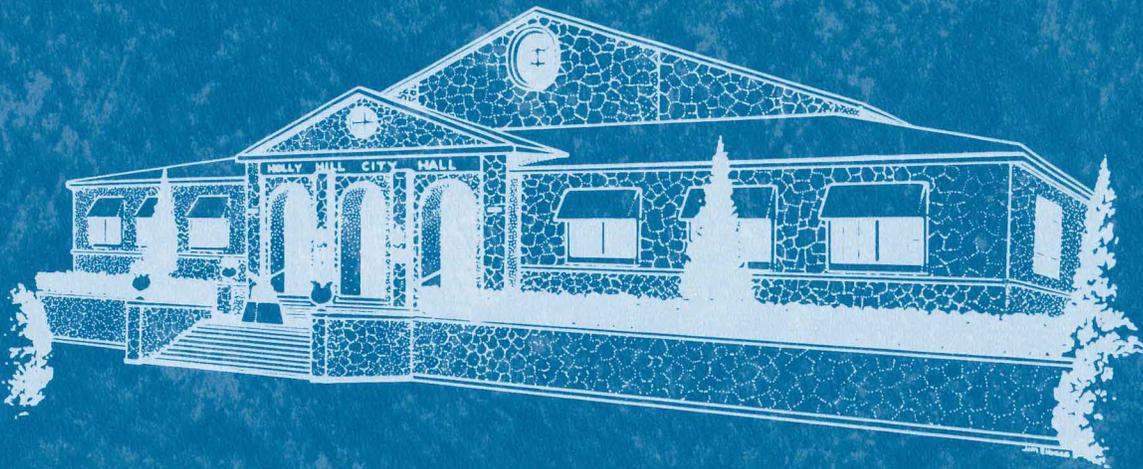
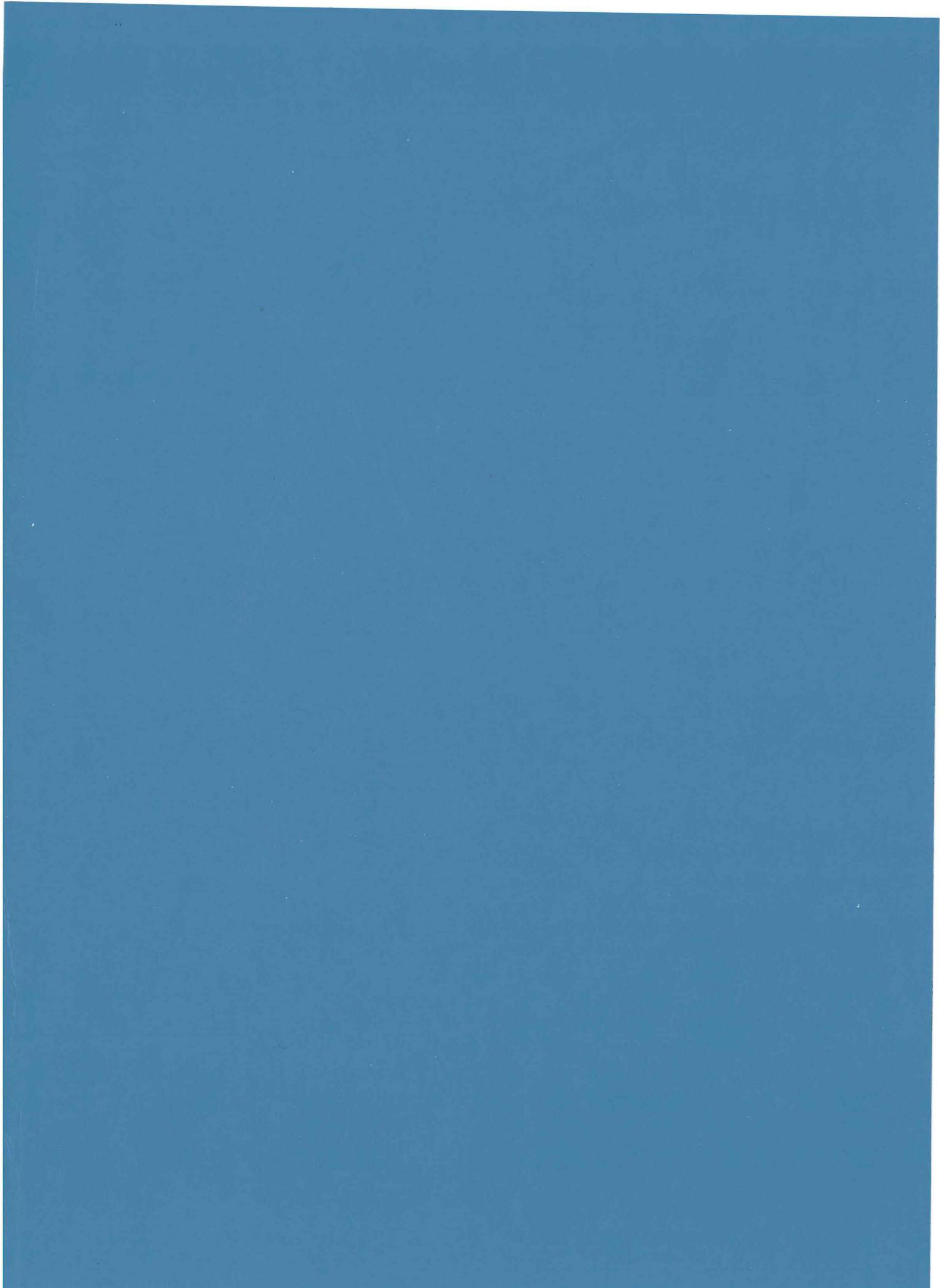


CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING SEPTEMBER 30, 1996



Comprehensive Annual Financial Report

City of Holly Hill, Florida

For the Fiscal Year Ended September 30, 1996

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, 1996

City Council

William Arthur, 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, 1996

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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 18, 1997

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, 1996, 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 is financially accountable for 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 Volusian Water Alliance,

March 18, 1997

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. Although property valuations decreased by 2% during the past year, the City has a dynamic business and industrial community that encourages competition and opportunity for additional growth. The community currently has a 3.7% unemployment rate as compared to a statewide rate of 4.4%.

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

During the course of the year, the City Council and staff pursued several major projects and programs. Among the most significant of those projects were:

1. **Reclaimed Water System**—The wastewater reuse system reuses a portion of the City's wastewater and is reducing the total groundwater withdrawal from the freshwater aquifer. The initial project provides sprinkling water to one large golf course. The program is expected to be expanded to several City-owned properties in the future.
2. **Riverside Drive Bike Path**—The nearly one mile bike path built along the river between Ross Point Park and Sunrise Park is providing enjoyment to the residents of Holly Hill as well as neighboring cities. Constructed completely with grant funds the bike path is a "dream come true" for the city residents.
3. **Street Resurfacing**—Several city streets were resurfaced during the year including Daytona Avenue from 15th Street to Mason Avenue and 8th Street from Center Avenue to Nova Road. Funding for this project came from the sale of a city-owned lot on Riverside Drive.

March 18, 1997

4. **General Employees Retirement Plan**—In 1995 the state legislature passed a law allowing cities in the state retirement system to opt-out for new employees hired after January 1, 1996. The City did opt-out and started a defined contribution plan for new employees that will provide savings to the City and still provide a comfortable retirement plan for employees.

For the Future:

In February of 1996, the City Council reviewed the long range goals that were developed and adopted in 1995. The first four goals were adopted in 1995. Two new goals have been added. These goals are expected to be accomplished or underway in the next five years.

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.
 - a. During the spring of 1996 the City Council approved the Ridgewood Avenue corridor and LPGA Boulevard as a tax increment financing district. Monies collected from the TIF district will be spent on redevelopment of the district.
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.
 - a. In the summer of 1996, the City Council approved a 5-year storm drainage work plan.
 - b. The Public Works department has finished a draft of a street pavement plan to be presented to council in early 1997.
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.
 - a. The City Council and staff are continuing to explore the opportunities that may be available in this area.

March 18, 1997

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.
 - a. A controlled burn of the largest building on the property was conducted by the Fire Department. Debris and smaller buildings that couldn't be saved were removed by City personnel.

5. **To create a better business environment for the City.** The City is determined to continue to be a viable location for commercial and industrial growth. This growth is necessary to improve the City's tax base and lower the tax burden of the residents.
 - a. In the fall of 1996, voters approved a referendum for tax abatement up to 10 years for businesses who qualify. This will encourage the growth of new businesses and the expansion of existing businesses within the City.

6. **To enhance the City's code enforcement efforts.** To benefit both residents and businesses, enhanced efforts will realize more desired results.
 - a. Reviews of current ordinances are underway and if necessary modifications will be made to provide better tools for code enforcement officials.

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.

March 18, 1997

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, special revenue funds, 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.

