

# *City of Holly Hill Florida*



*Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2014*

# **CITY OF HOLLY HILL, FLORIDA**

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

***FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014***



### **CITY COMMISSION**

HONORABLE ROY JOHNSON, MAYOR

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

### **INTERIM CITY MANAGER**

KURT D. SWARTZLANDER

### **CITY ATTORNEY**

SCOTT SIMPSON, ESQ.

### **DIRECTOR OF FINANCE**

KURT D. SWARTZLANDER

Prepared by:  
Holly Hill Finance Department

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September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

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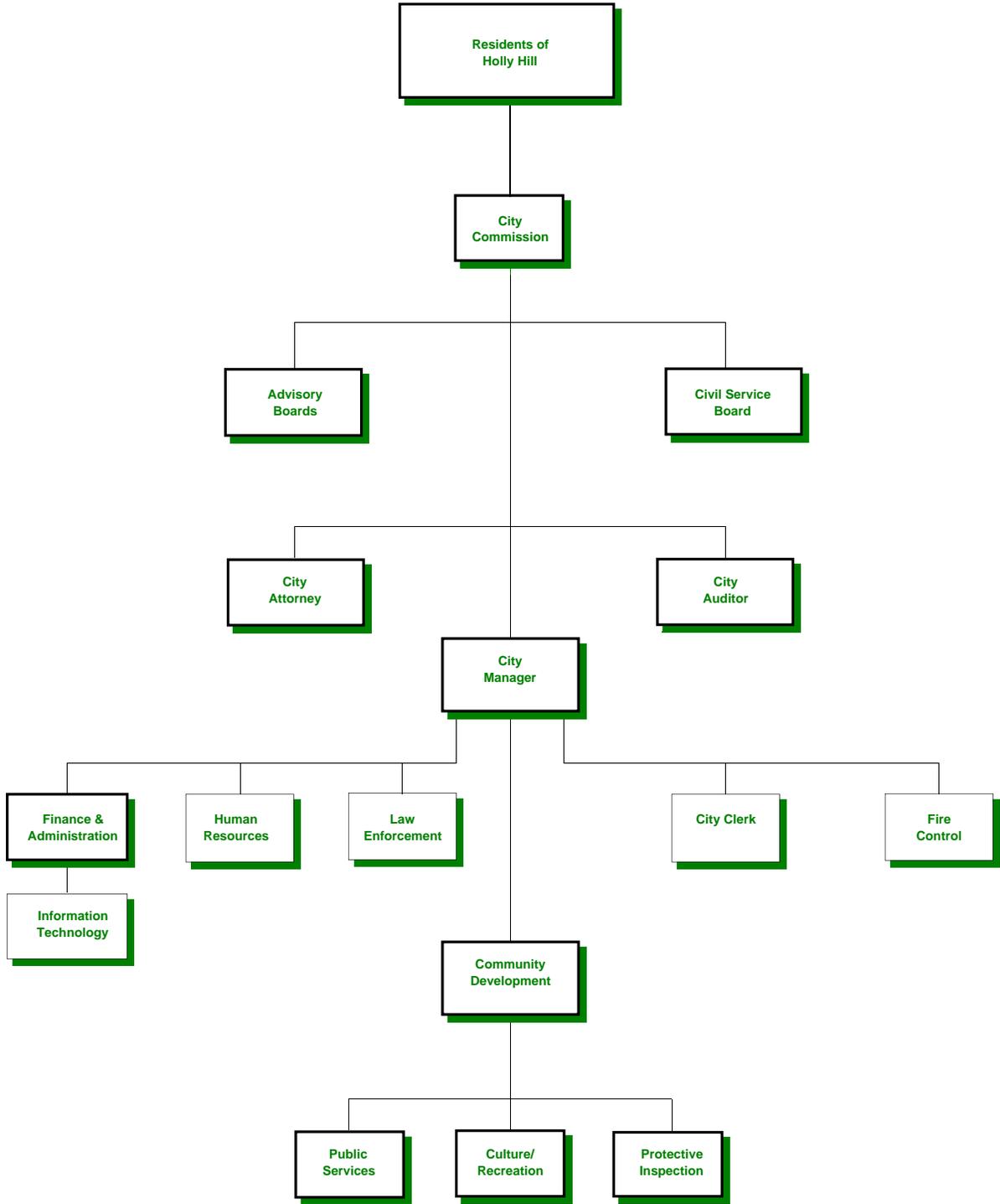
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***ORGANIZATION CHART***

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**CITY OF HOLLY HILL  
ORGANIZATION CHART  
2013 - 2014**



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

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

*For the Year Ended September 30, 2013*

*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, 2013.*

*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, 2013  
CITY OF HOLLY HILL, FLORIDA



Government Finance Officers Association

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

Presented to

**City of Holly Hill  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

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***LETTER OF TRANSMITTAL***

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# CITY OF HOLLY HILL

The City with a Heart

1065 Ridgewood Avenue ♥ Holly Hill, Florida 32117

[www.hollyhillfl.org](http://www.hollyhillfl.org)

March 16, 2015

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

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. We hereby issue the comprehensive annual financial report of the City of Holly Hill for the fiscal year ended September 30, 2014.

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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

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

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

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

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

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

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

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

## **Profile of Government**

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

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

## **Factors Affecting Financial Condition**

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

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

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

**Long-Term Financial Planning and Budgeting** – The City’s ad valorem millage rate for FY 2013-14 was 7.53, which was the current year rolled-back rate (or the rate which is required to produce the same level of ad valorem taxes levied in the prior year). While the millage increased from the prior year rate of 7.35, current year adjusted taxable value of property totaled \$454 million, compared to \$450 million one year earlier. To ensure that sound financial management policies and procedures are in place to assure maximum protections and use of public funds, in 2010 the City of Holly Hill adopted a resolution (2010-R-64) of Fiscal Integrity Principles. This resolution contained such items as establishing fund balance policies, criteria underlying salary and wage adjustments, current and long-term budgeting policies (including a capital improvement program), and required fiscal monitoring and reporting.

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

**Major Initiatives** – The City is continuing the process of undergrounding utilities along the U.S. 1 corridor. The City also completed a major water main replacement project covering the oldest third of the City.

**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, 2013. This was the thirty sixth 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,



Kurt Swartzlander  
Interim City Manager/Finance Director

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## ***FINANCIAL SECTION***

***THIS SECTION IS COMPOSED OF THE FOLLOWING FIVE PARTS:***

***INDEPENDENT AUDITORS' REPORT***

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

***BASIC FINANCIAL STATEMENTS***

***REQUIRED SUPPLEMENTARY INFORMATION***

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

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

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***INDEPENDENT AUDITORS' REPORT***

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

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

### ***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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Community Redevelopment Agency funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Funding Progress and Contributions of Employer and Other Contributing Entities for the Police Officers' Retirement Trust Fund, Firefighters' Retirement System and Other Postemployment Benefits Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the City of Holly Hill, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Holly Hill, Florida's internal control over financial reporting and compliance.

BMC CPAs

March 16, 2015

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As financial management of the City of Holly Hill, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with our letter of transmittal found in the preceding introductory section, and the City's financial statements, which follow this information. The City presents prior year comparative financial information when applicable and meaningful.

### Financial Highlights

- The City's financial position has changed as a result of the current year's operations. Overall combined assets and deferred outflows of the City totaled \$ 77.9 million at the close of the 2014 fiscal year, compared to \$79.0 million at the close of 2013. Total assets and deferred outflows exceeded liabilities by approximately \$42.1 million (*combined net position*) compared with \$39.8 million one year earlier. The unrestricted component of the City's combined net position totaled \$12.2 million at year end. This represents the unrestricted amount available to be used to meet the City's ongoing obligations to its citizens and creditors.
- Net position of the City's governmental activities remained relatively stable and totaled \$21.4 million, a slight increase of \$0.8 million over last year's \$20.6 million. Net position of its business-type activities totaled \$20.6 million, an increase of \$1.4 million over last year's \$19.2 million.
- During 2014, the City's combined governmental activities operating expenses totaled \$9.18 million, which was \$819,303 below the \$10.0 million generated in governmental program charges, grants, contributions, taxes, other revenues and transfers for providing its various governmental program activities and programs. This compares favorably with excess revenues recognized in the prior years.
- The City's business-type activities produced net operating income of \$2.5 million in 2014 (compared to \$2.7 million for 2013) based on consumptive water/sewer/solid waste utility sales of \$8.7 million (\$8.5 million in 2013). The operating margins in these funds continue to be capable of providing direct financial support to the City's governmental funds. Net operating transfers to governmental activities funds increased and totaled \$631,800 in 2014 compared to \$616,800 in 2013.
- Total operating costs incurred by the City in providing all of its various programs increased to \$15.8 million in 2014, compared to \$15.5 million in 2013. Operating expenses in 2013 totaled \$9.2 million and \$6.3 million for the City's governmental activities and business-type activities, respectively.
- Unassigned fund equity in the General Fund decreased by \$663,473 and totaled \$2.35 million at the end of 2014, compared to \$3.0 million at the end of 2013.
- Resources earned and available for appropriation in the current year (\$7,179,094) were 5.1% above amounts originally anticipated in the General Fund's operating budget. General Fund expenditures (\$7,292,859) were \$754,141 (9.4%) below the City's revised appropriations for the year.
- The City's net long-term debt outstanding decreased by \$2,301,594 during the current fiscal year from anticipated debt service sinking fund requirements.

## **Overview of the Financial Statements**

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

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

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

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

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

## **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 53 and 57.

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

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

The basic governmental fund financial statements can be found on pages 50 to 61 of this report.

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

Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The proprietary fund financial statements provide separate financial information for the water and sewer utility, stormwater management utility, and solid waste utility operations, all of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 62 to 66 of this report.

**Fiduciary funds.** The City is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net position and changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Rather, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on pages 67 to 68 of this report.

**Notes to the Financial Statements.** The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 71 to 110 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 113 to 114 of this report.

## **Government-Wide Financial Analysis of the City as a Whole**

**Net Position.** As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined net position increased to \$42,053,287 at the end of 2014 from \$39,834,211 in 2013. Looking at the net position of the City's governmental and business-type activities separately, we can see that the City experienced an increase in the net position of its government activities (4.0%) and experienced an increase in its business-type activities (7.3%).

Net position of the City's governmental activities totaled \$21,410,947 and \$20,591,644 at the end of the 2014 and 2013 fiscal years, respectively. At the end of 2014, approximately 87.2% represents net position that is either restricted as to the purposes they can be used for, or its net investment in capital assets (land, buildings, improvements and equipment which is reported net of related debt expended for such acquisitions). Consequently, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$2,736,658 at the end of 2014, compared with \$2,522,450 at the end of 2013.

Net position of the City's business-type activities totaled \$20,642,340 and \$19,242,567 at the end of the 2014 and 2013 fiscal years, respectively. At the end of 2014, approximately 54.2% of its total net position (\$11,182,200) reflects its net investment in capital assets, amounts restricted for the payment of long-term debt, and impact fee collections that are restricted for future utility plant expansion.

The capital assets maintained in the business-type activities are used to provide water and sewer utility services, stormwater management services, and solid waste utility services to the City's utility customers; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that under normal circumstances the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Long-term debt obligations, including current maturities, associated with this capitalization totaled \$22,847,641 at the end of 2014. At the end of the current and prior fiscal years, the City reports positive balances in all three categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

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

<b>Net Position</b>						
September 30, 2014 and 2013						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>						
Current and other assets.....	\$ 12,829,728	13,452,483	14,722,363	16,628,141	27,552,091	30,080,624
Capital assets, net.....	<u>19,752,505</u>	<u>18,849,502</u>	<u>30,249,467</u>	<u>29,685,030</u>	<u>50,001,972</u>	<u>48,534,532</u>
Total assets .....	<u>32,582,233</u>	<u>32,301,985</u>	<u>44,971,830</u>	<u>46,313,171</u>	<u>77,554,063</u>	<u>78,615,156</u>
Deferred outflow of resources.....	-	-	303,786	368,914	303,786	368,914
Total assets and deferred outflows.	<u>32,582,233</u>	<u>32,301,985</u>	<u>45,275,616</u>	<u>46,682,085</u>	<u>77,857,849</u>	<u>78,984,070</u>
<b>Liabilities:</b>						
Long-term debt outstanding.....	8,895,000	9,535,000	22,847,641	24,509,235	31,742,641	34,044,235
Other liabilities.....	<u>2,276,286</u>	<u>2,175,341</u>	<u>1,785,635</u>	<u>2,930,283</u>	<u>4,061,921</u>	<u>5,105,624</u>
Total liabilities .....	<u>11,171,286</u>	<u>11,710,341</u>	<u>24,633,276</u>	<u>27,439,518</u>	<u>35,804,562</u>	<u>39,149,859</u>
<b>Net Position</b>						
Invested in capital assets, net of related debt.....	15,003,479	14,212,302	7,665,165	5,175,795	22,668,644	19,388,097
Restricted.....	3,670,810	3,856,892	3,517,035	4,083,410	7,187,845	7,940,302
Unrestricted .....	<u>2,736,658</u>	<u>2,522,450</u>	<u>9,460,140</u>	<u>9,983,362</u>	<u>12,196,798</u>	<u>12,505,812</u>
Total net position .....	<u>\$ 21,410,947</u>	<u>20,591,644</u>	<u>20,642,340</u>	<u>19,242,567</u>	<u>42,053,287</u>	<u>39,834,211</u>

**Changes in Net Position.** While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During 2014, the City's combined net position increased \$2,219,076 while the City's overall gross revenues increased \$766,017. This increase is primarily due to increased service charges recognized in 2014 from the City's utility fund operations. Conversely, during 2013, the City's combined net position increased \$1,746,284 while the City's overall gross revenues increased \$411,169.

Overall, approximately 18.4% of the City's combined total revenues (\$18,053,871) come from property taxes, while almost 12.6% of all other dollars raised comes from some source of other taxes collected by the City. Unrestricted intergovernmental revenues (those received from other governments) amounts to approximately 1.7% of the City's revenues. Another 58.1% comes from fees charged for services, while the remaining 9.9% is a combination of state and federal financial assistance, operating and capital grants and donations, interest and other earnings.

The following is a comparative summary of changes in net position for 2014 and 2013:

**Changes in Net Position**  
Fiscal Year Ended September 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services.....	\$ 1,678,385	1,511,634	8,668,726	8,537,662	10,347,111	10,049,296
Operating grants/other.....	1,436,128	1,143,863	-	-	1,436,128	1,143,863
Capital grants/other.....	199,013	209,098	11,151	5,052	210,164	214,150
General revenues:						
Property taxes.....	3,322,229	3,199,635	-	-	3,322,229	3,199,635
Other taxes.....	2,279,671	2,212,530	-	-	2,279,671	2,212,530
Intergovernmental.....	300,608	288,696	-	-	300,608	288,696
Other revenues.....	152,774	171,083	5,186	8,601	157,960	179,684
Total revenues.....	<u>9,368,808</u>	<u>8,736,539</u>	<u>8,685,063</u>	<u>8,551,315</u>	<u>18,053,871</u>	<u>17,287,854</u>
Expenses:						
General government.....	2,137,770	2,298,533	-	-	2,137,770	2,298,533
Public safety.....	4,531,911	3,978,943	-	-	4,531,911	3,978,943
Physical environment.....	11,717	-	-	-	11,717	-
Transportation.....	657,879	578,257	-	-	657,879	578,257
Economic environment.....	676,361	1,242,706	-	-	676,361	1,242,706
Culture/recreation.....	965,559	949,879	-	-	965,559	949,879
Interest on long-term debt.....	200,108	174,347	-	-	200,108	174,347
Water and sewer utilities.....	-	-	4,244,775	4,001,497	4,244,775	4,001,497
Stormwater management.....	-	-	758,301	655,116	758,301	655,116
Solid waste utilities.....	-	-	1,650,414	1,662,292	1,650,414	1,662,292
Total expenses.....	<u>9,181,305</u>	<u>9,222,665</u>	<u>6,653,490</u>	<u>6,318,905</u>	<u>15,834,795</u>	<u>15,541,570</u>
Excess before transfers.....	187,503	(486,126)	2,031,573	2,232,410	2,219,076	1,746,284
Transfers in (out).....	631,800	616,800	(631,800)	(616,800)	-	-
Increase (decrease) in net position..	819,303	130,674	1,399,773	1,615,610	2,219,076	1,746,284
Net position-beginning of year.....	<u>20,591,644</u>	<u>20,460,970</u>	<u>19,242,567</u>	<u>17,626,957</u>	<u>39,834,211</u>	<u>38,087,927</u>
Net position-end of year.....	<u>\$ 21,410,947</u>	<u>20,591,644</u>	<u>20,642,340</u>	<u>19,242,567</u>	<u>42,053,287</u>	<u>39,834,211</u>

### Governmental Activities

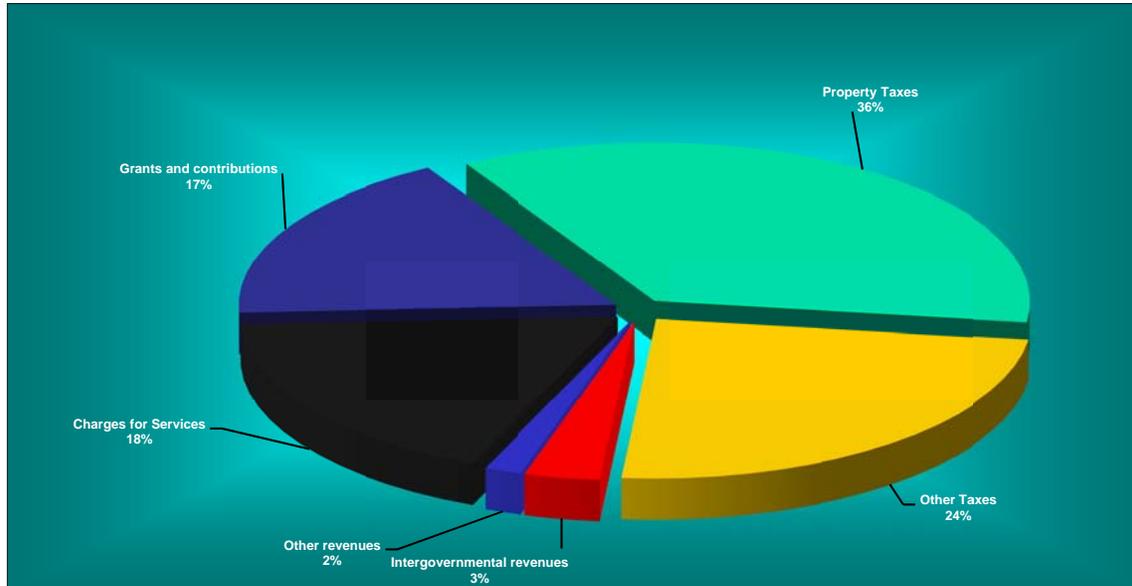
Total revenue for the City's governmental activities remained relatively stable in 2014. Overall, the City's governmental revenue totaled \$9,368,808, which represents an increase of \$632,269, or 7.2% over last year's reported governmental revenues of \$8,736,537. Amounts received from charges for services and property taxes both increased 7% over amounts recognized in the prior year. Amounts received from operating and capital grants increased by more than 20% during 2014 and totaled \$1.63 million, compared to \$1.35 million in the prior year primarily from the reduced amount of state and federal grant program activities. Amounts received from shared sales taxes, public service taxes, and other unrestricted intergovernmental sources increased from \$2.5 million to \$2.6 million in 2014, primarily from increases in the local business economy resulting in increased local business tax collections and shared state revenues.

While the City's other revenues remained stable, amounts earned from the assessment of ad valorem taxes remained similarly stable with an increase of \$122,594, or 3.8% above amounts earned one year earlier. Ad valorem taxes totaling \$3,322,229 were earned in 2014, compared to \$3,199,635 earned in the prior year. The ad valorem millage rate for operating purposes was increased from 7.35 mills with the 2012 levy (collected during fiscal 2013) to 7.5300 mills with the 2013 levy (collected during fiscal 2014). The increase in tax collections was due primarily to the change in the taxable value of property in the City, which increased from \$451 million in 2013 to \$454 million in 2014.

