

CITY OF HOLLY HILL, FLORIDA
FIREFIGHTERS' RETIREMENT SYSTEM



FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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September 30, 2012 and 2011
CITY OF HOLLY HILL, FLORIDA
FIREFIGHTERS' RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORTS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
City of Holly Hill, Florida
Firefighters' Retirement System

We have audited the accompanying statements of plan net position of City of Holly Hill, Florida, Firefighters' Retirement System as of September 30, 2012 and 2011 and the related statements of changes in plan net position for the years then ended. These financial statements are the responsibility of City of Holly Hill, Florida Firefighters' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements present only City of Holly Hill, Florida, Firefighters' Retirement System and do not purport to, and do not, present fairly the financial position of City of Holly Hill, Florida, as of September 30, 2012 and 2011, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of City of Holly Hill, Florida Firefighters' Retirement System as of September 30, 2012 and 2011, and the changes in plan net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
City of Holly Hill, Florida
Firefighters' Retirement System
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In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2013, on our consideration of City of Holly Hill, Florida Firefighters' Retirement System's internal control over financial reporting and our tests of the compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis and the schedules of funding progress and contributions from the employer and other contributing entities, listed under required supplemental information in the table of contents, are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brent Milliken & Co., P.C.

January 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Holly Hill, Florida, Firefighters' Retirement System (hereinafter referred to as the "Fire Plan"), we offer the readers of these financial statements this narrative overview and analysis of the Fire Plan's financial activities for the fiscal years ended September 30, 2012 and 2011. 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 the Fire Plan's financial statements, which follow this information. The Fire Plan presents prior year comparative financial information when applicable and meaningful.

Financial Highlights

- For fiscal year ended September 30, 2012, the Fire Plan's net position held in trust for pension benefits increased by \$459,845 (16.0%) to \$3,333,805 compared to the Fire Plan's net position for fiscal year 2011 of \$2,873,960. The increase for fiscal year 2012 can be attributed to the net appreciation in the fair value of the Fire Plan's investment portfolio, primarily the increase in value of equity and mutual fund investments.
- In 2011, the Fire Plan's net position held in trust for pension benefits decreased by \$18,343 (0.6 %) to \$2,873,960 compared to the Fire Plan's net position for fiscal year 2010 of \$2,892,303. The decrease for fiscal year 2011 can be attributed to the net depreciation in the fair value of the Fire Plan's investment portfolio due to the global financial crisis and the negative impact on equity markets.

Overview of Basic Financial Statements

The following discussion and analysis are intended to serve as an introduction to the basic financial statements. The basic financial statements are:

- ***The Statement of Plan Net Position*** - presents the financial position of the Fire Plan at each fiscal year end. It indicates the assets available for payment of future benefits and any liabilities that are owed as of the statement date. Investments are shown at fair value. All assets and liabilities are determined on an accrual basis.
- ***The Statement of Changes in Plan Net Position*** - presents the results of activities during the fiscal year. All changes affecting the assets and liabilities of the fire Plan are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flows". In that regard, changes in the fair values of investments are included in the year's activity as net appreciation (depreciation) in fair value of investments.
- ***The Notes to Financial Statements*** - provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes present information about the Fire Plan's accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

Other information as required by the Governmental Accounting Standards Board (GASB) is presented after the Notes to the Financial Statements.

The financial statements are prepared in accordance with GASB Pronouncements.

Plan Net Position

During 2012, Fire plan net position held in trust for benefits increased by 16.0% to \$3,333,805, compared to plan net position of \$2,873,960 in fiscal year 2011. The increase can be attributed to the net appreciation in the fair value of the Plan's investment portfolio due to the current period recovery in the financial sector and the significant return of equity markets. The Fire Plan's investment strategy was changed to replace all individual corporate equities with mutual funds, most of which are indexed to react to common market changes.