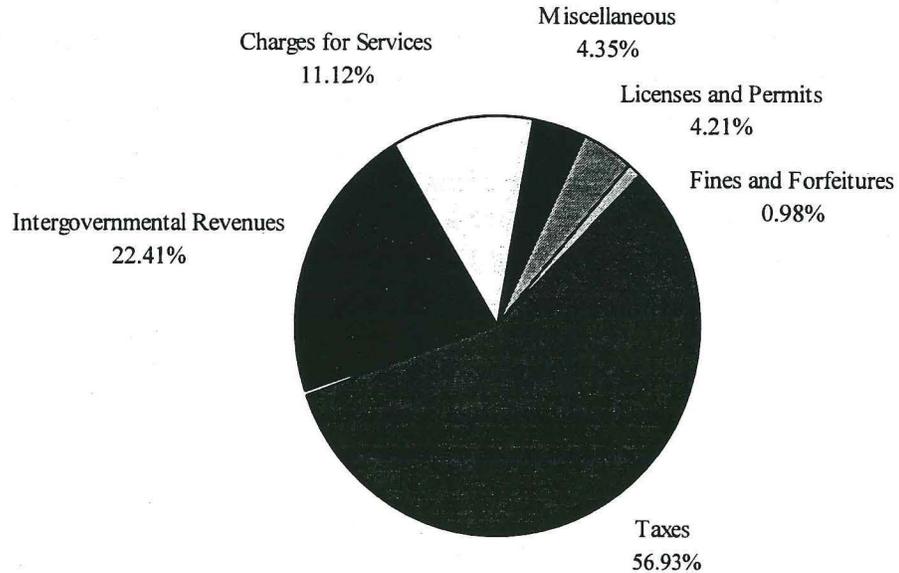
General Governmental Functions:

The following schedule presents a summary of General Fund revenues and other sources for the fiscal year ended September 30, 1996 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 1995</u>
Taxes (all sources)	\$2,904	56.93%	\$ 79
Licenses and permits	215	4.21	29
Intergovernmental revenues	1,143	22.41	(5)
Charges for services	567	11.12	(288)
Fines and forfeitures	50	.98	3
Miscellaneous	222	4.35	122
Totals	<u>\$5,101</u>	<u>100.00%</u>	<u>\$ (60)</u>

March 18, 1997

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 \$5,101,000 for the year ended September 30, 1996, a decrease of \$60,000 from the previous year. Actual revenues for the General Fund exceeded budgeted revenues and other sources by \$18,000.

Ad valorem taxes continue to be the most significant revenue source. The total nonexempt valuation for ad valorem taxes amounts to \$1,343 million, a decrease of 3% 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:

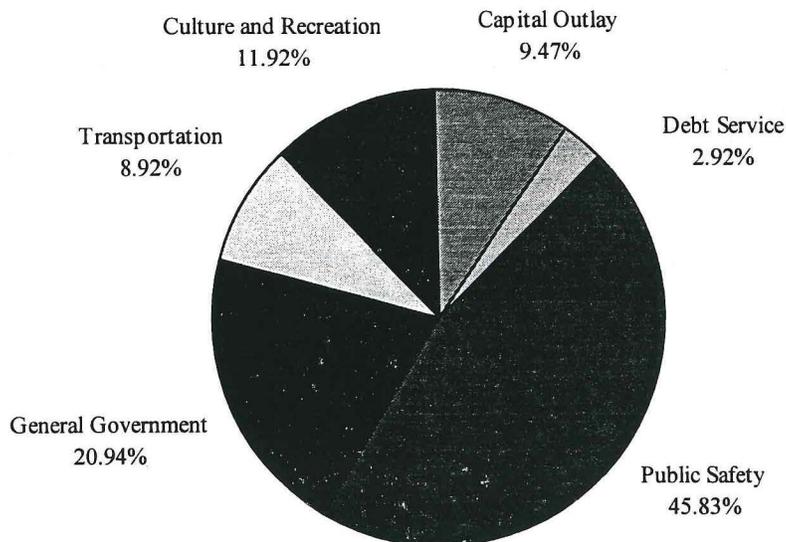
	<u>1995/96</u>	<u>1994/95</u>
General Fund	<u>5.55375 mills</u>	<u>5.4695 mills</u>

March 18, 1997

The following schedule presents a summary of General Fund expenditures and transfers for the fiscal year ended September 30, 1996 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 1995</u>
General Government	\$1,024	20.94%	\$ (99)
Public Safety	2,241	45.83	(144)
Transportation	436	8.92	(130)
Culture and Recreation	583	11.92	(11)
Capital outlay	463	9.47	(364)
Debt service	143	2.92	(1)
Totals	\$4,890	100.00%	\$(749)

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



March 18, 1997

Expenditures and other uses for the General Fund amounted to \$4,890,000 for the year, a decrease of \$749,000 over the preceding year.

