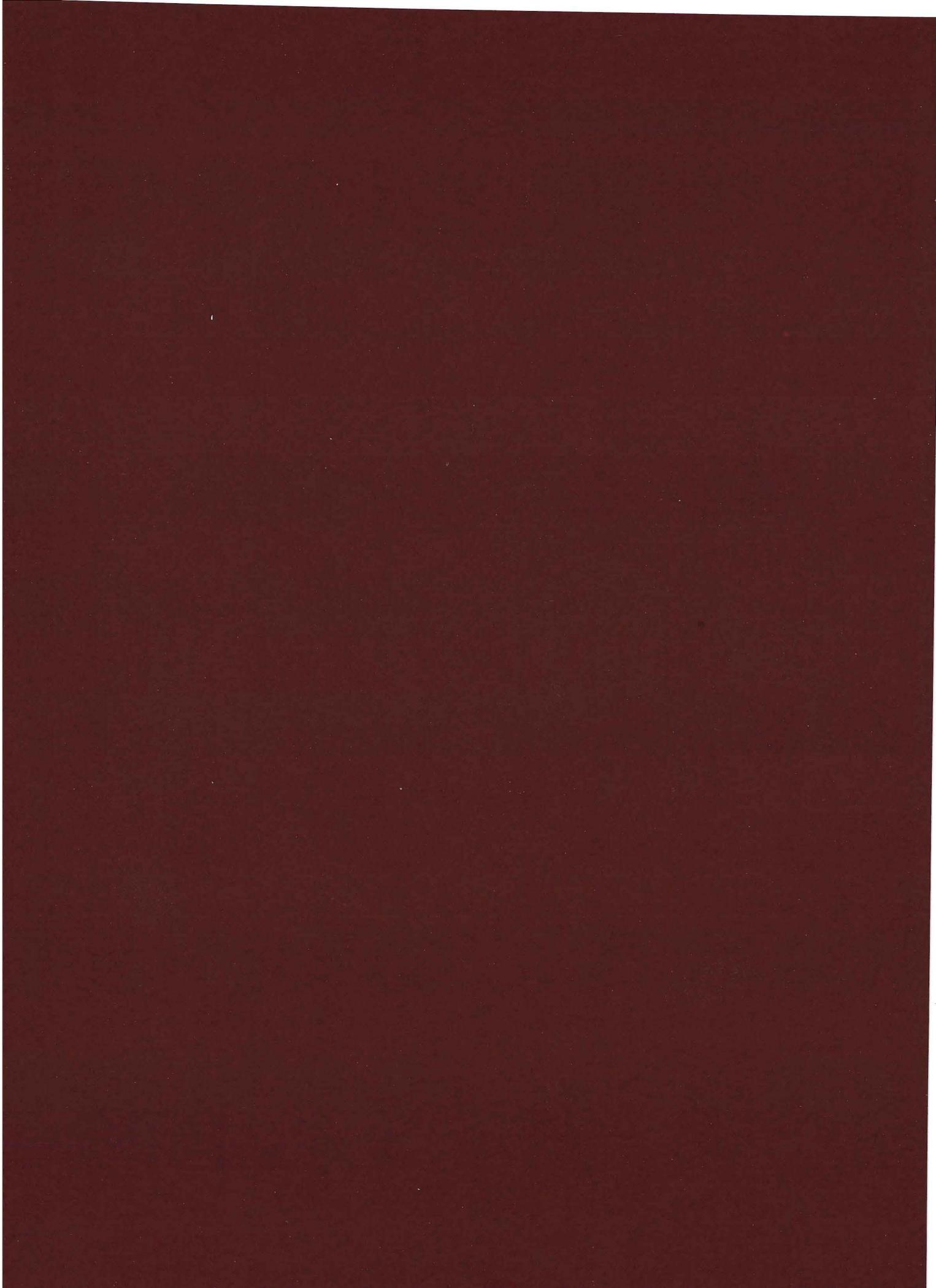


CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING SEPTEMBER 30, 1995



Comprehensive Annual Financial Report

City of Holly Hill, Florida

For the Fiscal Year Ended September 30, 1995

Prepared by:
Finance Department

Brenda Gubernator, Finance Director

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Introductory Section

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City of Holly Hill, Florida
Comprehensive Annual Financial Report

September 30, 1995

City Council

Virginia Wine, Mayor

Shirley Heyman, Mayor Pro-Tem

Arthur J. Byrnes

J. D. Mellette

Jim Elliott

City Manager

Donald Lusk

City Attorney

Edward F. Simpson, Jr.

Finance Director

Brenda Gubernator

City Auditors

Ernst & Young LLP

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City of Holly Hill, Florida
 Comprehensive Annual Financial Report
 For the year ended September 30, 1995

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Letter of Transmittal

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CITY OF HOLLY HILL

TEN SIXTY - FIVE RIDGEWOOD AVENUE

HOLLY HILL, FLORIDA 32117-2898

904/947-4120

FAX# 904/947-4148

SUN COM 380-4120

March 15, 1996

The Honorable Mayor, City Council and
City Manager
City of Holly Hill
Holly Hill, Florida

The Comprehensive Annual Financial Report of the City of Holly Hill, Florida, (the City) for the year ended September 30, 1995, is submitted herewith pursuant to Article I, Section 52, of the City Charter, Florida Statutes, Chapter 11.45 and Chapter 10.500 of the Rules of the Auditor General of the State of Florida.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and supporting schedules, as well as the report of independent auditors on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; sanitation services; water and sewer services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body exercises or has the ability to exercise oversight of the Police Officers' Retirement Trust Fund and the Firefighters' Retirement System; therefore, these activities are included in the reporting entity. Other overlapping governments, including the County of Volusia, Volusia County School District, Halifax Hospital District, the St. Johns Water Management District and Halifax Water Authority,

have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from the financial report for the City.

Economic Condition and Outlook

The City is located on the eastern end of the I-4 corridor, the economic zone of Central Florida which roughly follows Interstate 4 from Tampa through Orlando to the communities along the Atlantic coast in Volusia County.

Growth along the I-4 corridor has been exceptional and is expected to continue through the 1990's. Growth in the City has been slowed due to the limited availability of vacant land parcels and sluggish economic conditions. However, property valuations increased by 1.6% during the past year and the City has a dynamic business and industrial community that encourages competition and opportunity for additional growth. The community currently has a 4.9% unemployment rate as compared to a statewide rate of 6.0%.

Growth trends and their challenge to government are expected to continue. Maintaining service delivery to the resident and business community continues to require innovativeness in obtaining and managing resources.

Major Initiatives

Departmental Focus:

The Public Works Department completed several major projects during the year. Stormwater system improvements to Marlene Avenue, Magnolia Avenue, Carswell Avenue, and 6th Street were completed as well as improvements at 8th Street and Grove Canal and 10th Street and Grove Canal. Stormwater system improvements will continue to be a major focus of this department due to occasional heavy rains and greater development in the Halifax Area causing flooding of area canals.

For the Year:

Ross Point Park improvements were completed during the year. The addition of picnic shelters, playground, restrooms and a fishing pier enhanced the use of the park by area residents.

The City, in cooperation with Volusia County and other area cities, purchased an 800 MHz radio system for the Police and Fire departments. This system has enhanced the departments' abilities to communicate with other agencies for normal operations as well as during times of emergency operations.

For the Future:

In March of 1995, the City Council developed and adopted five year goals as follows:

1. To adopt and implement a plan to redevelop U.S. #1. U.S. #1 is the main artery through the City and numerous areas along the road have been upgraded or redeveloped in recent years. It is the commitment of the City to continue this positive trend. The redevelopment and implementation plan will be accomplished by a concerted effort on the part of the council, staff and advisory boards.
2. To develop a five year capital improvement plan. In order to better serve the community, the City Council is committed to proceeding with a defined capital improvements plan.
3. To develop an annexation plan. Unincorporated areas to the west of the current City boundaries provide opportunities for annexation by the City. These opportunities include the ability for the City to supply uniform, high quality, cost efficient services and thereby benefit the residents and businesses in the area.
4. To remove the existing buildings and develop or sell the old school property. The school property adjacent to the Holly Hill City Hall is prime land within the City. Buildings that cannot be saved will be removed and the Council will proceed to plan for the use or sale of the property.

Financial Information

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls:

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities in the general fund, expendable trust fund and various water and sewer funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department or division within an individual fund. The City also maintains an

encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget.

Budgetary control is maintained by a constant review of revenues and expenditures by the City Manager and Finance Director. This budgetary control is communicated to the department heads.

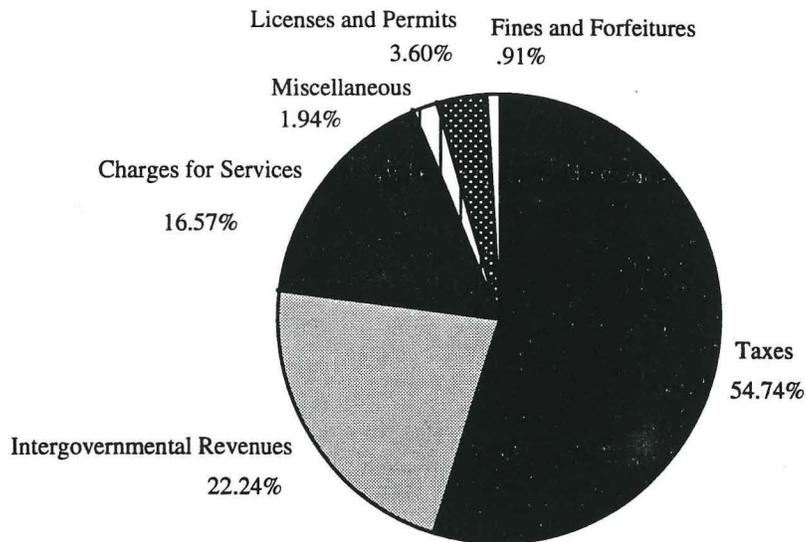
As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Governmental Functions:

The following schedule presents a summary of General Fund revenues and other sources for the fiscal year ended September 30, 1995 and the increases and decreases in relation to prior year revenues (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1994</u>
Taxes (all sources)	\$2,825	54.74%	\$(11)
Licenses and permits	186	3.60	6
Intergovernmental revenues	1,148	22.24	113
Charges for services	855	16.57	3
Fines and forfeitures	47	.91	(15)
Miscellaneous	100	1.94	(80)
Totals	<u>\$5,161</u>	<u>100.00%</u>	<u>\$ 16</u>

The contribution of each revenue type to the total earnings of the City is displayed in the following graph:



Revenues and other sources for the general fund functions totaled \$5,161,000 for the year ended September 30, 1995, an increase of \$16,000 from the previous year. Budgeted revenues for the General Fund exceeded actual revenues and other sources by \$53,000.

Ad valorem taxes continue to be the most significant revenue source. The total nonexempt valuation for ad valorem taxes amounts to \$364.9 million, a decrease of 1.6% over the preceding year.

Florida Statute, Chapter 192, controls the assessments and collections of ad valorem taxes. The County of Volusia, Florida is responsible for billing and collecting city ad valorem taxes in accordance with Florida law.

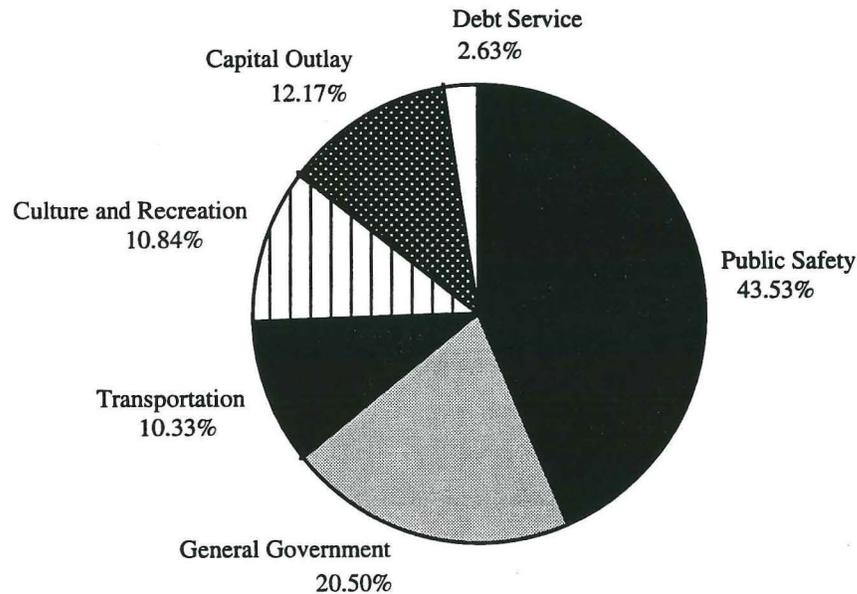
The property tax levy was as follows for the past two years:

	<u>1994/95</u>	<u>1993/94</u>
General Fund	<u>5.4695 mills</u>	<u>5.4695 mills</u>

The following schedule presents a summary of General Fund expenditures and transfers for the fiscal year ended September 30, 1995 and the increases and decreases in relation to prior year amounts (*in thousands*).

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1994</u>
General Government	\$1,123	20.50%	\$106
Public Safety	2,385	43.53	109
Transportation	566	10.33	(101)
Culture and Recreation	594	10.84	(14)
Capital outlay	667	12.17	296
Debt service	144	2.63	15
Transfers out	-	-	-
Totals	\$5,479	100.00%	\$411

The percentage of each functional expenditure to total expenditures and transfers is displayed in the following graph:



Expenditures and other uses for the General Fund amounted to \$5,479,000 for the year, an increase of \$411,000 over the preceding year.

Expenditures for General Government functions increased 10.42% over the previous year and accounted for 20.50% of total General Fund expenditures.

Public Safety, which includes Police, Fire and Protective Inspection Departments, accounted for 43.53% of the General Fund expenditures, as compared to 44.91% for the preceding fiscal year.

Transportation represented 10.33% of the General Fund expenditures, as compared to 13.17% for the preceding year.

The Culture and Recreation Department accounted for 10.84% of the General Fund expenditures, as compared to 11.99% for the previous fiscal year.

Expenditures for capital improvements amounted to \$667,000 for the fiscal year, an increase of 79.78% over the preceding fiscal year. Debt service requirement included principal retirement of \$107,000 and interest of \$37,000.

General Fund Balance:

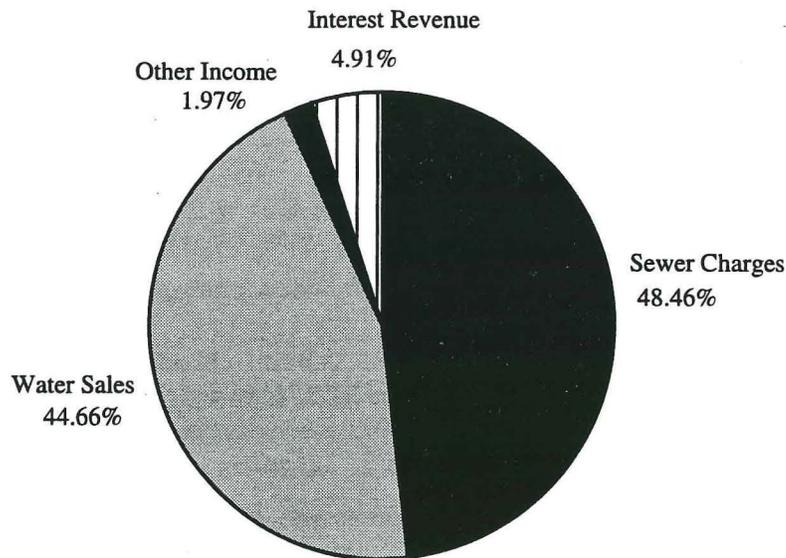
The fund balance of the General Fund decreased by 20.42% during the fiscal year ended September 30, 1995. The \$318,000 decrease provided the City with a fund balance that is the equivalent of 22.6% of the actual expenditures for the fiscal year ended September 30, 1995. This indication of sound financial position will ensure the availability of resources needed to continue providing quality service to the City's citizens without imposing an undue tax burden.

Enterprise Operations:

The following schedule presents a summary of Water and Sewer System Fund revenues for the fiscal year ended September 30, 1995 and the increases and decreases in relation to the prior year (*in thousands*).