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

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### Revenues by Source – Governmental Activities

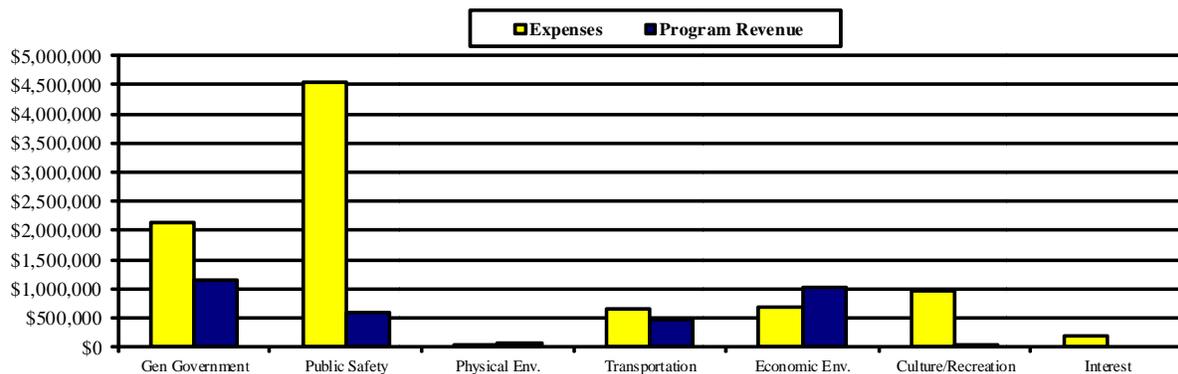


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An individual comparison of the City's functional program revenues and costs of providing program services to its citizens is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to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

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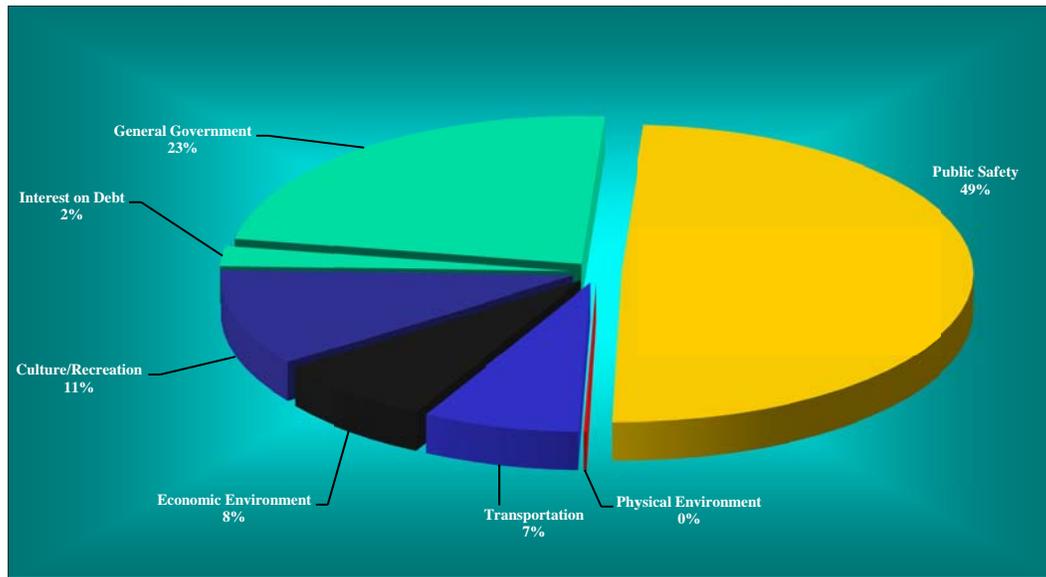
### Expenses –versus- Program Revenue



Combined governmental activities expenses totaled \$9,181,305, which represents a decrease of \$41,360 below last year's expenses of \$9,222,665. 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 \$1,209,682, compared to \$779,308 one year earlier.

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

**Expenses by Function - Governmental Activities**



**Business-type Activities**

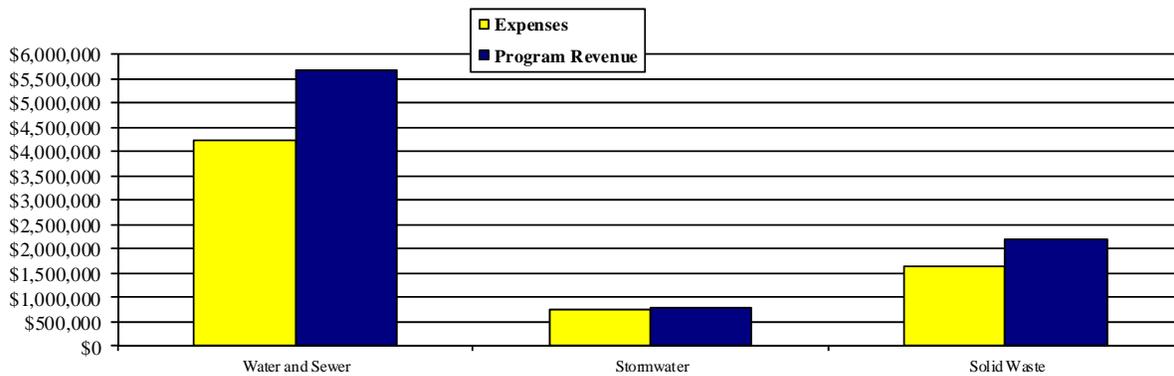
Business-type activities reported an increase in the City's net position of \$1,399,773 in 2014, compared to an increase of \$1,615,610 in 2013. Overall, net position from the City's business-type activities (\$20,642,340) account for approximately 49% of the City's combined net position at September 30, 2014.

The major sources of operating revenue for the City's business-type activities include charges for services for water and sewer utilities (\$5,675,300), stormwater management fees (\$796,720) and solid waste utilities (\$2,196,706). Combined operating revenues from these three activities increased in 2014 and totaled \$8,668,726, compared to \$8,537,662, in the prior year. Water and sewer utility revenues decreased by \$96,842 below last year's revenue, while system charges for stormwater management and solid waste removal decreased by \$6,652 and increased by \$234,558, respectively in 2014. Investment earnings continued to decline in 2014 and totaled \$5,186, compared to \$8,601 one year earlier, as a result of the decreases in short-term interest rates experienced on a national level. Capital contributions increased in the water and sewer utility fund in 2014 and totaled \$11,151, compared to \$5,052 in 2013 due to increased construction activities in 2014. As a cost control measure, the City continues to contract its solid waste operations with an outside contractor and has done so since 1999.

Total expenses of the City’s combined business-type activities totaled \$6,653,490 in 2014, compared to \$6,318,905 in 2013. During 2014, this increase was primarily attributable to increased contractual services in the City’s solid waste utilities operations.

A comparison of the City’s functional program revenues and costs of providing business-type services to its customers in fiscal year 2014 is useful in identifying the capabilities of producing revenues sufficient to operate their programs. They are presented in the following graph:

**Expenses and Program Revenues – Business-type Activities**



**Financial Analysis of the City’s Funds**

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

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

As the City completed the current fiscal year, its governmental funds reported combined fund balances of \$11,946,728, which was \$551,990 less than the \$12,498,718 reported at the end of 2013. The majority of the decrease in 2014 was the result of the expenditure of bond proceeds received in the Community Redevelopment Capital Projects fund in prior years, of which approximately \$4.1 million remained in a restricted construction fund.

Approximately 19.7% of this amount (\$2,352,968) constitutes unassigned fund balance, which is generally available for spending at the government’s discretion. The remainder of fund balance is separately reported to indicate that it is not available for spending because it is 1) Non-Spendable - fund balances totaling \$19,653 are invested in nonspendable assets such as inventories and prepaid expenses, 2) Restricted - fund balances totaling \$7,816,784 are restricted from externally imposed sources or enabling legislation, 3) Committed - fund balances totaling \$130,991 are set aside pursuant to formal constraints imposed by the City Commission, and 4) Assigned - fund balances totaling \$1,626,332 are constrained by the City’s intent to be used for specific purposes.

The general fund is the chief operating fund of the City. As of September 30, 2014, the unassigned fund balance in the general fund totaled \$2,352,968, compared to \$3,016,441 at the end of 2013, and \$2,119,220 at the end of 2012. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 32.3% (or 118 days) of total general fund expenditures (\$7,292,859), while total fund balance represents 59.1% of that same amount. City officials have established a target threshold of 25% (or 90 days) in unreserved funds compared to General Fund expenditures.

Fund balance in the general fund increased by \$518,033 during the current fiscal year. This increase was fully anticipated in that it was primarily attributed to the carryforward of approximately \$ 1.6 million in prior year budget surplus from 2014 to be included in 2015 budget appropriations. Fund balance in the Community Redevelopment Agency decreased in 2014 by \$383,877. This decrease was caused by the scheduled depletion of the Community Redevelopment Fund, which in turn, significantly increased capital expenditures in the Community Redevelopment Agency Fund. The Community Redevelopment Agency Capital Projects Fund was reinstated in 2013 with the \$5 million in proceeds of the CRA Redevelopment Note, Series 2013. At the end of the year, \$4,144,424 remained unexpended and restricted for future CRA capital improvements. Similarly, amounts set aside for debt service sinking fund payments in the CRA Debt Service fund increased in 2014 to \$419,556 due to the inclusion of the Series 2013 Note sinking fund requirements. All other non-major governmental funds remained relatively stable for the year.

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

Unrestricted net position in the Water and Sewer Fund at the end of the current fiscal year amounted to \$4,540,436, compared to \$5,515,707 one year earlier. This was primarily the result of the investment in capital assets. Combined net position of the fund totaled \$12,922,423 at year end.

Unrestricted net position in the Stormwater Management Fund remained relative stable throughout 2014 and totaled \$2,749,468, at the end of the year, compared to \$2,795,725 at the beginning of the year. Combined net position totaled \$5,539,870 at year end, the increase of which was primarily the result of the accumulation of net income of \$32,280 for 2014.

Unrestricted net position in the Solid Waste Fund increased by 29.8% during the year and totaled \$2,170,236 at the end of 2014, compared to \$1,671,930 at the beginning of the year. Combined net position totaled \$2,180,047 at year end, the increase of which was primarily the result of the accumulation of net income of \$497,178 for 2014.

No significant changes were recognized in the providing of full-service utility services to City customers in 2014.

## Capital Assets and Debt Administration

**Capital Assets.** At September 30, 2014 and 2013, the City's investment in capital assets for its governmental and business type activities totaled \$49,437,534 and \$48,534,531, 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, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land.....	\$ 4,382,932	3,912,617	665,515	665,515	5,048,447	4,578,132
Construction work in progress.....	1,125,104	340,662	2,093,945	2,093,945	3,219,049	2,434,607
Buildings.....	3,760,761	3,796,865	4,223,851	4,223,851	7,984,612	8,020,716
Improvements other than buildings.....	4,056,601	4,020,136	16,365,216	16,365,216	20,421,817	20,385,352
Machinery and equipment.....	1,123,739	1,237,355	1,403,771	1,403,771	2,527,510	2,641,126
Infrastructure.....	5,303,368	5,541,867	4,932,731	4,932,731	10,236,099	10,474,598
Net total.....	<u>\$ 19,752,505</u>	<u>18,849,502</u>	<u>29,685,029</u>	<u>29,685,029</u>	<u>49,437,534</u>	<u>48,534,531</u>

During 2014, capital spending in the City's governmental funds was primarily related to significant improvements made in the Community Redevelopment Agency, which totaled \$1,532,330, or approximately 72% of the total net additions of \$2.1 million. Capital spending for culture/recreation projects totaled \$229,973 (or 11%), and for transportation related improvements totaled \$178,431 (or 8%) in 2014. The remainder of capital spending was for physical environment projects (\$77,310), public safety projects (\$35,818) and for routine general government (\$78,181) additions.

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

**Long-term Debt.** At year end, the net carrying value of the City's bonds, notes and other long-term obligations outstanding totaled \$32,435,455, of which \$31,742,640 is secured solely by a mix of specified revenue sources. The City's long-term debt for all activities is reflected in the following schedule:

### Outstanding Long-Term Debt September 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue notes.....	\$ 8,895,000	9,535,000	8,382,640	9,059,235	17,277,640	18,594,235
Revenue bonds.....	-	-	14,465,000	15,450,000	14,465,000	15,450,000
Compensated absences.....	577,394	533,472	115,421	123,766	692,815	657,238
Net total.....	<u>\$ 9,472,394</u>	<u>10,068,472</u>	<u>22,963,061</u>	<u>24,633,001</u>	<u>32,435,455</u>	<u>34,701,473</u>

The City has two outstanding revenue notes payable (Series 2012 and Series 2013) from its governmental activities in the aggregate amount of \$8,895,000 at year end. The proceeds of the Series 2012 obligation were used to refinance an existing (Series 2005) revenue note. The proceeds of the Series 2013 obligation will be used exclusively to fund capital improvement projects in the City's Community Redevelopment Agency. These notes are payable in semi-annual installments through 2026, both of which are secured by revenues generated exclusively from the CRA tax increment financing district.

The City also has four outstanding water and sewer system improvement revenue bond obligations (Series 2005, 2011, 2012 and 2013) in the aggregate amount of \$14,465,000 at year end. The proceeds of these parity bonds were used to finance improvements to the City's water and sewer utility system and to refund previously issued bonds outstanding for this same purpose. These bonds are payable from revenues generated from the water and sewer system and are payable serially through 2025 (Series 2005), 2030 (Series 2011), 2022 (Series 2012) and 2023 (Series 2013).

The City also has four low-interest rate revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$8,382,640 in aggregate, at year end. The proceeds of the FDEP loan issued in 1998 (\$1,002,295 currently outstanding), the FDEP loan issued in 2005 (\$445,622 currently outstanding), and the FDEP loan issued in 2007 (\$4,077,339 currently outstanding) were used to finance the construction of wastewater infiltration and inflow correction facilities. The proceeds of the FDEP loan issued in 2001 (\$2,857,384 currently outstanding) were used to finance construction of needed stormwater drainage improvements. These notes, which are subordinate to the bonds described above, are secured by the City's water and sewer utility and stormwater utility revenues, respectively, and are payable in varying amounts through 2029.

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

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

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

The most recent estimates available for unemployment data in Volusia County, Florida, are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 6.0%, which is favorable to the 6.7% rate experienced one year earlier. These estimates are consistent with the state's current 6.1% unemployment rate. Nationwide, the unemployment rate is stated at 5.9%, as of September 2014.

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

The overall Just Value of real and personal property on the 2014 levy (the ad valorem taxes from which will be received in fiscal 2015) increased 4.7% from \$636 million to \$676 million in October 2013 and 2014, respectively. However, the overall Taxable Value (Just Value less statutory exemptions) of real and personal property on the 2014 levy increased 7.6% from \$452 million to \$487 million in October 2013 and 2014, respectively. While property values have just started to reflect gains for the first time in over six years, the City is also facing many challenges in the fiscal year 2015 budget due to relatively unchanged revenue projections, a sluggish economy, and from the residual volatility in real estate property tax values. At the same time, the City is experiencing rising prices for many of its basic operating expenses, such as wages, operating supplies, utilities, and insurance costs.

The City Commission voted to decrease the operating millage for the 2014 levy to 7.1304 mills (the rolled-back rate), which was 5.3% lower than the 7.53000 mills in the 2013 levy. The rolled-back rate of 7.1304 mills is the reduced rate that produces the equivalent of no increase in current year ad valorem taxes when levied against appreciated current year taxable values.

In developing its 2015 budget estimates, the City has anticipated appropriating \$1,612,100 in prior year surplus reserve funds in the General Fund to balance the City's combined overall financing needs, which are estimated to be approximately \$8.9 million for fiscal 2015. Similarly, the City has appropriated \$2.1 million and \$3.7 million in prior year surplus reserve funds in the Community Redevelopment Agency Fund and Community Redevelopment Agency Capital Projects Fund, respectively, in anticipation of balancing its combined overall financing needs in these funds, which are estimated to be approximately \$8.6 million combined for fiscal 2015.

### **Requests for Information**

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

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***BASIC FINANCIAL STATEMENTS***

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**STATEMENT OF NET POSITION**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Statement 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 12,038,197	9,585,852	21,624,049
Receivables, net of allowance for uncollectible accounts.....	337,179	1,005,264	1,342,443
Due from other governments.....	341,322	-	341,322
Inventories.....	11,693	76,730	88,423
Prepaid expenses.....	7,960	19,927	27,887
Temporarily restricted-cash and cash equivalents.....	-	4,034,590	4,034,590
Net pension asset.....	93,377	-	93,377
<b>Capital assets:</b>			
Land and construction in progress.....	5,508,036	1,282,166	6,790,202
Other capital assets, net of depreciation.....	<u>14,244,469</u>	<u>28,967,301</u>	<u>43,211,770</u>
<b>Total assets.....</b>	<b>32,582,233</b>	<b>44,971,830</b>	<b>77,554,063</b>
<b>Deferred Outflow of Resources:</b>			
Deferred charge on refunding.....	-	303,786	303,786
<b>Total assets and deferred outflows.....</b>	<b><u>32,582,233</u></b>	<b><u>45,275,616</u></b>	<b><u>77,857,849</u></b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities.....	699,330	373,957	1,073,287
Customer deposits and unearned income.....	158,426	762,120	920,546
<b>Payable from Restricted Assets:</b>			
Current maturities of long-term debt.....	-	1,877,929	1,877,929
Accounts payable and accrued liabilities.....	-	254,213	254,213
Compensated absences-current.....	-	28,856	28,856
<b>Bonds, notes, and other payables:</b>			
Due or payable within one year.....	645,000	-	645,000
Due or payable in more than one year.....	8,250,000	20,969,712	29,219,712
Net post-employment benefits obligation.....	841,136	251,068	1,092,204
Compensated absences-long term.....	<u>577,394</u>	<u>115,421</u>	<u>692,815</u>
<b>Total liabilities .....</b>	<b><u>11,171,286</u></b>	<b><u>24,633,276</u></b>	<b><u>35,804,562</u></b>
<b>Net position:</b>			
Net investment in capital assets.....	15,003,479	7,665,165	22,668,644
<b>Restricted for:</b>			
Public safety.....	126,916	-	126,916
Community redevelopment projects.....	2,686,758	-	2,686,758
Transportation.....	371,945	-	371,945
Recreation projects.....	65,635	-	65,635
Utility plant expansion.....	-	1,856,127	1,856,127
Debt service.....	419,556	1,660,908	2,080,464
Unrestricted .....	<u>2,736,658</u>	<u>9,460,140</u>	<u>12,196,798</u>
<b>Total net position.....</b>	<b><u>\$ 21,410,947</u></b>	<b><u>20,642,340</u></b>	<b><u>42,053,287</u></b>

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

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2014  
 CITY OF HOLLY HILL, FLORIDA

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government.....	\$ 2,137,770	1,156,153	500	-
Public safety.....	4,531,911	413,875	161,820	4,157
Physical environment.....	11,717	-	-	77,310
Transportation.....	657,879	91,226	250,091	117,546
Economic environment.....	676,361	613	1,023,717	-
Culture/recreation.....	965,559	16,518	-	-
Interest on long-term debt .....	<u>200,108</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities.....</b>	<u>9,181,305</u>	<u>1,678,385</u>	<u>1,436,128</u>	<u>199,013</u>
<b>Business-type activities:</b>				
Water and Sewer.....	4,244,775	5,675,300	-	11,151
Stormwater Management.....	758,301	796,720	-	-
Solid Waste.....	<u>1,650,414</u>	<u>2,196,706</u>	<u>-</u>	<u>-</u>
<b>Total business-type activities.....</b>	<u>6,653,490</u>	<u>8,668,726</u>	<u>-</u>	<u>11,151</u>
<b>Total primary government.....</b>	<u>\$ 15,834,795</u>	<u>10,347,111</u>	<u>1,436,128</u>	<u>210,164</u>
<b>General revenues:</b>				
Property taxes, levied for general purposes.....				
Property taxes, levied for tax increment district.....				
Sales taxes.....				
Public service taxes.....				
Unrestricted state revenue sharing.....				
Unrestricted intergovernmental revenues.....				
Investment earnings.....				
Miscellaneous revenue.....				
Transfers.....				
<b>Total general revenues and transfers.....</b>				
Change in net position.....				
Net position - beginning of year.....				
Net position - ending.....				

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

## Statement 2

Net Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(981,117)		(981,117)
(3,952,059)		(3,952,059)
65,593		65,593
(199,016)		(199,016)
347,969		347,969
(949,041)		(949,041)
(200,108)		(200,108)
(5,867,779)		(5,867,779)
	1,441,676	1,441,676
	38,419	38,419
	546,292	546,292
	2,026,387	2,026,387
(5,867,779)	2,026,387	(3,841,392)
2,498,689	-	2,498,689
823,540	-	823,540
565,457	-	565,457
1,714,214	-	1,714,214
279,908	-	279,908
20,700	-	20,700
4,002	5,186	9,188
148,772	-	148,772
631,800	(631,800)	-
6,687,082	(626,614)	6,060,468
819,303	1,399,773	2,219,076
20,591,644	19,242,567	39,834,211
\$ 21,410,947	20,642,340	42,053,287

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 4,323,280	2,745,205	4,145,974
Receivables (net):			
Accounts receivable.....	323,156	905	-
Due from other funds.....	43,836	-	-
Due from other governments.....	297,486	-	-
Inventories.....	11,693	-	-
Prepays/deposits.....	7,960	-	-
Total assets.....	<u>\$ 5,007,411</u>	<u>2,746,110</u>	<u>4,145,974</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and other current liabilities.....	\$ 550,839	49,261	1,550
Due to other funds.....	-	-	-
Deposits/unearned income.....	149,885	8,541	-
Total liabilities.....	<u>700,724</u>	<u>57,802</u>	<u>1,550</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepays/inventories.....	19,653	-	-
<b>Restricted for:</b>			
Law enforcement.....	4,546	-	-
Fire protection.....	-	-	-
Building inspection.....	8	-	-
Transportation.....	295,157	-	-
Community redevelopment.....	-	2,688,308	4,144,424
Recreation.....	16,822	-	-
Debt service.....	-	-	-
<b>Committed to:</b>			
Capital projects fund.....	-	-	-
<b>Assigned to:</b>			
Recreation projects.....	-	-	-
Sidewalk construction.....	4,086	-	-
Law enforcement.....	-	-	-
Fire victim assistance.....	1,347	-	-
Subsequent year's budget appropriations.....	1,612,100	-	-
Unassigned.....	2,352,968	-	-
Total fund balances.....	<u>4,306,687</u>	<u>2,688,308</u>	<u>4,144,424</u>
Total liabilities and fund balances .....	<u>\$ 5,007,411</u>	<u>2,746,110</u>	<u>4,145,974</u>

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

**Statement 3**

CRA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
419,556	404,182	12,038,197
-	-	324,061
-	-	43,836
-	43,836	341,322
-	-	11,693
-	-	7,960
<u>419,556</u>	<u>448,018</u>	<u>12,767,069</u>
-	16,429	618,079
-	43,836	43,836
-	-	158,426
-	<u>60,265</u>	<u>820,341</u>
-	-	19,653
-	83,641	88,187
-	38,721	38,721
-	-	8
-	76,788	371,945
-	-	6,832,732
-	48,813	65,635
419,556	-	419,556
-	130,991	130,991
-	3,583	3,583
-	-	4,086
-	5,216	5,216
-	-	1,347
-	-	1,612,100
-	-	2,352,968
<u>419,556</u>	<u>387,753</u>	<u>11,946,728</u>
<u>419,556</u>	<u>448,018</u>	<u>12,767,069</u>

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS      Statement 3A  
TO THE STATEMENT OF NET POSITION**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