Expenditures for General Government functions decreased 8.82% over the previous year and accounted for 20.94% of total General Fund expenditures.

Public Safety, which includes Police, Fire and Protective Inspection Departments, accounted for 45.83% of the General Fund expenditures, as compared to 43.53% for the preceding fiscal year.

Transportation represented 8.92% of the General Fund expenditures, as compared to 10.33% for the preceding year.

The Culture and Recreation Department accounted for 11.92% of the General Fund expenditures, as compared to 10.84% for the previous fiscal year.

Expenditures for capital improvements amounted to \$463,000 for the fiscal year, a decrease of 44.01% over the preceding fiscal year. Debt service requirement included principal retirement of \$109,000 and interest of \$34,000.

General Fund Balance:

The fund balance of the General Fund decreased by 34.87% during the fiscal year ended September 30, 1996. The \$432,000 decrease provided the City with a fund balance that is the equivalent of 16.50% of the actual expenditures for the fiscal year ended September 30, 1996. 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.

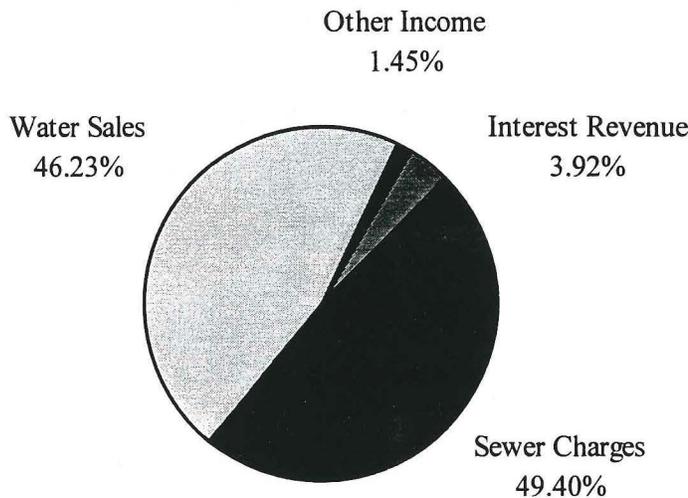
Enterprise Operations:

The following schedule presents a summary of Water and Sewer System Fund revenues for the fiscal year ended September 30, 1996 and the increases and decreases in relation to the prior year (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1995</u>
Water sales	\$1,471	46.23%	\$108
Sewer charges	1,540	48.40	61
Other income	46	1.45	3
Interest revenue	125	3.92	(25)
Totals	<u>\$3,182</u>	<u>100.00%</u>	<u>\$147</u>

March 18, 1997

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 an increase in revenues of \$147,000 over the past year.

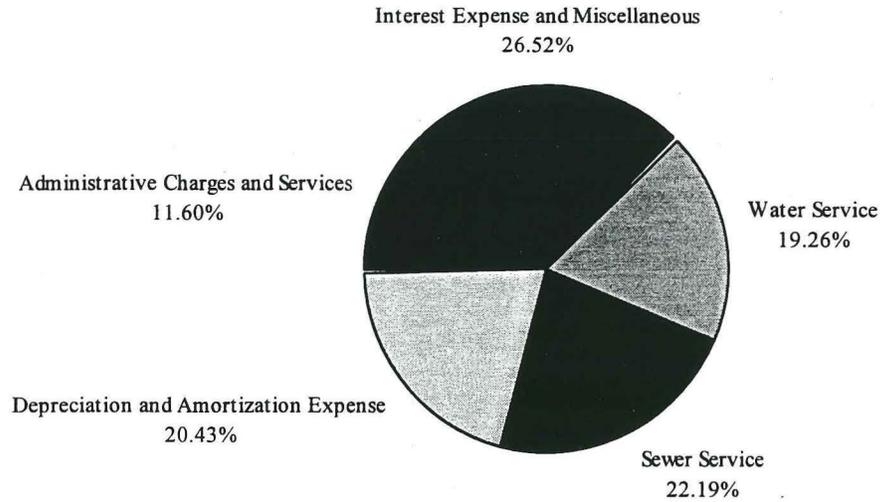
The City records connection charges and impact fees as contributed capital. During the year, connection charges and impact fees amounted to \$34,000, a decrease of \$2,000 from the previous year.

The following schedule presents a summary of Water and Sewer System Fund expenses for the fiscal year ended September 30, 1996 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 1995</u>
Water service	\$ 659	19.26%	\$(77)
Sewer service	759	22.19	26
Administrative charges and services	397	11.60	(46)
Depreciation expense	699	20.43	13
Interest expenses and miscellaneous	907	26.52	20
Totals	\$3,421	100.00%	\$(64)

March 18, 1997

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



This year, the City had a net loss of \$239,000 in the Water and Sewer System Fund.