Source	Amount	Percent of Total	Increase (Decrease) over 1994
Water sales	\$1,363	44.66%	\$ 2
Sewer charges	1,479	48.46	(12)
Other income	60	1.97	(383)
Interest revenue	150	4.91	60
Totals	\$3,052	100.00%	\$(333)

The percentage of each component of revenue to total revenues is displayed in the following graph:



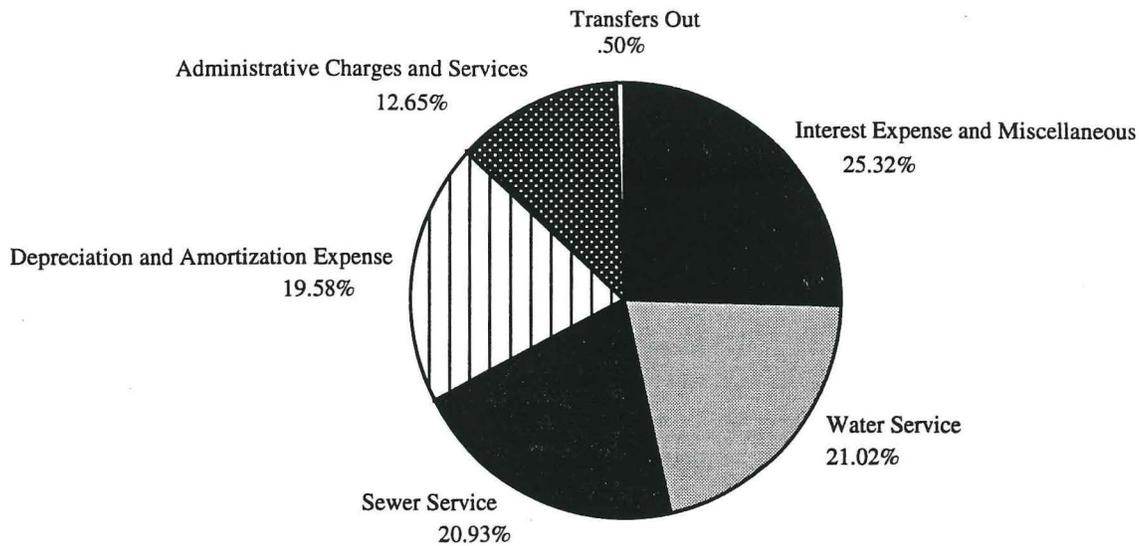
The City's Water and Sewer System Fund experienced a decline in revenues of \$333,000 over the past year.

The City records connection charges and impact fees as contributed capital. During the year, connection charges and impact fees amounted to \$36,000, a decrease of 36.8% from the previous year.

The following schedule presents a summary of Water and Sewer System Fund expenses for the fiscal year ended September 30, 1995 and the amount of increases and decreases in relation to prior year amounts (*in thousands*).

<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1994</u>
Water service	\$ 736	21.02%	\$ (96)
Sewer service	733	20.93	24
Administrative charges and services	443	12.65	3
Depreciation and amortization expenses	686	19.58	19
Interest expenses and miscellaneous	887	25.32	49
Transfers out	18	.50	(149)
Totals	\$3,503	100.00%	\$(150)

The percentage of each expense to total expenses is displayed in the following graph:



This year, the City had a net loss of \$451,000 in the Water and Sewer System Fund.

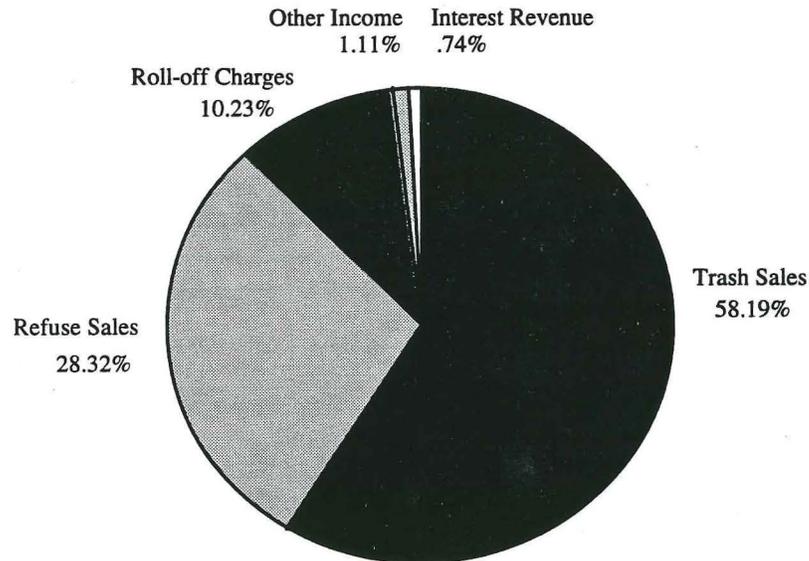
Bonded debt coverage from the operations of the system are shown in the following tabulation (in thousands):

	<u>1995</u>
Gross revenue (includes connection charges)	\$3,088
Income available for debt service	1,619
Annual debt service requirement	1,125
Coverage (income available for debt service divided by annual debt service requirement)	1.44

The Solid Waste Fund is an enterprise fund that accounts for the City's Physical Environment/Sanitation Services. The following schedule presents a summary of Solid Waste Fund revenues and transfers for the fiscal year ended September 30, 1995 (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1994</u>
Trash sales	\$ 785	58.19%	\$ 22
Refuse sales	382	28.32	(171)
Roll-off charges	138	10.23	(8)
Other income	19	1.41	7
Grant revenue	15	1.11	15
Interest revenue	10	.74	7
	<u>\$1,349</u>	<u>100.00%</u>	<u>\$(128)</u>

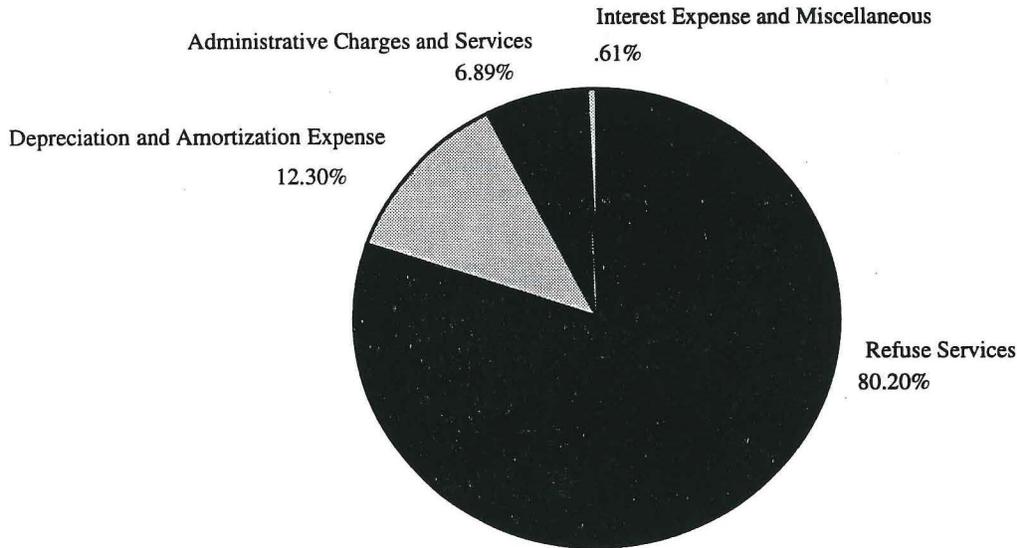
The percentage of each revenue to total revenues and transfers is displayed in the following graph:



The following schedule presents a summary of Solid Waste Fund expenses for the fiscal year ended September 30, 1995 (*in thousands*).

<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1994</u>
Refuse services	\$1,017	80.20%	\$(57)
Administrative charges and services	87	6.86	2
Depreciation and amortization expense	156	12.30	(21)
Interest expense and miscellaneous	8	.64	(6)
	<u>\$1,268</u>	<u>100.00%</u>	<u>\$(82)</u>

The percentage of each expense to total expenses is displayed in the following graph:



This year, the City has a net income of \$81,000 in the Solid Waste Fund.

Debt Administration:

At September 30, 1995, the City had no general bonded debt.

Water and sewer revenue bonds issued in 1992 are rated AAA by Moody's Investors Services and AAA by Standard and Poor's Corporation and are insured by Municipal Bond Investors Assurance Corporation. Debt service payments during the current year consisted of \$240,000 in principal maturities and \$885,000 of interest.

Pension Trust Fund Operations:

Two funds have been established to account for the accumulation of resources to pay pension benefits to retired firefighters and policemen.

The Firefighters' Retirement System and the Police Officers' Retirement Trust Fund are governed by two separate Boards of Trustees appointed by the City Council and are responsible for the administration of each fund. The City is responsible for funding any actuarial deficiency which may arise. At the dates of the most recent actuarial valuations the Police Officers' Retirement Trust had net assets in excess of pension benefit obligation of \$86,000 and the Firefighters' Retirement System had an unfunded pension benefit obligation of \$370,000. The two pension funds are included in the financial statements of the City.

During the year, the Firefighters' Retirement System revenues were derived from State of Florida contributions of \$18,000, employee contributions of \$33,000, City contributions of \$91,000, investment income of \$195,000, and other income of \$1,000. Fund balance at the end of the year is \$1,283,000 as compared to \$1,076,000 for the preceding year. For the Police Officers' Retirement Trust Fund, the revenues were derived from State of Florida contributions of \$48,000, employee contributions of \$77,000, City contributions of \$117,000 and investment income of \$433,000. Fund balance at the end of the year is \$3,102,000 as compared to \$2,519,000 for the preceding year.

General Fixed Assets:

This group of accounts represents the fixed assets of the General Government operations of the City. These assets have been recorded on the books at cost and carrying value bears no relation to the actual value of the assets. The total cost of general fixed assets at September 30, 1995 amounted to \$9,965,000 as compared to \$9,082,000 for the preceding year, an increase of 9.72%.

Cash Management:

Cash temporarily idle during the year was invested in demand deposits and in time deposits ranging from 12 to 24 months to maturity. The government's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the government, its agent or a financial institution's trust department in the government's name. At September 30, 1995, unrestricted cash was invested as follows: in interest bearing demand deposits, 2.36%, and with the State Board of Administration, 97.64%. Interest earned on unrestricted funds for the past two fiscal years was as follows:

<u>Fund</u>	Interest Earned	
	1995	1994
	<i>(in thousands)</i>	
General Fund	\$ 79	\$ 69
Water and Sewer System Fund	58	66
Solid Waste Fund	10	3
Total interest earnings for the City	<u>\$147</u>	<u>\$138</u>

The above amounts do not reflect restricted funds or Pension Trust Funds' idle cash or interest and dividend earnings because these funds are not available for general City use.

Other Information

Independent Audit:

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Ernst & Young LLP was selected by the City Council. The report of independent auditors on the general purpose financial statements is included in the financial section of this report.

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 for its comprehensive annual financial report for the fiscal year ended September 30, 1994. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Honorable Mayor, City Council and
City Manager
City of Holly Hill

Page 14

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 18 consecutive years. We believe our current report continues to conform with the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 1994. This is the seventh consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments:

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 my sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

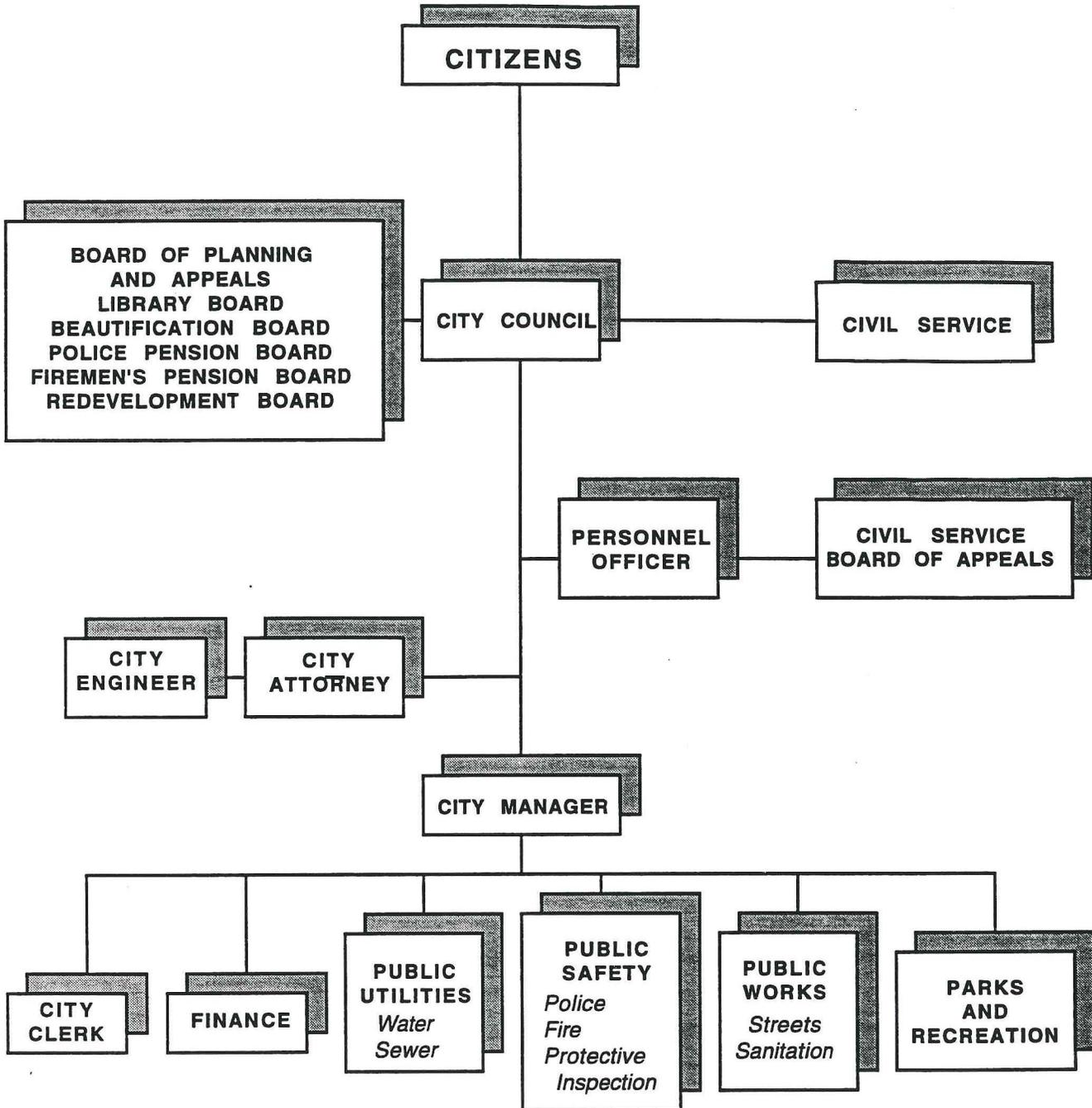

Brenda Gubernator
Finance Director

Organization Chart

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City of Holly Hill, Florida

Organization Chart



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

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

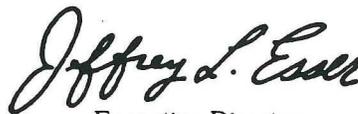
City of Holly Hill,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1994

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



President



Executive Director

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Financial Section

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Report of Independent Auditors

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Report of Independent Auditors

The Honorable Mayor, City
Council and City Manager
City of Holly Hill, Florida

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida as of and for the year ended September 30, 1995 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Police Officers' Retirement Trust Fund, which statements reflect net assets available for benefits of \$3,102,000 as of September 30, 1995 and operating income of \$583,000 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for the Police Officers' Retirement Trust Fund, is based solely upon the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Holly Hill, Florida, at September 30, 1995, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Holly Hill, Florida. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 1995 on our consideration of the City of Holly Hill, Florida's internal control structure and a report dated December 21, 1995 on its compliance with laws and regulations.



December 21, 1995

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General Purpose Financial Statements
(Combined Statements – Overview)

City of Holly Hill, Florida

Combined Balance Sheet All Fund Types and Account Groups

September 30, 1995

(in thousands)

	Governmental Fund Types		Proprietary
	General	Capital Projects	Fund Type
	Enterprise		
Assets			
Cash and cash equivalents	\$ 1,295	\$ 3	\$ 1,116
Investments	-	-	-
Accounts receivable - net	21	-	309
Taxes receivable	66	-	-
Other receivables	27	-	2
Due from other funds	70	-	195
Due from other governments	53	-	-
Prepaid insurance	-	-	31
Restricted assets:			
Cash and cash equivalents:			
Sinking Funds	-	-	4
Construction Fund	-	-	284
Renewal and Replacement Fund	-	-	275
Customer deposits	-	-	412
Impact fee	-	-	407
Land	-	-	155
Buildings	-	-	10,817
Improvements other than buildings	-	-	7,071
Machinery and equipment	-	-	7,410
Accumulated depreciation	-	-	(7,042)
Construction in progress	-	-	26
Unamortized bond issue costs	-	-	235
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 1,532	\$ 3	\$ 21,707

See accompanying notes.