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Fund balances - total governmental funds .....		\$ 11,946,728
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....		19,752,505
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.....		13,118
Negative net pension obligation reported in the Municipal Firefighters' Pension Trust Fund.....		69,199
Negative net pension obligation reported in the Municipal Police Officers' Retirement Trust Fund.....		24,178
Net post-retirement benefits obligation which is actuarially due and payable in the current period which will be accumulated in future periods.....		(841,136)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities and other debt related deferred charges consist of the following:		
Bonds and notes payable.....	(8,895,000)	
Accrued interest payable.....	(81,251)	
Compensated absences.....	<u>(577,394)</u>	<u>(9,553,645)</u>
Net position of governmental activities .....		<u>\$ 21,410,947</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, 2014  
CITY OF HOLLY HILL, FLORIDA

	General	Community Redevelopment Agency	Community Redevelopment Capital Projects
<b>Revenue:</b>			
Taxes.....	\$ 4,824,539	823,540	-
Permits and fees .....	1,066,896	-	-
Intergovernmental.....	973,567	1,023,717	-
Charges for services .....	132,675	613	-
Fines and forfeitures.....	76,437	-	-
Investment income.....	2,500	915	-
Miscellaneous .....	102,480	47,501	485
<b>Total revenue.....</b>	<b>7,179,094</b>	<b>1,896,286</b>	<b>485</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government.....	2,048,137	-	-
Public safety .....	3,816,637	340,800	-
Transportation.....	426,670	-	-
Economic environment .....	-	1,084,763	-
Culture/recreation .....	1,001,415	-	-
<b>Capital Outlay:</b>			
Public safety .....	-	-	-
Physical environment .....	-	-	-
Economic environment .....	-	-	717,095
<b>Debt Service:</b>			
Principal retirement .....	-	-	-
Interest and fiscal charges.....	-	-	-
<b>Total expenditures.....</b>	<b>7,292,859</b>	<b>1,425,563</b>	<b>717,095</b>
<b>Excess of revenue over (under) expenditures.....</b>	<b>(113,765)</b>	<b>470,723</b>	<b>(716,610)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in .....	631,800	-	-
Transfers out.....	(2)	(854,600)	-
<b>Total other financing sources (uses).....</b>	<b>631,798</b>	<b>(854,600)</b>	<b>-</b>
<b>Net changes in fund balances.....</b>	<b>518,033</b>	<b>(383,877)</b>	<b>(716,610)</b>
Fund balances, beginning of year .....	3,788,653	3,072,185	4,861,034
Fund balances, end of year .....	\$ 4,306,686	2,688,308	4,144,424

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

**Statement 4**

CRA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
-	-	5,648,079
-	5,977	1,072,873
-	81,467	2,078,751
-	-	133,288
-	194,835	271,272
-	-	3,415
<u>26</u>	<u>866</u>	<u>151,358</u>
<u>26</u>	<u>283,145</u>	<u>9,359,036</u>
-	-	2,048,137
-	177,586	4,335,023
-	-	426,670
-	-	1,084,763
-	421	1,001,836
-	4,159	4,159
-	77,310	77,310
-	-	717,095
640,000	-	640,000
<u>207,834</u>	<u>-</u>	<u>207,834</u>
<u>847,834</u>	<u>259,476</u>	<u>10,542,827</u>
<u>(847,808)</u>	<u>23,669</u>	<u>(1,183,791)</u>
854,600	2	1,486,402
<u>-</u>	<u>-</u>	<u>(854,602)</u>
<u>854,600</u>	<u>2</u>	<u>631,800</u>
6,792	23,671	(551,991)
<u>412,764</u>	<u>364,082</u>	<u>12,498,718</u>
<u>419,556</u>	<u>387,753</u>	<u>11,946,727</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, 2014  
CITY OF HOLLY HILL, FLORIDA

Net change in fund balances - total governmental funds ..... \$ (551,991)

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

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

Capital outlay expenditures.....	1,808,553	
Depreciation expense.....	<u>(904,840)</u>	903,713

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 ..... 640,000

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

Proceeds of long-term debt obligations.....	-	
Increase (decrease) in delinquent taxes.....	10,481	
Gains (losses) on asset sales.....	<u>(710)</u>	9,771

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

Police Officers' Retirement Trust Fund.....	(1,378)	
Municipal Firemen's Pension Trust Fund.....	<u>(4,297)</u>	(5,675)

(Increase) decrease in net post-employment benefit obligation..... (140,320)

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.....	(43,922)	
Change in accrued interest on bonds and notes payable .....	<u>7,726</u>	<u>(36,196)</u>

Change in net position of governmental activities ..... \$ 819,302

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, 2014  
CITY OF HOLLY HILL, FLORIDA

	Original	Final	Actual Amounts	Variance
<b>Revenue:</b>				
Taxes.....	\$ 4,612,500	4,810,500	4,824,539	14,039
Permits and fees.....	883,600	922,000	1,066,896	144,896
Intergovernmental revenue.....	1,122,300	980,000	973,567	(6,433)
Charges for services.....	114,000	132,000	132,675	675
Fines and forfeitures.....	59,000	79,300	76,437	(2,863)
Investment income.....	5,300	2,600	2,500	(100)
Miscellaneous.....	32,000	97,900	102,480	4,580
<b>Total revenues.....</b>	<b>6,828,700</b>	<b>7,024,300</b>	<b>7,179,094</b>	<b>154,794</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
Legislative.....	100,000	100,400	71,662	28,738
Executive.....	300,500	287,500	277,318	10,182
Financial and Administrative.....	1,430,700	1,392,300	1,321,264	71,036
Legal Counsel.....	135,000	120,800	100,371	20,429
Comprehensive Planning.....	55,000	58,500	58,538	(38)
Nondepartmental.....	220,400	232,300	218,984	13,316
	<u>2,241,600</u>	<u>2,191,800</u>	<u>2,048,137</u>	<u>143,663</u>
<b>Public Safety:</b>				
Law enforcement.....	2,355,500	2,414,200	2,371,319	42,881
Fire safety.....	1,364,200	1,337,700	1,183,514	154,186
Protective inspection.....	258,800	259,500	261,804	(2,304)
	<u>3,978,500</u>	<u>4,011,400</u>	<u>3,816,637</u>	<u>194,763</u>
Transportation.....	<u>617,100</u>	<u>600,000</u>	<u>426,670</u>	<u>173,330</u>
Culture/recreation.....	<u>1,178,600</u>	<u>1,243,800</u>	<u>1,001,415</u>	<u>242,385</u>
<b>Total expenditures.....</b>	<b>8,015,800</b>	<b>8,047,000</b>	<b>7,292,859</b>	<b>754,141</b>
Excess of revenue over (under) expenditures.....	<u>(1,187,100)</u>	<u>(1,022,700)</u>	<u>(113,765)</u>	<u>908,935</u>

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

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

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

	Original	Final	Actual Amounts	Variance
Other Financing Sources (Uses):				
Transfers in.....	\$ 1,187,600	1,025,100	631,800	(393,300)
Transfers (out).....	-	-	(2)	(2)
Appropriated fund balance.....	<u>(500)</u>	<u>(2,400)</u>	<u>-</u>	<u>2,400</u>
Total financing sources (uses).....	<u>1,187,100</u>	<u>1,022,700</u>	<u>631,798</u>	<u>(390,902)</u>
Net change in fund balance.....	-	-	518,033	518,033
Fund balance, beginning of year.....	<u>3,788,653</u>	<u>3,788,653</u>	<u>3,788,653</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 3,788,653</u>	<u>3,788,653</u>	<u>4,306,686</u>	<u>518,033</u>

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

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**BUDGETARY COMPARISON SCHEDULE**  
**COMMUNITY REDEVELOPMENT AGENCY**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Statement 6**

	Original	Final	Actual Amounts	Variance
<b>Revenue:</b>				
Taxes.....	\$ 824,000	823,500	823,540	40
Intergovernmental revenue.....	811,900	1,011,200	1,023,717	12,517
Charges for services.....	1,000	600	613	13
Investment income.....	1,000	700	915	215
Miscellaneous.....	-	46,300	47,501	1,201
<b>Total revenues.....</b>	<b>1,637,900</b>	<b>1,882,300</b>	<b>1,896,286</b>	<b>13,986</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Public safety:</b>				
<b>Law enforcement:</b>				
Personal services.....	449,100	449,500	309,013	140,487
Operating expenditures.....	57,100	41,800	31,787	10,013
Capital outlay.....	-	-	-	-
	<u>506,200</u>	<u>491,300</u>	<u>340,800</u>	<u>150,500</u>
<b>Economic environment:</b>				
Personal services.....	133,400	57,500	51,849	5,651
Operating expenditures.....	438,700	452,000	258,966	193,034
Capital outlay.....	2,860,500	2,863,200	650,165	2,213,035
Grants and aid.....	50,000	123,800	123,783	17
	<u>3,482,600</u>	<u>3,496,500</u>	<u>1,084,763</u>	<u>2,411,737</u>
<b>Total expenditures.....</b>	<b>3,988,800</b>	<b>3,987,800</b>	<b>1,425,563</b>	<b>2,562,237</b>
<b>Excess of revenue over (under)</b> <b>expenditures.....</b>	<b>(2,350,900)</b>	<b>(2,105,500)</b>	<b>470,723</b>	<b>2,576,223</b>
<b>Other Financing Sources (Uses):</b>				
Transfers (out).....	(853,600)	(854,600)	(854,600)	-
Appropriated fund balance.....	3,204,500	2,960,100	-	(2,960,100)
<b>Total financing sources (uses).....</b>	<b>2,350,900</b>	<b>2,105,500</b>	<b>(854,600)</b>	<b>(2,960,100)</b>
<b>Net change in fund balance.....</b>	<b>-</b>	<b>-</b>	<b>(383,877)</b>	<b>(383,877)</b>
<b>Fund balance, beginning of year.....</b>	<b>3,072,185</b>	<b>3,072,185</b>	<b>3,072,185</b>	<b>-</b>
<b>Fund balance, end of year.....</b>	<b>\$ 3,072,185</b>	<b>3,072,185</b>	<b>2,688,308</b>	<b>(383,877)</b>

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Assets:				
Current Assets:				
Cash and cash equivalents.....	\$ 4,648,014	2,779,751	2,158,087	9,585,852
Accounts receivable (net).....	724,788	586	279,890	1,005,264
Inventories.....	47,127	29,603	-	76,730
Prepaid expenses.....	19,927	-	-	19,927
Restricted-cash and cash equivalents.....	<u>3,781,780</u>	<u>252,810</u>	<u>-</u>	<u>4,034,590</u>
Total current assets.....	<u>9,221,636</u>	<u>3,062,750</u>	<u>2,437,977</u>	<u>14,722,363</u>
Noncurrent Assets:				
Property and Equipment:				
Land.....	154,739	510,776	-	665,515
Buildings and improvements.....	40,445,684	8,595,241	54,651	49,095,576
Machinery and equipment.....	4,817,012	407,568	38,087	5,262,667
Construction in progress.....	<u>616,651</u>	<u>-</u>	<u>-</u>	<u>616,651</u>
	46,034,086	9,513,585	92,738	55,640,409
Less: accumulated depreciation.....	<u>(21,203,198)</u>	<u>(4,104,817)</u>	<u>(82,927)</u>	<u>(25,390,942)</u>
Total property and equipment (net of accumulated depreciation).....	<u>24,830,888</u>	<u>5,408,768</u>	<u>9,811</u>	<u>30,249,467</u>
Total assets.....	34,052,524	8,471,518	2,447,788	44,971,830
Deferred Outflow of Resources:				
Deferred charge on refundings.....	<u>303,786</u>	<u>-</u>	<u>-</u>	<u>303,786</u>
Total assets and deferred outflow of resources.....	<u>\$ 34,356,310</u>	<u>8,471,518</u>	<u>2,447,788</u>	<u>45,275,616</u>

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

**Statement 7**

	<u>Business-Type Activities - Enterprise Funds</u>			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 92,935	13,281	267,741	373,957
Compensated absences.....	<u>26,510</u>	<u>2,346</u>	<u>-</u>	<u>28,856</u>
Total current liabilities unrestricted.....	<u>119,445</u>	<u>15,627</u>	<u>267,741</u>	<u>402,813</u>
<b>Current Liabilities Payable From Restricted Assets:</b>				
Current maturities of long-term debt.....	1,588,854	289,075	-	1,877,929
Accounts payable and accrued liabilities.....	18,236	-	-	18,236
Accrued interest.....	222,185	13,792	-	235,977
Customer deposits.....	<u>762,120</u>	<u>-</u>	<u>-</u>	<u>762,120</u>
Total current liabilities payable from restricted assets.....	<u>2,591,395</u>	<u>302,867</u>	<u>-</u>	<u>2,894,262</u>
Total current liabilities.....	<u>2,710,840</u>	<u>318,494</u>	<u>267,741</u>	<u>3,297,075</u>
<b>Noncurrent Liabilities:</b>				
Revenue bonds payable (net).....	13,280,000	-	-	13,280,000
Notes payable (net).....	5,121,403	2,568,309	-	7,689,712
Post-retirement benefits payable.....	215,606	35,462	-	251,068
Compensated absences.....	<u>106,038</u>	<u>9,383</u>	<u>-</u>	<u>115,421</u>
Total noncurrent liabilities.....	<u>18,723,047</u>	<u>2,613,154</u>	<u>-</u>	<u>21,336,201</u>
Total liabilities.....	<u>21,433,887</u>	<u>2,931,648</u>	<u>267,741</u>	<u>24,633,276</u>
<b>Net Position:</b>				
Net investment in capital assets.....	5,103,970	2,551,384	9,811	7,665,165
Restricted for debt service.....	1,421,890	239,018	-	1,660,908
Restricted for utility plant expansion.....	1,856,127	-	-	1,856,127
Unrestricted.....	<u>4,540,436</u>	<u>2,749,468</u>	<u>2,170,236</u>	<u>9,460,140</u>
Total net position.....	<u>12,922,423</u>	<u>5,539,870</u>	<u>2,180,047</u>	<u>20,642,340</u>
Total liabilities and net position.....	<u>\$ 34,356,310</u>	<u>8,471,518</u>	<u>2,447,788</u>	<u>45,275,616</u>

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

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

**Statement 8**

For the Fiscal Year Ended September 30, 2014  
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.....	\$ 2,698,763	-	-	2,698,763
Sewer treatment charges.....	2,752,410	-	-	2,752,410
Waste disposal fees.....	-	-	2,195,290	2,195,290
Stormwater management fee.....	-	796,162	-	796,162
Other revenues.....	<u>224,127</u>	<u>558</u>	<u>1,416</u>	<u>226,101</u>
Total operating revenue.....	<u>5,675,300</u>	<u>796,720</u>	<u>2,196,706</u>	<u>8,668,726</u>
Operating Expenses:				
Personal services.....	1,386,020	189,710	-	1,575,730
Depreciation and amortization .....	1,376,997	294,732	1,129	1,672,858
Utilities.....	282,010	22,308	600	304,918
Materials and supplies.....	281,613	33,163	-	314,776
Contractual services .....	225,506	109,429	1,638,412	1,973,347
Maintenance and repairs.....	255,916	37,389	-	293,305
Other charges .....	<u>47,126</u>	<u>1,835</u>	<u>10,273</u>	<u>59,234</u>
Total operating expenses .....	<u>3,855,188</u>	<u>688,566</u>	<u>1,650,414</u>	<u>6,194,168</u>
Operating income.....	<u>1,820,112</u>	<u>108,154</u>	<u>546,292</u>	<u>2,474,558</u>
Nonoperating Revenue (Expenses):				
Interest earnings .....	2,439	1,861	886	5,186
Interest and debt expense.....	<u>(389,587)</u>	<u>(69,735)</u>	<u>-</u>	<u>(459,322)</u>
Net nonoperating revenue (expenses).....	<u>(387,148)</u>	<u>(67,874)</u>	<u>886</u>	<u>(454,136)</u>
Income before contributions and transfers	1,432,964	40,280	547,178	2,020,422
Capital contributions.....	11,151	-	-	11,151
Transfers in.....	-	42,000	-	42,000
Transfers (out).....	<u>(573,800)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(673,800)</u>
Net increase (decrease) in net position....	870,315	32,280	497,178	1,399,773
Net position, beginning of year.....	<u>12,052,108</u>	<u>5,507,590</u>	<u>1,682,869</u>	<u>19,242,567</u>
Net position, end of year.....	<u>\$ 12,922,423</u>	<u>5,539,870</u>	<u>2,180,047</u>	<u>20,642,340</u>

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Statement 9**

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers.....	\$ 5,631,158	795,751	2,176,832	8,603,741
Cash paid for personal services.....	(1,321,837)	(176,399)	-	(1,498,236)
Cash paid to suppliers.....	<u>(1,094,267)</u>	<u>(202,163)</u>	<u>(1,771,417)</u>	<u>(3,067,847)</u>
Net cash provided by operating activities.....	<u>3,215,054</u>	<u>417,189</u>	<u>405,415</u>	<u>4,037,658</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Transfers (in).....	-	42,000	-	42,000
Transfers (out).....	<u>(573,800)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(673,800)</u>
Net cash provided by (used in) noncapital and related financing activities.....	<u>(573,800)</u>	<u>(8,000)</u>	<u>(50,000)</u>	<u>(631,800)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Capital contributions and grants.....	11,151	-	-	11,151
Acquisition and construction of capital asset	(3,102,558)	(45,950)	-	(3,148,508)
Debt reduction outlays.....	(1,379,068)	(282,526)	-	(1,661,594)
Interest paid on capital debt obligations.....	<u>(507,261)</u>	<u>(71,091)</u>	<u>-</u>	<u>(578,352)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(4,977,736)</u>	<u>(399,567)</u>	<u>-</u>	<u>(5,377,303)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest received.....	<u>2,439</u>	<u>1,861</u>	<u>886</u>	<u>5,186</u>
Net increase (decrease) in cash and cash equivalents.....	(2,334,043)	11,483	356,301	(1,966,259)
Cash and cash equivalents, beginning of year....	<u>10,763,837</u>	<u>3,021,078</u>	<u>1,801,786</u>	<u>15,586,701</u>
Cash and cash equivalents, end of year.....	<u>\$ 8,429,794</u>	<u>3,032,561</u>	<u>2,158,087</u>	<u>13,620,442</u>
<b>Cash and Cash Equivalents:</b>				
Unrestricted cash and cash equivalents.....	\$ 4,648,014	2,779,751	2,158,087	9,585,852
Restricted cash and cash equivalents.....	<u>3,781,780</u>	<u>252,810</u>	<u>-</u>	<u>4,034,590</u>
Total cash and cash equivalents.....	<u>\$ 8,429,794</u>	<u>3,032,561</u>	<u>2,158,087</u>	<u>13,620,442</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, 2014  
CITY OF HOLLY HILL, FLORIDA

**Statement 9**

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Stormwater Drainage	Solid Waste	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss).....	\$ 1,820,112	108,154	546,292	2,474,558
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation.....	1,376,997	294,732	1,129	1,672,858
Provision for bad debts (recoveries).....	34,163	439	10,273	44,875
Changes in assets and liabilities:				
Accounts receivable.....	(60,032)	(969)	(19,875)	(80,876)
Inventories.....	(4,148)	(725)	-	(4,873)
Prepaid expenses.....	(19,607)	-	-	(19,607)
Accounts payable/accrued liabilities....	(926)	5,768	(132,404)	(127,562)
Compensated absences.....	16,637	3,874	-	20,511
Customer deposits.....	15,890	-	-	15,890
Post-employment benefit obligation....	<u>35,968</u>	<u>5,916</u>	<u>-</u>	<u>41,884</u>
Net cash provided by operating activities.	<u>\$ 3,215,054</u>	<u>417,189</u>	<u>405,415</u>	<u>4,037,658</u>

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Statement 10**

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Assets:	
Cash and cash equivalents.....	\$ 712,871
Receivables:	
Employer contributions receivable.....	171,520
State contributions receivable.....	19,203
Interest and dividends receivable.....	<u>34,932</u>
Total accounts receivable.....	225,655
Prepaid items.....	2,789
Investments, at fair value	
U.S. Treasury obligations.....	1,267,898
U. S. Government Agencies.....	306,803
Corporate/municipal debt obligations .....	1,826,591
Domestic corporate equities.....	4,651,945
International corporate equities.....	1,099,770
Mutual funds.....	<u>2,441,118</u>
Total investments.....	<u>11,594,125</u>
Total assets.....	12,535,440
Liabilities:	
Accounts payable.....	<u>25,569</u>
Net Position:	
Held in trust for pension benefits.....	<u>\$ 12,509,871</u>

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

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

**Statement 11**

For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

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Additions:	
Contributions from:	
Employer .....	\$ 797,102
State .....	158,270
Plan members, including buy-backs .....	<u>119,940</u>
Total contributions.....	1,075,312
Investment income:	
Net realized and unrealized appreciation (depreciation) in fair value of investments.....	742,220
Interest and dividend earnings .....	<u>269,857</u>
	1,012,077
Less: investment management fees .....	<u>(100,783)</u>
Total investment income .....	<u>911,294</u>
Total additions .....	1,986,606
Deductions:	
Benefit payments.....	868,358
Refunds/withdrawals .....	443,692
Administrative expenses .....	<u>42,424</u>
Total deductions.....	<u>1,354,474</u>
Net increase.....	632,132
Net position held in trust for pension benefits:	
Beginning of year .....	<u>11,877,739</u>
End of year .....	<u>\$ 12,509,871</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, 2014

CITY OF HOLLY HILL, FLORIDA

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **A. Reporting Entity**

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

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

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

#### **B. Government-Wide and Fund Financial Statements**

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

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

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

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

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

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

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

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

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

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

Proprietary fund and pension trust fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

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

The City reports the following major governmental funds:

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

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

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

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

### **D. Assets, Liabilities, and Net Position or Equity**

#### ***1. Deposits and Investments***

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

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

#### ***2. Receivables and payables***

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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### ***3. Inventories and Prepaid Items***

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

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

### ***4. Restricted Assets***

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

### ***5. Capital Assets***

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

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

Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds 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, 2014

CITY OF HOLLY HILL, FLORIDA

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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. *Unearned Revenue***

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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### ***8. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/ expenditure) until then. This caption includes a deferred charge that resulting from the refunding of an outstanding debt obligation of the City which represents the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

### ***9. Long-term Obligations***

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

### ***10. Fund Equity***

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process, as is authorized under Article I, Section 30-27 of the City's Code of Ordinances.