The following is a condensed summary of the Fire Plan's Plan Net Position at September 30:

	2012	2011	2010
PLAN NET POSITION			
September 30,			
Assets:			
Cash and cash equivalents.....	\$ 111,703	106,207	168,085
Receivables.....	23,486	29,992	26,355
Prepaid expenses.....	2,574	-	-
Investments, at fair value.....	<u>3,201,885</u>	<u>2,764,071</u>	<u>2,724,096</u>
Total assets.....	<u>3,339,648</u>	<u>2,900,270</u>	<u>2,918,536</u>
Liabilities:			
Accounts payable.....	5,843	6,485	6,408
Deferred revenue-unearned contributions.....	<u>-</u>	<u>19,825</u>	<u>19,825</u>
Total liabilities.....	<u>5,843</u>	<u>26,310</u>	<u>26,233</u>
Net Position:			
Net position held in trust for pension benefits.....	<u>\$ 3,333,805</u>	<u>2,873,960</u>	<u>2,892,303</u>

Typically, the Plan's receivables and payables are primarily generated through the timing difference between the trade and settlement dates for investment securities purchased or sold. The receivables also include amounts due for accrued investment earnings at year end and amounts due from state shared revenues which are received by the Plan immediately subsequent to year end. In addition, payables include routine accruals for administrative costs and investment expenses that are incurred during the plan year but are not presented to plan management for payment until after year end.

For fiscal year ended September 30, 2012, member contributions were \$38,585 or a decrease of \$4,458 (10.4%) compared to member contributions for fiscal year 2011. For fiscal year 2011, member contributions were \$43,043 or a decrease of \$6,229 (12.6%) compared to member contributions for fiscal year 2010. The changes can be attributed to a decrease in the number of active Fire Plan members making voluntary contributions during the year.

Employer contributions are made on a statutory basis determined by the actuarial valuations performed as of October 1, 2012, 2011, and 2010. Employer contributions include amounts received from the state from insurance premium tax distributions, state firefighters' supplemental trust fund distributions, and remaining amounts required to be funded by the plan sponsor (City of Holly Hill) to meet actuarially determined minimum funding requirements. Employer and state contributions for fiscal year 2012 totaled \$142,144, an increase of \$17,321 (13.9%) over contributions of \$124,823 for fiscal year 2011. Employer

and state contributions for fiscal year 2011 totaled \$124,823, a decrease of \$42,601 (25.4%) below contributions of \$167,424 for fiscal year 2010.

For fiscal year ended September 30, 2012, the Plan had a net investment gain of \$434,803 compared to the net investment decrease of \$31,946 recorded one year earlier. The gain for fiscal year 2012 can be primarily attributed to the net appreciation in the fair value of the Plan's investment portfolio, primarily the increase in value of equity investments.

For fiscal year ended September 30, 2011 the Plan had a net investment loss of \$31,946, a decrease of 116.9% compared to the net investment increase of \$189,020 recorded one year earlier. The loss for fiscal year 2011 can be attributed to the net depreciation in the fair value of the Plan's investment portfolio due to the global financial crisis and the significant downturn in domestic and international equity markets.

Benefit payments recorded were \$131,418 for the period ended September 30, 2012; this remains unchanged over benefit payments in fiscal year 2011, which totaled \$131,418. Benefit payments totaled \$125,744 in 2010. Refunds in 2012 totaled \$1,180, while there were no retirement or resignation withdrawal requests recorded in 2011. Refunds in 2010 totaled \$16,572. Benefit payments and withdrawals are primarily due to changes in the number of new retirees and the amount of payments made to beneficiaries. No legislatively enacted cost-of-living adjustments for certain retirees and beneficiaries have been recognized in 2012, 2011 or 2010. Administrative costs have remained stable for each of the past three years at \$23,089, \$22,845, and \$23,935 for the years ended September 30, 2012, 2011, and 2010, respectively.

The following is a summary of the Changes in Plan Net Position for the years ended September 30:

CHANGES IN PLAN NET POSITION
September 30,

	2012	2011	2010
Additions:			
Employer contributions	\$ 85,180	64,875	105,163
Member contributions	38,585	43,043	49,272
State contributions	56,964	59,948	62,261
Net investment income (loss).....	<u>434,803</u>	<u>(31,946)</u>	<u>189,020</u>
Total.....	<u>615,532</u>	<u>135,920</u>	<u>405,716</u>
Deductions:			
Benefit payments and withdrawals.....	132,598	131,418	142,316
Administrative expenses	<u>23,089</u>	<u>22,845</u>	<u>23,935</u>
Total.....	<u>155,687</u>	<u>154,263</u>	<u>166,251</u>
Net increase (decrease).....	459,845	(18,343)	239,465
Net position held in trust for pension benefits:			
Beginning of year	<u>2,873,960</u>	<u>2,892,303</u>	<u>2,652,838</u>
End of year	<u>\$ 3,333,805</u>	<u>2,873,960</u>	<u>2,892,303</u>

