differences that resulted from the physical count and reconciliation procedures. These control procedures should be in place to provide assurance that the City's formal asset systems are sufficiently designed, maintained, and capable of promptly identifying and/or detecting any fixed asset removals or dispositions without proper authorization. These procedures should also be capable of promptly identifying the personal custodian who is responsible for the continued maintenance and control of the related assets in the event of loss, theft, or unauthorized use.

Recommendation: We recommend that the City continue to perform routine physical inventories of fixed assets on a regular basis in the future. We also recommend that formal written procedures should be developed and adopted that provide comprehensive asset capitalization and control guidelines, including required inventory taking procedures that include documentation of the date the inventories are performed and identification of who is performing the inventory to increase the controls over the process.

Auditee Response: Management will review existing procedures and implement written policies and procedures for all departments to include auditors recommended changes.

2010-2 Purchase Order Procedures

The City has established formal purchasing procedures, that are included in Chapter 30, Article III of the City's Code of Ordinances, for the purpose of prescribing the manner in which it shall control the purchase of materials, supplies, equipment, and certain contractual services, and to maintain a high ethical standard for all officers and employees of the city in connection with the procurement process. These procedures provide that except in cases of emergency, the City's purchasing agent shall not issue any order for delivery on a contract or open market purchase until the finance officer shall have certified, after pre-audit, that there is to the credit of the using agencies concerned a sufficient unencumbered appropriation balance, in excess of all unpaid obligations, to defray the amount of such order (Sec. 30-59-

MANAGEMENT LETTER COMMENTS – (Continued)

Year Ended September 30, 2010

CITY OF HOLLY HILL, FLORIDA

Encumbrance of funds). These procedures also specify that it shall be unlawful for any city officer or employee to order the purchase of any materials, supplies, equipment, and certain contractual services, or make any contract other than through the purchasing agent. Similarly, any purchase, order or contract made contrary to the provisions of the article shall not be approved and the city shall not be bound thereby.

During the conduct of the audit, we noted two instances where significant purchase commitments were made with purchase orders that were prepared and dated subsequent to the actual dates of delivery of certain goods and services. However, when examining the purchases in question, we could not conclusively ascertain that the purchase orders had been prepared incorrectly, or simply replaced and/or re-issued for contract changes that occurred after their initial issuance without retention of the original documents underlying the purchases.

Recommendation: We recommend that all purchase orders be prepared in accordance with the City's formal procurement policies and procedures and that all documentation associated with any changes to pre-issued purchase orders be retained when these situations occur. All purchase orders should be carefully examined before approval and, in the event changes are required, all such changes thereto should be subject to the same rigorous review, acceptance control procedures established in Chapter 30, Article III of the City's Code of Ordinances.

Auditee Response: Management will conduct a review of the existing code of ordinances and further develop more formal purchasing policies and procedures for use by all City staff based upon the recommendations of the auditor.

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