Unassigned – This classification includes the residual fund balance for the General Fund and fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

### *11. 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.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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### **E. New Accounting Standards**

GASB Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* (GASB 66) was implemented during the fiscal year ended September 30, 2014. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB 54 and GASB 62. The implementation of GASB 66 did not have a material impact on the City's financial statements.

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

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of Statement 69 is to provide specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations. The provisions of Statement 69 are effective for fiscal years beginning after December 15, 2013, which is the City's fiscal year 2015. The implementation of this statement is not expected to have any material future impact on the City's net position.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of Statement 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for fiscal years beginning after June 15, 2013, which is the City's fiscal year 2015. The implementation of this statement is not expected to have a material effect on the City's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 and are effective for fiscal years beginning after June 15, 2014, which is the City's fiscal year 2015. The impact to the City's financial reporting has not been determined.

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

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

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

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

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

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or about July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the City Commission, as needed.
- A summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Sections 54 to 57 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.

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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- 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, 2014, expenditures were incurred in excess of revised budgetary appropriations in the Community Redevelopment Agency Debt Service Fund in the amount of \$34, which was funded in its entirety from prior year surplus funds.

During the year ended September 30, 2014, expenditures were incurred in excess of revised budgetary appropriations in the Community Redevelopment Agency Capital Projects Fund in the amount of \$1,795. These excess charges were funded in their entirety from prior year surplus construction funds.

During the year ended September 30, 2014, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Community Development Block Grant Fund in the amount of \$108, which was funded in its entirety from current year grant funds.

During the year ended September 30, 2014, expenditures were incurred in excess of revised budgetary appropriations in the Nonmajor Local Law Enforcement Block Grant Fund in the amount of \$59, which was funded in its entirety from current year grant funds.

**NOTE 4 - PROPERTY TAX CALENDAR**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was 7.5300 mills for the (2013 tax year) fiscal year ended September 30, 2014.

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

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 18

Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date). November 1

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts: November through March

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

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

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

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

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

**NOTE 5 - DEPOSITS AND INVESTMENTS**

At September 30, 2014, the City had the following investments and maturities:

	Fair <u>Value</u>	Less <u>Than 1</u>	<u>Investment Maturities (Years)</u>		
			<u>From 1 to 5</u>	<u>From 6 to 10</u>	<u>Over 10</u>
SunTrust money market funds.....	\$ 13,308,510	13,308,510	-	-	-
Pension Trusts:					
Money Market.....	712,871	712,871	-	-	-
U.S. Treasury.....	1,267,898	412,386	504,755	350,757	-
U.S. Government Agencies.....	306,803	151,290	77,146	107	78,260
Corporate/municipal bonds.....	1,826,591	227,034	1,021,235	470,376	107,946
Corporate equities.....	4,651,945	4,651,945	-	-	-
International equities.....	1,099,770	1,099,770	-	-	-
Mutual funds.....	2,441,118	2,441,118	-	-	-
	<u>12,306,996</u>	<u>9,696,414</u>	<u>1,603,136</u>	<u>821,240</u>	<u>186,206</u>
Totals.....	<u>\$ 25,615,506</u>	<u>23,004,924</u>	<u>1,603,136</u>	<u>821,240</u>	<u>186,206</u>

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

At September 30, 2014, the carrying value of the City's cash deposit accounts totaled \$12,347,362 and the bank balance totaled \$12,633,222. All cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes and are fully insured and/or collateralized. Amounts do not include \$2,767 in cash funds on hand at the end of the fiscal year. The carrying amount of the City's \$13,308,510 investment in institutional money market accounts is uninsured and uncollateralized but is backed by the full faith and credit of the United States of America.

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

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

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

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

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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4. International investment of any kind, equities or fixed securities, shall not exceed 25 percent of the fund's assets.

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

1. Annuity and life insurance contracts with life insurance companies in amounts sufficient to provide, in whole or in part, the benefits and premiums to which all of the members in the fund shall be entitled to.
2. Time or savings accounts of a national bank, a state bank insured by the bank insurance fund or a savings/building and loan association insured by the savings association insurance fund which is administered by the Federal Deposit Insurance Corporation or a state of federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
3. Obligations of the U.S. or obligations guaranteed as to principal and interest by the government of the U.S. or by an agency of the government of the U.S.
4. Bonds issued by the State of Israel.
5. Stocks, commingled funds, mutual funds and bonds or other evidences of indebtedness, provided that:
  - a. Except as provided in subsection (b) below, all individually held securities and all securities in a commingled or mutual fund must be issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the U.S., or the District of Columbia.
  - b. Up to 25 percent of the assets of the fund at market value may be invested in foreign securities.
  - c. The board shall not invest more than five percent of its assets in common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at market exceed 70 percent of the assets of the fund.
6. Real estate investment trusts (REITS) that trade on a major exchange, provided the board shall not invest more than 15 percent at cost of the assets of the fund in REITS.

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

*Foreign Currency Risk*

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

<u>Country</u>	<u>Percentage</u>	<u>Foreign Currency</u>	<u>Investment/ Maturity</u>	<u>(US Dollar) Fair Value</u>
France	1.18%	Euro	Equity/NA	\$ 101,905
Ireland	0.69%	Euro	Equity/NA	59,325
Germany	0.59%	Euro	Equity/NA	50,561
Spain	0.48%	Euro	Equity/NA	41,652
Netherlands	0.44%	Euro	Equity/NA	37,999
Italy	0.12%	Euro	Equity/NA	9,970
Belgium	<u>0.09%</u>	Euro	Equity/NA	<u>8,092</u>
	3.59%			309,504
United Kingdom	2.02%	Pound sterling	Equity/NA	174,144
Japan	1.24%	Japenese Yen	Equity/NA	106,779
Switzerland	1.05%	Swiss franc	Equity/NA	90,162
Canada	0.86%	Canadian Dollar	Equity/NA	74,185
China	0.67%	Renminbi	Equity/NA	57,783
Singapore	0.32%	Singapore Dollar	Equity/NA	27,499
Taiwan	0.29%	New Taiwan dollar	Equity/NA	24,666
Israel	0.24%	Israeli new shekel	Equity/NA	21,125
India	0.19%	Rupee	Equity/NA	16,739
Indonesia	0.17%	Indonisian rupiah	Equity/NA	14,727
Australia	0.16%	Australian Dollar	Equity/NA	13,825
South Korea	0.11%	South Korean won	Equity/NA	9,557
Denmark	0.11%	Danish krone	Equity/NA	9,057
Mexico	0.10%	Mexican peso	Equity/NA	8,576
Norway	0.10%	Norwegian krone	Equity/NA	8,555
Bermuda	0.10%	Bermuda Dollar	Equity/NA	8,454
Brazil	0.09%	Brazilian Real	Equity/NA	8,029
Panama	0.06%	Panamanian Balboa	Equity/NA	5,579
Cayman	<u>0.06%</u>	Cayman Islands Dollar	Equity/NA	<u>5,469</u>
	<u>11.53%</u>			<u>\$ 994,414</u>

The Police Plan's investments in foreign currency were limited to international mutual fund equity stocks at September 30, 2014. Amounts invested in the fund include investments in the amount of \$105,356 that are made in entities that reside in the U.S. Virgin Islands, all of which are valued in U.S. dollars and are not subject to foreign currency risk.

The Police Plan's investment policy permits it to invest up to 25 percent of total investments in foreign currency-denominated investments. The system's current position is 11.57 percent.

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

<u>Country</u>	<u>Percentage</u>	<u>Foreign Currency</u>	<u>Investment/ Maturity</u>	<u>(US Dollar) Fair Value</u>
France	1.42%	Euro	N/A	\$ 52,571
Germany	1.35%	Euro	N/A	49,921
Spain	0.49%	Euro	N/A	18,064
Netherlands	0.39%	Euro	N/A	14,603
Italy	0.33%	Euro	N/A	12,115
United Kingdom	3.01%	Pound sterling	N/A	111,686
Switzerland	1.35%	Swiss franc	N/A	50,191
Australia	1.06%	Australian Dollar	N/A	39,482
Hong Kong	0.48%	Hong Kong dollar	N/A	17,740
Other	0.47%	Other	N/A	17,578
Sweden	0.45%	Swedish krona	N/A	16,875
Denmark	0.22%	Danish krone	N/A	8,275
Singapore	<u>0.22%</u>	Singapore Dollar	N/A	<u>8,221</u>
	<u>14.58%</u>			<u>\$ 540,852</u>

The Fire Plan's investments in foreign currency were limited to international mutual fund investments at September 30, 2013. The Fire Plan's investment policy permits it to invest up to 25 percent of total investments in foreign currency-denominated investments. The system's current position is 14.55 percent.

**NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES**

**Receivables:** Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) line for certain funds and aggregated columns. Below is a detail of receivables for the governmental and business-type activities anticipated to be collected within an operating cycle at September 30, 2014:

<u>Governmental Activities:</u>	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor</u>	<u>Total</u>
Delinquent taxes.....	\$ 13,118	-	-	13,118
Franchise/utility tax payments.....	315,773	-	-	315,773
Utility service tax.....	32,350	-	-	32,350
Employee purchase program.....	6,113	-	-	6,113
Miscellaneous receivables.....	<u>45,792</u>	<u>4,924</u>	-	<u>50,716</u>
	413,146	4,924	-	418,070
Less: bad debt allowance.....	<u>(89,990)</u>	<u>(4,019)</u>	-	<u>(94,009)</u>
Total.....	<u>\$ 323,156</u>	<u>905</u>	<u>-</u>	<u>324,061</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

<u>Business-type Activities:</u>	<u>Water and Sewer</u>	<u>Stormwater Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
Customer receivables .....	\$ 822,660	7,671	301,748	1,132,079
Other receivables .....	<u>3,802</u>	<u>-</u>	<u>-</u>	<u>3,802</u>
	826,462	7,671	301,748	1,135,881
Less: bad debt allowance .....	<u>(101,674)</u>	<u>(7,085)</u>	<u>(21,858)</u>	<u>(130,617)</u>
Total .....	<u>\$ 724,788</u>	<u>586</u>	<u>279,890</u>	<u>1,005,264</u>

**Payables:** Amounts are aggregated into a single accounts payable and accrued liabilities line for certain funds and aggregated columns. Below is a detail of payables for the governmental and business-type activities anticipated to be paid within an operating cycle at September 30, 2014:

<u>Governmental Activities:</u>	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>CRA Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Trade accounts .....	\$ 275,250	39,450	1,550	16,429	332,679
Confiscations .....	40,809	-	-	-	40,809
Accrued wages .....	168,277	9,811	-	-	178,088
Payroll taxes .....	9,216	-	-	-	9,216
Sales taxes .....	251	-	-	-	251
Intergovernmental payable .....	966	-	-	-	966
Contract retention .....	18,790	-	-	-	18,790
Other accrued benefits .....	<u>37,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,280</u>
Total-governmental funds .....	<u>550,839</u>	<u>49,261</u>	<u>1,550</u>	<u>16,429</u>	618,079
Accrued interest on debt .....					<u>81,251</u>
Total-governmental activities .....					<u>\$ 699,330</u>

<u>Business-type Activities:</u>	<u>Water and Sewer</u>	<u>Stormwater Drainage</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Current liabilities:</b>				
Trade accounts .....	\$ 34,869	4,925	267,741	307,535
Accrued wages .....	<u>58,066</u>	<u>8,356</u>	<u>-</u>	<u>66,422</u>
Accrued wages .....	92,935	13,281	267,741	373,957
<b>Payable from restricted assets:</b>				
Accounts and retainage payable .....	<u>18,236</u>	<u>-</u>	<u>-</u>	<u>18,236</u>
Total-business-type activities .....	<u>\$ 111,171</u>	<u>13,281</u>	<u>267,741</u>	<u>392,193</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

**NOTE 7 – CONTINGENT MORTGAGES RECEIVABLE**

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

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

While no provision has been made to recognize the balances on these mortgages in the accompanying financial statements, the aggregate balances due on the obligations in the event of default at September 30, 2014, totaled \$39,061.

**NOTE 8 - INTERFUND BALANCES AND TRANSFERS**

**Interfund Transfers** - Transfers occur to move revenues from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the City must account for in other funds in accordance with budgetary authorizations. Interfund transfers between the City’s governmental and business-type funds during the fiscal year ended September 30, 2014, are as follows:

	Transfer <u>To</u>	Transfer <u>From</u>
<b>Governmental Activities:</b>		
General:		
Water and Sewer.....	\$ -	531,800
Solid Waste.....	-	50,000
Stormwater Drainage.....	-	50,000
Nonmajor governmental funds (*).....	2	-
Community Redevelopment Trust:		
CRA Debt Service Fund (*).....	854,600	
CRA Debt Service Fund :		
Community Redevelopment Trust (*).....	-	854,600
Nonmajor governmental:		
General (*).....	-	2
Totals - governmental activities.....	<u>\$ 854,602</u>	<u>1,486,402</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**  
 September 30, 2014  
 CITY OF HOLLY HILL, FLORIDA

<b>Business-type Activities:</b>	Transfer <u>To</u>	Transfer <u>From</u>
Water and Sewer:		
General.....	\$ 531,800	-
Stormwater Drainage (*).....	42,000	-
Stormwater Drainage:		
Water and Sewer (*) .....	-	42,000
General.....	50,000	-
Solid Waste		
General.....	<u>50,000</u>	<u>-</u>
 Totals - business-type activities.....	 <u>673,800</u>	 <u>42,000</u>
 Totals - all activities.....	 <u>\$ 1,528,402</u>	 <u>1,528,402</u>

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

**Interfund Balances** – From time to time, interfund borrowings occur from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. At September 30, 2014, the following interfund balances are reported:

<b>Governmental Activities:</b>	Due <u>From</u>	Due <u>To</u>
Major fund:		
General fund (*).....	\$ 43,836	-
Nonmajor fund:		
Community Development Block Grant Fund (*).....	<u>-</u>	<u>43,836</u>
 Totals.....	 <u>\$ 43,836</u>	 <u>43,836</u>

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

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

**NOTE 9 - CAPITAL ASSETS**

A summary of the capital assets activity for the year ended September 30, 2014, is as follows:

<b>Governmental activities:</b>	Balance 09/30/13	Addition	Deletions	Balance 09/30/14
Capital assets not being depreciated:				
Land.....	\$ 3,912,617	470,315	-	4,382,932
Construction work in progress.....	<u>340,662</u>	<u>949,555</u>	<u>(165,113)</u>	<u>1,125,104</u>
Total capital assets not being depreciated....	<u>4,253,279</u>	<u>1,419,870</u>	<u>(165,113)</u>	<u>5,508,036</u>
Capital assets being depreciated:				
Buildings.....	5,486,575	114,444	-	5,601,019
Improvements other than buildings.....	5,903,586	287,603	-	6,191,189
Machinery and equipment.....	3,144,838	151,749	(19,177)	3,277,410
Infrastructure.....	<u>9,790,249</u>	<u>-</u>	<u>-</u>	<u>9,790,249</u>
Total capital assets being depreciated.....	<u>24,325,248</u>	<u>553,796</u>	<u>(19,177)</u>	<u>24,859,867</u>
Less accumulated depreciation for:				
Buildings.....	(1,689,710)	(150,548)	-	(1,840,258)
Improvements other than buildings.....	(1,883,450)	(251,138)	-	(2,134,588)
Machinery and equipment.....	(1,907,483)	(264,655)	18,467	(2,153,671)
Infrastructure.....	<u>(4,248,382)</u>	<u>(238,499)</u>	<u>-</u>	<u>(4,486,881)</u>
Total accumulated depreciation.....	<u>(9,729,025)</u>	<u>(904,840)</u>	<u>18,467</u>	<u>(10,615,398)</u>
Total capital assets being depreciated, net....	<u>14,596,223</u>	<u>(351,044)</u>	<u>(710)</u>	<u>14,244,469</u>
Governmental activities capital assets, net....	<u>\$18,849,502</u>	<u>1,068,826</u>	<u>(165,823)</u>	<u>19,752,505</u>
	Balance			Balance
<b>Business-type activities:</b>	09/30/13	Addition	Deletions	09/30/14
Capital assets not being depreciated:				
Land.....	\$ 665,515	-	-	665,515
Construction work in progress.....	<u>2,093,945</u>	<u>232,379</u>	<u>(1,709,673)</u>	<u>616,651</u>
Total capital assets not being depreciated....	<u>2,759,460</u>	<u>232,379</u>	<u>(1,709,673)</u>	<u>1,282,166</u>
Capital assets being depreciated:				
Buildings.....	10,962,258	-	-	10,962,258
Improvements other than buildings.....	26,187,768	3,538,615	-	29,726,383
Machinery and equipment.....	5,086,693	175,974	-	5,262,667
Infrastructure.....	<u>8,406,935</u>	<u>-</u>	<u>-</u>	<u>8,406,935</u>
Total capital assets being depreciated.....	<u>50,643,654</u>	<u>3,714,589</u>	<u>-</u>	<u>54,358,243</u>
Less accumulated depreciation for:				
Buildings.....	(6,738,407)	(222,961)	-	(6,961,368)
Improvements other than buildings.....	(9,822,552)	(996,893)	-	(10,819,445)
Machinery and equipment.....	(3,682,922)	(189,594)	-	(3,872,516)
Infrastructure.....	<u>(3,474,204)</u>	<u>(263,409)</u>	<u>-</u>	<u>(3,737,613)</u>
Total accumulated depreciation.....	<u>(23,718,085)</u>	<u>(1,672,857)</u>	<u>-</u>	<u>(25,390,942)</u>
Total capital assets being depreciated, net....	<u>26,925,569</u>	<u>2,041,732</u>	<u>-</u>	<u>28,967,301</u>
Business-type capital assets, net.....	<u>\$29,685,029</u>	<u>2,274,111</u>	<u>(1,709,673)</u>	<u>30,249,467</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

Governmental activities:	
General government.....	\$ 123,229
Public safety.....	122,177
Transportation.....	235,474
Economic environment.....	238,565
Physical environment.....	11,717
Culture/recreation.....	<u>173,678</u>
Total depreciation expense - governmental activities...	<u>\$ 904,840</u>
Business-type activities:	
Water and Sewer Fund.....	\$ 1,376,996
Stormwater Drainage.....	294,732
Solid Waste Fund.....	<u>1,129</u>
Total depreciation expense - business-type activities...	<u>\$ 1,672,857</u>

Capitalized construction period interest, net of interest earned on unexpended construction funds, totaled \$175,023 for the year ended September 30, 2014.

**NOTE 10 – OPERATING LEASES**

The City is committed under various non-cancelable operating leases, primarily for office equipment and a police vehicle (principally in the General Fund), none of which extend beyond five years. These leases are accounted for as operating leases and contain options to be cancelled in the event annual appropriations are not authorized. The minimum future rental payments required under operating leases that have initial or remaining lease terms in excess of one year at September 30, 2014, are as follows:

Fiscal Year	Total
September 30, 2015.....	\$ 13,670
September 30, 2016.....	7,869
September 30, 2017.....	7,080
September 30, 2018.....	4,689
September 30, 2019.....	<u>1,149</u>
Total.....	<u>\$ 34,457</u>

Rental expense under these obligations totaled \$16,236 for the year ended September 30, 2014.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**NOTE 11 - LONG-TERM DEBT**

The City's long-term debt outstanding at September 30, 2014, is as follows:

<b>A. Governmental Activities:</b>	<b>Balance Due</b>	<b>Current Maturities</b>
Revenue Note Payable:		
Promissory note payable to Sun Trust Bank of Volusia County:		
2.04% Community Redevelopment Agency (CRA) Redevelopment Revenue Refunding Note, Series 2012 dated April 25, 2012; principal and interest payments due semi- annually through 2026; secured by tax increment revenues .....	\$ 4,225,000	315,000
Promissory note payable to BB&T:		
2.33% Community Redevelopment Agency (CRA) Redevelopment Revenue Note, Series 2013 dated April 24, 2013; principal and interest payments due semi-annually through 2026; secured by tax increment revenues .....	<u>4,670,000</u>	<u>330,000</u>
Total revenue note and capital lease .....	8,895,000	645,000
Compensated absences (current portion estimated) .....	<u>577,394</u>	<u>149,943</u>
Total governmental activities long-term debt .....	<u>\$ 9,472,394</u>	<u>794,943</u>

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

	<b>Balances 9/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances 9/30/2014</b>
Revenue Notes Payable:				
SunTrust Bank - 2.04% CRA				
Redevelopment Revenue Refunding Note, Series 2012 .....	\$ 4,535,000	-	(310,000)	4,225,000
BB&T - 2.33% CRA				
Redevelopment Revenue Note Series 2013 .....	5,000,000	-	(330,000)	4,670,000
Compensated absences .....	<u>533,472</u>	<u>536,171</u>	<u>(492,249)</u>	<u>577,394</u>
	<u>\$ 10,068,472</u>	<u>536,171</u>	<u>(1,132,249)</u>	<u>9,472,394</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

Fiscal Year	Total
September 30, 2015.....	\$ 846,389
September 30, 2016.....	846,983
September 30, 2017.....	847,299
September 30, 2018.....	847,121
September 30, 2019.....	846,724
September 30, 2020 through 2024.....	4,235,128
September 30, 2025 through 2026.....	<u>1,695,447</u>
Total debt service requirements.....	10,165,091
Less: interest.....	<u>(1,270,091)</u>
Net principal amount.....	<u>\$ 8,895,000</u>

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

Interest expense incurred for governmental activities for the year ended September 30, 2014 totaled \$200,108. There City did not capitalize any construction period interest on governmental activities long-term debt during the year.