Investment Summary

The following is a summary of the Fire Plan's investments at September 30:

	2012	2011	2010
Money market funds	\$ 111,703	106,207	168,085
Investments:			
U. S. Treasury obligations	127,041	150,975	82,802
U. S. government agencies.....	163,807	281,190	314,200
Corporate/municipal bonds	646,414	601,390	556,730
Corporate equities	-	305,951	374,011
Mutual funds.....	2,264,623	1,424,565	1,396,353
	3,201,885	2,764,071	2,724,096
Total.....	\$ 3,313,588	2,870,278	2,892,181

Due to the long-term nature of the Fire Plan's benefit obligations, the Plan's assets are invested with a long-term investment horizon. Assets are invested in a diversified portfolio of capital market securities. Investments in these assets are expected to produce higher returns, but are also subject to greater volatility and may produce negative returns.

Funding Progress

The Fire Plan contracted with Foster & Foster (actuaries) to conduct an actuarial valuation to determine the actuarial position of the Plan as of October 1, 2012. The Actuarial Valuation Report indicated that the overall funding of the Plan remains sound and the current contribution rates are sufficient to keep the Plan actuarially sound. In preparing the valuation, the actuary uses a smoothing process over a rolling four-year period of investment data to remove year-to-year volatility in asset returns.

Plan Changes - There have been no changes in benefits since the prior valuation in October 2011.

Changes in Actuarial Assumptions – Since the prior valuation the payroll growth assumption has been lowered from 0.6% to 0.39% to comply with Florida Statutes. The impact of the changes to improve the funding of the Plan are reflected in the numbers reported below.

- The Actuarial Valuation Report shows that the market value of assets increased \$459,203 during 2012 to \$3,339,614 as of October 1, 2012. The market value of assets decreased \$22,292 during 2011 to \$2,880,411 as of October 1, 2011.
- As of October 1, 2012, the actuarial value of the assets (AVA) increased \$185,596 during 2012 to a total of \$3,289,644. As of October 1, 2011, the actuarial value of the assets (AVA) decreased \$10,470 during 2011 to a total of \$3,114,518.
- As of October 1, 2012, the actuarial accrued liability (AAL), or actuarial value of liabilities, increased during 2012 by \$304,583 to \$4,908,256. As of October 1, 2011, the actuarial accrued liability (AAL), or actuarial value of liabilities, increased during 2011 by \$263,572 to \$4,603,673.

- The ratio of a plan's AVA to AAL, expressed as a percentage, is an indicator of the plan's funding status. Generally, the larger the percentage, the stronger the financial health of the plan. The Fire Plan's AAL ratio increased to 67.02% during 2012 compared to 66.62% in 2011.
- When a plan's total liabilities exceed the assets available to pay benefits on an actuarial basis, the plan is said to have an unfunded actuarial accrued liability (UAAL). As of October 1, 2012, the Fire Plan's UAAL was \$1,618,612, an increase of \$118,987 from a UAAL of \$1,499,625 as of October 1, 2011.
- Another measure of funding status is funding period. This is the length of time in years needed to amortize the current unfunded actuarial accrued liability (UAAL) based on the current contribution rate. As of October 1, 2012, the employer fixed rate contribution covers the normal cost and the amortization of the UAAL over the remaining amortization period (26 years as of 10/01/12).

Contact Information

This financial report is designed to provide a general overview of the Holly Hill Firefighters' Retirement System's finances. 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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FINANCIAL STATEMENTS

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STATEMENTS OF PLAN NET POSITION
September 30, 2012 and 2011
CITY OF HOLLY HILL, FLORIDA
FIREFIGHTERS' RETIREMENT SYSTEM