Fiduciary Fund Type		Account Groups			Total (Memorandum Only)				
		Trust and Agency	General Fixed Assets	General Long-Term Debt	1995	1994			
\$	423	\$	-	\$	-	\$	2,837	\$	3,529
	4,161		-		-		4,161		3,034
	-		-		-		330		368
	-		-		-		66		59
	34		-		-		63		130
	-		-		-		265		111
	-		-		-		53		74
	-		-		-		31		6
	-		-		-		4		8
	-		-		-		284		651
	-		-		-		275		256
	-		-		-		412		407
	-		-		-		407		376
	-		1,332		-		1,487		1,487
	-		1,907		-		12,724		12,597
	-		4,861		-		11,932		10,742
	-		1,865		-		9,275		9,068
	-		-		-		(7,042)		(6,231)
	-		-		-		26		167
	-		-		-		235		243
	-		-		1,224		1,224		1,227
\$	4,618	\$	9,965	\$	1,224	\$	39,049	\$	38,309

City of Holly Hill, Florida

Combined Balance Sheet All Fund Types and Account Groups

September 30, 1995

(in thousands)

	Governmental Fund Types		Proprietary Fund Type
	General	Capital Projects	Enterprise
Liabilities, fund equity and other credits			
Liabilities:			
Accounts payable	\$ 119	\$ -	\$ 79
Accrued liabilities	32	-	9
Accrued interest payable	-	-	-
Due to other funds	74	-	191
Current portion of notes payable	-	-	48
Other liabilities	2	-	-
Deferred revenues	66	-	-
Payable from restricted assets:			
Accounts payable	-	-	57
Customer deposits	-	-	412
Retainage payable	-	-	-
Arbitrage rebate liability	-	-	13
Current portion of revenue bonds payable	-	-	245
Deferred compensation payable	-	-	-
Revenue bonds payable - net	-	-	14,166
Notes payable	-	-	95
Obligation for compensated absences	-	-	160
Total liabilities	293	-	15,475
Commitments and contingencies			
Fund equity and other credits:			
Contributed capital	-	-	2,961
Investment in general fixed assets	-	-	-
Retained earnings:			
Reserved for renewal and replacement	-	-	275
Unreserved	-	-	2,996
Fund balances:			
Reserved for law enforcement trust	-	-	-
Reserved for encumbrances	-	-	-
Reserved for police and fire pensions	-	-	-
Reserved for police education	15	-	-
Reserved for stormwater drainage	643	-	-
Reserved for advance to Solid Waste Fund	-	-	-
Reserved for capital projects	-	3	-
Unreserved:			
Undesignated	581	-	-
Total fund equity and other credits	1,239	3	6,232
Total liabilities, fund equity and other credits	\$ 1,532	\$ 3	\$ 21,707

See accompanying notes.

Fiduciary Fund Type		Account Groups			Total (Memorandum Only)	
Trust and Agency	General Fixed Assets	General Long-Term Debt		1995	1994	
\$ 4	\$ -	\$ -	\$ -	202	\$ 278	
-	-	-	-	41	37	
-	-	-	-	-	4	
-	-	-	-	265	111	
-	-	-	-	48	48	
-	-	-	-	2	2	
-	-	-	-	66	59	
-	-	-	-	57	34	
-	-	-	-	412	406	
-	-	-	-	-	1	
-	-	-	-	13	25	
-	-	-	-	245	240	
198	-	-	-	198	157	
-	-	-	-	14,166	14,398	
-	-	823	-	918	946	
-	-	401	-	561	612	
202	-	1,224	-	17,194	17,358	
-	-	-	-	2,961	2,925	
-	9,965	-	-	9,965	9,082	
-	-	-	-	275	256	
-	-	-	-	2,996	3,385	
31	-	-	-	31	36	
-	-	-	-	-	146	
4,385	-	-	-	4,385	3,595	
-	-	-	-	15	16	
-	-	-	-	643	737	
-	-	-	-	-	38	
-	-	-	-	3	71	
-	-	-	-	581	664	
4416	9,965	-	-	21,855	20,951	
\$ 4618	\$ 9,965	\$ 1,224	\$ -	\$ 39,049	\$ 38,309	

City of Holly Hill, Florida

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Similar Trust Funds

Year ended September 30, 1995

(in thousands)

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Capital Projects Fund	Expendable Trust	1995	1994
Revenues:					
Taxes	\$2,825	\$ -	\$ -	\$2,825	\$2,836
Licenses and permits	186	-	-	186	180
Intergovernmental revenues	1,148	-	-	1,148	1,035
Charges for services	855	-	-	855	852
Fines and forfeitures	47	-	16	63	79
Miscellaneous revenues	100	3	1	104	197
Total revenues	5,161	3	17	5,181	5,179
Expenditures:					
Current:					
General Government	1,123	-	-	1,123	1,017
Public Safety	2,385	-	13	2,398	2,287
Transportation	566	-	-	566	667
Culture and Recreation	594	-	-	594	608
Capital outlay	667	133	9	809	1,031
Debt service:					
Principal retirement	107	-	-	107	93
Interest	37	-	-	37	37
Total expenditures	5,479	133	22	5,634	5,740
Excess (deficiency) of revenues over expenditures	(318)	(130)	(5)	(453)	(561)
Other financing sources (uses):					
Transfer from other funds	-	18	-	18	167
Excess (deficiency) of revenues and other sources over expenditures and other uses	(318)	(112)	(5)	(435)	(394)
Fund balances at beginning of year	1,557	115	36	1,708	2,102
Fund balances at end of year	\$1,239	\$ 3	\$ 31	\$1,273	\$1,708

See accompanying notes.

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General and Capital Projects Funds

Year ended September 30, 1995

(in thousands)

	General Fund			
	Budget	Actual	Variance (Unfavorable) Favorable	1994 Actual
Revenues:				
Taxes	\$2,883	\$2,825	\$ (58)	\$2,836
Licenses and permits	214	186	(28)	180
Intergovernmental revenues	1,126	1,148	22	1,035
Charges for services	854	855	1	852
Fines and forfeitures	45	47	2	62
Miscellaneous revenues	92	100	8	180
Total revenues	5,214	5,161	(53)	5,145
Expenditures:				
Current:				
General Government	1,200	1,123	77	1,017
Public Safety	2,455	2,385	70	2,276
Transportation	578	566	12	667
Culture and Recreation	613	594	19	608
Capital outlay	691	667	24	372
Debt service:				
Principal retirement	107	107	-	93
Interest	38	37	1	37
Total expenditures	5,682	5,479	203	5,070
Excess (deficiency) of revenues over expenditures	(468)	(318)	150	75
Other financing sources (uses):				
Transfer from other funds	2	-	(2)	-
Excess (deficiency) of revenues over expenditures and other uses	(466)	(318)	148	75
Fund balances at beginning of year	1,557	1,557	-	1,482
Fund balances at end of year	\$1,091	\$1,239	\$148	\$1,557

See accompanying notes.

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General and Capital Projects Funds

Year ended September 30, 1995

(in thousands)

	Capital Projects Fund			
	Budget	Actual	Variance (Unfavorable) Favorable	1994 Actual
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous revenues	2	3	1	16
Total revenues	2	3	1	16
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Capital outlay	134	133	1	657
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	134	133	1	657
Excess (deficiency) of revenues over expenditures	(132)	(130)	2	(641)
Other financing sources (uses):				
Transfer from other funds	19	18	(1)	167
Excess (deficiency) of revenues over expenditures and other uses	(113)	(112)	1	(474)
Fund balances at beginning of year	115	115	-	589
Fund balances at end of year	\$ 2	\$ 3	\$ 1	\$115

See accompanying notes.

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General and Capital Projects Funds

Year ended September 30, 1995

(in thousands)

Total (Memorandum Only)

	Budget	Actual	Variance (Unfavorable) Favorable	1994 Actual
Revenues:				
Taxes	\$2,883	\$2,825	\$ (58)	\$2,836
Licenses and permits	214	186	(28)	180
Intergovernmental revenues	1,126	1,148	22	1,035
Charges for services	854	855	1	852
Fines and forfeitures	45	47	2	62
Miscellaneous revenues	94	103	9	196
Total revenues	5,216	5,164	(52)	5,161
Expenditures:				
Current:				
General Government	1,200	1,123	77	1,017
Public Safety	2,455	2,385	70	2,276
Transportation	578	566	12	667
Culture and Recreation	613	594	19	608
Capital outlay	825	800	25	1,029
Debt service:				
Principal retirement	107	107	-	93
Interest	38	37	1	37
Total expenditures	5,816	5,612	204	5,727
Excess (deficiency) of revenues over expenditures	(600)	(448)	152	(566)
Other financing sources (uses):				
Transfer from other funds	21	18	(3)	167
Excess (deficiency) of revenues over expenditures and other uses	(579)	(430)	149	(399)
Fund balances at beginning of year	1,672	1,672	-	2,071
Fund balances at end of year	\$1,093	\$1,242	\$ 149	\$1,672

See accompanying notes.

City of Holly Hill, Florida

Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balances
All Proprietary Fund Type and Similar Trust Funds

Year ended September 30, 1995

	Proprietary	Fiduciary	Totals	
	Fund Type	Fund Type	(Memorandum Only)	
	Enterprise	Pension Trust	1995	1994
Operating revenues:				
Charges for services	\$4,190	\$ -	\$4,190	\$4,359
Contributions	-	384	384	369
Investment income	-	628	628	66
Total operating revenues	4,190	1,012	5,202	4,794
Operating expenses:				
Personal services	1,320	-	1,320	1,446
Benefit payments	-	160	160	95
Termination payments	-	3	3	-
Contractual services	896	60	956	1,012
Materials and supplies	246	-	246	232
Other charges and services	530	-	530	526
Depreciation and amortization	842	-	842	844
Miscellaneous expenses	24	-	24	16
Total operating expenses	3,858	223	4,081	4,171
Operating income	332	789	1,121	623
Nonoperating revenues (expenses):				
Interest income	160	-	160	92
Grant revenue	15	-	15	3
Other income	36	1	37	468
Interest expense	(895)	-	(895)	(818)
Loss on disposal of equipment	-	-	-	(33)
Total nonoperating revenues (expenses)	(684)	1	(683)	(288)
Income (loss) before operating transfers	(352)	790	438	335
Operating transfers:				
Transfer to other funds	(18)	-	(18)	(167)
Net income (loss)	(370)	790	420	168
Retained earnings/fund balances at beginning of year	3,641	3,595	7,236	7,068
Retained earnings/fund balances at end of year	\$3,271	\$4,385	\$7,656	\$7,236

See accompanying notes.

Combined Statement of Cash Flows
Proprietary Fund Type

Year ended September 30, 1995

(in thousands)

	1995	1994
Operating activities		
Operating income	\$ 332	\$ 374
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	842	844
Nonoperating income	51	411
Operating transfer	(18)	(167)
Accounts receivable, net	36	38
Due from other funds	(158)	(15)
Prepaid insurance	(25)	
Accounts payable	(2)	(13)
Accrued liabilities	-	2
Due to other funds	81	56
Customer deposits	6	8
Obligation for compensated absences	(28)	34
Net cash provided by operating activities	1,117	1,572
Noncapital financing activities		
Advance from other funds	-	(78)
Net cash used in noncapital financing activities	-	(78)
Capital and related financing activities		
Acquisition and construction of capital assets	(510)	(872)
Principal paid on bond maturities	(240)	(230)
Principal paid on note payable	(48)	(48)
Interest paid on note payable	(12)	(17)
Interest paid on bonds	(899)	(895)
Capital contributions from customers	36	57
Net cash used in capital and related financing activities	(1,673)	(2,005)

Combined Statement of Cash Flows (continued)
 Proprietary Fund Type

Year ended September 30, 1995

(in thousands)

	<u>1995</u>	<u>1994</u>
Investing activities		
Interest on investments	<u>160</u>	126
Net cash provided by investing activities	<u>160</u>	<u>126</u>
Net decrease in cash and cash equivalents	(396)	(385)
Cash and cash equivalents at beginning of year	<u>2,894</u>	3,279
Cash and cash equivalents at end of year	<u><u>\$2,498</u></u>	<u><u>\$2,894</u></u>
Significant transactions not affecting cash		
Transfer of fixed assets from General Fixed Asset Account Group	\$ -	\$ 32
	<u>\$ -</u>	<u>\$ 32</u>

See accompanying notes.

City of Holly Hill, Florida
Notes to Financial Statements

September 30, 1995

1. Accounting Policies

The City of Holly Hill, Florida is a municipal corporation created by the Laws of Florida, Chapter 67-1274, located in Volusia County. The legislative branch of the City is composed of a five (5) member Council consisting of the mayor and four councilmen. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed City Manager.

The accounting policies of the City of Holly Hill, Florida conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types and account groups governed by the City Council of the City of Holly Hill, Florida.

There are no potential component units which would require inclusion in the City's financial statements under the requirements of Government Accounting Standards Board Statement No. 14.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, 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 purpose of the City's various funds and account groups are as follows:

Governmental Fund Types:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Fund Accounting (continued)

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type:

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These include water and sewer and solid waste.

Fiduciary Fund Types:

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include Pension Trust, Expendable Trust and Agency Funds.

Account Groups:

General Fixed Assets – The General Fixed Assets Account Group is used to account for all fixed assets of the City, except fixed assets of the proprietary funds.

General Long-Term Debt – The General Long-Term Debt Account Group is used to account for outstanding principal balances on any long-term liabilities not accounted for in the proprietary funds.

Measurement Focus

Governmental Fund Types – The General and Capital Projects Funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. Accordingly, the reported undesignated fund balance (net current assets) is considered a measure of available, spendable or appropriable resources. The operating statement of this fund presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary Fund Type – The City's Enterprise Funds are accounted for using a flow of economic resources measurement focus. Accordingly, all assets and liabilities are included on the balance sheets, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the funds. The operating statements for the Proprietary Fund Type report increases (revenues) and decreases (expenses) in total economic net worth.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Measurement Focus (continued)

Fiduciary Fund Types – Pension Trust Funds are accounted for in the same manner as the Proprietary Fund Type since capital maintenance is critical. Expendable Trust Funds are accounted for in the same manner as Governmental Fund Types. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups – The General Long-Term Debt and General Fixed Assets Account Groups are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Revenues which are susceptible to accrual include intergovernmental revenues, interest income, and charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

The Proprietary Fund Type and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The proprietary funds do not apply all FASB statements and interpretations issued after November 30, 1989.

Agency Funds are accounted for using the modified accrual basis.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements –

- (1) On or before the first day of August of each year the City Manager submits to the City Council a budget for the ensuing fiscal year, along with an accompanying budget message.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

- (2) Budget workshop sessions are scheduled by the City Manager as needed.
- (3) The general summary of the budget and notice of public hearing is published in the local newspaper.
- (4) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (5) The City Manager is authorized to transfer part or all of an unencumbered appropriation balance among programs within a department and, upon written request by the City Manager, the City Council may, by ordinance, transfer part or all of any unencumbered appropriation balance from one department to another.
- (6) The level of classification detail at which expenditures may not legally exceed appropriations is within a department or division by fund.
- (7) Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended.
- (8) The budgets for all governmental funds that were either adopted or amended during the year by the City Council were prepared on the same basis of accounting utilized by those specific fund types. The General and Capital Projects Funds are required to have legally adopted annual budgets.
- (9) The City Council by ordinance may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenue. During the 1994/95 fiscal year, one such supplemental appropriation increasing the budget by \$194,950 was approved on August 22, 1995 through Ordinance Number 2412 in accordance with the City Charter.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Accounts Receivable

Unbilled Utility Accounts Receivable – Water, sewer, trash, refuse and stormwater management operating revenues are generally recognized on the basis of cycle billings rendered monthly. The unbilled portion was accrued at year end by calculating the cycle billing the City sent to its customers and prorating the number of days applicable to the current year.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board 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 current millage rate assessed by the City is 5.4695.

The property tax calendar is as follows:

Valuation Date – January 1 of each year

On July 1, the Property Appraiser prepares the assessment roll with values as of January 1, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.

During September, the City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate(s) for the coming fiscal year.

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

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes may be paid November through March of the year following the year in which they are assessed, with the following applicable discounts:

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Property Taxes (continued)

All unpaid taxes on real and tangible personal property become delinquent, on April 1 following the year in which they are assessed.

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised in May following the year in which they are assessed.

Tax certificates are sold on all real estate parcels with unpaid real property taxes on June 1 following the year in which they are assessed. (Lien date).

Also during June, a court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.

In accordance with the modified accrual basis of accounting, property taxes that are measurable, but not available, are reported as deferred revenue. The deferred revenues will be recognized in the fiscal year in which they become available.

Investments

Investments are stated at cost, except for investments in the deferred compensation fund and Pension Trust Funds which are stated at market value based on quoted market prices.

Fixed Assets

Fixed assets purchased in the Governmental Fund Types are recorded as expenditures at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are also capitalized along with other general fixed assets. Donated fixed assets are recorded in the General Fixed Assets Account Group at their fair market value at the time received. No depreciation has been provided on general fixed assets.

The fixed assets of the Enterprise Funds are capitalized at cost when purchased. Donated fixed assets are recorded at their estimated fair market value at time received and classified as contributions. Depreciation is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives of the various classes of depreciable assets are as follows:

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Fixed Assets (continued)

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	10 – 50
Machinery and equipment	3 – 30

Capitalization of Interest

Net interest cost relating to construction is capitalized during the construction period.

Bond Discounts and Issuance Costs

Bond discounts and bond issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the life of the bonds. Bond discounts are presented as a reduction of the face amount of bonds payable and issuance costs are recorded as deferred charges.

Vacation and Sick Leave

It is the City's policy to grant employees vacation leave based upon the number of years of employment with the City. Vacation leave can be used as time off and/or accrued up to a maximum of 90 days, after which time the employee will be reimbursed for the time in excess of 90 days. 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 accumulated at a rate of one day per month per employee and can be accrued up to a maximum of 90 days. Upon retirement or death, employees are paid 100 percent of their accumulated sick leave. Upon resignation, employees with 15 years of service are paid 50 percent of their accumulated sick leave.

The City records compensated absences in the Governmental Fund Types as an expenditure for the amount accrued during the year that would normally be liquidated with expendable available financial resources. The remainder of the liability is reported in the General Long-Term Debt Account Group. The Proprietary Fund Type accrues compensated absences in the period they are earned. The amount recorded in both Fund Types is based on the employee's current rate of pay, plus certain salary-related fringe benefits.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Reserves

Reserves indicate that portion of fund balance/retained earnings that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result, if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather reservations of fund balance for subsequent years' appropriation. Encumbrances are reported in Governmental Fund types.