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

<b>B. Business-Type Activities:</b>	Balance Due	Current Maturities
Revenue Bonds Payable:		
Water and Sewer System Improvement Revenue Bond, Series 2005 3.82% due in installments to October 2025 .....	\$ 1,030,000	65,000
Water and Sewer System Improvement Revenue Bond, Series 2011 3.46, due in installments to October 2030 .....	4,195,000	185,000
Water and Sewer System Improvement Refunding Revenue Bond, Series 2012 1.95% due in installments to October 2022 .....	7,700,000	795,000
Water and Sewer System Improvement Revenue Bond, Series 2013 1.94% due in installments to October 2023 .....	1,540,000	140,000
Revenue Notes Payable:		
State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-3.11% construction loan dated July 28, 1998, in the amount of \$2,647,500, due semi-annually beginning June 2001 through December 2020, secured with water and sewer service Charges .....	1,002,295	130,276
State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-2.12% construction loan dated November 21, 2005, in the amount of \$659,388 (amount drawn to date \$306,042), due semi-annually beginning April 2007 through October 2027, secured with water and sewer service charges .....	445,622	31,488
State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-2.17% construction loan dated October 17, 2007, in the amount of \$5,261,318 (amount drawn to date \$5,224,807), due semi- annually beginning September 2009 through September 2029, secured with water and sewer service charges.....	4,077,339	242,089
State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement - 3.27% construction loan (\$353,840) dated January 30, 2001; 3.16% loan (\$884,371) dated September 10, 2001; 2.12% loan (\$1,459,241) dated July 24, 2002; 1.99% loan (\$2,601,357) dated June 24,2003, in the aggregate amount of \$5,298,810 for local stormwater pollution control and drainage improvements, with combined total payments of \$176,808, due semi-annually, on January 15 and July 15, commencing on January 15, 2005 through 2023; secured with stormwater management service charges .....	<u>2,857,384</u>	<u>289,075</u>
Total bonds and notes payable .....	22,847,640	1,877,928
Compensated absences (current portion estimated).....	<u>115,421</u>	<u>28,856</u>
Total business-type activities long-term debt .....	<u>\$22,963,061</u>	<u>1,906,784</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

	Balances 9/30/2013	Additions	Deletions	Balances 9/30/2014
Water and Sewer System Improvement Revenue Bond, Series 2005.....	\$ 1,095,000	-	(65,000)	1,030,000
Water and Sewer System Improvement Revenue Bond, Series 2011.....	4,375,000	-	(180,000)	4,195,000
Water and Sewer System Improvement Refunding Revenue Bond, Series 2012.....	8,440,000	-	(740,000)	7,700,000
Water and Sewer System Improvement Revenue Bond, Series 2013.....	1,540,000	-	-	1,540,000
FDEP Clean Water State Revolving Fund Loans:				
3.11% Loan dated 07/28/98.....	1,128,612	-	(126,317)	1,002,295
2.12% Loan dated 11/21/05.....	476,453	-	(30,831)	445,622
2.17% Loan dated 10/17/07.....	4,314,260	-	(236,921)	4,077,339
3.27% Loan dated 01/30/01.....	3,139,910	-	(282,526)	2,857,384
Compensated absences.....	<u>123,766</u>	<u>112,112</u>	<u>(120,457)</u>	<u>115,421</u>
	<u>\$ 24,633,001</u>	<u>112,112</u>	<u>(1,782,052)</u>	<u>22,963,061</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, 2015.....	\$ 1,542,209	884,090	2,426,299
September 30, 2016.....	1,539,635	884,088	2,423,723
September 30, 2017.....	1,536,508	884,088	2,420,596
September 30, 2018.....	1,537,639	884,090	2,421,729
September 30, 2019.....	1,533,016	884,087	2,417,103
September 30, 2020 through 2024.....	6,748,951	3,585,504	10,334,455
September 30, 2025 through 2029.....	1,850,392	1,583,599	3,433,991
September 30, 2030 through 2031.....	<u>651,971</u>	<u>-</u>	<u>651,971</u>
Total debt service requirements.....	16,940,321	9,589,546	26,529,867
Less: interest.....	<u>(2,475,321)</u>	<u>(1,206,906)</u>	<u>(3,682,227)</u>
Net principal amount.....	<u>\$14,465,000</u>	<u>8,382,640</u>	<u>22,847,640</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

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

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

Total interest and debt expense incurred for business-type activities for the year ended September 30, 2014 was \$634,345. Of this amount, \$175,023 was capitalized and \$459,322 was charged to operations as expense. Interest and debt expense includes \$65,127 of amortization expense from deferred charge on refunded obligations for the year.

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

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

The following table shows the components of the City’s annual OPEB for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan based on a the most recent actuarial valuation dated October 1, 2013:

	<u>09/30/2012</u>	<u>09/30/2013</u>	<u>09/30/2014</u>
Annual required contribution (ARC).....	\$ 200,000	220,000	312,089
As a percent of covered payroll .....		5.5%	7.2%
Interest on prior Net OPEB obligation.....	30,000	40,000	40,951
Prior Net OPEB obligation adjustment.....	<u>(406,000)</u>	<u>(90,000)</u>	<u>(79,677)</u>
Annual OPEB cost (expense).....	(176,000)	(170,000)	273,363
Estimated net contributions made.....	<u>(40,000)</u>	<u>(40,000)</u>	<u>(91,159)</u>
Increase in net OPEB obligation.....	(216,000)	130,000	182,204
Net OPEB obligation-beginning of year.....	<u>996,000</u>	<u>780,000</u>	<u>910,000</u>
Net OPEB obligation-end of year .....	<u>\$ 780,000</u>	<u>910,000</u>	<u>1,092,204</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percent</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
09/30/14	\$273,363	33.3%	\$1,092,204
09/30/13	\$170,000	23.5%	\$ 910,000
09/30/12	\$160,000	25.0%	\$ 780,000

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the October 1, 2013 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions include a 3.5% annual inflation rate, an annual salary increase rate of 6.0%, and a 4.5% percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Health care inflation is based on a Pre-Medicare annual healthcare cost trend rate of 7.5% percent in 2014; 6.5% in 2015, grading down with 0.5% annual decreases to an ultimate rate of 4.5% in 2019. No post-Medicare benefits are assumed. The UAAL is being amortized over a level percentage of payroll (closed amortization over 30 years).

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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**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, Florida Statutes. 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 employer contributions to the plan for the fiscal years ended September 30, 2014, 2013, and 2012, which were \$186,345, \$137,830, and \$115,821, respectively. Employees are required to contribute 3% of covered wages to the plan. The employee’s contributions to the plan for the fiscal years ended September 30, 2014, 2013, and 2012 were \$69,485, \$66,852, and \$65,329, respectively.

The following is a summary of employer contribution percentages for qualifying compensation paid to regular employees and Deferred Retirement Option Program (DROP) participants in effect during each of the past three fiscal years ended September 30, 2014, 2013, and 2012 by retirement plan periods (rates specified below include an additional 1.11% for the City’s option to include health insurance subsidy contribution):

	<u>Regular Employer</u>	<u>Regular Employee</u>	<u>DROP Employees</u>
Plan year beginning July 1, 2014.....	7.37%	3.00%	12.28%
Plan year beginning July 1, 2013.....	6.95%	3.00%	12.84%
Plan year beginning July 1, 2012.....	5.18%	3.00%	5.44%
Plan year beginning July 1, 2011.....	4.91%	3.00%	4.42%

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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**B. General Employees – Florida Municipal Pension Trust Fund**

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

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

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

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

Employee contributions to the 457(b) Plan for the fiscal years ended September 30, 2014, 2013, and 2012, were \$26,133, \$24,446, and \$27,547, respectively. Employer contributions to the 457(b) Plan for the fiscal years ended September 30, 2014, 2013, and 2012 were \$-0-, \$-0-, and \$1,071, respectively.

**C. General Employees – ICMA**

The City previously offered electing management employees participation in a Money Purchase Plan and Trust, created in accordance with Section 401(a) of the Internal Revenue Code. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 59½ (normal retirement age) the participants may elect to commence receiving benefits which equal accumulated employers' contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. The City contributed 10% of the eligible employees' covered payroll to the Plan. For the years ended September 30, 2014, 2013, and 2012, the City's contributions to the Plan totaled \$-0-, \$51,000, \$-0-, 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, 2014, 2013, and 2012, totaled \$5,994, \$9,738, and \$14,932, respectively.

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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### **D. General Employees – Nationwide Retirement Solutions:**

The City offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P.O. Box 182797 Columbus, OH 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. Employee contribution to the 457 Plan for the fiscal years ended September 30, 2014, 2013, and 2012, totaled \$126,518, \$94,631, and \$63,305, respectively.

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

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

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

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

All full-time uniformed firefighters are eligible (and required as a condition of employment) to participate in the Fire Plan upon employment with the City. Employees vest with 100% full benefits after 6 years of service. Firefighters are eligible for normal retirement after attaining age 50 with 6 years of credited service or completion of 25 years of credited service, regardless of age. Firefighters are eligible for early

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

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CITY OF HOLLY HILL, FLORIDA

retirement after attaining age 48 with 6 years of service. An independent actuary appointed by the respective Board of Trustees actuarially determines benefits to be paid to retirees.

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

	<u>Police Plan</u>	<u>Fire Plan</u>
Inactive plan members or beneficiaries currently receiving benefits....	18	9
Inactive plan members entitled to, but not yet, earning benefits .....	5	0
Active plan members .....	<u>24</u>	<u>13</u>
 Total participants .....	 <u>47</u>	 <u>22</u>

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

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

*Contribution Requirements and Contributions Made.* The City provides contributions to the Police Plan and Fire Plan under the authority of Chapters 185 and 175, Florida Statutes, respectively, and pursuant to City ordinances. Employees covered under the plans are required to make contributions of 5% if hired before July 1, 2011, or 8% if hired after June 30, 2011 (Police Plan), and 8.0% (Fire Plan) of their compensation. The City is required to contribute the remaining amounts necessary to fund the Plans based on the funding amounts determined by the Plans' actuaries. During the most recent year, the City's pension contributions included the City's share of Fire Insurance Premium Taxes (\$43,558) and Casualty Insurance Premium Taxes (\$95,509) which are 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 (\$19,203) were received from the State of Florida and used to reduce the City's required contribution. On-behalf payments received from the state are recognized by the City as revenues and expenditures in the year they are paid to the respective pension trust funds.

For the year ended September 30, 2014, the Police Plan's actuarially determined required contribution (based on the actuarial valuation dated October 1, 2012) totaled \$797,581, or 72.6% of covered payroll of \$1,098,247. Actual contributions from members representing 5% (if hired before July 1, 2011) or 8% (if hired after June 30, 2011) of covered payroll totaled \$67,172, which produced a required minimum employer contribution representing 66.5% of payroll or \$730,409. Amounts actually contributed by the

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

City during the year ended September 30, 2014, totaled \$732,247, including state excise tax premium distributions of \$95,509, which was \$1,839 greater than the actuarially determined minimum contribution.

For the year ended September 30, 2014, the Fire Plan's actuarially determined required contribution (based on the actuarial valuation dated October 1, 2012) totaled \$265,741, or 40.3% of covered payroll of \$659,588. Actual contributions from members representing 8% of covered payroll totaled \$52,767, which produced a required minimum employer contribution representing 32.3% of payroll or \$212,974. Amounts actually contributed by the City during the year ended September 30, 2014, totaled \$223,125, including state excise tax premium distributions and other state provided funds totaling \$62,761, which was \$10,151 greater than the actuarially determined minimum contribution.

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

The City's annual pension costs and net pension obligations (assets) of the Police and Fire Plans 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 (Asset)</u>
09/30/2014.....	\$ 733,625	100%	\$ (24,178)
09/30/2013.....	\$ 716,547	100%	\$ (25,556)
09/30/2012.....	\$ 669,099	100%	\$ (26,905)

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 (Asset)</u>
09/30/2014.....	\$ 227,271	98%	\$ (69,199)
09/30/2013.....	\$ 252,470	98%	\$ (73,496)
09/30/2012.....	\$ 128,921	110%	\$ (77,953)

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)**

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CITY OF HOLLY HILL, FLORIDA

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

	<u>09/30/12</u>	<u>09/30/13</u>	<u>09/30/14</u>
Actuarially determined contribution.	\$ 667,847	715,194	732,247
Interest on NPA .....	(2,112)	(2,018)	(1,917)
Adjustment .....	<u>3,364</u>	<u>3,371</u>	<u>3,295</u>
Annual Pension Cost .....	669,099	716,547	733,625
Contributions made .....	<u>667,847</u>	<u>715,198</u>	<u>732,247</u>
Decrease in NPA .....	1,252	1,349	1,378
Net pension asset, beginning .....	<u>(28,157)</u>	<u>(26,905)</u>	<u>(25,556)</u>
Net pension asset, ending .....	<u>\$ (26,905)</u>	<u>(25,556)</u>	<u>(24,178)</u>

The development of the revised Net Pension Asset in the Fire Plan to date is as follows:

	<u>09/30/12</u>	<u>09/30/13</u>	<u>09/30/14</u>
Actuarially determined contribution.	\$ 126,366	248,013	222,974
Interest on NPA .....	(4,855)	(5,846)	(5,512)
Adjustment .....	<u>7,410</u>	<u>10,303</u>	<u>9,809</u>
Annual Pension Cost .....	128,921	252,470	227,271
Contributions made .....	<u>142,143</u>	<u>248,013</u>	<u>222,974</u>
(Increase) decrease in NPA .....	(13,222)	4,457	4,297
NPA - beginning of year .....	<u>(64,731)</u>	<u>(77,953)</u>	<u>(73,496)</u>
NPA - end of year .....	<u>\$ (77,953)</u>	<u>(73,496)</u>	<u>(69,199)</u>

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

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

Significant actuarial assumptions used in the valuations for each plan are as follows:

	<u>Police</u> <u>Plan</u>	<u>Fire</u> <u>Plan</u>
Contribution rates as of 09/30/14:		
City (and state) .....	N/A	N/A
Plan Members (hired prior to July 1, 2011) .....	5.0%	8.0%
Plan Members (hired after June 30, 2011).....	8.0%	8.0%
Annual Pension Cost .....	\$733,625	\$227,271
Contributions made .....	\$732,247	\$222,974
Actuarial valuation date.....	10/01/12	10/01/12
Actuarial cost method.....	Entry Age Normal	Entry Age Normal
Amortization method.....	Level % of Pay, Closed	Level % of Pay, Closed
Remaining amortization period .....	26 Years (as of 10/1/12)	26 Years (as of 10/1/12)
Asset valuation method .....	4yr. Smooth Market	4yr. Smooth Market
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%

*Funded Status and Funding Progress* - Based on the October 1, 2014 actuarial valuations, the funded status of the Police Plan and Fire Plan was as follows:

	<u>Police</u> <u>Plan</u>	<u>Fire</u> <u>Plan</u>
Actuarial value of plan assets.....	\$ 8,362,160	\$ 3,578,651
Actuarial accrued liability (AAL) – Entry Age.....	\$ 11,007,559	\$ 4,953,470
Unfunded actuarial accrued liability (UAAL) .....	\$ 2,645,399	\$ 1,374,819
Funded ratio (actuarial value of plan assets/AAL).....	75.97%	72.25%
Estimated covered payroll (annual payroll of active employees covered by the plan).....	\$ 1,090,976	\$ 699,163
UAAL as a percentage of covered payroll.....	242.48%	196.63%

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, 2014

CITY OF HOLLY HILL, FLORIDA

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

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

Presented below are the separate financial statements for each pension trust fund for the year ended September 30, 2014:

**Statements of Fiduciary Plan Net Position**  
September 30, 2014

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 469,007	243,864	712,871
<b>Receivables:</b>			
Employer contributions receivable.....	132,974	38,546	171,520
State contributions receivable.....	-	19,203	19,203
Interest and dividends receivable.....	27,567	7,365	34,932
Total accounts receivable.....	<u>160,541</u>	<u>65,114</u>	<u>225,655</u>
Prepaid expenses.....	-	2,789	2,789
<b>Investments, at fair value</b>			
U.S. Treasuries.....	1,223,112	44,786	1,267,898
U.S. government agencies.....	223,146	83,657	306,803
Corporate and municipal debt obligations .....	929,936	896,655	1,826,591
Domestic corporate equity securities.....	4,651,945	-	4,651,945
International equity securities.....	1,099,770	-	1,099,770
Mutual Funds.....	-	2,441,118	2,441,118
Total investments.....	<u>8,127,909</u>	<u>3,466,216</u>	<u>11,594,125</u>
Total assets.....	8,757,457	3,777,983	12,535,440
<b>Liabilities:</b>			
Accounts payable.....	<u>20,015</u>	<u>5,554</u>	<u>25,569</u>
<b>Net position:</b>			
Held in trust for pension benefits.....	<u>\$ 8,737,442</u>	<u>3,772,429</u>	<u>12,509,871</u>

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

September 30, 2014

CITY OF HOLLY HILL, FLORIDA

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

For the Fiscal Year Ended September 30, 2014

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Additions:			
Contributions from:			
Employer.....	\$ 636,738	160,364	797,102
State.....	95,509	62,761	158,270
Plan members .....	<u>67,173</u>	<u>52,767</u>	<u>119,940</u>
Total contributions.....	<u>799,420</u>	<u>275,892</u>	<u>1,075,312</u>
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments....	497,261	244,959	742,220
Interest and dividend earnings.....	<u>183,821</u>	<u>86,036</u>	<u>269,857</u>
Investment income .....	681,082	330,995	1,012,077
Less: investment management fees .....	<u>(81,949)</u>	<u>(18,834)</u>	<u>(100,783)</u>
Net investment income .....	<u>599,133</u>	<u>312,161</u>	<u>911,294</u>
Total additions .....	<u>1,398,553</u>	<u>588,053</u>	<u>1,986,606</u>
Deductions:			
Benefit payments and refunds .....	596,484	271,874	868,358
Lump sum DROP payments.....	404,698	-	404,698
Refunds/withdrawals.....	38,994	-	38,994
Administrative expenses .....	<u>21,956</u>	<u>20,468</u>	<u>42,424</u>
Total deductions.....	<u>1,062,132</u>	<u>292,342</u>	<u>1,354,474</u>
Net increase.....	336,421	295,711	632,132
Net position held in trust for pension benefits:			
Beginning of year .....	<u>8,401,021</u>	<u>3,476,718</u>	<u>11,877,739</u>
End of year.....	<u>\$ 8,737,442</u>	<u>\$ 3,772,429</u>	<u>\$ 12,509,871</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, 2014

CITY OF HOLLY HILL, FLORIDA

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**NOTE 17 – RISK MANAGEMENT**

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

**NOTE 18 – SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 16, 2015, 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, 2014  
CITY OF HOLLY HILL, FLORIDA

**Schedule 1**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c)
<u>Municipal Firefighters' Retirement System</u>						
10/01/2014	\$ 3,578,651	\$ 4,953,470	\$ 1,374,819	72.25%	\$ 659,584	208.44%
10/01/2013	\$ 3,317,417	\$ 4,738,350	\$ 1,420,933	70.01%	\$ 690,628	205.75%
10/01/2012	\$ 3,289,644	\$ 4,908,256	\$ 1,618,612	67.02%	\$ 486,099	332.98%
10/01/2011	\$ 2,992,822	\$ 4,492,447	\$ 1,499,625	66.62%	\$ 429,175	349.42%
10/01/2010	\$ 3,114,518	\$ 4,340,101	\$ 1,225,583	71.76%	\$ 513,599	238.63%
10/01/2009	\$ 3,067,387	\$ 4,317,679	\$ 1,250,292	71.04%	\$ 630,037	198.45%

Municipal Police Officers' Retirement Trust Fund

10/01/2014	\$ 8,362,160	\$ 11,007,559	\$ 2,645,399	75.97%	\$ 1,135,179	233.04%
10/01/2013	\$ 7,919,142	\$ 11,137,148	\$ 3,218,006	71.11%	\$ 1,125,038	286.04%
10/01/2012	\$ 7,240,497	\$ 11,360,426	\$ 4,119,929	63.73%	\$ 1,041,612	395.53%
10/01/2011	\$ 6,198,433	\$ 10,602,319	\$ 4,403,886	58.46%	\$ 1,060,484	415.27%
10/01/2010	\$ 6,291,928	\$ 10,378,081	\$ 4,086,153	60.63%	\$ 1,018,222	401.30%
10/01/2009	\$ 6,333,782	\$ 10,155,787	\$ 3,822,005	62.37%	\$ 1,154,107	331.17%

Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded (Assets in Excess of) AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c)
10/01/2014	\$ -	n/a	n/a	n/a	n/a	n/a
10/01/2013	\$ -	\$ 1,791,400	\$ 1,791,400	0.00%	\$ 4,178,029	42.88%
10/01/2012	\$ -	n/a	n/a	n/a	n/a	n/a
10/01/2011	\$ -	\$ 1,260,000	\$ 1,260,000	0.00%	\$ 3,990,000	31.58%
10/01/2010	\$ -	n/a	n/a	n/a	n/a	n/a
10/01/2009	\$ -	n/a	n/a	n/a	n/a	n/a

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF CONTRIBUTIONS OF EMPLOYER AND OTHER**  
**CONTRIBUTING ENTITIES**  
September 30, 2014  
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>					
2014	\$ 222,974	\$ 160,213	\$ 62,761	\$ 222,974	100.00%
2013	\$ 248,013	\$ 187,463	\$ 60,550	\$ 248,013	100.00%
2012	\$ 126,366	\$ 85,180	\$ 56,964	\$ 142,144	112.49%
2011	\$ 124,824	\$ 64,875	\$ 59,948	\$ 124,823	100.00%
2010	\$ 167,424	\$ 105,163	\$ 62,261	\$ 167,424	100.00%
2009	\$ 197,016	\$ 47,502	\$ 149,514	\$ 197,016	100.00%