Statement 1

	September 30,	
	2012	2011
<hr/>		
Assets:		
Cash and cash equivalents.....	\$ 111,703	106,207
Receivables:		
State contributions receivable.....	14,220	19,403
Interest and dividends receivable.....	9,266	10,589
	<u>23,486</u>	<u>29,992</u>
Prepaid expenses.....	<u>2,574</u>	<u>-</u>
Investments, at fair value:		
U.S. Treasury.....	127,041	150,975
U.S. Government Agencies.....	163,807	281,190
Corporate/municipal bonds.....	646,414	601,390
Corporate equities.....	-	305,951
Mutual Funds.....	<u>2,264,623</u>	<u>1,424,565</u>
	<u>3,201,885</u>	<u>2,764,071</u>
Total assets.....	3,339,648	2,900,270
Liabilities:		
Accounts payable.....	5,843	6,485
Deferred revenue-unearned contributions.....	<u>-</u>	<u>19,825</u>
Total liabilities.....	<u>5,843</u>	<u>26,310</u>
Net Position		
Net position held in trust for pension benefits.....	\$ <u>3,333,805</u>	<u>2,873,960</u>

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

STATEMENTS OF CHANGES IN PLAN NET POSITION**Statement 2**

For the Fiscal Years Ended September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

	September 30,	
	2012	2011
Additions:		
Contributions from:		
Employer	\$ 85,180	64,875
State insurance premium tax distribution	42,744	40,545
State firefighters' supplemental compensation trust fund distribution	14,220	19,403
Plan members	<u>38,585</u>	<u>43,043</u>
Total contributions.....	<u>180,729</u>	<u>167,866</u>
Investment income (losses):		
Net realized and unrealized appreciation		
(depreciation) in fair value of investments	366,277	(94,595)
Interest and dividend earnings	<u>90,494</u>	<u>84,051</u>
	456,771	(10,544)
Less: investment management fees	<u>(21,968)</u>	<u>(21,402)</u>
Total investment (losses) income	<u>434,803</u>	<u>(31,946)</u>
Total (deductions) additions	<u>615,532</u>	<u>135,920</u>
Deductions:		
Benefit payments	131,418	131,418
Refunds/withdrawals	1,180	-
Administrative expenses	<u>23,089</u>	<u>22,845</u>
Total deductions.....	<u>155,687</u>	<u>154,263</u>
Net (decrease) increase	459,845	(18,343)
Net position held in trust for pension benefits:		
Beginning of year	<u>2,873,960</u>	<u>2,892,303</u>
End of year	<u>\$ 3,333,805</u>	<u>2,873,960</u>

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

NOTES TO FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Firefighters' Retirement System (the "System") of the City of Holly Hill, Florida (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the standard setting body for governmental accounting and financial reporting.

Reporting Entity

The accompanying financial statements present only the System and are not intended to present the financial position or results of operations of the City of Holly Hill, Florida. The System is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2012 and 2011, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

The System is a single-employer defined benefit pension trust fund (fiduciary fund type) of the City established under the provisions of Chapter 42, Article III of the City's Code of Ordinances and Chapter 175, Florida Statutes. The System provides retirement, disability, and survivor benefits for all City firefighters who participate in the plan. The accounts of the System are organized as a pension trust fund, which is considered a separate accounting entity. A pension trust fund is used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The fiscal operations of the System are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position held in trust for employee's pension benefits and additions to and deductions from net position held in trust for employees' pension benefits. Resources are allocated to, and accounted for, based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The accrual basis of accounting is utilized in presenting the System's plan net position and changes in net position. Revenue is recognized when earned and expenses are recognized when they are incurred. Employer contributions, and any State of Florida contributions eligible to offset employer contributions, are recognized when due in accordance with statutory requirements (Chapter 175, Florida Statutes). Employee contributions are recognized when due as deductions from pay. Benefit payments are recognized when due and payable in accordance with the terms of the System. Contribution refunds are recognized when due and payable in accordance with the terms of the System and the City's procedures for employee terminations.

Cash and Short-Term Investments

The System's cash and cash equivalents are considered to be cash on deposit, money market funds, and short-term investments with original maturities of three months or less from the date of acquisition. At September 30, 2012 and 2011, the carrying amount of the System's cash and money market funds totaled \$111,703 and \$106,207, all of which is maintained in brokerage security trust accounts that are not subject to federally insured FDIC protection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Amounts recorded at year end represent prepaid insurance premiums on contracts that expire in future periods.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

Investments

Investments are reported at fair value and are managed by the System's Board of Trustees and a third party money manager. The System's independent Custodian and money manager price each instrument that does not have an established market at estimated fair value. Performance reporting, administrative expenses, and the City's asset valuation are based on quoted market prices provided by the Custodian.

Net Position

Net position of the System is the difference between total plan assets and total plan liabilities and is held in trust for pension benefits.