Contributed Capital

Proprietary Fund contributed capital represents contributions from other funds, governmental entities or individuals. The contributions were collected to finance fixed asset additions or other specific expenses.

Long-Term Debt

Debt recorded in the General Long-Term Debt Account Group is paid from Governmental Fund Type assets.

Debt recorded in the Enterprise Funds is paid from the Enterprise Funds' assets.

Combined Statements "Memorandum Only" Total Columns

Total columns on the Combined Statements – All Fund Types and Account Groups are noted "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the summarization of these data.

Reclassifications

Certain September 30, 1994 account balances have been reclassified in this report to conform with the financial statement presentation used in 1995.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. Each Fund Type's portion of this pool is included on the combined balance sheet in "Cash and Cash Equivalents." Earnings on pooled cash and investments are allocated to participating funds on a monthly basis based on each fund's portion of the pool. In addition, investments are separately held by several of the City's funds. The deposits and investments of the Pension Trust Funds are held separately from those of other City funds.

Deposits

The carrying amount of the City's deposits was \$470,000 and the bank balance was \$585,000. Of the bank balance, \$475,000 was secured by the bank through participation in the Florida Security for Public Deposits Act, and \$110,000 was invested in commercial paper and in a money market account by the Pension Trust Funds. The commercial paper consisted of obligations of U.S. corporations. The money market account is invested in United States Government Obligations. Both are held in the name of the trust department and are, therefore, considered to be uncollateralized. The City also had \$1,000 of petty cash on hand as of September 30, 1995.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

Investments

The City's investment policies are governed by state statutes and local ordinances. The basic allowable investment instruments include the Local Government Surplus Funds Trust Fund; negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision or in federal savings and loan associations located in this state and organized under federal law and federal supervision; obligations of the Federal Farm

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Investments (continued)

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.

The Deferred Compensation Agency Fund investments are managed by ICMA Retirement Trust Corporation which provides various investment options to participants. The investments are pooled, and consist of common stock, government securities, corporate bonds, and guaranteed insurance contracts.

The following schedule categorizes the level of risk assumed by the City relating to investments held at September 30, 1995:

Category 1

Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent in the City's name.

Category 3

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent but not in the City's name.

All of the City's Pension Trust Fund investments are considered to be Category 3 investments.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Investments (continued)

Following is a summary of investments held by the City at September 30, 1995 (*in thousands*):

Pension Trust Fund Investments (all Category 3):

Common stock	\$2,024
U.S. government and agency obligations	1,686
Corporate bonds	253
	<u>3,963</u>
Deferred Compensation Investment Pool	198
State Board of Administration – Local Government Surplus Funds Investment Pool	3,748
Total investments	<u><u>\$7,909</u></u>

3. Accounts Receivable – Net

The accounts receivable – net at September 30, 1995 consists of the following:

	<u>Enterprise Funds</u>		
	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>
	<i>(in thousands)</i>		
Accounts receivable	\$24	\$242	\$115
Less: Allowance for doubtful accounts	3	26	22
Accounts receivable – net	<u>\$21</u>	<u>\$216</u>	<u>\$ 93</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

4. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance September 30, 1994	Additions	Deletions	Balance September 30, 1995
	<i>(in thousands)</i>			
Land	\$1,332	\$ -	\$ -	\$1,332
Buildings	1,785	122	-	1,907
Improvements other than buildings	4,229	632	-	4,861
Machinery and equipment	1,708	255	98	1,865
Construction-in-progress	28	-	28	-
Total general fixed assets	\$9,082	\$1,009	\$126	\$9,965

5. Changes in General Long-Term Debt Account Group

A summary of changes in general long-term debt follows:

	Balance October 1, 1994	Notes Payable Issued	Retired	Net Reduction in Compensated Absences	Balance September 30, 1995
	<i>(in thousands)</i>				
Notes payable:					
Volusia County - 800 MHZ radio system	\$ -	\$127	\$ 12	\$ -	\$ 115
Sun Bank of Volusia County - Fire truck	97	-	24	-	73
Fire station and City Hall	706	-	71	-	635
Obligation for compensated absences	424	-	-	23	401
Total general long-term debt	\$1,227	\$127	\$107	\$23	\$1,224

6. Legal Debt Margin

The Constitution of the State of Florida, Florida Statute 200.181 and the Charter of the City of Holly Hill set no legal debt margin.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

7. Notes Payable

In March 1993 the City executed two utility service tax revenue notes with a local banking institution in the amounts of approximately \$359,000 and \$808,000. Proceeds from the \$359,000 note were used for the purchase of sanitation trucks and a fire truck. The liability for the fire truck is recorded in the General Long-Term Debt Account Group and for the sanitation trucks in the Solid Waste Enterprise Fund. The agreement provides for annual principal payments of approximately \$72,000 plus interest at 4.80% through October 10, 1998. Proceeds from the \$808,000 note were used for fire station and City Hall construction. The agreement provides for semi-annual payments of approximately \$50,000 principal and interest through September 30, 1997 and a balloon payment of the remaining principal balance and accrued interest of approximately \$485,000 on March 31, 1998. Utility service tax revenues are pledged for repayment of principal and interest on both notes.

In January 1995, the City executed a note with the County of Volusia, Florida in the amount of \$160,000, including interest of \$33,000 imputed at a rate of 5%. The proceeds of the note were used to purchase an 800 MHZ radio system. The agreement provides for semi-annual payments of \$8,000 principal and interest through September 1, 2004.

The annual debt service requirements to amortize the above notes payable outstanding at September 30, 1995 are as follows:

Fiscal year ending September 30	Series 1993A		Series 1993B		Volusia County
	General Long- Term Debt Account Group	Solid Waste Fund	General Long- Term Debt Account Group	General Long- Term Debt Account Group	General Long- Term Debt Account Group
	<i>(in thousands)</i>				
1996	\$ 27	\$ 53	\$ 100		\$ 16
1997	26	51	100		16
1998	25	49	484		16
1999	—	—	—		16
2000	—	—	—		16
2001 – 2004	—	—	—		64
Total debt service	78	153	684		144
Less: interest	5	10	49		29
	\$73	\$143	\$635		\$115

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable

Revenue bonds payable at September 30, 1995 are payable solely from the net revenues of the water and sewer system and are comprised of the following issue:

	<u>Rates and Dates</u>	<u>Final Maturity</u>	<u>Annual Serial Payments</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<i>(in thousands)</i>					
Water and Sewer					
Improvement and Refunding	3.6 – 6.125%				
Revenue Bonds, Series 1992	(4/1, 10/1)	10/1/2022	\$245-\$1,060	\$115,390	\$14,755
Less: Unamortized discount					344
Current portion					245
Bonds payable – long-term					
portion					<u>\$14,166</u>

The annual debt service requirements to amortize the above bonds outstanding at September 30, 1995 are as follows:

<u>Fiscal year ending September 30</u>	<i>(in thousands)</i>
1996	\$ 1,121
1997	1,120
1998	1,123
1999	1,121
2000	1,122
2001 – 2004	4,490
2005 – 2009	5,619
2010 – 2014	5,623
2015 – 2019	5,617
2020 – 2022	3,375
Total debt service	<u>30,331</u>
Less: Interest	<u>15,576</u>
Principal due	<u>\$14,755</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable (continued)

Water and Sewer System Revenue Bond Accounts

The Bond Resolution for the Series 1992 Bonds established certain funds and accounts within the Water and Sewer System Fund as follows:

- Revenue Fund
- Operation and Maintenance Fund
- Sinking Fund
 - Interest Account
 - Principal Account
 - Redemption Account
 - Debt Service Reserve Account
- Renewal and Replacement Fund
- Surplus Fund
- Rebate Fund

Early Redemption

Bonds maturing before 2003 are not redeemable prior to their stated maturity. The Bond Resolution provides for early redemption of bonds maturing in the years 2003 through 2022 at call rates varying from 100% to 102% of the face value, depending upon the call date.

Investment Restrictions

The Bond Resolution 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.

9. Refunded Bonds

The City has defeased certain Water and Sewer Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

9. Refunded Bonds (continued)

At September 30, 1995, the following outstanding bonds are considered defeased:

	Balance at September 30, 1994	Deletions	Balance at September 30, 1995
	<i>(in thousands)</i>		
1964 Series A Water and Sewer Revenue Bonds	\$ 815	\$135	\$ 680
1972 Series B Water and Sewer Revenue Bonds	575	100	475
1989 Water and Sewer Revenue Bonds	13,535	200	13,335
	<u>\$14,725</u>	<u>\$435</u>	<u>\$14,290</u>

10. Interfund Accounts

Individual fund interfund receivables and payables at September 30, 1995 consist of the following:

<u>Fund</u>	Due From Other Funds	Due To Other Funds
	<i>(in thousands)</i>	
General Fund	\$ 70	\$ 74
Water and Sewer System	82	180
Solid Waste	113	11
	<u>\$265</u>	<u>\$265</u>

11. Compensated Absences

Compensated absences are accrued as a liability in the General Long-Term Debt Account Group and enterprise funds at pay rates effective September 30, 1995 for employees paid from Governmental Fund Types. The compensated absence liability is composed of accrued vacation time (up to 90 days) and 100% of accumulated sick leave for employees currently eligible for retirement or 50% of accumulated sick leave for employees with 15 years of service, plus other salary-related fringe benefits.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans

Police and Fire Pension Plans:

Plan Description

The Police Officers' Retirement Trust Fund and the Firefighters' Retirement System are single-employer defined benefit public employee retirement systems and contain the assets of the police and fire pension plans. The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. The statutes provide, in general, that funds are to be accumulated from employee contributions, city contributions, state appropriations and income from investment of 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 fund by an appropriation from current funds, or from any revenues which may lawfully be 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 third party fund custodians. Investments are reported at fair value. Fair value has been measured by quoted market prices in an active market.

The total payroll of the City of Holly Hill was \$3,729,000 for the fiscal year ended September 30, 1995. Payroll expenditures for employees covered by the police and fire pensions were \$781,000 and \$333,000, respectively. Full-time, uniformed police officers are eligible to participate in the Police Officers' Retirement Trust upon employment with the City. Full-time, uniformed firefighters are eligible to participate in the Firefighters' Retirement System. Ordinances adopted by the City provide that participating Police and Fire Department employees contribute 9.2% and 10%, respectively, of their salary to the plans. The City contributes 10.6% of the salary of participating Police Department employees to the Police Pension Plan in accordance with union contracts. City contributions to the Fire Pension are made as needed to fund any actuarial deficiency. Employees vest for full benefits after ten years of service. The Bureau of Police and Fire Pension, State of Florida, actuarially determines benefits to be paid to retirees. Current membership in the pension plans is comprised of the following:

	September 30, 1995	
	Police Officers	Firefighters
Retirees and beneficiaries currently receiving benefits	4	6
Vested terminated employees	2	-
Active employees:		
Fully vested	11	2
Nonvested	12	8

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans

Accumulated System Benefits

The actual present value of accumulated system benefits is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits earned by participants to reflect the true value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The accumulated system benefit information for the Police Officers' Retirement Trust Fund as of the date the latest actuarial valuation was performed is as follows:

	October 1, 1994
	<i>(in thousands)</i>
Actuarial present value of accumulated system benefits:	
Vested benefits:	
Participants currently receiving benefits	\$ 276
Other participants	1,681
	<u>1,957</u>
Nonvested benefits	58
	<u>\$2,015</u>

The accumulated system benefit information for the Firefighters' Retirement System as of the date the latest actuarial valuation was performed is as follows:

	October 1, 1994
	<i>(in thousands)</i>
Actuarial present value of accumulated system benefits:	
Vested benefits:	
Participants currently receiving benefits	\$ 625
Other participants	714
	<u>1,339</u>
Nonvested benefits	43
	<u>\$1,382</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

Pension Benefit Obligation

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits. The pension benefit obligation applicable to the Police Officers' Retirement Trust Fund is calculated using the unit credit actuarial cost method and is as follows:

	1994	October 1 1993	1992
	<i>(in thousands)</i>		
Retirees and beneficiaries receiving benefits and vested terminated employees entitled to future benefits	\$ 380	\$ 211	\$ 211
Current employees:			
Accumulated employee contributions	276	174	174
Employer-financed vested	1,621	1,454	1,329
Employer-financed nonvested	171	223	225
Total pension benefit obligation (PBO) (1)	<u>2,448</u>	<u>2,062</u>	<u>1,969</u>
Net assets available for benefits (2)	<u>\$2,534</u>	<u>2,237</u>	<u>1,768</u>
Unfunded pension benefit obligation (UPBO) (net assets in excess of pension benefit obligation)	<u>\$ (86)</u>	<u>\$ (175)</u>	<u>\$ 201</u>
Increase in PBO resulting from plan amendments and changes in assumptions	<u>\$ -</u>	<u>\$ 92</u>	<u>\$ -</u>
Ratio of assets to PBO	103.5%	108.5%	89.7%
Covered payroll	<u>\$ 781</u>	<u>\$806</u>	<u>\$736</u>
Ratio of UPBO (assets in excess of PBO) to payroll	(11.0)%	(21.7)%	27.4%

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

- (1) No actuarial valuation was performed for the October 1, 1993 period. Amounts shown represent October 1, 1992 data updated as of February 23, 1994 for the following changes:

	Effect on PBO	Effect on Contribution Requirements
	<i>(in thousands)</i>	
Increase in the Member Contribution rate from 6.6% to 9.2%	\$ -	\$22
Increase in the City contribution rate for the Member from 8.0% to 10.6%	-	23
Decrease in the normal retirement date to the earlier of age 55 and 10 years of credited service or 20 years of credited service regardless of age (no earlier than age 55 for vested terminations)	92	-
	<u>\$92</u>	<u>\$45</u>

- (2) Net assets available for benefits is valued at market for the periods October 1, 1994 and 1993 and at cost for October 1, 1992. Net assets available for benefits valued at market for October 1, 1992 is approximately \$1,962,000.

The pension benefit obligation applicable to the Firefighters' Retirement System is calculated using the unit credit actuarial cost method and is as follows:

	1994	October 1 1993	1992
	<i>(in thousands)</i>		
Retirees and beneficiaries receiving benefits and vested terminated employees entitled to future benefits	\$ 625	\$ 665	\$ 671
Current employees:			
Accumulated employee contributions	180	147	122
Employer-financed vested	534	254	218
Employer-financed nonvested	112	168	144
Total pension benefit obligation (PBO)	<u>1,451</u>	<u>1,224</u>	<u>1,155</u>
Net assets available for benefits (1)	1,081	1,049	887
Unfunded pension benefit obligation (UPBO)	<u>\$ 370</u>	<u>\$ 175</u>	<u>\$ 268</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

	1994	October 1 1993	1992
	<i>(in thousands)</i>		
Increase in PBO resulting from plan amendments and changes in assumptions	\$ 164	\$ -	\$ 188
Ratio of assets to PBO	74.5%	85.7%	76.7%
Covered payroll	\$ 333	\$ 306	\$ 279
Ratio of UPBO to covered payroll	111.1%	57.2%	96.2%

(1) Net assets available for benefits is valued at market for the periods October 1, 1994 and October 1, 1993 and at cost for October 1, 1992. Net assets available for benefits valued at market for October 1, 1992 is approximately \$969,000.

Combined information for Police Officers' Retirement Trust and Firefighters' Retirement System follows:

	Pension Benefit Obligation	Net Assets Available for Benefits
	<i>(in thousands)</i>	
Police Officers' Retirement Trust	\$2,448	\$2,534
Firefighters' Retirement System	1,451	1,081
	<u>\$3,899</u>	<u>\$3,615</u>

Related Party Transactions

The City had no securities which were included in the assets of the Police Officers' Retirement Trust Fund or the Firefighters' Retirement System.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

Plan Termination

Although there is no intent to do so, if the Police Officers' Retirement Trust or Firefighters' Retirement System is terminated for any reason, the Board of Trustees shall apportion and distribute the assets in accordance with the requirements set forth in Chapters 185 or 175 of Florida Statutes, respectively.

Funding Methods and Assumptions

The valuation method used for funding both the police and fire pension funds is the aggregate actuarial cost method. The aggregate cost method is a method under which the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. Any unfunded actuarial accrued liabilities are amortized over a forty-year period.

The following table summarizes assumptions used in actuarial computations for the Police Officers' Retirement Trust Fund:

Mortality	1971 Group Annuity Mortality Table.
Interest	8% per year
Retirement age	Earlier of age 55 and 10 years of credited service or 20 years of credited service regardless of age (no earlier than age 55 for vested terminations).
Salary increases	Inflation – 3.0% per year until the assumed retirement age. Merit – 4.5% per year until the assumed retirement age.

Age	% Becoming Disabled During the Year	% Terminating During the Year	Current Salary as % of Salary at Retirement
20	.03%	6.0%	9.2%
30	.04%	5.0%	18.9%
40	.07%	2.6%	39.1%
50	.18%	0.8%	80.5%

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

The following table summarizes assumptions used in actuarial computations for the Firefighters' Retirement System:

Mortality	GA-1951 Male Mortality projected to 1965 by Scale C, with a five year setback for females.
Interest	7.5% per year
Retirement age	50
Salary increases	Inflation – 2.5% per year until the Assumed Retirement age. Merit – 2.5% per year until the assumed retirement age.