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

<u>Municipal Police Officers' Retirement Trust Fund</u>					
2014	\$ 732,247	\$ 636,738	\$ 95,509	\$ 732,247	100.00%
2013	\$ 715,194	\$ 655,333	\$ 59,865	\$ 715,198	100.00%
2012	\$ 667,847	\$ 606,694	\$ 61,153	\$ 667,847	100.00%
2011	\$ 496,881	\$ 432,571	\$ 64,309	\$ 496,880	100.00%
2010	\$ 456,309	\$ 386,511	\$ 69,797	\$ 456,308	100.00%
2009	\$ 412,016	\$ 261,197	\$ 150,819	\$ 412,016	100.00%

<u>Holly Hill Post-Retirement Benefits Plan</u>					
2014	\$ 312,089	\$ 91,159	\$ -	\$ 91,159	29.21%
2013	\$ 220,000	\$ 40,000	N/A	\$ 40,000	18.18%
2012	\$ 160,000	\$ 40,000	\$ -	\$ 40,000	25.00%
2011	N/A	N/A	N/A	N/A	N/A
2010	\$ 366,000	\$ 39,000	\$ -	\$ 39,000	10.66%
2009	\$ 368,000	\$ 32,000	\$ -	\$ 32,000	8.70%

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

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## **NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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

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

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

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

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

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

Nonmajor Special Revenue Funds

	Impact Fees Trust	Law Enforcement Trust	Holly Hill Police Explorers	Recreation Activity PAL	Red Light Traffic Enforcement
<b>Assets:</b>					
Cash and cash equivalents.....	\$ 222,543	25,420	1,179	3,583	20,466
Due from other governments.....	-	-	-	-	-
<b>Total assets.....</b>	<b><u>\$ 222,543</u></b>	<b><u>25,420</u></b>	<b><u>1,179</u></b>	<b><u>3,583</u></b>	<b><u>20,466</u></b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable/accrued liabilities \$	-	-	25	-	16,404
Due to other funds.....	-	-	-	-	-
<b>Total liabilities.....</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>25</u></b>	<b><u>-</u></b>	<b><u>16,404</u></b>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Law enforcement.....	58,221	25,420	-	-	-
Fire protection.....	38,721	-	-	-	-
Transportation.....	76,788	-	-	-	-
Recreation.....	48,813	-	-	-	-
<b>Committed to:</b>					
Capital projects fund.....	-	-	-	-	-
<b>Assigned to:</b>					
Recreation projects.....	-	-	-	3,583	-
Law enforcement.....	-	-	1,154	-	4,062
Unassigned.....	-	-	-	-	-
<b>Total fund balances.....</b>	<b><u>222,543</u></b>	<b><u>25,420</u></b>	<b><u>1,154</u></b>	<b><u>3,583</u></b>	<b><u>4,062</u></b>
<b>Total liabilities and fund balances .</b>	<b><u>\$ 222,543</u></b>	<b><u>25,420</u></b>	<b><u>1,179</u></b>	<b><u>3,583</u></b>	<b><u>20,466</u></b>

**Exhibit 1**

			Nonmajor Capital Projects Fund	Total
Community Development Block Grant	Local Law Enforcement Block Grant	Total Nonmajor Special Revenue Funds	Capital Projects Fund	All Nonmajor Governmental Funds
-	-	273,191	130,991	404,182
<u>43,836</u>	<u>-</u>	<u>43,836</u>	<u>-</u>	<u>43,836</u>
<u>43,836</u>	<u>-</u>	<u>317,027</u>	<u>130,991</u>	<u>448,018</u>
-	-	16,429	-	16,429
<u>43,836</u>	<u>-</u>	<u>43,836</u>	<u>-</u>	<u>43,836</u>
<u>43,836</u>	<u>-</u>	<u>60,265</u>	<u>-</u>	<u>60,265</u>
-	-	83,641	-	83,641
-	-	38,721	-	38,721
-	-	76,788	-	76,788
-	-	48,813	-	48,813
-	-	-	130,991	130,991
-	-	3,583	-	3,583
-	-	5,216	-	5,216
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>256,762</u>	<u>130,991</u>	<u>387,753</u>
<u>43,836</u>	<u>-</u>	<u>317,027</u>	<u>130,991</u>	<u>448,018</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

	Nonmajor Special Revenue				
	Impact Fees Trust	Law Enforcement Trust	Holly Hill Police Explorers	Recreation Activity PAL	Red Light Traffic Enforcement
<b>Revenue:</b>					
Permits and fees.....	\$ 5,977	-	-	-	-
Intergovernmental .....	-	-	-	-	-
Fines and forfeitures .....	-	23,010	-	-	171,825
Miscellaneous .....	<u>37</u>	<u>12</u>	<u>791</u>	<u>1</u>	<u>12</u>
Total revenue.....	<u>6,014</u>	<u>23,022</u>	<u>791</u>	<u>1</u>	<u>171,837</u>
<b>Expenditures:</b>					
Current:					
Public safety.....	-	9,724	-	-	167,862
Culture/recreation.....	-	-	359	62	-
Capital Outlay:					
Public safety.....	-	-	-	-	-
Physical Environment.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>9,724</u>	<u>359</u>	<u>62</u>	<u>167,862</u>
Excess of revenue over (under) expenditures .....	6,014	13,298	432	(61)	3,975
<b>Other Financing Sources (Uses):</b>					
Transfers in.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances....	6,014	13,298	432	(61)	3,975
Fund balances, beginning of year.....	<u>216,529</u>	<u>12,122</u>	<u>722</u>	<u>3,644</u>	<u>87</u>
Fund balances, end of year.....	<u>\$ 222,543</u>	<u>25,420</u>	<u>1,154</u>	<u>3,583</u>	<u>4,062</u>

**Exhibit 2**

Funds			Nonmajor Capital Projects Fund	Total
Community Development Block Grant	Local Law Enforcement Block Grant	Total Nonmajor Special Revenue Funds	Capital Projects Fund	All Nonmajor Governmental Funds
-	-	5,977	-	5,977
77,310	4,157	81,467	-	81,467
-	-	194,835	-	194,835
-	-	853	13	866
<u>77,310</u>	<u>4,157</u>	<u>283,132</u>	<u>13</u>	<u>283,145</u>
-	-	177,586	-	177,586
-	-	421	-	421
-	4,159	4,159	-	4,159
<u>77,310</u>		<u>77,310</u>	<u>-</u>	<u>77,310</u>
<u>77,310</u>	<u>4,159</u>	<u>259,476</u>	<u>-</u>	<u>259,476</u>
-	(2)	23,656	13	23,669
-	2	2	-	2
-	-	23,658	13	23,671
-	-	<u>233,104</u>	<u>130,978</u>	<u>364,082</u>
-	-	<u>256,762</u>	<u>130,991</u>	<u>387,753</u>

**BUDGETARY COMPARISON SCHEDULE**  
**COMMUNITY REDEVELOPMENT AGENCY**  
**DEBT SERVICE FUND - MAJOR FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 3**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	26	26
Expenditures:				
Debt Service:				
Principal retirement.....	640,000	640,000	640,000	-
Interest payments.....	187,900	207,800	207,834	(34)
Total expenditures.....	827,900	847,800	847,834	(34)
Excess of revenue over (under) expenditures.....	(827,900)	(847,800)	(847,808)	(8)
Other Financing Sources (Uses):				
Transfers in.....	853,600	854,600	854,600	-
Contingency.....	(25,700)	(6,800)	-	(6,800)
Total other financing sources (uses).	827,900	847,800	854,600	(6,800)
Net change in fund balance.....	-	-	6,792	(6,808)
Fund balances, beginning of year .....	412,764	412,764	412,764	183,000
Fund balances, end of year.....	\$ 412,764	412,764	419,556	176,192

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

**Exhibit 4**

For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	300	485	185
Expenditures:				
Capital Outlay:				
Economic Environment:				
Operating expenditures.....	-	-	43	(43)
Capital outlay.....	5,000,000	715,300	717,052	(1,752)
Total expenditures.....	5,000,000	715,300	717,095	(1,795)
Excess of revenue over (under) expenditures.....	(5,000,000)	(715,000)	(716,610)	(1,610)
Other Financing Sources (Uses):				
Appropriated fund balance.....	5,000,000	715,000	-	(715,000)
Total other financing sources (uses).	5,000,000	715,000	-	(715,000)
Net change in fund balance.....	-	-	(716,610)	(716,610)
Fund balances, beginning of year.....	4,861,034	4,861,034	4,861,034	-
Fund balances, end of year.....	<u>\$ 4,861,034</u>	<u>4,861,034</u>	<u>4,144,424</u>	<u>(716,610)</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR IMPACT FEES TRUST FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 5**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Permits and Fees:				
Law enforcement impact fees.....	\$ 1,000	800	887	87
Fire protection impact fees.....	1,000	700	765	65
Roads and streets impact fees.....	2,000	1,400	1,478	78
Recreation and parks impact fees.....	500	2,800	2,847	47
	<u>4,500</u>	<u>5,700</u>	<u>5,977</u>	<u>277</u>
Miscellaneous:				
Interest earnings.....	-	-	37	37
Total revenue.....	4,500	5,700	6,014	314
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures.....	4,500	5,700	6,014	314
Other Financing Sources (Uses):				
Contingency.....	(4,500)	(5,700)	-	5,700
Net change in fund balance.....	-	-	6,014	6,014
Fund balances, beginning of year .....	<u>216,529</u>	<u>216,529</u>	<u>216,529</u>	-
Fund balances, end of year.....	<u>\$ 216,529</u>	<u>216,529</u>	<u>222,543</u>	<u>6,014</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR LAW ENFORCEMENT TRUST FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 6**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenue:</b>				
Fines and Forfeitures:				
Confiscated property.....	\$ 5,000	23,000	23,010	10
Miscellaneous:				
Interest earnings.....	-	-	12	12
Total revenue.....	<u>5,000</u>	<u>23,000</u>	<u>23,022</u>	<u>22</u>
<b>Expenditures:</b>				
Current:				
Public Safety:				
Operating expenditures.....	-	9,800	9,724	76
Capital outlay.....	<u>25,000</u>	<u>13,200</u>	-	<u>13,200</u>
Total expenditures .....	<u>25,000</u>	<u>23,000</u>	<u>9,724</u>	<u>13,276</u>
Excess of revenue over (under) expenditures .....	(20,000)	-	13,298	13,298
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>20,000</u>	-	-	-
Net change in fund balance.....	-	-	13,298	13,298
Fund balances, beginning of year.....	<u>12,122</u>	<u>12,122</u>	<u>12,122</u>	-
Fund balances, end of year.....	<u>\$ 12,122</u>	<u>12,122</u>	<u>25,420</u>	<u>13,298</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR HOLLY HILL POLICE EXPLORERS FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 7**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	1	1
Contributions.....	<u>1,500</u>	<u>800</u>	<u>790</u>	<u>(10)</u>
Total revenue.....	<u>1,500</u>	<u>800</u>	<u>791</u>	<u>(9)</u>
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	<u>1,500</u>	<u>800</u>	<u>359</u>	<u>441</u>
Excess of revenue over (under) expenditures.....	-	-	432	432
Fund balances, beginning of year.....	<u>722</u>	<u>722</u>	<u>722</u>	-
Fund balances, end of year.....	<u>\$ 722</u>	<u>722</u>	<u>1,154</u>	<u>432</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR RECREATION ACTIVITY (PAL) FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 8**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	1	1
Total revenue .....	-	-	1	1
Expenditures:				
Current:				
Culture/recreation:				
Operating expenditures.....	3,000	100	62	38
Excess of revenue over (under) expenditures.....	(3,000)	(100)	(61)	39
Other Financing Sources (Uses):				
Appropriated fund balance.....	3,000	100	-	(100)
Net change in fund balance.....	-	-	(61)	(61)
Fund balances, beginning of year .....	3,644	3,644	3,644	-
Fund balances, end of year .....	<u>\$ 3,644</u>	<u>\$ 3,644</u>	<u>\$ 3,583</u>	<u>\$ (61)</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR RED LIGHT TRAFFIC ENFORCEMENT FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 9**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Fines and forfeitures:				
Red light camera fines.....	\$ 150,000	171,700	171,825	125
Miscellaneous:				
Interest earnings.....	-	-	12	12
Total revenue .....	<u>150,000</u>	<u>171,700</u>	<u>171,837</u>	<u>137</u>
Expenditures:				
Current:				
Public safety:				
Law enforcement:				
Operating expenditures.....	<u>150,000</u>	<u>171,700</u>	<u>167,862</u>	<u>3,838</u>
Excess of revenue over (under) expenditures.....	-	-	3,975	3,975
Fund balances, beginning of year .....	<u>87</u>	<u>87</u>	<u>87</u>	<u>-</u>
Fund balances, end of year .....	<u>\$ 87</u>	<u>\$ 87</u>	<u>\$ 4,062</u>	<u>\$ 3,975</u>

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 10**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Housing and Urban Development.....	\$ 86,900	77,300	77,310	10
Expenditures:				
Current:				
Physical Environment:				
Capital outlay.....	86,900	77,300	77,310	(10)
Excess of revenue over (under) expenditures.....	-	-	-	-
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	-	-

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR LOCAL LAW ENFORCEMENT BLOCK GRANT FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 11**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Justice.....	\$ 10,000	4,100	4,157	57
Total revenue.....	10,000	4,100	4,157	57
Expenditures:				
Current:				
Public Safety:				
Capital outlay.....	10,000	4,100	4,159	(59)
Total expenditures.....	10,000	4,100	4,159	(59)
Excess of revenue over (under) expenditures.....	-	-	(2)	(2)
Other Financing Sources (Uses):				
Transfers in.....	-	-	2	2
Net change in fund balance.....	-	-	-	-
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	-	-

**BUDGETARY COMPARISON SCHEDULE**  
**NONMAJOR CAPITAL PROJECTS FUND**  
For the Fiscal Year Ended September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Exhibit 12**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Miscellaneous:				
Interest earnings.....	\$ -	-	13	13
Expenditures:				
Capital Outlay:				
Transportation:				
Capital outlay.....	-	-	-	-
Excess of revenue over (under) expenditures.....	-	-	13	13
Fund balances, beginning of year .....	130,978	130,978	130,978	-
Fund balances, end of year .....	<u>\$ 130,978</u>	<u>130,978</u>	<u>130,991</u>	<u>13</u>

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## ***STATISTICAL SECTION***

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

### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

#### **Demographic and Economic Information**

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

#### **Operating Information**

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

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

**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
*(Accrual basis of accounting)*

	2014	2013	2012
<b>Governmental Activities:</b>			
Net investment in capital assets.....	\$ 15,003,479	\$ 14,212,302	\$ 12,676,997
Restricted.....	3,670,810	3,856,892	4,815,752
Unrestricted.....	<u>2,736,658</u>	<u>2,522,450</u>	<u>2,968,221</u>
Total governmental activities net position.....	<u>21,410,947</u>	<u>20,591,644</u>	<u>20,460,970</u>
<b>Business-type Activities:</b>			
Net investment in capital assets.....	7,665,165	5,175,795	7,180,534
Restricted.....	3,517,035	4,083,410	2,671,621
Unrestricted.....	<u>9,460,140</u>	<u>9,983,362</u>	<u>7,774,802</u>
Total business-type activities net position.....	<u>20,642,340</u>	<u>19,242,567</u>	<u>17,626,957</u>
<b>Primary Government:</b>			
Net investment in capital assets.....	22,668,644	19,388,097	19,857,531
Restricted.....	7,187,845	7,940,302	7,487,373
Unrestricted.....	<u>12,196,798</u>	<u>12,505,812</u>	<u>10,743,023</u>
Total primary government net position.....	<u>\$ 42,053,287</u>	<u>\$ 39,834,211</u>	<u>\$ 38,087,927</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						
2011	2010	2009	2008	2007	2006	2005
\$ 8,660,237	\$ 8,082,263	\$ 10,452,104	\$ 9,127,455	\$ 7,105,203	\$ 12,446,679	\$ 5,352,066
8,270,597	7,693,108	6,887,782	3,863,424	6,878,382	2,431,487	8,610,689
<u>2,543,101</u>	<u>2,148,243</u>	<u>4,434,152</u>	<u>5,171,318</u>	<u>2,868,014</u>	<u>987,391</u>	<u>1,174,051</u>
<u>19,473,935</u>	<u>17,923,614</u>	<u>21,774,038</u>	<u>18,162,197</u>	<u>16,851,599</u>	<u>15,865,557</u>	<u>15,136,806</u>
7,253,676	7,358,919	5,469,745	5,540,666	4,882,961	4,065,661	4,469,861
2,974,207	3,153,723	3,373,266	3,511,420	4,250,465	4,335,610	2,337,539
<u>6,338,589</u>	<u>4,529,073</u>	<u>2,125,610</u>	<u>2,082,279</u>	<u>2,173,592</u>	<u>2,482,583</u>	<u>2,899,688</u>
<u>16,566,472</u>	<u>15,041,715</u>	<u>10,968,621</u>	<u>11,134,365</u>	<u>11,307,018</u>	<u>10,883,854</u>	<u>9,707,088</u>
15,913,913	15,441,182	15,921,849	14,668,121	11,988,164	16,512,340	9,821,927
11,244,804	10,846,831	10,261,048	8,763,386	11,128,847	6,767,097	10,948,228
<u>8,881,690</u>	<u>6,677,316</u>	<u>6,559,762</u>	<u>5,865,055</u>	<u>5,041,606</u>	<u>3,469,974</u>	<u>4,073,739</u>
<u>\$ 36,040,407</u>	<u>\$ 32,965,329</u>	<u>\$ 32,742,659</u>	<u>\$ 29,296,562</u>	<u>\$ 28,158,617</u>	<u>\$ 26,749,411</u>	<u>\$ 24,843,894</u>

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
*(Accrual basis of accounting)*

	2014	2013	2012
<b>Expenses:</b>			
<b>Governmental Activities:</b>			
General government.....	\$ 2,137,770	\$ 2,298,533	\$ 2,348,014
Public safety.....	4,531,911	3,978,943	3,852,378
Physical environment.....	11,717	-	-
Transportation.....	657,879	578,257	289,592
Economic environment.....	676,361	1,242,706	886,764
Culture/recreation.....	965,559	949,879	866,369
Interest on long-term debt.....	<u>200,108</u>	<u>174,347</u>	<u>204,683</u>
Total governmental activities expenses.....	<u>9,181,305</u>	<u>9,222,665</u>	<u>8,447,800</u>
<b>Business-Type Activities:</b>			
Water and sewer.....	4,244,775	4,001,497	4,243,185
Stormwater Management.....	758,301	655,116	651,874
Solid Waste.....	<u>1,650,414</u>	<u>1,662,292</u>	<u>1,220,928</u>
Total business-type activities expenses.....	<u>6,653,490</u>	<u>6,318,905</u>	<u>6,115,987</u>
Total primary government expenses.....	<u>15,834,795</u>	<u>15,541,570</u>	<u>14,563,787</u>
<b>Program Revenues:</b>			
<b>Governmental Activities:</b>			
<b>Charges for Services:</b>			
General government.....	1,156,153	1,016,014	1,004,448
Public safety.....	413,875	382,829	396,331
Physical environment.....	-	-	-
Transportation.....	91,226	92,495	80,523
Economic environment.....	613	5,765	-
Culture/recreation.....	16,518	14,531	23,338
Operating grants and contributions.....	1,436,128	1,143,863	1,224,367
Capital grants and contributions.....	<u>199,013</u>	<u>209,098</u>	<u>397,333</u>
Total governmental activities program revenues.....	<u>3,313,526</u>	<u>2,864,595</u>	<u>3,126,340</u>
<b>Business-Type Activities:</b>			
<b>Charges for Services:</b>			
Water/Sewer.....	5,675,300	5,772,142	5,539,606
Stormwater Management.....	796,720	803,372	805,923
Solid Waste.....	2,196,706	1,962,148	1,689,857
Operating grants and contributions.....	-	-	-
Capital grants and contributions.....	<u>11,151</u>	<u>5,052</u>	<u>8,643</u>
Total business-type activities program revenues.....	<u>8,679,877</u>	<u>8,542,714</u>	<u>8,044,029</u>
Total primary government program revenues.....	<u>11,993,403</u>	<u>11,407,309</u>	<u>11,170,369</u>

Table 2

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
\$ 2,332,984	\$ 1,847,021	\$ 1,766,893	\$ 1,703,645	\$ 1,731,529	\$ 1,635,694	\$ 1,537,736
3,798,676	4,192,672	4,171,506	3,792,083	4,313,294	3,880,653	3,556,976
-	-	563,880	606,409	592,897	329,480	226,225
438,564	957,840	897,081	881,449	909,548	505,509	537,269
533,531	819,830	999,740	774,449	728,308	810,374	420,463
692,810	885,945	1,061,483	950,267	1,189,787	2,086,894	1,193,577
<u>235,237</u>	<u>244,726</u>	<u>363,189</u>	<u>381,840</u>	<u>490,530</u>	<u>448,914</u>	<u>144,761</u>
<u>8,031,802</u>	<u>8,948,034</u>	<u>9,823,772</u>	<u>9,090,142</u>	<u>9,955,893</u>	<u>9,697,518</u>	<u>7,617,007</u>
4,215,684	5,214,124	4,432,662	4,475,164	4,266,735	4,238,066	3,842,182
687,803	764,593	-	-	-	-	-
<u>1,279,669</u>	<u>1,282,392</u>	<u>1,267,242</u>	<u>1,387,483</u>	<u>1,398,151</u>	<u>1,662,639</u>	<u>1,591,794</u>
<u>6,183,156</u>	<u>7,261,109</u>	<u>5,699,904</u>	<u>5,862,647</u>	<u>5,664,886</u>	<u>5,900,705</u>	<u>5,433,976</u>
<u>14,214,958</u>	<u>16,209,143</u>	<u>15,523,676</u>	<u>14,952,789</u>	<u>15,620,779</u>	<u>15,598,223</u>	<u>13,050,983</u>
241,477	217,576	202,645	205,206	181,712	190,163	296,630
208,354	87,162	112,794	132,372	210,715	410,324	72,895
-	-	861,459	853,801	692,574	681,386	674,491
108,177	54,413	70,075	62,422	72,015	63,390	54,779
-	-	-	-	-	-	-
30,526	28,031	79,612	84,861	100,931	104,153	81,047
1,465,666	1,279,191	1,580,344	1,304,941	1,374,478	1,227,648	1,082,433
<u>189,546</u>	<u>117,781</u>	<u>142,086</u>	<u>106,711</u>	<u>941,912</u>	<u>426,699</u>	<u>336,710</u>
<u>2,243,746</u>	<u>1,784,154</u>	<u>3,049,015</u>	<u>2,750,314</u>	<u>3,574,337</u>	<u>3,103,763</u>	<u>2,598,985</u>
5,310,187	4,675,679	4,923,630	4,916,507	4,634,512	4,646,385	4,307,737
844,920	866,784	-	-	-	-	-
1,671,500	1,687,980	1,680,737	1,682,888	1,782,639	1,751,147	1,685,183
11,487	765	8,645	-	-	-	465,949
<u>18,072</u>	<u>12,804</u>	<u>3,330</u>	<u>26,640</u>	<u>140,052</u>	<u>1,434,318</u>	<u>98,700</u>
<u>7,856,166</u>	<u>7,244,012</u>	<u>6,616,342</u>	<u>6,626,035</u>	<u>6,557,203</u>	<u>7,831,850</u>	<u>6,557,569</u>
<u>10,099,912</u>	<u>9,028,166</u>	<u>9,665,357</u>	<u>9,376,349</u>	<u>10,131,540</u>	<u>10,935,613</u>	<u>9,156,554</u>