Contributions

Contributions of funds are received from 1) the City, at actuarially determined rates in accordance with Chapter 112, Florida Statutes, 2) the State of Florida, pursuant to the provisions of Chapter 175, Florida Statutes, which allocates premium taxes collected on certain insurance policies underwritten on property located within the municipal boundaries of the City, and 3) active plan participants, who are required to contribute 8% of their covered payroll to the plan.

The City has historically contributed amounts equaling or exceeding the annual required contribution (ARC) and thus has never recognized, or needed to report, a net pension benefit obligation (NPO). Amounts contributed by the City in excess of the annual required contribution are recognized as deferred (unearned) revenue and are held in trust to offset future required employer contributions, at which time they are recognized as earned. When accumulated contributions to the Plan exceed the actuarially computed Annual Pension Cost (APC), the accumulated excess is reported as a net pension asset (NPA) in the entity-wide financial statements.

Investment Income

Realized and unrealized gains/losses are aggregated and recognized under the caption Net Realized and Unrealized Appreciation (Depreciation) in Fair Value of Investments.

Expenses

Monthly pension and benefit payments, to members are mailed/direct deposited on, or prior, to the last business day of the month for that month.

The System is contributory and employee 8% contributions are 100% refundable (without interest) if, at the date of employment termination, the employee elects to terminate his vesting rights or is not vested in the System. Refunds and withdrawals are paid upon request following termination.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, benefit obligations and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current period's presentation.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2012 and 2011
CITY OF HOLLY HILL, FLORIDA
FIREFIGHTERS' RETIREMENT SYSTEM

NOTE 2 – DESCRIPTION OF PLAN

The City maintains a single-employer defined benefit pension plan for all full-time firefighters, which assets are included in the Firefighters' Retirement System (a pension trust fund). The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which authorized the creation of the fund, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the System can be found in Chapter 175, Florida Statutes. 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 statutes also provide 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 System are administered, managed, and operated by a five-member Board of Trustees using the services of the City staff, local financial institutions, and contracted third-party fund custodians.

The Florida Constitution requires local governments to make the actuarially determined contribution to their defined benefit plans. The Florida Division of Retirement reviews each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the state collects a locally authorized insurance premium surcharge for the System on certain real and personal property insurance policies underwritten in the corporate limits of the City which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the most recently completed fiscal year.

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

Membership in the System consisted of the following, as included in the most recent actuarial valuation dated October 1, 2012:

	<u>2012</u>	<u>2011</u>
Service retirees currently receiving benefits	5	5
Beneficiaries currently receiving death benefits	0	0
Beneficiaries currently receiving disability benefits.....	0	0
Vested terminated employees	1	2
Employees receiving DROP benefits.....	3	3
Active employees.....	<u>10</u>	<u>9</u>
 Total participants	 <u>19</u>	 <u>19</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

On September 13, 2010 (latest amendment date), the System amended its plan provisions with the adoption of Ordinance No. 2880. The following is a summary of the significant provisions:

Eligibility	All full-time firefighters.
Contributions	Employee - 8.0% of salary. Employer-Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any.
Normal Retirement Date	Earlier of age 50 and 6 years of credited service or completion of 25 years of credited service, regardless of age.
Normal Retirement Benefit	3.0% of average monthly earnings times credited service.
Form of Benefit	Ten-Year Certain and Life Annuity (options available).
Supplement	Retirees receive \$19.00 per month per year of credited service payable to the date on which unreduced Social Security benefits become payable.
Early Retirement Eligibility	Age 48 and 6 years of credited service.
Early Retirement Benefit	Accrued benefit, actuarially reduced for each year that early retirement precedes normal retirement.
Vesting Schedule	100% after 6 years of credited service
Vesting Benefit Amount	Member will receive the vested portion of accrued benefit payable at the otherwise normal retirement date.
Disability Eligibility	Service incurred-Covered from date of employment. Non-service incurred-10 years of credited service.
Disability Benefit	Benefit accrued to date of disability, but not less than 42% of average monthly earnings (service incurred).
Duration of Disability Benefits	Payable for life with ten years certain or until recovery.
Pre-retirement Death Benefits	Not Vested-Beneficiary shall receive 100% of member contributions. Vested-Monthly accrued benefit payable at the member's normal retirement date to designated beneficiary for 10 years, options available. Minimum Benefit for Spouse if Member dies in active service and is vested-50% of salary at time of death payable for life of the spouse.
Deferred Retirement Option Plan	Eligibility-Eligibility for normal retirement. Participation-Not to exceed 60 months. Rate of Return-6.50% per annum, credited quarterly. Form of Distribution-Lump sum at termination of employment.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