Disability Rates

	<u>% Becoming Disabled During the Year</u> (Male and Female)
25	.09%
35	.14%
45	.35%
55	.74%

Employee Withdrawal Rates

Age	<u>% Termination During the Year</u>		Current Salary as % of Salary at Retirement
	Male	Female	
20	7.4%	12.5%	9.4%
25	4.9%	7.4%	13.1%
30	3.4%	4.9%	18.4%
35	2.4%	3.4%	25.8%
40	1.3%	2.4%	36.2%
45	0.7%	1.3%	50.8%
50	0.0%	0.7%	71.4%
55 and over	0.0%	0.0%	100.0%

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

There have been no significant changes in benefit provisions or actuarial assumptions since the October 1, 1993 valuation update for the Police Officers' Retirement Trust Fund.

The following changes in benefit provisions and actuarial assumptions occurred since the October 1, 1992 actuarial valuation for the Firefighters' Retirement System:

- Normal retirement eligibility was changed from 52 years and completion of ten years of credited service to 50 years and completion of ten years of credited service.
- Early retirement eligibility was changed from 50 years and completion of ten years of credited service to 48 years and completion of ten years of credited service.
- Benefit accrual rate was changed from 2.75% of AMC per year of credited service to 3.00% of AMC per year of credited service (AMC is the average monthly rate of basic compensation during the high five years out of the last ten years of service preceding date of retirement (or termination)).
- A supplemental benefit of three dollars per month for each year of credited service until age 65 was added.
- Interest to be earned by the Fund was changed from 8% to 7.5% per annum, compounded annually.
- Current salary increase rate was changed from 7% to 5% per year until retirement.

The effect of these changes for the October 1, 1994 actuarial valuation was to increase the unfunded pension benefit obligation by \$164,000 (\$148,000 from Plan amendments and \$16,000 from assumption changes).

Trend Information

Certain historical trend information is not available because certain actuarial data, including the pension benefit obligation, have not been computed. Ten-year trend information regarding operating data for the pension funds is included in the Supporting Schedules of this report. This trend information provides information about progress made in accumulating sufficient assets to pay benefits.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. For the three fiscal periods ended September 30, 1995, contributions to the police and fire pension funds are set forth below:

Police Officers' Retirement Trust Fund

	Employer Contribution		Employee Contribution	
	Amount <i>(in thousands)</i>	% of Covered Payroll	Amount <i>(in thousands)</i>	% of Covered Payroll
1995	\$117	15.0%	\$77	9.9%
1994	155	19.7	73	9.0
1993	123	16.7	49	6.7

Firefighters' Retirement System Fund

	Employer Contribution		Employee Contribution	
	Amount <i>(in thousands)</i>	% of Covered Payroll	Amount <i>(in thousands)</i>	% of Covered Payroll
1995	\$91	27.2%	\$33	10.0%
1994	47	15.4	30	9.9
1993	45	16.2	28	10.0

Employer contributions to the Funds for these years consist entirely of normal costs.

General Employees

All nonuniformed City of Holly Hill full-time employees participate in the Florida Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system (PERS) administered by the State of Florida Department of Administration. The payroll for employees covered by the System for the year ended September 30, 1995 was \$2,262,000. The City's total payroll was \$3,729,000.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

Benefits are determined by category and length of service as follows:

Category	Benefit	Vesting	Employer Contribution Rate	
			1/1/94	1/1/95
Regular members	1.60% times average compensation (five highest years) if age 62 or 30 years of service at any age.	After 10 years of creditable service. Early retirement is available if vested.	17.66%	17.57%

Employer contributions include .66% for a post retirement health insurance subsidy. The System also provides disability and survivors benefits. Employees do not contribute to the System. Contribution obligations and benefits are established by State Statute.

The contribution requirement for the year ended September 30, 1995 was \$394,000; these contributions represented 17.42% of covered payroll.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at July 1, 1995 (the date of the latest actuarial valuation) for the System as a whole, was \$47.30 billion. The System's net assets available for benefits on that date (valued at market) were \$41.58 billion leaving an unfunded pension benefit obligation of \$5.72 billion. The City's fiscal year 1995 contribution as a percentage of total contributions required of all participating entities is insignificant (less than 2/100 of 1%).

There were no significant changes to benefit provision or actuarial assumptions since the July 1, 1991 actuarial valuation. Significant actuarial assumptions used for the July 1, 1995 valuation were: 8% for investment return; 5% for salary increases; 2.5% for seniority and merit increases; and 3% for post retirement benefit increases.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

Available historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Florida Comprehensive Annual Financial Report for the year ended June 30, 1995.

13. Investment Portfolio

During 1995 and 1994, the Police Officers' Retirement Trust Fund cash and cash equivalents and investments (including cash and cash equivalents and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows:

	Net Appreciation (Depreciation) in Fair Value During the Year	Fair Value at End of Year
<i>(in thousands)</i>		
Year ended September 30, 1995		
Cash and cash equivalents	\$ -	\$ 280
U.S. government and agency obligations	22	1,166
U.S. corporate obligations	4	157
U.S. corporate equities	273	1,478
	\$ 299	\$ 3,081
Year ended September 30, 1994		
Cash and cash equivalents	\$ -	\$ 490
U.S. government and agency obligations	(34)	791
U.S. corporate obligations	(17)	150
U.S. corporate equities	7	1,048
	\$ (44)	\$ 2,479

City of Holly Hill, Florida

Notes to Financial Statements (continued)

13. Investment Portfolio (continued)

During 1995 and 1994, the Firefighters' Retirement System's cash and cash equivalents and investments (including cash and cash equivalents and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows:

	Net Appreciation (Depreciation) in Fair Value During the Year	Fair Value at End of Year
<i>(in thousands)</i>		
Year ended September 30, 1995		
Cash and cash equivalents	\$ -	\$ 110
U.S. government and agency obligations	40	520
U.S. corporate obligations	4	96
U.S. corporate equities	92	546
	\$ 136	\$ 1,272
Year ended September 30, 1994		
Cash and cash equivalents	\$ -	\$ 133
U.S. government and agency obligations	(55)	393
U.S. corporate obligations	(9)	92
U.S. corporate equities	27	403
	\$ (37)	\$ 1,021

During 1994, the Firefighters' Retirement System had over 5% of its fund balance reserved for fire pensions invested in the obligations of one U.S. corporation.

14. Deferred Compensation Plan

Employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Accordingly, employees may defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Program investments are administered by the International City Management Association Retirement Corporation (ICMA-RC).

City of Holly Hill, Florida

Notes to Financial Statements (continued)

14. Deferred Compensation Plan (continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or designated beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equivalent to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The administrator of the plan is responsible for investment of funds, distribution of benefits and reporting to participants. The City is of the opinion that it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary investor. The City believes it is unlikely to use the assets to satisfy the claims of general creditors.

15. Contributed Capital

During the year, contributed capital increased by the following amounts:

	Water and Sewer Fund	Solid Waste Fund	Total
	<i>(in thousands)</i>		
Contributed capital at beginning of year	\$2,709	\$216	\$2,925
Meter connection charges	4	—	4
Sewer connection charges	1	—	1
Impact fees	31	—	31
Contributed capital at end of year	<u>\$2,745</u>	<u>\$216</u>	<u>\$2,961</u>

16. Commitments and Contingencies

Litigation

Various suits arising in the ordinary course of City operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claims arise or otherwise materially affect the financial position or results of operations for the City.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

16. Commitments and Contingencies (continued)

Litigation (continued)

The Police and Fire Pension Funds had filed two lawsuits against their former investment manager and the firms with which he was associated. The suits sought damages related to the purchase of investments which were in violation of State Statutes and local ordinances. The suits were settled in the prior year with the Police and Fire Pension Funds receiving approximately \$38,000 and \$28,000, respectively, for damages.

17. Segment Information for Enterprise Funds

The City maintains two enterprise funds which provide water and sewer services and solid waste collection services. Segment information for the year ended September 30, 1995 is as follows:

	Water and Sewer	Solid Waste
	<i>(in thousands)</i>	
Operating revenues	\$ 2,885	\$ 1,305
Depreciation and amortization expense	686	156
Operating income	287	45
Operating grants	-	15
Operating transfers	(18)	-
Net income (loss)	(451)	81
Current capital contributions	36	-
Fixed assets:		
Additions	467	43
Disposals	5	5
Net working capital	1,035	291
Total assets	20,774	933
Long-term liabilities	14,258	163
Total equity	5,595	637

City of Holly Hill, Florida

Notes to Financial Statements (continued)

18. Subsequent Event

Through adoption of Resolution No. 61 and Ordinance No. 2417, the City has elected to opt out of the Florida Retirement System for all employees hired or taking office on or after January 1, 1996 and to adopt a new Section 2-201 — City of Holly Hill's General Employees Defined Contribution Plan — related to formation of a new Plan.

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Required Supplementary Information

City of Holly Hill, Florida

Schedule of Revenues by Source and Expenses by Type
Police Officers' Retirement Trust Fund

Last Ten Fiscal Years

Revenues by Source

(in thousands)

	Employee Contributions	Employer Contributions			Investment Income	Other Income	Total
		Amount	% of Covered Payroll	State Contributions			
1986	\$ -	\$ 22	5.0 %	\$32	\$ 88	\$ -	\$142
1987	5	25	5.0	39	108	-	177
1988	6	30	5.0	39	102	-	177
1989	7	33	5.0	40	80	-	160
1990	44	35	5.0	41	90	-	210
1991	49	70	9.4	42	110	-	271
1992	51	107	10.7	40	154	-	352
1993	49	123	16.7	42	191	-	405
1994	73	155	19.2	44	55	33	360
1995	77	117	15.0	48	433	-	675

Expenses by Type

(in thousands)

	Benefits	Refunds	Administrative and Other	Total
1986	\$19	\$ -	\$ -	\$ 19
1987	15	-	6	21
1988	15	-	7	22
1989	28	-	5	33
1990	25	-	63	88
1991	22	7	35	64
1992	42	-	34	76
1993	95	-	34	129
1994	28	-	49	77
1995	57	-	35	92

City of Holly Hill, Florida

Schedule of Revenues by Source and Expenses by Type
Firefighters' Retirement System

Last Ten Fiscal Years

Revenues by Source

(in thousands)

	Employee Contributions	Employer Contributions		State Contributions	Investment Income	Other Income	Total
		Amount	% of Covered Payroll				
1986	\$25	\$ 8	3.3 %	\$15	\$ 60	\$ -	\$108
1987	27	9	3.4	16	52	-	104
1988	31	10	3.4	18	53	-	112
1989	32	5	1.7	19	55	-	111
1990	35	-	-	21	63	-	119
1991	32	-	-	19	71	-	122
1992	33	-	-	22	111	-	166
1993	28	45	16.2	17	95	-	185
1994	30	47	15.4	20	12	28	137
1995	33	91	27.2	18	195	1	338

Expenses by Type

(in thousands)

	Benefits	Terminations	Refunds	Administrative and Other	Total
1986	\$ 1	\$ -	\$ 1	\$ 2	\$ 4
1987	1	-	-	4	5
1988	1	-	-	16	17
1989	1	-	9	7	17
1990	11	-	11	97	119
1991	14	-	-	41	55
1992	79	-	-	43	122
1993	67	-	-	38	105
1994	67	-	-	43	110
1995	103	3	-	25	131

City of Holly Hill, Florida

Analysis of Funding Progress
Police Officers' Retirement Trust Fund and
Firefighters' Retirement System

All Available Years

(in thousands)

Fiscal Year	(1) Net Assets Available for Benefit	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (Net Assets in Excess of Pension Benefit Obligation) (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
Police Officers' Retirement Trust Fund						
1990 (7)	\$1,149	\$1,051	109.3%	\$ (98)	\$ 23	(432.3)%
1991	1,283	1,366	93.9	83	702	11.7
1992	1,489	1,622	91.8	133	1,007	13.2
1993	1,768	1,970	89.7	202	736	27.4
1994 (8)	2,237	2,062	108.5	(175)	806	(21.7)
1995	2,534	2,448	103.5	(86)	781	(11.0)
Firefighters' Retirement System						
1991	\$ 777	\$ 693	112.0%	\$ (83)	\$ 323	25.8%
1992	843	983	85.8	139	312	44.6
1993	887	1,155	76.7	269	279	96.2
1994	1,049	1,224	85.7	175	306	57.2
1995	1,081	1,451	74.5	370	333	111.1

Note: The valuation is as of the beginning of the Plan year (October 1) except as follows:

(7) Valuation is as of January 1, 1989

(8) Valuation is as of October 1, 1992, updated for Plan amendments as of February 23, 1994.

(During the implementation transition period, all information required is presented for as many years as is available.)

Analysis of dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in overfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the overfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of accumulating sufficient assets to pay benefits when due.

Combining Statements – By Fund Type

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Proprietary Fund Type

Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private enterprise, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water and Sewer System Fund

The Water and Sewer System Fund accounts for the fiscal activities of the City's water and sewer treatment and distribution operations as well as the funding and payment of related debt.

Solid Waste Fund

The Solid Waste Fund accounts for the City's solid waste collection services as well as the funding and payment of related debt.

City of Holly Hill, Florida
Combining Balance Sheet

All Enterprise Funds

September 30, 1995

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1995	1994
Assets				
Current assets:				
Cash and cash equivalents	\$ 926	\$ 190	\$ 1,116	\$ 1,196
Accounts receivable - net	216	93	309	345
Other receivables	2	-	2	2
Due from other funds	82	113	195	37
Prepaid insurance	22	9	31	6
Total current assets	1,248	405	1,653	1,586
Restricted assets:				
Sinking Funds	4	-	4	8
Construction Fund	284	-	284	651
Renewal and Replacement Fund	275	-	275	257
Customer deposits	393	19	412	406
Impact fee	407	-	407	376
Total restricted assets	1,363	19	1,382	1,698
Property, plant and equipment:				
Land	155	-	155	155
Buildings	10,779	38	10,817	10,812
Improvements other than buildings	7,071	-	7,071	6,513
Machinery and equipment	5,701	1,709	7,410	7,360
	23,706	1,747	25,453	24,840
Less: accumulated depreciation	5,804	1,238	7,042	6,231
	17,902	509	18,411	18,609
Construction in progress	26	-	26	139
	17,928	509	18,437	18,748
Other assets:				
Unamortized bond issue costs	235	-	235	243
Total assets	\$20,774	\$ 933	\$21,707	\$22,275

	Water and Sewer	Solid Waste	Totals	
			1995	1994
Liabilities and fund equity				
Current liabilities (payable from current assets):				
Accounts payable	\$ 27	\$ 52	\$ 79	\$ 104
Accrued liabilities	6	3	9	9
Accrued interest payable	-	-	-	4
Due to other funds	180	11	191	110
Current portion of notes payable	-	48	48	48
Total current liabilities (payable from current assets)	213	114	327	275
Current liabilities (payable from restricted assets):				
Accounts payable	57	-	57	34
Customer deposits	393	19	412	406
Arbitrage rebate liability	13	-	13	25
Current portion of revenue bonds payable	245	-	245	240
(Total current liabilities payable from restricted assets)	708	19	727	705
Long-term debt:				
Revenue bonds payable - net	14,166	-	14,166	14,398
Notes payable	-	95	95	143
Other liabilities				
Obligation for compensated absences	92	68	160	188
Total liabilities	15,179	296	15,475	15,709
Commitments and contingencies				
Fund equity:				
Contributed capital:				
Contribution from federal government	920	-	920	920
Contribution from customers	1,825	-	1,825	1,789
Contribution from other funds and account groups	-	216	216	216
Retained earnings				
Reserved for Renewal and Replacement	275	-	275	256
Unreserved	2,575	421	2,996	3,385
Total fund equity	5,595	637	6,232	6,566
Total liability and fund equity	\$20,774	\$933	\$21,707	\$22,275

City of Holly Hill, Florida

Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
All Enterprise Funds

For the year ended September 30, 1995

(in thousands)

	Water and	Solid	Totals	
	Sewer System	Waste	1995	1994
Operating revenues:				
Water sales	\$1,363	\$ -	\$1,363	\$1,361
Sewer charges	1,479	-	1,479	1,492
Service charges	15	-	15	17
Cut-off charges	18	-	18	17
Hydrant rental	10	-	10	10
Trash sales	-	785	785	763
Refuse sales	-	382	382	553
Roll-off charges	-	138	138	146
Total operating revenues	2,885	1,305	4,190	4,359
Operating expenses:				
Water service	736	-	736	832
Sewer service	733	-	733	709
Refuse service	-	1,017	1,017	1,074
Administrative charges and services	443	87	530	526
Depreciation and amortization expense	686	156	842	844
Total operating expenses	2,598	1,260	3,858	3,985
Operating income	287	45	332	374
Nonoperating revenues (expenses):				
Interest revenue	150	10	160	92
Grant revenue	-	15	15	3
Other income	17	19	36	408
Interest expense	(887)	(8)	(895)	(818)
Gain (loss) on disposal of equipment	-	-	-	(33)
Total nonoperating revenues (expenses)	(720)	36	(684)	(348)
Income (loss) before operating transfers	(433)	81	(352)	26
Operating transfers:				
Transfers to other funds	(18)	-	(18)	(167)
Net income (loss)	(451)	81	(370)	(141)
Retained earnings at beginning of year	3,301	340	3,641	3,782
Retained earnings at end of year	\$2,850	\$ 421	\$3,271	\$3,641

City of Holly Hill, Florida

Combining Statement of Cash Flows
All Enterprise Funds

For the year ended September 30, 1995

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1995	1994
Operating activities				
Operating income	\$ 287	\$ 45	\$ 332	\$ 374
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	686	156	842	844
Nonoperating income	17	34	51	411
Operating transfer	(18)	-	(18)	(167)
Accounts receivable, net	14	22	36	38
Due from other funds	(82)	(76)	(158)	(15)
Prepaid insurance	(16)	(9)	(25)	-
Accounts payable	(3)	1	(2)	(13)
Accrued liabilities	-	-	-	2
Due to other funds	108	(27)	81	56
Customer deposits	6	-	6	8
Obligation for compensated absences	(33)	5	(28)	34
Net cash provided by operating activities	966	151	1,117	1,572
Noncapital financing activities				
Advance from other funds	-	-	-	(78)
Net cash used in noncapital financing activities	-	-	-	(78)
Capital and related financing activities				
Acquisition and construction of capital assets	(467)	(43)	(510)	(872)
Principal paid on bond maturities	(240)	-	(240)	(230)
Principal paid on note payable	-	(48)	(48)	(48)
Interest paid on note payable	-	(12)	(12)	(17)
Interest paid on bonds	(899)	-	(899)	(895)
Capital contributions from customers	36	-	36	57
Net cash used by capital and related financing activities	(1,570)	(103)	(1,673)	(2,005)
Investing activities				
Interest on investments	150	10	160	126
Net cash provided by investing activities	150	10	160	126
Net increase (decrease) in cash and cash equivalents	(454)	58	(396)	(385)
Cash and cash equivalents at beginning of year	2,743	151	2,894	3,279
Cash and cash equivalents at end of year	\$2,289	\$ 209	\$2,498	\$ 2,894
Significant transaction not affecting cash				
Transfer of fixed assets from General Fixed Assets Account Group	\$	\$ -	\$ -	\$ 32

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Fiduciary Fund Type

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individual private organizations, other governmental units, and/or other funds.