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
*(Accrual basis of accounting)*

	2014	2013	2012
<b>Net (Expense)/Revenue:</b>			
Governmental activities.....	\$ (5,867,779)	\$ (6,358,070)	\$ (5,321,460)
Business-type activities.....	<u>2,026,387</u>	<u>2,223,809</u>	<u>1,928,042</u>
Total primary government net expense.....	<u>(3,841,392)</u>	<u>(4,134,261)</u>	<u>(3,393,418)</u>
<b>General Revenues and Other Changes in Net Position:</b>			
<b>Governmental Activities:</b>			
<b>Taxes:</b>			
Property taxes.....	3,322,229	3,199,635	3,208,390
Sales taxes.....	565,457	536,137	510,207
Public service taxes.....	1,714,214	1,676,393	1,616,522
Intergovernmental revenues.....	300,608	288,696	275,803
Investment earnings.....	4,002	14,658	2,646
Miscellaneous revenue.....	148,772	156,425	78,127
Transfers.....	<u>631,800</u>	<u>616,800</u>	<u>616,800</u>
Total governmental activities.....	<u>6,687,082</u>	<u>6,488,744</u>	<u>6,308,495</u>
<b>Business-Type Activities:</b>			
Investment earnings.....	5,186	8,601	1,747
Transfers.....	(631,800)	(616,800)	(150,000)
Other.....	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>(626,614)</u>	<u>(608,199)</u>	<u>(148,253)</u>
Total primary government.....	<u>\$ 6,060,468</u>	<u>\$ 5,880,545</u>	<u>\$ 6,160,242</u>
<b>Changes in Net Position:</b>			
Governmental activities.....	\$ 819,303	\$ 130,674	\$ 987,035
Business-type activities.....	<u>1,399,773</u>	<u>1,615,610</u>	<u>1,779,789</u>
Total primary government.....	<u>\$ 2,219,076</u>	<u>\$ 1,746,284</u>	<u>\$ 2,766,824</u>

**Note:**

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

Table 2

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
\$ (5,788,056)	\$ (7,163,880)	\$ (6,774,757)	\$ (6,339,828)	\$ (6,381,556)	\$ (6,593,755)	\$ (5,018,022)
<u>1,673,010</u>	<u>(17,097)</u>	<u>916,438</u>	<u>763,388</u>	<u>892,317</u>	<u>1,931,145</u>	<u>1,123,593</u>
<u>(4,115,046)</u>	<u>(7,180,977)</u>	<u>(5,858,319)</u>	<u>(5,576,440)</u>	<u>(5,489,239)</u>	<u>(4,662,610)</u>	<u>(3,894,429)</u>
3,435,096	3,220,600	4,344,229	2,542,372	2,485,206	2,039,394	1,584,639
521,190	522,556	478,250	573,309	690,349	691,925	700,190
1,635,185	1,647,958	1,645,513	1,513,683	1,413,844	1,411,069	1,366,428
1,498,361	1,924,018	2,522,732	1,303,179	1,233,860	1,265,659	510,067
4,627	7,058	52,685	304,079	615,882	509,477	205,338
93,918	78,067	230,589	301,204	89,557	276,832	732,392
<u>150,000</u>	<u>910,600</u>	<u>1,112,600</u>	<u>1,112,600</u>	<u>838,900</u>	<u>1,128,150</u>	<u>795,000</u>
<u>7,338,377</u>	<u>8,310,857</u>	<u>10,386,598</u>	<u>7,650,426</u>	<u>7,367,598</u>	<u>7,322,506</u>	<u>5,894,054</u>
1,747	3,391	26,877	156,163	366,179	373,771	137,691
(150,000)	(910,600)	(1,112,600)	(1,112,600)	(838,900)	(1,128,150)	(795,000)
<u>-</u>	<u>-</u>	<u>3,541</u>	<u>20,396</u>	<u>3,568</u>	<u>-</u>	<u>(4,190)</u>
<u>(148,253)</u>	<u>(907,209)</u>	<u>(1,082,182)</u>	<u>(936,041)</u>	<u>(469,153)</u>	<u>(754,379)</u>	<u>(661,499)</u>
<u>\$ 7,190,124</u>	<u>\$ 7,403,648</u>	<u>\$ 9,304,416</u>	<u>\$ 6,714,385</u>	<u>\$ 6,898,445</u>	<u>\$ 6,568,127</u>	<u>\$ 5,232,555</u>
\$ 1,550,321	\$ 1,146,977	\$ 3,611,841	\$ 1,310,598	\$ 986,042	\$ 728,751	\$ 876,032
<u>1,524,757</u>	<u>(924,306)</u>	<u>(165,744)</u>	<u>(172,653)</u>	<u>423,164</u>	<u>1,176,766</u>	<u>462,094</u>
<u>\$ 3,075,078</u>	<u>\$ 222,671</u>	<u>\$ 3,446,097</u>	<u>\$ 1,137,945</u>	<u>\$ 1,409,206</u>	<u>\$ 1,905,517</u>	<u>\$ 1,338,126</u>

**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
*(Modified accrual basis of accounting)*

	2014	2013	2012
<b>General Fund:</b>			
Nonspendable.....	\$ 19,653	\$ 17,395	\$ 1,645
Restricted.....	316,533	196,458	605,017
Committed.....	-	-	-
Assigned.....	1,617,533	558,359	1,780,964
Unassigned.....	<u>2,352,968</u>	<u>3,016,441</u>	<u>2,119,220</u>
Total general fund.....	<u>\$ 4,306,687</u>	<u>\$ 3,788,653</u>	<u>\$ 4,506,846</u>
<b>All Other Governmental Funds:</b>			
Nonspendable.....	\$ -	\$ 16,400	\$ -
Restricted.....	7,500,251	8,558,234	4,210,735
Committed.....	130,991	130,978	130,961
Assigned.....	8,799	4,453	20,045
Unassigned.....	<u>-</u>	<u>-</u>	<u>(1,715)</u>
Total all other governmental funds.....	<u>\$ 7,640,041</u>	<u>\$ 8,710,065</u>	<u>\$ 4,360,026</u>

Notes:

Taken from Balance Sheet Statement 3.

**Table 3**

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
\$ 1,721	\$ 51,265	\$ 2,594	\$ 1,387	\$ 4,012	\$ 1,325	\$ -
509,827	261,158	143,688	125,983	10,188	2,707	7,923
-	-	10,034	2,485	1,042	40,023	123,489
975	-	-	-	-	-	-
<u>3,558,549</u>	<u>2,961,396</u>	<u>2,204,901</u>	<u>1,493,861</u>	<u>1,426,366</u>	<u>1,668,286</u>	<u>1,592,141</u>
<u>\$ 4,071,072</u>	<u>\$ 3,273,819</u>	<u>\$ 2,361,217</u>	<u>\$ 1,623,716</u>	<u>\$ 1,441,608</u>	<u>\$ 1,712,341</u>	<u>\$ 1,723,553</u>
\$ 55,000	\$ -	\$ 26,573	\$ 29,529	\$ -	\$ -	\$ -
7,760,770	7,356,536	6,633,540	4,589,388	7,433,007	7,154,679	7,177,896
130,945	315,515	414,733	1,517,915	281,147	226,013	286,942
20,603	-	2,351,563	1,932,244	1,570,179	1,308,108	1,172,893
<u>(15,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,864)</u>	<u>-</u>	<u>-</u>
<u>\$ 7,952,119</u>	<u>\$ 7,672,051</u>	<u>\$ 9,426,409</u>	<u>\$ 8,069,076</u>	<u>\$ 9,153,469</u>	<u>\$ 8,688,800</u>	<u>\$ 8,637,731</u>

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
*(Modified accrual basis of accounting)*

	2014	2013	2012
<b>Revenue:</b>			
Taxes .....	\$ 5,648,079	\$ 5,431,600	\$ 5,381,971
Permits and fees .....	1,072,873	968,414	869,747
Intergovernmental .....	2,078,751	1,816,087	2,032,148
Charges for services .....	133,288	126,279	123,709
Fines and forfeitures .....	271,272	228,493	319,638
Miscellaneous .....	<u>154,773</u>	<u>173,812</u>	<u>96,308</u>
<b>Total revenue .....</b>	<b><u>9,359,036</u></b>	<b><u>8,744,685</u></b>	<b><u>8,823,521</u></b>
<b>Expenditures:</b>			
General government .....	2,048,137	2,259,139	2,376,905
Public safety .....	4,335,023	4,409,235	3,808,003
Physical environment .....	-	-	-
Transportation .....	426,670	783,393	274,514
Economic environment .....	1,084,763	1,597,229	2,725,325
Culture/recreation .....	1,001,836	995,081	746,812
Capital outlay .....	798,564	221,442	2,129,771
<b>Debt Service:</b>			
Principal retirement .....	640,000	336,283	155,367
Interest and fiscal charges .....	<u>207,834</u>	<u>127,837</u>	<u>145,059</u>
<b>Total expenditures .....</b>	<b><u>10,542,827</u></b>	<b><u>10,729,639</u></b>	<b><u>12,361,756</u></b>
Excess of revenue over (under) expenditures .....	<u>(1,183,791)</u>	<u>(1,984,954)</u>	<u>(3,538,235)</u>
<b>Other Financing Sources (Uses):</b>			
Revenue bonds issued .....	-	5,000,000	4,835,000
Transfers in .....	1,486,402	1,226,600	1,117,408
Transfers out .....	(854,602)	(609,800)	(500,608)
Payment to refunded bond escrow .....	<u>-</u>	<u>-</u>	<u>(5,069,884)</u>
<b>Total other financing sources (uses) .....</b>	<b><u>631,800</u></b>	<b><u>5,616,800</u></b>	<b><u>381,916</u></b>
<b>Net change in fund balances .....</b>	<b><u>\$ (551,991)</u></b>	<b><u>\$ 3,631,846</u></b>	<b><u>\$ (3,156,319)</u></b>
<b>Debt service as a percentage of noncapital expenditures .....</b>	<b><u>9.7%</u></b>	<b><u>5.4%</u></b>	<b><u>3.8%</u></b>

Table 4

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
\$ 5,623,744	\$ 5,872,297	\$ 6,300,929	\$ 4,500,797	\$ 5,240,974	\$ 4,607,799	\$ 4,183,610
1,016,041	897,290	955,638	974,290	319,913	518,996	284,989
2,406,507	2,628,694	3,243,739	2,082,755	2,781,349	2,434,916	2,010,954
162,466	100,671	1,031,913	1,025,165	897,816	877,539	827,162
124,005	45,985	57,404	61,567	40,218	52,881	67,693
<u>100,998</u>	<u>88,078</u>	<u>332,718</u>	<u>657,481</u>	<u>847,312</u>	<u>811,069</u>	<u>319,427</u>
<u>9,433,761</u>	<u>9,633,015</u>	<u>11,922,341</u>	<u>9,302,055</u>	<u>10,127,582</u>	<u>9,303,200</u>	<u>7,693,835</u>
2,411,056	1,672,409	1,765,165	1,749,913	1,655,728	1,571,903	1,466,599
3,596,628	3,915,840	3,915,435	3,890,331	4,093,737	3,829,127	3,433,086
-	-	299,800	322,913	264,820	303,840	259,554
126,887	729,145	751,625	818,689	680,808	890,927	634,688
580,112	787,094	2,271,230	554,760	718,528	452,553	419,060
538,632	734,731	895,344	836,617	1,023,783	1,788,802	1,099,406
857,414	615,324	217,422	2,208,584	1,352,216	572,661	645,976
269,729	222,179	464,473	558,115	583,185	561,761	402,756
<u>238,097</u>	<u>248,262</u>	<u>359,613</u>	<u>377,018</u>	<u>399,741</u>	<u>419,920</u>	<u>144,761</u>
<u>8,618,555</u>	<u>8,924,984</u>	<u>10,940,107</u>	<u>11,316,940</u>	<u>10,772,546</u>	<u>10,391,494</u>	<u>8,505,886</u>
<u>815,206</u>	<u>708,031</u>	<u>982,234</u>	<u>(2,014,885)</u>	<u>(644,964)</u>	<u>(1,088,294)</u>	<u>(812,051)</u>
112,115	-	-	-	-	-	6,574,194
620,500	1,734,200	2,086,910	1,981,934	1,543,084	2,084,469	1,479,489
(470,500)	(823,600)	(974,310)	(869,334)	(704,184)	(956,319)	(684,490)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>262,115</u>	<u>910,600</u>	<u>1,112,600</u>	<u>1,112,600</u>	<u>838,900</u>	<u>1,128,150</u>	<u>7,369,193</u>
<u>\$ 1,077,321</u>	<u>\$ 1,618,631</u>	<u>\$ 2,094,834</u>	<u>\$ (902,285)</u>	<u>\$ 193,936</u>	<u>\$ 39,856</u>	<u>\$ 6,557,142</u>
<u>6.7%</u>	<u>5.7%</u>	<u>7.7%</u>	<u>10.3%</u>	<u>10.4%</u>	<u>10.0%</u>	<u>7.0%</u>

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

Fiscal Year Ended 09/30	Tax Year Ended 12/31	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property
2005	2004	\$ 349,685,713	\$ 96,111,858	\$ 51,064,002	\$ 169,094	\$ 46,235,460
2006	2005	\$ 410,935,009	\$ 118,719,392	\$ 58,386,687	\$ 175,533	\$ 49,130,546
2007	2006	\$ 558,731,053	\$ 126,193,025	\$ 62,399,173	\$ 351,206	\$ 57,392,092
2008	2007	\$ 594,845,048	\$ 144,677,587	\$ 68,763,473	\$ 408,784	\$ 63,257,856
2009	2008	\$ 694,638,646	\$ 184,510,990	\$ 71,203,486	\$ 402,260	\$ 49,566,970
2010	2009	\$ 479,872,329	\$ 169,983,130	\$ 70,783,248	\$ 242,760	\$ 43,910,044
2011	2010	\$ 399,120,185	\$ 131,870,622	\$ 55,444,388	\$ 194,695	\$ 34,134,225
2012	2011	\$ 341,308,061	\$ 124,913,797	\$ 50,582,833	\$ 170,869	\$ 32,471,333
2013	2012	\$ 321,531,011	\$ 111,476,945	\$ 47,917,706	\$ 124,093	\$ 31,699,934
2014	2013	\$ 355,474,927	\$ 113,622,435	\$ 47,842,246	\$ 102,733	\$ 30,974,889

Source: Property Appraiser, Volusia County, Florida

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

**Table 5**

Government Property	Vacant Land and Other	Tangible Personal Property	Total Just Value	Less: All Tax-Exempt Properties	Total Taxable Assessed Value <sup>1</sup>	Total Direct Tax Rate <sup>1</sup>
\$ 25,311,919	\$ 17,999,484	\$ 55,985,552	\$ 642,563,082	\$ 192,656,721	\$ 449,906,361	4.08002
\$ 27,641,569	\$ 21,224,422	\$ 56,424,310	\$ 742,637,468	\$ 224,752,663	\$ 517,884,805	4.08002
\$ 36,316,170	\$ 46,388,301	\$ 60,113,251	\$ 947,884,271	\$ 311,619,341	\$ 636,264,930	4.08002
\$ 37,676,966	\$ 48,454,177	\$ 67,157,881	\$ 1,025,241,772	\$ 303,984,163	\$ 721,257,609	3.68177
\$ 32,478,404	\$ 40,558,436	\$ 66,611,142	\$ 1,139,970,334	\$ 318,910,002	\$ 821,060,332	4.88720
\$ 29,211,428	\$ 23,189,992	\$ 68,279,755	\$ 885,472,686	\$ 238,549,335	\$ 646,923,351	5.72580
\$ 10,345,095	\$ 34,422,523	\$ 63,770,698	\$ 729,302,431	\$ 186,908,332	\$ 542,394,099	6.55950
\$ 10,158,227	\$ 30,882,288	\$ 55,935,254	\$ 646,422,662	\$ 158,594,230	\$ 487,828,432	6.95000
\$ 26,384,666	\$ 16,223,093	\$ 53,870,338	\$ 609,227,786	\$ 158,725,598	\$ 450,502,188	7.35000
\$ 24,296,064	\$ 12,155,503	\$ 51,671,231	\$ 636,140,028	\$ 183,845,132	\$ 452,294,896	7.53000

**DIRECT AND OVERLAPPING PROPERTY TAX RATES <sup>1</sup>**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

Fiscal Year	Tax Year	Holly Hill	Volusia County-Operating <sup>2</sup>	Volusia County-Voter Approved	Volusia County-School District <sup>2</sup>	St. Johns Water Management District
2005	2004	4.08002	6.20400	0.40000	8.51700	0.46200
2006	2005	4.08002	5.89400	0.40000	8.25900	0.46200
2007	2006	4.08002	4.73330	0.40000	7.68500	0.46200
2008	2007	3.68177	4.33262	0.37072	7.46700	0.41580
2009	2008	4.88720	5.00374	0.39999	7.45900	0.41580
2010	2009	5.72580	5.97434	0.40000	7.80500	0.41580
2011	2010	6.55950	5.90250	0.40000	8.23700	0.41580
2012	2011	6.95000	6.37910	0.40000	8.06300	0.33130
2013	2012	7.35000	6.48090	0.40000	7.88800	0.33130
2014	2013	7.53000	6.87090	0.40000	7.35800	0.32830

Source: Financial and Administrative Services, Volusia County, Florida

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

<sup>1</sup>All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2014 data was obtained from the 2013 calendar year tax roll).

<sup>2</sup>Includes voted debt service millage rates, as applicable.

**Table 6**

Florida Inland Navigation District	Hospital District	East Volusia Mosquito Control District	Ponce DeLeon Inlet and Port Authority	Total- All Taxing Districts
0.03850	3.00000	0.23800	0.09000	23.02952
0.03850	3.00000	0.23800	0.09000	22.46152
0.03850	2.75000	0.19020	0.07190	20.41092
0.03450	2.50000	0.17856	0.06750	19.04847
0.03450	2.25000	0.20556	0.07771	20.73350
0.03450	2.25000	0.20966	0.09360	22.90870
0.03450	2.00000	0.20800	0.09290	23.85020
0.03450	1.75000	0.20800	0.09290	24.20880
0.03450	1.25000	0.20800	0.09290	24.03560
0.03450	1.00000	0.20800	0.09290	23.82260

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT AND NINE YEARS AGO**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

Taxpayer	September 30, 2014		
	Assessed Taxable Value (\$ in Thousands)	Rank	Percent to Total Assessed Taxable Value
HHA Borrower, LLC.....	\$ 68,013	1	10.51%
Holly Hill RHF Housing, Inc.....	10,984	2	1.70%
Florida Power & Light Company.....	9,051	3	1.40%
Sun Holly Forest, LLC.....	7,536	4	1.16%
J 8 Land Partners LLLP.....	6,127	5	0.95%
Highlander Corp.....	5,473	6	0.85%
Charleston Place Ltd. Ptr.....	5,445	7	0.84%
SNH SE Holly Hill LLC.....	5,112	8	0.79%
Florida Health Care.....	3,863	9	0.60%
HH Blue Tides, LLC.....	3,755	10	0.58%
Metra Electronics Corp.....			
Publix Supermarkets Inc.....			
HK New Plan Exc Prop.....			
Bellsouth Telecommunications.....			
Totals.....	<u>\$ 125,359</u>		19.38%

Source: Property Appraiser, Volusia County, Florida

**Table 7**

September 30, 2005			
Assessed Taxable Value (\$ in Thousands)	Rank		Percent to Total Assessed Taxable Value
\$ 13,337	1		2.92%
12,498	2		2.74%
6,914	5		1.51%
7,285	3		1.60%
5,960	7		1.31%
7,230	4		1.58%
3,803	10		0.83%
5,043	8		1.10%
6,142	6		1.34%
4,099	9		0.90%
<u>\$ 72,311</u>			15.83%

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**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
(\$ in thousands)

**Table 8**

Fiscal Year Ended September 30	Taxes Levied For Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	\$ 1,835,627	\$ 1,765,519	96.18%	\$ 5,151	\$ 1,770,670	96.46%
2006	\$ 2,112,980	\$ 2,039,325	96.51%	\$ 16,554	\$ 2,055,879	97.30%
2007	\$ 2,595,961	\$ 2,493,199	96.04%	\$ 22,274	\$ 2,515,473	96.90%
2008	\$ 2,603,122	\$ 2,513,514	96.56%	\$ 9,348	\$ 2,522,862	96.92%
2009	\$ 4,012,686	\$ 3,903,785	97.29%	\$ 12,845	\$ 3,916,630	97.61%
2010	\$ 3,704,154	\$ 3,656,359	98.71%	\$ 14,656	\$ 3,671,015	99.11%
2011	\$ 3,557,834	\$ 3,421,257	96.16%	\$ 4,215	\$ 3,425,472	96.28%
2012	\$ 3,308,482	\$ 3,200,817	96.75%	\$ 2,899	\$ 3,203,716	96.83%
2013	\$ 3,311,191	\$ 3,203,655	96.75%	\$ 16,592	\$ 3,220,247	97.25%
2014	\$ 3,419,275	\$ 3,296,191	96.40%	\$ -	\$ 3,296,191	96.40%

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. 2014 collections are from the 2013 tax levy) and reported in the year used for revenue recognition.