The City provides contributions to the System under the authority of Chapter 175, Florida Statutes and pursuant to City ordinances. Employees covered under the plan are required to make contributions of 8% of their compensation. City contributions to the System are made as needed to fund any actuarial deficiency. If an employee leaves covered employment or dies before 6 years of credited service, accumulated employee contributions, are refunded to the employee or a designated beneficiary. The ordinances also require the City to make an annual contribution to the System at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The City is obligated by law to make all required contributions to the System.

The City's actuarial valuation dated October 1, 2012 is utilized to determine the contributions to the Plan for the year ending September 30, 2014. Pursuant to the System's actuarial valuation dated October 1, 2010, the city's total minimum required contribution was reported to be a fixed percentage equal to 34.2% of the covered payroll, rather than being reported as a fixed minimum contribution amount. After adjusting the required contribution rate for member contributions at 8% of covered payroll, the remaining percentage rate of 26.2% is required to be funded by the employer with a combination of state excise tax premium distributions and mandatory employer contributions. A one-time adjustment is allowed to provide the City the opportunity to true-up, or true-down the employer's pro-rata share of the required contribution, after consideration of the actual state excise tax premium distribution collected during the year.

For the year ended September 30, 2012, the actuarially determined required contribution of 34.2% of covered payroll (\$482,315) totaled \$164,951. Actual contributions from members representing 8% of covered payroll totaled \$38,585, which produced a required minimum employer contribution representing 26.2% of payroll or \$126,366. Amounts actually contributed by the City during the year ended September 30, 2012, totaled \$85,180, which included \$19,825 representing the cumulative amount of the overpayment (deferred revenue) of contributions at September 30, 2011. The City's net overpayment to the System totaled \$15,778 for the year ended September 30, 2012. The System and City have elected to discontinue deferring revenues from overpayments that occur in future years.

The funded status of the System as of the most recent actuarial valuation was as follows:

Valuation Date.....	October 1, 2012
Actuarial Value of Plan Assets.....	\$3,289,644
Actuarial Accrued Liability (AAL) —Entry Age	\$4,908,256
Unfunded AAL (UAAL)	\$1,618,612
Funded Ratio	67.02%
Annual Covered Payroll	\$486,099
UAAL as % of Covered Payroll.....	332.98%

The annual required contribution (ARC) is calculated using the Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation). The use of this method involves the systematic funding of the Normal Cost and the Unfunded Accrued (Past Service) Liability.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

The actuarial value of System assets was determined using a four-year smoothed market method. The amortization method is level percent of pay, closed, with a remaining amortization period of 26 years at October 1, 2012. Actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increases of 6.0% per year (includes inflation at 3.0% per year), and (c) post-retirement (COLA) cost-of-living increases of 0.0%.

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, non-vested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, it is the view of the System's actuary that utilizing this information to compare local plans is extremely dangerous. There are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

Present Value of Accrued Benefits at 7.75% Interest:**Vested Accrued Benefits:**

Inactives	\$ 2,944,313
Actives.....	772,087
Member Contributions	<u>281,433</u>
Total	3,997,833

Non-Vested Accrued Benefits.....	<u>7,575</u>
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Total Present Value of Accrued Benefits	<u>\$ 4,005,408</u>
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The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Although there is no intent to do so, if the Fire Plan is terminated for any reason, the Board of Trustees shall apportion and distribute the System's assets in accordance with the requirements set forth in Chapter 175 of the Florida Statutes.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

At September 30, 2012, the System had the following investments and maturities:

Investment	Fair Value	Investment Maturities			
		Less than 1	1 to 5	6 to 10	Over 10
U.S. Treasury.....	\$ 127,041	-	34,980	49,875	42,186
U.S. Government Agencies.....	163,807	-	2,585	11,792	149,430
Corporate/municipal bonds.....	646,414	-	250,178	363,664	32,572
Mutual Funds.....	<u>2,264,623</u>	<u>2,264,623</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,201,885</u>	<u>2,264,623</u>	<u>287,743</u>	<u>425,331</u>	<u>224,188</u>