Pension Trust Funds

Police Officers' Retirement Trust Fund

The Police Officers' Retirement Trust Fund is used to account for the fiscal activities of the Holly Hill Police Pension Board which accumulates assets and pays benefits to qualified retirees of the Holly Hill Police Department.

Firefighters' Retirement System

The Firefighters' Retirement System is used to account for the fiscal activities of the Board of Trustees for the City of Holly Hill Firefighters' Retirement System, which accumulates assets and pays benefits to qualified retirees of the Holly Hill Fire Department.

Expendable Trust Fund

Law Enforcement Trust Fund

The Law Enforcement Trust Fund is used to account for revenue from the sale of confiscated property and expenditures for law enforcement property.

Agency Fund

Deferred Compensation Fund

The Deferred Compensation Fund is an agency fund in which the City provides custodial and accounting services for employees who wish to participate in the deferred compensation program.

City of Holly Hill, Florida

Combining Balance Sheet
All Fiduciary Funds

September 30, 1995

(in thousands)

	Pension Trust Funds	
	Police Officers' Retirement Trust	Fire Fighters' Retirement System
Assets		
Current assets:		
Cash and cash equivalents	\$ 280	\$ 110
Investments	2,801	1,162
Interest receivable	21	11
Due from other funds	-	-
Contribution receivable	-	2
Total current assets	<u>3,102</u>	<u>1,285</u>
Total assets	<u><u>\$3,102</u></u>	<u><u>\$1,285</u></u>
Liabilities and fund equity		
Current liabilities:		
Accounts payable	\$ -	\$ 2
Deferred compensation payable	-	-
Total current liabilities	<u>-</u>	<u>2</u>
Fund equity:		
Fund balances:		
Reserved -		
Reserved for law enforcement	-	-
Reserved for police and fire pensions	3,102	1,283
Total fund equity	<u>3,102</u>	<u>1,283</u>
Total liabilities and fund equity	<u><u>\$3,102</u></u>	<u><u>\$1,285</u></u>

Expendable Trust Fund	Agency Fund	Totals	
Law Enforcement Trust	Deferred Compensation	1995	1994
\$33	\$ -	\$ 423	\$ 659
-	198	4,161	3,034
-	-	32	30
-	-	-	1
-	-	2	69
33	198	4,618	3,793
\$33	\$198	\$4,618	\$3,793
\$2	\$ -	\$ 4	\$ 5
-	198	198	157
2	198	202	162
31	-	31	36
-	-	4,385	3,595
31	-	4,416	3,631
\$33	\$198	\$4,618	\$3,793

City of Holly Hill, Florida

Combining Statement of Revenues, Expenses and
Changes in Fund Balances
All Pension Trust Funds

For the year ended September 30, 1995

(in thousands)

	Police Officers' Retirement Trust	Firefighters' Retirement System	Totals 1995	1994
Operating revenues:				
Contributions	\$ 242	\$ 142	\$ 384	\$ 369
Interest and dividends	134	59	193	148
Net appreciation (depreciation) in fair value of investments	299	136	435	(82)
Total operating revenues	675	337	1,012	435
Operating expenses:				
Benefit payments	57	103	160	95
Termination payments	-	3	3	-
Contract services	35	25	60	89
Miscellaneous	-	-	-	2
Total operating expenses	92	131	223	186
Operating income	583	206	789	249
Nonoperating income:				
Other income	-	1	1	60
Total nonoperating revenue	-	-	1	60
Net income	583	207	790	309
Fund balances at beginning of year	2,519	1,076	3,595	3,286
Fund balances at end of year	\$3,102	\$1,283	\$4,385	\$3,595

City of Holly Hill, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance
 Expendable Trust Fund
 Law Enforcement Trust Fund

For the year ended September 30, 1995

(in thousands)

	Totals	
	1995	1994
Revenues:		
Fines and forfeitures	\$16	\$17
Miscellaneous revenues – interest	1	1
Total revenues	<u>17</u>	<u>18</u>
Expenditures:		
Current:		
Public Safety	13	11
Capital outlay	9	2
Total expenditures	<u>22</u>	<u>13</u>
Excess of revenues (under) over expenditures	(5)	5
Fund balance at beginning of year	36	31
Fund balance at end of year	<u>\$31</u>	<u>\$36</u>

City of Holly Hill, Florida

Statement of Changes in Assets and Liabilities
Agency Fund
Deferred Compensation Fund

For the year ended September 30, 1995

(in thousands)

	Balance October 1, 1994	Additions	Deletions	Balance September 30, 1995
Assets:				
Investments	\$157	\$62	\$21	\$198
Liabilities:				
Deferred compensation payable	\$157	\$62	\$21	\$198

Supporting Schedules

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General Fund

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

City of Holly Hill, Florida

General Fund
Schedule of Revenues – Budget and Actual

Year ended September 30, 1995

(in thousands)

	Budget (Revised)	1995 Actual	Variance Favorable (Unfavorable)	1994 Actual
Taxes:				
Ad valorem taxes	\$1,414	\$1,383	\$(31)	\$1,372
Delinquent ad valorem taxes	20	10	(10)	23
Utility taxes	894	894	–	883
Utility franchise fees	555	538	(17)	558
Total taxes	2,883	2,825	(58)	2,836
Licenses and permits:				
Professional and occupational licenses	130	126	(4)	125
City share/County licenses	17	11	(6)	17
Building permits	16	21	5	15
Other licenses and permits	19	18	(1)	23
Inspection fees	32	10	(22)	–
Total licenses and permits	214	186	(28)	180
Intergovernmental revenues:				
State shared revenues:				
General Government –				
State Revenue Sharing	270	282	12	272
FINE Grant	48	48	–	40
Mobile home licenses	14	14	–	15
Alcoholic beverage licenses	10	5	(5)	10
Local government half-cent sales tax	435	441	6	433
Two-cent cigarette tax	43	42	(1)	41
D.A.R.E Federal Grant	3	5	2	8
LWCF Federal Grant	64	71	7	–
City contribution – 911 Grant	19	19	–	–
Transportation –				
Rebate on municipal vehicles	3	2	(1)	4
Local option gas tax	150	152	2	155
Shared revenues from other local units:				
Port Authority	67	67	–	43
DUI Federal Grant	–	–	–	14
Total intergovernmental revenues	1,126	1,148	22	1,035

City of Holly Hill, Florida

General Fund
Schedule of Revenues – Budget and Actual (continued)

Year ended September 30, 1995

(in thousands)

	Budget (Revised)	1995 Actual	Variance Favorable (Unfavorable)	1994 Actual
Charges for services:				
General Government charges:				
Zoning fees	3	1	(2)	3
Other charges	3	3	–	2
Public Safety charges:				
Police services	2	2	–	3
Physical Environment charges:				
Stormwater drainage	271	274	3	274
Culture and Recreation charges:				
Program activity fees	58	58	–	58
Sica Hall	10	10	–	8
Other charges for services:				
Transfer from Enterprise operations	507	507	–	504
Total charges for services	854	855	1	852
Fines and forfeitures:				
Court fines	40	43	3	58
Police education	3	3	–	3
Code enforcement fines	1	1	–	1
Parking violations	1	–	(1)	–
Total fines and forfeitures	45	47	2	62
Miscellaneous revenues:				
Miscellaneous revenue	10	9	(1)	100
Interest earnings	71	79	8	69
Surplus sales, equipment, etc.	5	4	(1)	1
Scrap sales	1	2	1	4
Contributions and donations	1	2	1	1
Firefighter's supplemental compensation	1	1	–	–
Insurance proceeds	3	3	–	5
Total miscellaneous revenues	92	100	8	180
Total revenues	\$5,214	\$5,161	\$(53)	\$5,145

City of Holly Hill, Florida

General Fund
Schedule of Expenditures – Budget and Actual

Year ended September 30, 1995

(in thousands)

	Budget (Revised)	1995 Actual	Variance Favorable (Unfavorable)	1994 Actual
General government				
City Council:				
Personal services	\$ 15	\$ 12	\$ 3	\$ 14
Operating expenses	37	36	1	35
Total City Council	52	48	4	49
City Manager:				
Personal services	257	245	12	302
Operating expenses	30	27	3	16
Total City Manager	287	272	15	318
Finance and Administration:				
Personal services	336	322	14	354
Operating expenses	209	180	29	181
Total Finance and Administration	545	502	43	535
Civil Services:				
Personal services	9	8	1	6
Operating expenses	8	6	2	4
Total Civil Service	17	14	3	10
Other Services:				
Personal services	223	214	9	30
Operating expenses	76	73	3	75
Capital outlay	36	35	1	60
Debt service	101	100	1	100
Total other services	436	422	14	265
Total General Government	1,337	1,258	79	1,177
Public Safety				
Law Enforcement:				
Personal services	1,462	1,438	24	1,416
Operating expenses	172	155	17	161
Capital outlay	20	19	1	10
Debt service	16	16	–	–
Total Law Enforcement	1,670	1,628	42	1,587
Fire Control:				
Personal services	528	503	25	452
Operating expenses	82	79	3	79
Capital outlay	9	9	–	2
Debt service	28	28	–	30
Total Fire Control	647	619	28	563

City of Holly Hill, Florida

General Fund
Schedule of Expenditures – Budget and Actual (continued)

Year ended September 30, 1995

(in thousands)

	Budget (Revised)	1995 Actual	Variance Favorable (Unfavorable)	1994 Actual
Pubic Safety (continued)				
Protective Inspection:				
Personal services	164	163	1	129
Operating expenses	47	47	–	39
Capital outlay	2	2	–	2
Total Protective Inspection	213	212	1	170
Total Public Safety	2,530	2,459	71	2,320
Transportation				
Road and Street Facilities:				
Personal services	334	332	2	457
Operating expenses	183	174	9	210
Capital outlay	26	26	–	255
Total Road and Street Facilities	543	532	11	922
Storm Drainage:				
Personal services	44	43	1	–
Operating expenses	17	17	–	–
Capital outlay	374	369	5	–
Total Storm Drainage	435	429	6	–
Total Transportation	978	961	17	–
Culture and Recreation				
Parks:				
Personal services	349	345	4	342
Operating expenses	76	72	4	72
Capital outlay	215	198	17	43
Total Parks	640	615	25	457
Recreation Facilities:				
Personal services	101	95	6	108
Operating expenses	87	82	5	86
Capital outlay	9	9	–	–
Total Recreation Facilities	197	186	11	194
Total Culture and Recreation	837	801	36	651
Total expenditures	\$5,682	\$5,479	\$203	\$5,070

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**General Fixed Assets
Account Group**

To account for fixed assets not used in proprietary fund operations or
accounted for in trust funds.

City of Holly Hill, Florida

Schedule of General Fixed Assets
by Function and Activity

As of September 30, 1995

(in thousands)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General Government	\$1,646	\$ 191	\$1,112	\$ 57	\$ 286
Public Safety					
Police	573	—	46	2	525
Fire	578	30	199	2	347
Total Public Safety	1,151	30	245	4	872
Public Works					
Streets	4,892	28	43	4,231	590
Total Public Works	4,892	28	43	4,231	590
Culture and Recreation					
Parks	1,834	1,083	160	547	44
Recreation Facilities	252	—	199	22	31
Library	190	—	148	—	42
Total Culture and Recreation	2,276	1,083	507	569	117
Total general fixed assets allocated to functions	\$9,965	\$1,332	\$1,907	\$4,861	\$1,865

City of Holly Hill, Florida

Schedule of Changes in General Fixed Assets
by Function and Activity

For the Year ended September 30, 1995

(in thousands)

Function and Activity	General Fixed Assets October 1, 1994	Additions	Deletions	General Fixed Assets September 30, 1995
General Government	\$1,476	\$ 171	\$ 1	\$1,646
Public Safety				
Police	456	175	58	573
Fire	580	17	19	578
Total Public Safety	1,036	192	77	1,151
Public Works				
Streets	4,276	636	20	4,892
Total Public Works	4,276	636	20	4,892
Culture and Recreation				
Parks	1,825	9	—	1,834
Recreation Facilities	251	1	—	252
Library	190	—	—	190
Total Culture and Recreation	2,266	10	—	2,276
Construction-in-progress	28	—	28	—
Total general fixed assets	\$9,082	\$1,009	\$126	\$9,965

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Statistical Section

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Statistical Tables

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City of Holly Hill, Florida

Comments Relative to Statistical Section

September 30, 1995

The following statistical tables that are recommended for inclusion are not included for the reasons stated below:

- A. Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita – Last Ten Fiscal Years. (City has not had any general bonded debt since 1972.)
- B. Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures – Last Ten Fiscal years. (City has not had any general bonded debt since 1972.)

Table I

City of Holly Hill, Florida

General Fund Revenues and Other Sources by Function

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended September 30	Total	Taxes		Licenses and Permits		Inter- Governmental	
1986	\$3,900	\$1,517	39%	\$149	4%	\$ 869	22%
1987	4,526	1,737	38	133	3	1,257	28
1988	4,801	1,895	39	146	3	1,333	28
1989	5,657	2,130	38	134	2	995	18
1990	5,463	2,364	43	152	3	1,088	20
1991	5,425	2,412	44	162	3	970	18
1992	4,489	2,460	54	183	4	946	21
1993	5,090	2,806	55	175	3	973	19
1994	5,145	2,836	55	180	3	1,035	20
1995	5,161	2,825	55	186	3	1,148	22

Charges for Services		Fines and Forfeitures		Miscellaneous Revenue		Operating Transfers In		Loan Proceeds	
\$1,029	26%	\$39	1%	\$195	5%	\$ 2	-	\$100	3%
1,192	26	90	2	117	3	-	-	-	-
1,239	26	92	2	96	2	-	-	-	-
1,258	22	86	2	167	3	455	8%	432	7
1,569	29	86	1	204	4	-	-	-	-
1,669	31	66	1	146	3	-	-	-	-
700	16	87	2	113	3	-	-	-	-
847	17	80	2	85	2	2	-	122	2
852	17	62	1	180	4	-	-	-	-
855	17	47	1	100	2	-	-	-	-

Table II

City of Holly Hill, Florida

General Fund Expenditures and Other Uses by Function

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended September 30	Total	General Government		Public Safety	
1986	\$3,868	\$ 949	24%	\$1,262	33%
1987	5,176	1,053	20	1,362	26
1988	4,422	952	21	1,555	35
1989	5,008	1,052	21	1,629	32
1990	5,325	1,268	23	1,802	34
1991	5,629	1,370	24	1,860	33
1992	4,650	1,375	30	2,014	43
1993	5,018	1,112	22	2,400	48
1994	5,070	1,177	23	2,320	46
1995	5,479	1,258	23	2,459	45

Capital outlay and debt service have been included in expenditures by function.