**WATER PRODUCED AND CONSUMED/WASTEWATER TREATED**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Table 9**

Fiscal Year Ended September 30	Gallons of Water Production	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated
2005	428,451,000	408,074,000	20,377,000	4.76%	773,960,000
2006	460,083,000	417,238,000	42,845,000	9.31%	675,550,000
2007	442,506,000	422,452,000	20,054,000	4.53%	623,450,000
2008	450,407,000	425,985,000	24,422,000	5.42%	433,993,400
2009	407,392,000	343,641,000	63,751,000	15.65%	711,000,000
2010	396,934,000	368,670,000	28,264,000	7.12%	590,850,000
2011	367,213,000	350,076,000	17,137,000	4.67%	432,822,000
2012	372,733,000	356,008,000	16,725,000	4.49%	514,650,000
2013	353,886,000	336,335,000	17,551,000	4.96%	563,130,000
2014	347,865,000	337,947,000	9,918,000	2.85%	563,070,000

Source: Finance Department, City of Holly Hill, Florida

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

**WATER AND SEWER UTILITY RATES**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Table 10**

Fiscal Year Ended September 30	Monthly Water Service Fees			Monthly Sewer Service Fees			Over 15,000 Gallons
	0 to 2,999 Gallons	3000 to 14,999 Gallons	Over 15,000 Gallons	0 to 2,999 Gallons	Over 3,000 Gallons	Over 15,000 Gallons	
2005	\$ 9.50	\$ 4.47	\$ 5.35	\$ 10.93	\$ 5.14	N/A	
2006	\$ 9.93	\$ 4.67	\$ 5.59	\$ 11.42	\$ 5.37	N/A	
2007	\$ 10.33	\$ 4.86	\$ 5.83	\$ 11.88	\$ 5.59	N/A	
2008	\$ 11.43	\$ 5.38	\$ 6.46	\$ 13.15	\$ 6.19	N/A	
2009	\$ 11.91	\$ 5.61	\$ 6.73	\$ 13.70	\$ 6.45	N/A	
2010	\$ 12.04	\$ 5.67	\$ 6.80	\$ 13.85	\$ 6.52	N/A	
2011	\$ 12.04	\$ 5.67	\$ 6.80	\$ 13.85	\$ 6.52	N/A	
2012	\$ 12.44	\$ 5.86	\$ 7.03	\$ 14.31	\$ 6.74	N/A	
2013	\$ 12.81	\$ 6.04	\$ 7.25	\$ 14.74	\$ 6.95	N/A	
2014	\$ 13.20	\$ 6.23	\$ 7.47	\$ 15.18	\$ 7.16	N/A	

Source: Finance Department, City of Holly Hill, Florida

**TEN LARGEST WATER AND SEWER CUSTOMERS**  
**CURRENT AND NINE YEARS AGO**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

Customer Account Name	September 30, 2014		
	Annual Water/ Sewer Sales	Rank	Percent to Total Combined Water/Sewer Sales
MGH Condo Assoc Inc #3921	\$ 226,646	1	4.66%
Angelica Health Services	103,537	2	2.13%
Holly Point Apts (Royal American)	67,594	3	1.39%
Maple Leaf Own Condo	63,402	4	1.30%
Bishops Glen	50,257	5	1.03%
Riviera Assited Living	48,697	6	1.00%
Blue Tide Apartments	39,099	7	0.80%
Product Quest Manufacturing	38,382	8	0.79%
Bishops Glen	33,281	9	0.68%
MGH Condo Assoc Inc #3920	<u>24,653</u>	10	0.51%
Total	<u>\$ 695,548</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, 2014  
CITY OF HOLLY HILL, FLORIDA

Fiscal Year Ended September 30	Governmental Activities				Business-type	
	Redevelopment Notes	State Revolving Fund Loans (1)	Other Notes/ Capital Leases	Total	Water and Sewer Bonds	State Revolving Fund Loans (1)
2005	\$ 6,331,000	\$ 5,182,141	\$ 397,886	\$ 11,911,027	\$ 12,515,000	\$ 2,010,318
2006	\$ 6,145,761	\$ 4,946,745	\$ 256,760	\$ 11,349,266	\$ 13,435,000	\$ 2,217,678
2007	\$ 5,951,520	\$ 4,705,937	\$ 108,624	\$ 10,766,081	\$ 12,830,000	\$ 2,445,966
2008	\$ 5,748,380	\$ 4,459,586	\$ -	\$ 10,207,966	\$ 12,210,000	\$ 5,846,291
2009	\$ 5,535,934	\$ 4,207,559	\$ -	\$ 9,743,493	\$ 11,565,000	\$ 7,301,812
2010	\$ 5,313,755	\$ -	\$ -	\$ 5,313,755	\$ 10,900,000	\$ 10,994,949
2011	\$ 5,081,398	\$ -	\$ 71,509	\$ 5,152,907	\$ 14,765,000	\$ 10,365,004
2012	\$ 4,835,000	\$ -	\$ 36,283	\$ 4,871,283	\$ 14,150,000	\$ 9,719,893
2013	\$ 9,535,000	\$ -	\$ -	\$ 9,535,000	\$ 15,450,000	\$ 9,059,235
2014	\$ 8,895,000	\$ -	\$ -	\$ 8,895,000	\$ 14,465,000	\$ 8,382,640

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

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

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

**Table 12**

Total	Total Primary Government	Percent of Personal Income	Per Capita
\$ 14,525,318	\$ 26,436,345	7.39%	\$ 2,095
\$ 15,652,678	\$ 27,001,944	7.47%	\$ 2,116
\$ 15,275,966	\$ 26,042,047	7.11%	\$ 2,016
\$ 18,056,291	\$ 28,264,257	6.64%	\$ 2,215
\$ 18,866,812	\$ 28,610,305	7.15%	\$ 2,254
\$ 21,894,949	\$ 27,208,704	7.24%	\$ 2,334
\$ 25,130,004	\$ 30,282,911	8.08%	\$ 2,603
\$ 23,869,893	\$ 28,741,176	7.39%	\$ 2,471
\$ 24,509,235	\$ 34,044,235	7.30%	\$ 2,928
\$ 22,847,640	\$ 31,742,640	7.74%	\$ 2,718

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
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, 2014  
 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.....	\$ 23,025,000	1.8750%	431,711
City direct debt.....			<u>8,895,000</u>
Total direct and overlapping debt.....			<u>\$ 9,326,711</u>

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

Note: Includes all direct debt - including bonds, notes, loans and capital leases  
 Estimated percentage based on the 2013 Tax Levy

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**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

**Table 15**

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<p>The Constitution of the State of Florida, section 200.181, Florida Statutes, and the City of Holly Hill, Florida have set no legal debt limit</p>
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**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA  
(\$000's)

	2014	2013	2012	2011
<b>CRA Redevelopment Revenue Notes:</b>				
(Defined) revenues.....	\$ 1,847	\$ 1,511	\$ 1,570	\$ 2,009
Less: operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue available for debt service.....	1,847	1,511	1,570	2,009
<b>Debt Service payments:</b>				
Principal.....	640	300	246	232
Interest.....	<u>208</u>	<u>99</u>	<u>224</u>	<u>238</u>
Total debt service payments.....	<u>\$ 848</u>	<u>\$ 399</u>	<u>\$ 470</u>	<u>\$ 470</u>
Coverage ratio (times).....	<u>2.18</u>	<u>3.79</u>	<u>3.34</u>	<u>4.27</u>
<b>FDEP Clean Water State Revolving Fund Loans:</b>				
(Defined) stormwater revenues.....	\$ 796	\$ 803	\$ 806	\$ 845
Less: operating expenses	<u>394</u>	<u>283</u>	<u>270</u>	<u>291</u>
Net revenue available for debt service.....	402	520	536	554
<b>Debt Service payments:</b>				
Principal.....	283	276	270	264
Interest.....	<u>71</u>	<u>78</u>	<u>84</u>	<u>90</u>
Total debt service payments.....	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>	<u>\$ 354</u>
Coverage ratio (times).....	<u>1.14</u>	<u>1.47</u>	<u>1.51</u>	<u>1.56</u>
<b>Water and Sewer System Revenue Bonds:</b>				
(Defined) water/sewer system revenues.....	\$ 5,675	\$ 5,776	\$ 5,553	\$ 5,311
Less: operating expenses	<u>2,478</u>	<u>2,373</u>	<u>2,242</u>	<u>2,269</u>
Net revenue available for debt service.....	3,197	3,403	3,311	3,042
<b>Debt Service payments:</b>				
Principal.....	985	985	855	685
Interest.....	<u>370</u>	<u>402</u>	<u>563</u>	<u>563</u>
Total debt service payments.....	<u>\$ 1,355</u>	<u>\$ 1,387</u>	<u>\$ 1,418</u>	<u>\$ 1,248</u>
Coverage ratio (times).....	<u>2.36</u>	<u>2.45</u>	<u>2.33</u>	<u>2.44</u>
<b>FDEP Clean Water State Revolving Fund Loans:</b>				
<b>Subordinate Debt Service payments:</b>				
Principal.....	394	385	376	366
Interest.....	<u>137</u>	<u>146</u>	<u>155</u>	<u>164</u>
Total debt service payments.....	<u>\$ 531</u>	<u>\$ 531</u>	<u>\$ 531</u>	<u>\$ 530</u>
Combined Coverage ratio (times).....	<u>1.70</u>	<u>1.77</u>	<u>1.70</u>	<u>1.71</u>

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

**Table 16**

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 2,647	\$ 3,595	\$ 1,343	\$ 1,179	\$ 938	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
2,647	3,595	1,343	1,179	938	
222	212	203	194	185	
<u>248</u>	<u>258</u>	<u>267</u>	<u>276</u>	<u>284</u>	
<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 470</u>	<u>\$ 469</u>	
<u>5.63</u>	<u>7.65</u>	<u>2.86</u>	<u>2.51</u>	<u>2.00</u>	
\$ 867	\$ 861	\$ 854	\$ 693	\$ 681	\$ 674
<u>362</u>	<u>367</u>	<u>323</u>	<u>317</u>	<u>304</u>	<u>302</u>
505	494	531	376	377	372
258	252	246	241	235	253
<u>96</u>	<u>102</u>	<u>108</u>	<u>113</u>	<u>119</u>	<u>120</u>
<u>\$ 354</u>	<u>\$ 373</u>				
<u>1.43</u>	<u>1.40</u>	<u>1.50</u>	<u>1.06</u>	<u>1.06</u>	<u>1.00</u>
\$ 4,678	\$ 4,950	\$ 5,072	\$ 4,995	\$ 5,016	\$ 4,537
<u>2,666</u>	<u>2,632</u>	<u>2,671</u>	<u>2,578</u>	<u>2,476</u>	<u>2,148</u>
2,012	2,318	2,401	2,417	2,540	2,389
605	585	565	550	530	515
<u>471</u>	<u>492</u>	<u>512</u>	<u>528</u>	<u>546</u>	<u>557</u>
<u>\$ 1,076</u>	<u>\$ 1,077</u>	<u>\$ 1,077</u>	<u>\$ 1,078</u>	<u>\$ 1,076</u>	<u>\$ 1,072</u>
<u>1.87</u>	<u>2.15</u>	<u>2.23</u>	<u>2.24</u>	<u>2.36</u>	<u>2.23</u>
256	250	120	117	99	96
<u>172</u>	<u>118</u>	<u>70</u>	<u>65</u>	<u>62</u>	<u>65</u>
<u>\$ 428</u>	<u>\$ 368</u>	<u>\$ 190</u>	<u>\$ 182</u>	<u>\$ 161</u>	<u>\$ 161</u>
<u>1.34</u>	<u>1.60</u>	<u>1.90</u>	<u>1.92</u>	<u>2.05</u>	<u>1.94</u>

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**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL

**Table 17**

Fiscal Year Ended September 30	Population <sup>1</sup>	Volusia County Personal Income <sup>2</sup>	Per Capita Personal Income <sup>2</sup>	Median Household Income <sup>2</sup>	Median HUD Income <sup>2</sup>	County Unemployment Rate <sup>2</sup>
2005	12,620	\$ 14,620,372,000	\$ 29,346	\$ 38,457	n/a	3.60%
2006	12,759	\$ 15,292,033,000	\$ 30,937	\$ 40,857	n/a	3.20%
2007	12,916	\$16,126,228,000	\$ 32,232	\$ 42,268	n/a	4.00%
2008	12,759	\$16,307,391,000	\$ 32,789	\$ 45,831	\$ 52,300	6.50%
2009	12,695	\$15,994,714,000	\$ 32,255	\$ 41,390	n/a	11.70%
2010	11,659	\$15,933,933,000	\$ 32,212	\$ 44,400	n/a	12.50%
2011	11,633	\$16,544,186,000	\$ 33,436	\$ 44,169	n/a	10.00%
2012	11,628	\$17,117,508,000	\$ 34,445	\$ 43,419	n/a	10.00%
2013	11,679	\$17,292,604,000	\$ 17,371	\$ 27,313	n/a	6.00%
2014	n/a	n/a	n/a	n/a	n/a	5.60%

Sources:

<sup>1</sup>U.S. Department of Commerce, Bureau of Census, for 2005. All other periods are estimated.

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

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

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

**PRINCIPAL EMPLOYERS  
CURRENT AND TEN YEARS AGO**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL

Employer	September 30, 2014		
	Total Employees	Rank	Percent to Total City Employment
Florida Health Care.....	1,000	1	17.37%
Metra Electronics Corporation.....	301	2	5.23%
Holly Hill R.H.F. Housing Inc ( Bishop's Glen).....	245	3	4.26%
Product Quest.....	200	4	3.47%
Surface Crafters.....	125	5	2.17%
Holly Hill Elementary/Middle School.....	114	6	1.98%
City of Holly Hill.....	108	7	1.88%
Angelica.....	85	8	1.48%
R & R Industries, Inc.....	80	9	1.39%
Cicero Masonary.....	63	10	1.09%
Total.....	<u>2,321</u>		<u>40.32%</u>
Estimated Civilian Labor Force.....	<u>5,756</u>		

Source: Volusia County Economic Development

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

**Table 18**

September 30, 2005

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

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

	Full-Time			
	2014	2013	2012	2011
<b>General Government:</b>				
City Commission.....	5.0	5.0	5.0	5.0
City Manager.....	2.5	2.5	2.5	2.5
Finance/Administration.....	12.0	12.0	12.0	13.0
Human Relations.....	1.0	1.0	1.0	1.0
Protective Inspection.....	-	-	-	-
<b>Public Safety:</b>				
<b>Police:</b>				
Officers.....	30.0	30.0	29.0	32.0
Civilians.....	5.0	5.0	5.0	5.0
<b>Fire:</b>				
Firefighters and officers.....	13.5	13.5	13.5	13.0
Civilians.....	1.0	1.0	1.0	1.5
<b>Physical Environment:</b>				
Transportation.....	2.5	2.5	2.5	2.5
Buildings & Grounds.....	6.0	6.0	6.0	5.0
<b>Culture/Recreation:</b>				
Recreation.....	-	-	-	-
<b>Economic Environment:</b>				
Community Redevelopment.....	2.0	2.0	2.0	1.0
<b>Public Works:</b>				
Administration.....	6.0	6.0	6.0	6.0
Stormwater.....	3.5	3.5	3.5	3.0
<b>Public Utilities:</b>				
Water.....	14.5	14.5	14.5	14.5
Sewer.....	12.0	12.0	13.0	13.0
<b>Total</b>	<u>116.5</u>	<u>116.5</u>	<u>116.5</u>	<u>118.0</u>

Source: City of Holly Hill Department of Human Resources

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

**Table 19**

## Equivalent Employees at September 30,

2010	2009	2008	2007	2006	2005
5.0	5.0	5.0	5.0	5.0	5.0
2.0	4.5	5.0	5.0	5.0	6.0
9.5	9.0	9.0	9.0	9.0	9.0
1.0	1.0	1.0	1.0	1.0	1.0
-	6.0	6.0	6.0	6.0	5.0
32.0	32.0	36.0	36.0	36.0	34.0
-	-	-	-	-	-
14.0	14.0	16.5	16.5	16.5	16.5
-	-	-	-	-	-
2.5	7.0	8.0	8.0	8.0	8.0
3.0	6.0	11.0	11.0	11.0	11.0
-	7.5	7.5	7.5	7.5	7.5
-	1.0	1.0	1.0	1.0	1.0
4.0	4.0	5.0	5.0	5.0	5.0
2.0	4.0	4.0	4.0	4.0	4.0
13.0	11.0	12.0	12.0	12.5	12.0
<u>13.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>10.0</u>	<u>10.0</u>
<u>101.0</u>	<u>123.0</u>	<u>138.0</u>	<u>138.0</u>	<u>137.5</u>	<u>135.0</u>

**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL, FLORIDA

	Fiscal			
	2014	2013	2012	2011
Police:				
Physical arrests.....	838	935	1,192	896
Parking violations.....	0	0	0	1
Traffic violations.....	1992	1358	1,218	1,598
Fire:				
Emergency responses.....	2423	2668	2,480	2,480
Inspections.....	781	1134	522	522
Solid Waste:				
Refuse collected (tons per day).....	N/A	N/A	N/A	N/A
Recyclables collected (tons per day).....	N/A	N/A	N/A	N/A
Public Works-Transportation:				
Street resurfacing (miles).....	0	5.82	0	0
Water:				
New connections.....	46	1	4	5
Water main breaks.....	6	12	22	11
Average daily consumption (thousands of gallons)...	960,000	967,000	1,024,000	1,005,000
Peak daily consumption (thousands of gallons).....	1,136,000	1,153,000	1,175,000	1,110,000
Sewer:				
Average daily treatment (thousands of gallons).....	1,542,658	1,542,822	1,411,811	1,455,655

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

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

**Table 20**

Year					
2010	2009	2008	2007	2006	2005
929	1,111	1,520	1,444	1619	1,414
0	0	0	0	38	14
1,960	1,831	2,466	2,095	2,355	2207
2,750	2,486	2,753	2,296	2,704	2,970
400	618	603	637	610	764
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	0	0	0	1	1
2	25	51	51	45	19
27	14	11	22	10	12
1,087,490	1,116,142	1,233,992	1,212,345	1,260,501	1,173,838
1,285,000	1,690,000	1,670,000	1,558,000	1,556,000	1,402,000
1,618,767	1,947,945	1,189,023	1,708,082	1,850,822	2,120,438

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
Year Ending September 30, 2014  
CITY OF HOLLY HILL

	Fiscal			
	2014	2013	2012	2011
Police:				
Stations.....	1	1	1	1
Patrol units <sup>1</sup> .....	4	4	4	4
Fire stations.....	1	1	1	1
Public Works-Transportation:				
Streets (miles) <sup>2</sup> .....	68.5	68.5	68.5	68.5
Streetlights <sup>4</sup> .....	1093	1093	963	963
Parks and recreation:				
Acreage.....	96.8	96.8	96.8	84
Dog Park.....	1	1	1	1
Playgrounds.....	4	4	4	4
Tennis Courts.....	2	2	2	2
Shuffleboard courts.....	-	-	-	-
Fishing Piers.....	3	3	3	3
Boat Ramps.....	1	1	1	1
Swimming Pools.....	1	1	1	1
Baseball/softball diamonds.....	5	5	5	5
Community centers.....	4	4	4	2
Water:				
Water mains (miles).....	75.0	75.0	75.0	73.9
Fire hydrants.....	389	364	364	355
Treatment capacity (millions of gallons).....	2.3	2.3	2.3	2.3
Sewer:				
Sanitary sewers (miles) <sup>3</sup> .....	66.2	66.2	66.2	66.2
Storm sewers (miles).....	42	42	42	42
Treatment capacity (millions of gallons).....	3.0	3.0	3.0	3.0

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

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

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

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

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

**Table 21**

Year					
2010	2009	2008	2007	2006	2005
1	1	2	1	1	1
4	4	4	4	4	4
1	1	1	1	1	1
68.5	68.5	68.5	67.0	67.0	67.5
963	963	963	963	963	963
84	84	84	84	84	84
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
-	-	-	9	9	9
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
5	5	5	5	5	5
2	2	2	2	2	2
73.9	73.4	73.4	73.4	68.9	68.9
350	304	304	304	298	298
2.3	2.3	2.3	2.3	2.3	2.3
66	66	66.0	66	66	66
42	42	42	42	42	42
3.0	2.4	2.4	2.4	2.4	2.4

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***COMPLIANCE SECTION***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Holly Hill, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

BMC CPAs

March 16, 2015

**MANAGEMENT LETTER**

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

**Report on the Financial Statements**

We have audited the financial statements of City of Holly Hill, Florida (the “City”) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 16, 2015.

**Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 16, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as follows:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Accounting Cut-off Procedures	x		2013-01
Purchasing Card Policy and Procedures		x	2013-02

**Official Title and Legal Authority**

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

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

**Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was done as of September 30, 2014.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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

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

**Purpose of this Letter**

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



March 16, 2015

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have examined City of Holly Hill, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for City of Holly Hill, Florida's compliance with those requirements. Our responsibility is to express an opinion on City of Holly Hill, Florida's compliance based on our examination.

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

In our opinion, City of Holly Hill, Florida, complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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



March 16, 2015

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