At September 30, 2011, the System had the following investments and maturities:

Investment	Fair Value	Investment Maturities			
		Less than 1	1 to 5	6 to 10	Over 10
U.S. Treasury.....	\$ 150,975	-	-	46,209	104,766
U.S. Government Agencies.....	281,190	-	28,904	16,961	235,325
Corporate/municipal bonds.....	601,390	-	324,692	244,688	32,010
Corporate equities.....	305,951	305,951	-	-	-
Mutual Funds.....	<u>1,424,565</u>	<u>1,424,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,764,071</u>	<u>1,730,516</u>	<u>353,596</u>	<u>307,858</u>	<u>372,101</u>

Credit Risk. The System's investment policies are governed by state statutes (Chapter 175, F.S.) and by an investment policy adopted by its Board of Trustees. The basic allowable investment instruments include obligations of, or obligations the principal and interest of which are guaranteed by, the U.S. Government; time deposits or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings, building and loan association insured 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.

Interest Rate Risk. The System monitors the effective duration of its fixed income portfolio as part of its program to manage interest rate risk. In recent years, the System has invested approximately 70.7% of its net position in domestic corporate equities and mutual funds, which fair value varies in conjunction with changes in the NYSE and NASDAQ stock index prices. Investments in U.S Treasury obligations, which represent approximately 4.0% of the System's investments, typically include discounted, fixed-price notes and bonds that mature within fifteen to thirty years. The fair values of these investments are less sensitive to interest rate increases since they are held to maturity. Investments in mortgage backed securities, which represents approximately 5.1% of the System's investments, typically include long-term, fixed-rate collateralized mortgage obligations with maturities ranging from one to twenty years. Their fair values are particularly

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

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, which represent approximately 20.2% of the System's investments, 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.

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the System'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 in this chapter to be designated by the State 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 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, 2012 and 2011, the System had no deposits with Qualified Public Depositories.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2012 and 2011, the System has custodial credit risk exposure of \$3,201,885 and \$2,764,071, respectively, for investments, and \$111,703 and \$106,207, respectively, for cash and cash equivalents held by the System's trustees, all of which are uninsured, unregistered and held by the System's brokerage firms, who are also the counterparties for these particular securities.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

Concentrations of Credit Risk – Pursuant to the provisions of the System's investment policy (Chapter 42, Article II, Section 42-64(6)(b) of the City's Code of Ordinances), all monies paid into or held in the fund shall be invested and reinvested by the board and the investment of all or any part of such funds 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 to which all of the members in the fund shall be entitled under the provisions of this system and pay the initial and subsequent premium thereon.
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 or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
3. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States or by an agency of the government of the United States.
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 United States, any state or organized territory of the United States, 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 the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at market exceed 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, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

Foreign Currency Risk – The Fund's exposure to foreign currency risk is as follows:

<u>Country</u>	<u>Investment Percentage</u>	<u>Foreign Currency</u>	<u>Mutual Fund Maturity</u>	<u>Fair Value</u>
France	1.22%	Euro	N/A	\$ 39,215
Germany	1.22%	Euro	N/A	39,169
Spain	0.41%	Euro	N/A	13,196
Netherlands	0.39%	Euro	N/A	12,499
Italy	0.33%	Euro	N/A	10,501
Belgium	<u>0.17%</u>	Euro	N/A	<u>5,529</u>
	3.74%			120,109
United Kingdom	3.21%	British Pound	N/A	102,639
Japan	3.00%	Japanese Yen	N/A	96,180
Australia	1.29%	Australian Dollar	N/A	41,213
Switzerland	1.20%	Swiss Franc	N/A	38,565
Sweden	0.46%	Swedish Krona	N/A	14,729
Hong Kong	0.43%	Hong Kong Dollar	N/A	13,660
Singapore	0.29%	Singapore Dollar	N/A	9,293
Other	0.29%	Other	N/A	9,293
Denmark	0.18%	Danish Krone	N/A	5,715
Norway	<u>0.13%</u>	Norwegian Krone	N/A	<u>4,182</u>
Total	<u>14.22%</u>			<u>\$ 455,578</u>

The Fund's investments in foreign currency were limited to international mutual funds at September 30, 2012. The Fund'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 14.22%.