Physical Environment		Transportation		Culture and Recreation		Operating Transfers Out	
\$ 803	21%	\$539	14%	\$ 280	7%	\$35	1%
728	14	647	13	1,306	25	80	2
754	17	613	14	513	12	35	1
1,156	23	766	15	370	8	35	1
1,063	20	781	15	411	8	-	-
1,005	18	821	15	573	10	-	-
-	-	714	15	479	10	68	2
-	-	862	17	644	13	-	-
-	-	922	18	651	13	-	-
-	-	961	17	801	15	-	-

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Table III

City of Holly Hill, Florida

Assessed and Estimated Actual Value of Taxable
Income: Property Tax Levies and Collections
Last Ten Fiscal Years

September 30, 1995

(in thousands)

Fiscal Year Ended	Assessed Value (1)	Estimated Actual Value (2)		Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Outstanding Delinquent Taxes Receivable (1)	Percent of Levy Outstanding
1986	\$266,761	\$261,426	98%	\$ 635	\$ 612	96.4%	N/A	N/A
1987	314,006	314,006	100	884	829	93.9	N/A	N/A
1988	315,792	315,792	100	959	924	96.3	N/A	N/A
1989	330,040	330,040	100	966	923	95.6	N/A	N/A
1990	341,900	341,900	100	1,125	1,083	96.3	N/A	N/A
1991	352,549	352,549	100	1,162	1,105	95.1	N/A	N/A
1992	359,264	359,264	100	1,167	1,116	95.6	\$50	4.3%
1993	359,923	371,055	103	1,439	1,373	95.4	52	3.6
1994	359,277	378,187	105	1,425	1,372	96.3	59	4.1
1995	364,891	384,096	105	1,444	1,383	95.8	66	4.6

N/A Information not available.

(1) Obtained from the Volusia County Tax Assessor's Office.

(2) Computed base on level of assessment percentage obtained from Florida Department of Revenue.

Source: Volusia County Property Appraiser

Table IV

City of Holly Hill, Florida

Property Tax Rates and Tax Levies - All Direct and
Overlapping Governments
Last Ten Fiscal Years

September 30, 1995

Fiscal Year Ended	Holly Hill	School District	Volusia County	Advertising District	Mosquito Control
<i>Tax Rates</i>					
1986	3.347	8.210	4.335	—	.265
1987	4.138	8.637	4.064	—	.272
1988	4.138	8.439	4.993	—	.260
1989	3.963	8.803	5.122	—	.309
1990	4.463	9.185	4.934	—	.339
1991	4.463	9.548	4.941	—	.324
1992	4.434	9.548	4.820	—	.316
1993	5.4695	9.548	4.896	—	.315
1994	5.4695	9.869	5.443	—	.318
1995	5.4695	10.277	5.532	—	.287
<i>City's Share of Tax Levies</i>					
		<i>(in thousands)</i>			
1986	\$ 635	\$1,547	\$ 817	—	\$50
1987	884	1,987	935	—	63
1988	959	1,955	1,157	—	60
1989	966	2,145	1,248	—	75
1990	1,125	2,315	1,244	—	85
1991	1,162	2,485	1,286	—	84
1992	1,167	2,514	1,269	—	83
1993	1,439	2,511	1,288	—	83
1994	1,425	2,572	1,418	—	83
1995	1,444	2,714	1,461	—	76

* Tax levy based on homestead exemption and nonexempt values.

Note: Tax levy indicated is for Holly Hill only.

Property tax rates are based upon \$1,000 of assessed taxable value.

Source: Volusia County Property Appraiser

Inlet and Port Authority	East Volusia Transit	Halifax Hospital*	St. Johns Water Management District	Florida Inland Navigation	Endangered and Recreation Lands
.311	.314	2.200	.206	—	—
.291	.293	2.468	.221	—	—
.108	.281	1.468	.207	.067	—
.104	.270	2.468	.281	.040	.250
.099	.259	3.000	.346	.037	.250
.095	.259	2.874	.358	.055	.250
.093	.310	2.818	.358	.053	.250
.093	.314	2.821	.358	.052	.167
.094	—	2.750	.470	.051	.184
.094	—	2.264	.482	.049	.184
59	59	414	39	—	—
67	67	568	51	—	—
25	65	572	48	16	—
25	66	601	68	10	61
25	65	756	87	9	63
25	67	748	93	14	65
24	82	742	94	14	66
24	83	742	94	14	44
24	—	717	122	13	48
25	—	598	127	13	49

Table V

City of Holly Hill, Florida

Debt Service Requirements to Maturity
Water and Sewer Revenue Bonds

September 30, 1995

(in thousands)

Due October 1	Series 1992		Total Debt Service
	Principal	Interest	
1996	\$ 245	\$ 876	\$ 1,121
1997	255	865	1,120
1998	270	853	1,123
1999	280	841	1,121
2000	295	827	1,122
2001	310	812	1,122
2002	330	795	1,125
2003	345	777	1,122
2004	365	758	1,123
2005	385	737	1,122
2006	410	714	1,124
2007	435	689	1,124
2008	460	663	1,123
2009	490	635	1,125
2010	520	605	1,125
2011	550	573	1,123
2012	585	540	1,125
2013	620	504	1,124
2014	660	466	1,126
2015	700	425	1,125
2016	740	383	1,123
2017	785	337	1,122
2018	835	289	1,124
2019	885	238	1,123
2020	940	184	1,124
2021	1,000	126	1,126
2022	1,060	65	1,125
Total	\$14,755	\$15,577	\$30,332

Table VI

City of Holly Hill, Florida

Computation of Overlapping Debt
End of Fiscal Year

September 30, 1995

(in thousands)

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable To The Governmental Unit	City of Holly Hill – Share of Debt
School District	\$174,053	2.11%	\$3,673
County of Volusia	13,589	2.11	<u>287</u>
Total overlapping debt			<u><u>\$3,960</u></u>

Table VII

City of Holly Hill, Florida

Schedule of Insurance in Force

September 30, 1995

Type of Coverage Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<u>Police and Firefighters Accidental Death and Dismemberment</u> AIG Life Insurance Co. SRG8045349A	4/15/95 - 4/15/96	Accidental Death Police and Firefighters	\$25,000 \$25,000 \$75,000	\$950
<u>Contractors' Equipment Policy</u> Aetna 035IZ24302363FCA	4/15/95 - 4/15/96	Off-road equipment	\$285,355	\$1,776 \$ 500 deductible
<u>Business Automobile Policy</u> Titan Indemnity Co. 35BA03554	12/1/94 - 12/1/95	Automobile liability	\$200,000 Liability \$200,000 property damage	\$118,966 \$ 1,000 deductible
<u>Public Officials and Employees Liability</u> Coregis Ins. Co. 524-435116-5	4/15/95 - 4/15/96	Wrongful acts	\$1,000,000	\$10,350 \$10,000 deductible
<u>Law Enforcement Professional Liability</u> Titan Ins. Co. 20PL02179	10/1/95 - 10/1/96	Police officers bodily injury, property damage and personal injury	\$1,000,000 each person \$1,000,000 each occurrence	\$19,450 \$ 2,500 deductible
<u>Boiler & Machinery</u> Hartford Steam Boiler Ins. Co. ASG-AT-9497065-06	4/15/95 - 4/15/96	Mechanical breakdowns Lightning damages City Hall equipment Leased equipment	Not limited	\$1,131 \$1,000 deductible
<u>Accidental Death & Disability</u> Home Insurance Co. HVF72891	4/15/95 - 4/15/96	Medical expense disability Accidental death Fresh pursuit Unlawful and intentional death	\$5,000 \$100 weekly \$25,000 25,000 75,000	\$920
<u>Municipal Liability</u> Titan Indemnity 10-GL-02171	12/1/94 - 12/1/95	General liability	\$300,000 \$300,000 each occurrence	\$40,495

Table VII (continued)

City of Holly Hill, Florida

Schedule of Insurance in Force

September 30, 1995

Type of Coverage Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<u>Workers' Compensation</u> Governmental Risk Insurance Trust 00053	12/1/94 - 12/1/95	Statutory	Statutory, employer's liability \$1,000,000	\$142,647
<u>Public Employees Honesty</u> <u>Bond</u> Continental Insurance Co. - #BNP 002-47-79	4/15/95 - 4/15/98	Blanket bond	\$50,000 blanket on all positions	\$1,336
#BNP 132-23-02	6/29/92 - indefinitely		\$100,000 Finance Director	\$ 750
<u>Motor Truck Cargo</u> Aetna Casualty & Surety 35IL278135FCA	2/1/95 - 2/1/96	Roll-off bins liability	\$10,000 each bin \$50,000 disaster	\$281 \$500 deductible
<u>Package Policy</u> Crum & Forster Ins. Co. Policy #503-519479	4/15/95 - 4/15/96			\$28,325
Property - Basic Coverage		12,116,306 building limits 7,602,491 contents limits	\$1,000 deductible \$10,000 deductible - fire and hail	
Property - Special Coverage		39,200 contents limit (City Hall)	\$1,000 deductible \$10,000 deductible - fire and hail	
Computer (EDP) Coverage		85,655 City Hall and Police 24,170 Public Works	\$1,000 deductible	
Crime Coverage		5,000 theft inside 5,000 theft outside	\$250 deductible	
<u>Environmental Protection</u> Commerce & Industry Petroleum Liability Insurance FPL5878648	6/25/95 - 6/25/96	Fuel storage tank 1,000,000 each incident	\$500 deductible	\$352

Table VIII
City of Holly Hill, Florida
Revenue Bond Coverage
Water and Sewer System Fund
Last Ten Fiscal Years

September 30, 1995

(in thousands)

Fiscal Year Ended	Gross		Operating Expense (8)	Net Revenues	Debt Service Requirements			Debt Service Coverage
	Revenues (1)				Principal	Interest	Total	
1986	\$1,969	(2)	\$1,134	\$ 835	\$340	\$351	\$ 691 (4)	1.21
1987	2,125	(2)	1,158	976	345	311	656 (4)	1.47
1988	2,224	(2)	1,109	1,115	355	287	642 (4)	1.74
1989	2,589	(2)	1,102	1,487	389	304	693 (5)	2.15
1990	2,830		1,150	1,680	-	996	996 (6)	1.69
1991	2,986		1,302	1,684	165	996	1,161 (6)	1.45
1992	3,276		1,500	1,776	175	985	1,160 (6)	1.53
1993	3,317		1,475	1,842	165	743	908 (7)	2.03
1994	3,440		1,541	1,899	230	893	1,123 (7)	1.69
1995	3,088		1,469	1,619	240	885	1,125 (7)	1.44

- (1) Included in gross revenues for debt service coverage are water and sewer connection charges which are reclassified as contributions from customers for financial statement presentation.
- (2) Not included in gross revenues are \$35,000 from cigarette taxes which have been pledged as additional security for payment of said outstanding Water and Sewer Revenue Bonds, Series "A," until the net revenues shall have equaled at least 150% of the maximum annual debt service of such outstanding Series "A" Bonds for a period of two fiscal years per Ordinance No. 599 enacted on March 12, 1968.
- (4) Debt service for 1964 Series A, 1970 Series B, 1972 Series B, and Series 1984.
- (5) Debt service for 1964 Series A, 1970 Series B, 1972 Series B, Series 1984, and Series 1989 combined.
- (6) Debt service for Series 1989.
- (7) Debt service for Series 1992.
- (8) Operating expense for debt service coverage excludes depreciation and amortization and administrative charges.

Table IX

City of Holly Hill, Florida
Demographic Statistics
Last Ten Fiscal Years

September 30, 1995

(in thousands)

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment (3)
1986	11	3	5.0 %
1987	11	2	4.9 %
1988	11	2	4.7 %
1989	12	2	5.0 %
1990	12	2	6.0 %
1991	(5) 11	2	(7) 7.3 %
1992	(6) 11	2	(7) 7.9 %
1993	(6) 11	2	(7) 6.3 %
1994	(6) 11	2	(7) 6.4%
1995	(6) 11	2	(7) 4.9%

- (1) County of Volusia, Planning Department
- (2) Volusia County School Board
- (3) Florida Department of Labor
- (4) Represents estimated unemployment
- (5) 1990 U.S. Census
- (6) Bureau of Economic and Business Research
- (7) Represents unemployment for Volusia County

Table X
 City of Holly Hill, Florida
 Property Value, Construction and Bank Deposits
 Last Ten Fiscal Years

September 30, 1995

(in thousands)

Fiscal Year	(1) Commercial Construction		Residential Construction		(2) Bank Deposits (In Thousands)	(3) Property Value		
	Units	Value	Units	Value	Commercial	Residential	Nontaxable	
1986	14	\$1,596	44	\$3,616	\$56,089	\$1,314,117	\$3,814,756	\$3,182,019
1987	21	2,499	24	1,114	59,233	1,518,263	4,263,116	4,119,135
1988	14	2,406	46	1,610	61,220	2,342,595	5,421,679	3,121,777
1989	12	2,137	23	957	63,072	2,476,048	5,958,835	3,395,221
1990	5	430	16	671	68,450	2,668,861	6,560,125	3,577,220
1991	4	994	20	910	72,893	2,715,075	6,638,319	3,742,663
1992	7	413	68	1,910	N/A	2,682,243	6,900,287	3,836,512
1993	8	924	49	841	N/A	2,586,129	7,107,641	3,915,520
1994	10	1,102	47	1,060	N/A	2,673,336	7,278,177	4,026,670
1995	10	1,312	61	692	N/A	2,679,990	7,512,145	4,109,968

(1) City of Holly Hill, Building and Inspection Department

(2) Florida Bankers Association

(3) County of Volusia, Property Appraiser (represents county-wide values)

N/A Not available

Table XI

City of Holly Hill, Florida
Salaries and Surety Bonds of Principal Officials

September 30, 1995

Title of Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$ 8,640	1 year 9 months	\$50,000 blanket amount on all positions \$100,000 on Finance Director
Mayor Pro-Tem	5,400	1 year 9 months	
City Councilmen (3)	5,400	1 year 9 months to 7 years 9 months	
City Attorney (retainer)	7,500	19 1/2 years	
City Manager	62,699	2 months	
Deputy Clerk	46,446	16-1/2 years	
Finance Director	48,755	4 years 7 months	
Police Chief	58,635	12 years 7 months	
Public Services Director	56,430	3 months	
Fire Chief	42,016	7 months	
Building Official	45,781	15 years	

Table XII
 City of Holly Hill, Florida
 Schedule of Major Taxpayers

September 30, 1995

(in thousands)

Name	Type of Business	Assessed Values	Percent of Total Assessed Value
Holly Hill R.H.F. Housing, Inc.	Bishop Glen Retirement Center	\$17,759	4.87%
Florida Power & Light	Electrical utility	5,840	1.60
BellSouth Telecommunications, Inc.	Communications	5,384	1.48
Barchester Corp.	Mobile Home Park	3,773	1.03
John Hancock Mutual Life Ins.	Winn Dixie	3,248	.89
Polyvers, Ltd.	Apartment Complex	3,098	.85
Holly Point Apartments, Inc.	Apartment Complex	2,724	.75
Life Insurance Co. of Georgia Publix Super Markets, Inc.	Shopping Center	2,140	.59
Annette Block	Shopping Center	1,605	.44
William H. Jones	Metra Electronics Manufacturer	1,364	.37
		\$46,935	12.87%

Source: Volusia County Property Appraiser

Table XIII

City of Holly Hill, Florida

Climatological Summary

September 30, 1995

Holly Hill is approximately 3.79 square miles, located on the Halifax River, north of Daytona Beach. Terrain in the area is rolling; soil is mostly sandy, and elevations in the area range to 22 feet above sea level.

Nearness to the ocean results in a climate tempered by the effect of land and sea breezes. In the summer, while the maximum temperatures reach 90 degrees or above during the late morning or early afternoon, the number of hours of 90 degree or above is relatively small due to the beginning of the sea breeze near midday and the occurrence of local afternoon convective thundershowers which lower the temperature to the comfortable eighties. Winters, although subject to invasions of cold air, are relatively mild due to the nearness of the ocean and latitudinal location.

The "rainy season" from June through mid-October produces 60 percent of the annual rainfall. The major portion of the summer rainfall occurs in the form of local convective thundershowers. These showers are occasionally heavy and produce as much as two or three inches of rain. The more severe showers may be attended by strong, gusty winds. Almost all rainfall during the winter months is associated with frontal passages.

Long periods of cloudiness and rain are infrequent, usually not lasting over two or three days. These periods are usually associated with stationary fronts, with waves, so-called "northeasters," or tropical disturbances.

Tropical disturbances or hurricanes are not considered a great threat to this area of the state. While not outside the hurricane belt, past history indicates the chance of having hurricane force winds in any given year to be about one in thirty. Generally, hurricanes in this latitude tend to pass well offshore or lose much of their intensity while crossing the state before reaching this area. Only in gusts have hurricane force winds ever been recorded at this station.

Heavy fog occurs mostly during the winter and early spring. These fogs usually form by radiational cooling at night and dissipate soon after sunrise. On rare occasions, sea fog moves in from the ocean and persists for two or three days.

There is no significant source in the area for air pollution.

U. S. Department of Commerce
National Oceanic & Atmospheric Administration
Environmental Data Service

Table XIV

City of Holly Hill, Florida

Miscellaneous Statistical Data

September 30, 1995

Date of Incorporation:

Under the General Laws of Florida as
the Town of Holly Hill - July 1, 1901

Present Charter incorporating the City
of Holly Hill adopted - 1941

Form of Government:

Council/Manager

Area: 3.79 square miles

50.6 miles pave streets
2.0 miles unpaved streets
22.7 miles sidewalks
29.7 miles storm sewers
66.0 miles sanitary sewer

268 fire hydrants

Fire Protection:

1 Fire Station
10 Full-time Firefighters
10 Volunteer Firefighters
10 Permanent part-time

Police Protection:

1 Police Station
Holding facility
13 Vehicular patrol units
1 Animal Control unit
1 Motorcycle unit

Recreation:

6 Parks total 44.2 acres
2 Playgrounds
3 Recreation buildings
1 Tennis court
9 Shuffleboard courts
4 Ballfields
1 Community Center
1 Public fishing pier
1 Boat ramp

Education: Volusia County Schools -
Elementary 1
Secondary 1

Students:

Kindergarten - Grade 5 = 919
Grades 6 - 8 = 975

Personnel:

Instructional 135
Noninstructional 76
Administrative 8

Street Lights:

High Pressure Sodium Vapor

6,300 lumen - 662
9,500 lumen - 77
16,000 lumen - 35
22,000 lumen - 96
50,000 lumen - 2

White Way Underground

1,000 lumen - 6

Employees as of September 30, 1995:

115 Civil Service
1 Exempt

116 Total

Water Treatment Plant:

Design capacity - 2.3 MGD
Current production rate - 1.142 MGD
Users - 5,702

Water Pollution Control Plant:

Capacity - 2.4 MGD
Current production rate - 2.01 MGD
Collection system users - 4,980

Single Audit Reports

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Report of Independent Auditors on Schedule of Federal Financial Assistance

The Honorable Mayor, City Council
and City Manager
City of Holly Hill, Florida

We have audited the general purpose financial statements of the City of Holly Hill, Florida as of and for the year ended September 30, 1995, and have issued our report thereon dated December 21, 1995. These general purpose financial statements are the responsibility of the City of Holly Hill, Florida's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has been made for the purpose of forming an opinion on the general purpose financial statements of the City of Holly Hill, Florida taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



December 21, 1995

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The City of Holly Hill, Florida
Schedule of Federal Financial Assistance

Year ended September 30, 1995

Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Program or Award Amount	Accrued Revenue at October 1, 1994	Revenue Recognized During Fiscal Year Ended September 30, 1995			Grant Expenditures	Accrued Revenue At September 30, 1995
					Federal	Local	Total		
Nonmajor programs:									
U.S. Department of Interior Land and Water Conservation Fund Program passed through Florida Department of Environmental Protection – Ross Point Project	15.916	C-7931	\$85,383	\$14,252	\$71,131	\$115,000	\$186,131	\$168,173	\$8,538
U.S. Department of General Services Administration passed through Florida Department of Management Services, Bureau of Federal Property Assistance – Federal Surplus Property Donation Program	39.003	N/A	N/A	–	14,931	–	14,931	14,931	–
U.S. Department of Justice passed through Florida Department of Community affairs – D.A.R.E. Grant	16.579	95-CJ-1Z- 06-74-01- 170	5,944	–	4,458	1,486	5,944	6,996	–
Total Federal Financial Assistance				\$14,252	\$90,520	\$116,486	\$207,006	\$190,100	\$8,538

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Report of Independent Auditors
on Compliance with General Requirements Applicable
to Federal Financial Assistance Programs

The Honorable Mayor, City Council
and City Manager
City of Holly Hill, Florida

We have audited the general purpose financial statements of the City of Holly Hill, Florida as of and for the year ended September 30, 1995, and have issued our report thereon dated December 21, 1995.

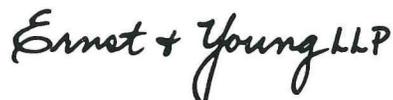
We have applied procedures to test the City of Holly Hill, Florida's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended September 30, 1995:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Holly Hill, Florida's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Holly Hill, Florida, had not complied, in all material respects, with those requirements.

This report is intended for the information of the City Council, management, and agencies providing federal financial assistance. However, this report is a matter of public record and its distribution is not limited.



December 21, 1995

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**Report of Independent Auditors
on Internal Control Structure Used in
Administering Federal Financial Assistance Programs**

The Honorable Mayor, City Council
and City Manager
City of Holly Hill, Florida

We have audited the general purpose financial statements of the City of Holly Hill, Florida as of and for the year ended September 30, 1995, and have issued our report thereon dated December 21, 1995.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audits for the year ended September 30, 1995, we considered the City of Holly Hill, Florida's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements of the City of Holly Hill, Florida and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 21, 1995.

The management of the City of Holly Hill, Florida is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate

because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Administrative Controls

General Requirements:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1995, the City of Holly Hill, Florida had no major federal financial assistance programs and expended 100% of its total federal financial assistance under nonmajor federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the City of Holly Hill, Florida's nonmajor federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of the City of Holly Hill, Florida in a separate communication dated December 21, 1995 (see Management Letter).

This report is intended for the information of the City Council, management, and agencies providing federal financial assistance. However, this report is a matter of public record and its distribution is not limited.

Ernst + Young LLP

December 21, 1995

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Other Reports

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Report of Independent Auditors
on Compliance with Laws and Regulations in Accordance
with *Government Auditing Standards*

Honorable Mayor, City Council
and City Manager
City of Holly Hill, Florida

We have audited the general purpose financial statements of the City of Holly Hill, Florida, as of and for the year ended September 30, 1995, and have issued our report thereon dated December 21, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Holly Hill, Florida is the responsibility of the City of Holly Hill, Florida's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City of Holly Hill's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the City Council, management and other government agencies. However, this report is a matter of public record and its distribution is not limited.



December 21, 1995

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Report of Independent Auditors on Internal Control Structure

Honorable Mayor, City Council
and City Manager
City of Holly Hill, Florida

We have audited the general purpose financial statements of the City of Holly Hill, Florida as of and for the year ended September 30, 1995, and have issued our report thereon dated December 21, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the City of Holly Hill, Florida is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the City of Holly Hill, Florida for the year ended September 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements

does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the Management of City of Holly Hill, Florida in a separate communication dated December 21, 1995 (see Management Letter).

This report is intended for the information of the City Council, management and tother government audit agencies. However, this report is a matter of public record and its distribution is not limited.

December 21, 1995

Ernst + Young LLP

Management Letter

Honorable Mayor, City Council
and City Manager
City of Holly Hill, Florida

In planning and performing our audit of the general purpose financial statements of the City of Holly Hill, Florida for the year ended September 30, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We have the following suggestions for improvements in procedures and controls:

Reported in Prior Year's Management Letter, not Implemented as of September 30, 1995

We noted, during the course of our audit of the financial statements of the City, that while appropriate action had been taken upon recommendations and suggested accounting procedures as outlined in the Management Letter for the year ended September 30, 1994, other items, described below, are still in need of attention. We understand that actions to address these matters have, in many cases, already begun.

Policies and Procedures

The Finance Department has continued to make progress toward formalizing accounting policies and procedures relating to specific functions. However, the City does not yet have a complete and comprehensive accounting policies and procedures manual. Such a manual should be developed in order to provide a clear understanding of accounting policies and procedures for all employees, to facilitate the learning process for new employees and to avoid confusion which may result from the complexity of the City's operations.

The manual should emphasize specific control procedures for computer applications, specific job functions and controls, and well-defined policies and procedures for specific tasks that can be easily modified and updated for changing circumstances and management needs.

Data Processing – Contingency Plan

In prior year management letters we recommended that the City develop a formal contingency plan for alternative hardware and software needs in the event of an extended computer or data communications interruption. During the current audit, we noted that the City has not yet developed such a plan.

Since a natural disaster such as a tropical storm or tornado can strike at any time, the City needs to have a documented plan in place to restore computer operations. The Finance Department has been provided a sample of a formal contingency plan along with supporting documentation. We recommend that the City invest the resources necessary to develop a formal disaster recovery plan.

Information System Controls

We understand that the City is in the process of purchasing a new computer. Prior to the conversion process we recommend that the City address the following internal control considerations so that they can be incorporated into the new information system:

- Physical security – Access to the computer room is currently unrestricted. Without proper access restriction from the computer room, unauthorized individuals could accidentally or intentionally damage or destroy computer equipment. No fire detection equipment is installed in the computer room, so a fire outside normal working hours would not be detected. Even during working hours detection equipment may identify the incidence of a fire before staff members become aware of it.
- Segregation of Duties – The current computer system requires continuous maintenance by several City employees. Since the new computer should operate without problems, specific information system roles should be developed. For example, one individual should be assigned the responsibility of computer operations while another be designated security administrator.
- Terminal deactivation after a certain period of inactivity – The current system does not automatically log off users after a specified period of inactivity. If the terminal is left on and unattended, an authorized individual can input transactions, using the functions assigned to the user who has not logged off the system.
- User IDs suspended after a specific number of unsuccessful attempts to gain access There is no limit on the number of attempts to enter a password before the password is suspended or the terminal is deactivated. Consequently, an unauthorized individual could use different passwords until a valid combination is discovered.

- Limited capability of access control software – The current system does not produce logging and access violation reports which permit the identification and monitoring of both valid and invalid access attempts. Without such reports the City cannot monitor or follow-up on access violation attempts.

Careful planning of the activities to be undertaken during the actual conversion from the current system to new system is essential. Controls to ensure asset safeguarding, data integrity, effectiveness, and efficiency must be designed and implemented. For example, control totals might be used to ensure that data being converted is not corrupted. In addition, the conversion phase must be carefully monitored so that problems can be identified promptly and remedial action taken.

Current Year Findings

During the course of our audit of the financial statements of the City, certain matters came to our attention. We offer the following suggestions which we feel could both strengthen controls and increase operating efficiency. After you consider these suggestions, we are available to discuss methods of implementation at your convenience.

Use of Credit Cards

We noted during our review of expenses that the City's use of credit cards is outside of the current policy parameters. Specifically, the policy requires use in "emergency situations" only whereas the City was noted to be using the card in certain other nonemergency instances. Secondly, the policy requires a Time and Expense reimbursement request to accompany each charge. We noted that some charges were not supported by such a request.

We recommend that the City reevaluate its current policy and revise it as necessary to conform to current practice or communicate the current policy to users of cards to eliminate any possible misunderstandings and to avoid abuse of cards.

Year-end Close Out Process

We noted that it currently takes the City several months after the fiscal year end date to finalize the compilation of financial information for preparation of the City's CAFR. This decreases the usefulness of the CAFR for the users as the information provided is not timely. We have the following suggestions to help the City improve this process:

- Communication – In order for information to be accumulated in a timely fashion, it is crucial that all personnel and departments within the City work together to accumulate the necessary information.

Implementing a policy which would require all departments to report financial data outstanding at year end within a given time frame (i.e., within one or two weeks after year end) would eliminate having to wait for this data and help expedite the closing process. This includes outstanding invoices and contract information as well as information relating to grant activity and any other

transactions that affect financial data. It should be a City-wide goal to make the year end closing process as smooth as possible so that information is both timely and accurate.

- Use of Estimates – In certain areas, such as accounts payable for example, it is not necessary to keep the books open for an extended period to try to capture every transaction that relates to the year under audit. A review of historical trends and a knowledge of current activity will allow the City to estimate within a reasonable level of materiality what the year end balances should be.
- Automation of Schedules – Many schedules used for summarization of financial information are currently being prepared manually. This process is repeated year after year, losing efficiencies which could be gained by automating the schedules (via spreadsheets or word documents). Automation of schedules would allow information to be rolled forward annually rather than having to be recreated from scratch every year. We understand that the City's current computer system has inadequacies which limit the ability of personnel to perform some of these procedures. We provide this suggestion as a planning tool for implementation when the City upgrades its current system.
- Computer System Upgrade – As noted above, inefficiencies resulting from the City's current system's inadequacies cause numerous problems for personnel involved in the closing process. It is strongly recommended that the City make every effort to move forward with the acquisition of a new system that has the capabilities necessary for the accumulation, summarization and recording of financial data. Acquiring such a system will allow personnel in all departments of the City to benefit as information will be more timely and will be able to be modified to the particular requirements of each individual department's needs. This will allow better planning and budgeting and will allow the City to spend more time looking forward rather than looking back waiting for useful information.

Revenue Enhancement

The City is currently experiencing flat or declining revenue growth in some of its funds' operations. Recycling programs, coupled with consumer efforts to reduce consumption in the Solid Waste and Water and Sewer areas, has affected the City's ability to fund operations and replacement programs without having to rely on rate increases. In order for the City to continue to provide the levels of service necessary for its citizenry while trying to maintain and improve current systems, it is important for the City to step back and look at these activities to determine what direction will be taken in the future. A review of current activities from both a financial and an operational standpoint is necessary to effectively plan for future operations. Possible solutions may lie in applying some, if not all, of the following techniques:

- Strategic Planning – A high level, long-range planning process used to formulate specific goals that the City wishes to meet in the future and what steps will be needed to achieve those goals.
- SWOT Analysis – A review of the City's Strengths, Weaknesses, Opportunities and Threats to identify what factors, internally and externally, need to be considered to improve operations.
- Process Improvement – A technique whereby an individual process (utility billing, for example) is broken down into its individual components to determine where inefficiencies or duplication of efforts is present.

- Cash Management Analysis – A review of policies and procedures which focuses on ways to improve cash flow and maximize investment potential.
- User Fee Studies – Cost accounting studies which can create a new perspective for elected officials and policy makers. When the actual cost of providing certain services is clearly known, user fees may be implemented for previously “free” services.
- Privatization Studies – While not always a popular technique, when appropriate, implementation of a privatization plan will let private industry provide a service and pay the government a fee for access to a monopolistic market place. All costs of the service (100%) are eliminated from the budget and a revenue is generated from the fee paid by private industry.

There are of course many more techniques which may be applied to assist in the enhancement of revenue streams or the reduction or elimination of costs. We recommend that the City consider these and other ideas to help with positive future growth.

Other Required Disclosures

Annual Financial Report

The City has filed its annual report for the fiscal year ended September 30, 1995 as required by Section 218.32 of the Florida Statutes, with the Department of Banking and Finance. We reviewed the financial information contained in this report and compared it to that of the City’s audited financial statements noting it agreed in all material respects.

Financial Emergency Act

During the course of our audit of the City, nothing came to our attention that would cause us to believe that the City was in a state of financial emergency as defined by Section 218.503(1), Florida Statutes.

Investment Policy

We have read the City’s investment policy and compared it with Section 218.415, Florida Statutes. We noted no significant variances between these documents during our review.

We wish to thank the City Manager, Finance Director, department heads and all their staff for their assistance and cooperation during our recent audit. We would be pleased to discuss the matters reported or to respond to any questions, at your convenience.

Ernst + Young LLP

December 21, 1995

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**Independent Auditors Required Disclosure in Accordance
with Government Auditing Standards, 1994 Revision**

You have engaged us to conduct an audit of the City of Holly Hill's financial statements for the year ended September 30, 1995 in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Our responsibilities for testing and reporting on internal controls and on compliance with applicable laws and regulations under those standards are described in the table below. In addition, the table contrasts our responsibilities in this engagement with other procedures that could be performed in other financial-related audits.

Service Provided	Our Responsibility Regarding Internal Controls	Our Responsibility Regarding Compliance with Laws and Regulations
Financial statement audit—GAAS	We consider the internal control structure to plan the nature, timing and extent of audit procedures for the purpose of expressing our opinion on the financial statements. We report, orally or in writing, any reportable conditions, including material weaknesses that we identify as a result of our audit procedures. Our report does not provide assurance on the internal control structure.	We design the audit to provide reasonable assurance of detecting irregularities that are material to the financial statements and illegal acts that have a direct and material effect on the financial statement amounts.
Financial statement audit—Government Auditing Standards	In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of the internal control structure and identify material weaknesses and reportable conditions, if any. Our reports do not provide assurance on the internal control structure.	In addition to the GAAS responsibilities, we design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.

Independent Auditors Required Disclosure in Accordance
with Government Auditing Standards, 1994 Revision (continued)

Service Provided	Our Responsibility Regarding Internal Controls	Our Responsibility Regarding Compliance with Laws and Regulations
OMB Circular A-128	<p>We consider the internal control structure over federal financial assistance programs. Our tests of controls include the controls over all major federal financial assistance programs. If the total amount of major federal financial assistance expenditures is less than 50% of total federal financial assistance program expenditures, we perform tests of controls over additional programs until federal financial assistance programs representing at least 50% of total federal financial assistance expenditures are subject to tests of controls. We report on such consideration and testing, and disclose reportable conditions including material weaknesses we identify. Our report does not provide assurance on the internal control structure.</p>	<p>We perform procedures for the purpose of expressing an opinion whether major federal financial assistance programs have been administered in compliance with applicable laws and regulations.</p>
Other procedures	<p>We could be engaged to perform agreed-upon procedures related to, or examine and report on, management's written assertion as to the design and operating effectiveness of the internal control structure. The engagement would be conducted in accordance with AICPA standards for attestation engagements.</p>	<p>We could be engaged to perform agreed-upon procedures related to, or examine and report on, management's written assertion regarding compliance. The engagement could be conducted at the financial statement level, or could result in a determination as to whether nonmajor federal financial assistance programs have been administered in accordance with applicable laws and regulations. The engagement would be conducted in accordance with AICPA standards for attestation engagements.</p>