NOTE 4 – RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2012 and 2011

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

NOTE 5 – SUBSEQUENT EVENTS

In preparing these financial statements, the System has evaluated events and transactions for potential recognition or disclosure through January 23, 2013, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2012

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

Schedule 1**SCHEDULE OF FUNDING PROGRESS**

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)
10/01/2012	\$ 3,289,644	\$ 4,908,256	\$ 1,618,612	67.02%	\$ 486,099	332.98%
10/01/2011	\$ 2,992,822	\$ 4,492,447	\$ 1,499,625	66.62%	\$ 429,175	349.42%
10/01/2010	\$ 3,114,518	\$ 4,340,101	\$ 1,225,583	71.76%	\$ 513,599	238.63%
10/01/2009	\$ 3,067,387	\$ 4,317,679	\$ 1,250,292	71.04%	\$ 630,037	198.45%
10/01/2008	\$ 2,954,229	\$ 4,396,537	\$ 1,442,308	67.19%	\$ 628,094	229.63%
10/01/2007	\$ 2,811,291	\$ 4,449,389	\$ 1,638,098	63.18%	\$ 748,437	218.87%

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Year Ended September 30	Annual Required Contribution	Employer Contributions	State Contributions	Percentage Contributed
2012	\$ 126,366	\$ 85,180	\$ 56,964	112.49%
2011	\$ 124,824	\$ 64,875	\$ 59,948	100.00%
2010	\$ 167,424	\$ 105,163	\$ 62,261	100.00%
2009	\$ 197,016	\$ 47,502	\$ 149,514 *	100.00%
2008	\$ 223,749	\$ 223,749	\$ -	100.00%
2007	\$ 225,601	\$ 155,785	\$ 123,907 *	123.98%

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

REQUIRED SUPPLEMENTARY INFORMATION – (Continued)

September 30, 2012

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the most recent available actuarial valuation is as follows:

Contribution rates as of 09/30/2012:

City and state.....	26.2%
Plan Members	8.0%
Annual Pension Cost.....	\$128,921
Contributions made	\$142,143
Valuation date	October 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Closed
Remaining amortization period.....	28 Years (as of 10/01/10)
Asset Valuation Method	4 Year Smoothed Market
Actuarial assumptions:	
Investment rate of return.....	7.5%, net of investment expenses
Projected salary increases ⁽¹⁾	6.0%
⁽¹⁾ includes inflation at	3.0%
Post-retirement cost of living increases (COLA) ..	0.0%

THREE YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2012	\$128,921	110%	\$ (77,953)
09/30/2011	\$67,286	96%	\$ (64,731)
09/30/2010	\$115,055	91%	\$ (67,142)

Annual Pension Cost and Contributions Made include State Monies beginning with the fiscal year ended September 30, 2012.

This municipal Defined Benefit Plan has 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 sponsor 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-.

REQUIRED SUPPLEMENTARY INFORMATION – (Continued)

September 30, 2012

CITY OF HOLLY HILL, FLORIDA

FIREFIGHTERS' RETIREMENT SYSTEM

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

	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>
Actuarially determined contribution	\$ 105,163	64,875	126,366
Interest on NPO	(5,778)	(5,036)	(4,855)
Adjustment.....	<u>15,670</u>	<u>7,447</u>	<u>7,410</u>
Annual Pension Cost.....	115,055	67,286	128,921
Contributions made	<u>105,163</u>	<u>64,875</u>	<u>142,143</u>
Increase in NPO	9,892	2,411	(13,222)
NPO - beginning of year	<u>(77,034)</u>	<u>(67,142)</u>	<u>(64,731)</u>
NPO - end of year	<u>\$ (67,142)</u>	<u>(64,731)</u>	<u>(77,953)</u>

Actuarially Determined Contribution and Contributions Made include State Monies beginning with the fiscal year ended September 30, 2012.

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COMPLIANCE SECTION

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

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

To the Board of Trustees
City of Holly Hill, Florida
Firefighters' Retirement System

We have audited the financial statements of City of Holly Hill, Florida, Firefighters' Retirement System as of and for the year ended September 30, 2012, and have issued our report thereon dated January 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
City of Holly Hill, Florida
Firefighters' Retirement System
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Holly Hill, Florida, Firefighters' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

This report is intended solely for the information and use of management, Board of Trustees, Plan Members, and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.C.

January 23, 2013