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

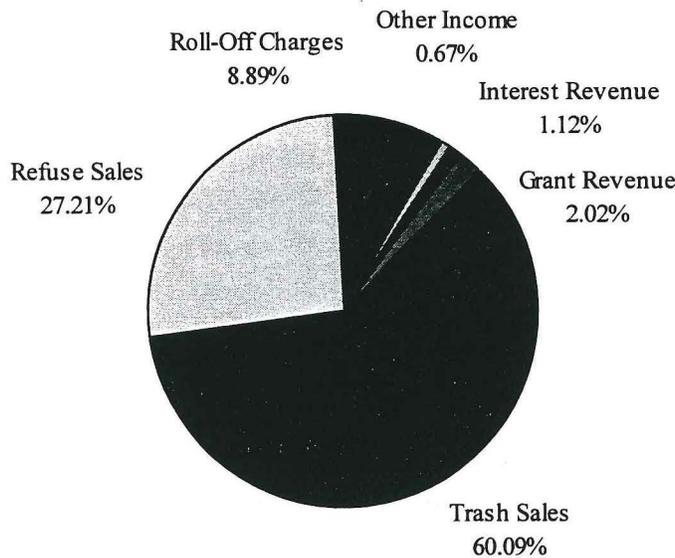
	<u>1996</u>
Gross revenue (includes connection charges)	\$3,216
Income available for debt service	1,798
Annual debt service requirement	1,121
Coverage (income available for debt service divided by annual debt service requirement)	1.60

March 18, 1997

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, 1996 (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1995</u>
Trash sales	\$ 804	60.09%	\$ 19
Refuse sales	364	27.21	(18)
Roll-off charges	119	8.89	(19)
Other income	9	.67	(10)
Grant revenue	27	2.02	12
Interest revenue	15	1.12	5
	<u>\$1,338</u>	<u>100.00%</u>	<u>\$(11)</u>

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



March 18, 1997

The following schedule presents a summary of Solid Waste Fund expenses for the fiscal year ended September 30, 1996 (*in thousands*).

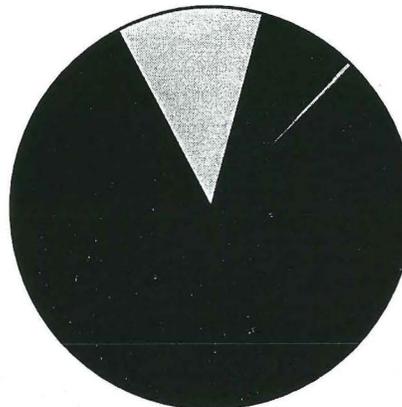
<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1995</u>
Refuse services	\$ 988	80.00%	\$(29)
Administrative charges and services	96	7.77	9
Depreciation and amortization expense	145	11.74	(11)
Interest expense	6	0.49	(2)
	<u>\$1,235</u>	<u>100.00%</u>	<u>\$(33)</u>

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

Depreciation and Amortization Expense
11.74%

Administrative Charges and Services
7.77%

Interest Expense
0.49%



Refuse Services
80.00%

This year, the City has a net income of \$103,000 in the Solid Waste Fund.

March 18, 1997

Debt Administration:

At September 30, 1996, 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 \$245,000 in principal maturities and \$876,000 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 \$213,000 and the Firefighters' Retirement System had an unfunded pension benefit obligation of \$237,000. 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 \$22,000, employee contributions of \$26,000, City contributions of \$68,000, investment income of \$153,000, and other income of \$1,000. Fund balance at the end of the year is \$1,400,000 as compared to \$1,283,000 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 \$74,000, City contributions of \$91,000 and investment income of \$346,000. Fund balance at the end of the year is \$3,550,000 as compared to \$3,102,000 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, 1996 amounted to \$10,557,000 as compared to \$9,965,000 for the preceding year, an increase of 5.94%.

March 18, 1997

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, 1996, unrestricted cash was invested in interest bearing demand deposits and with the State Board of Administration. Interest earned on unrestricted funds for the past two fiscal years was as follows:

<u>Fund</u>	<u>Interest Earned</u>	
	<u>1996</u>	<u>1995</u>
	<i>(in thousands)</i>	
General Fund	\$ 85	\$ 79
Water and Sewer System Fund	86	58
Solid Waste Fund	15	10
Total interest earnings for the City	<u>\$186</u>	<u>\$147</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, 1995. 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 15

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 19 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, 1995. This is the eighth 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

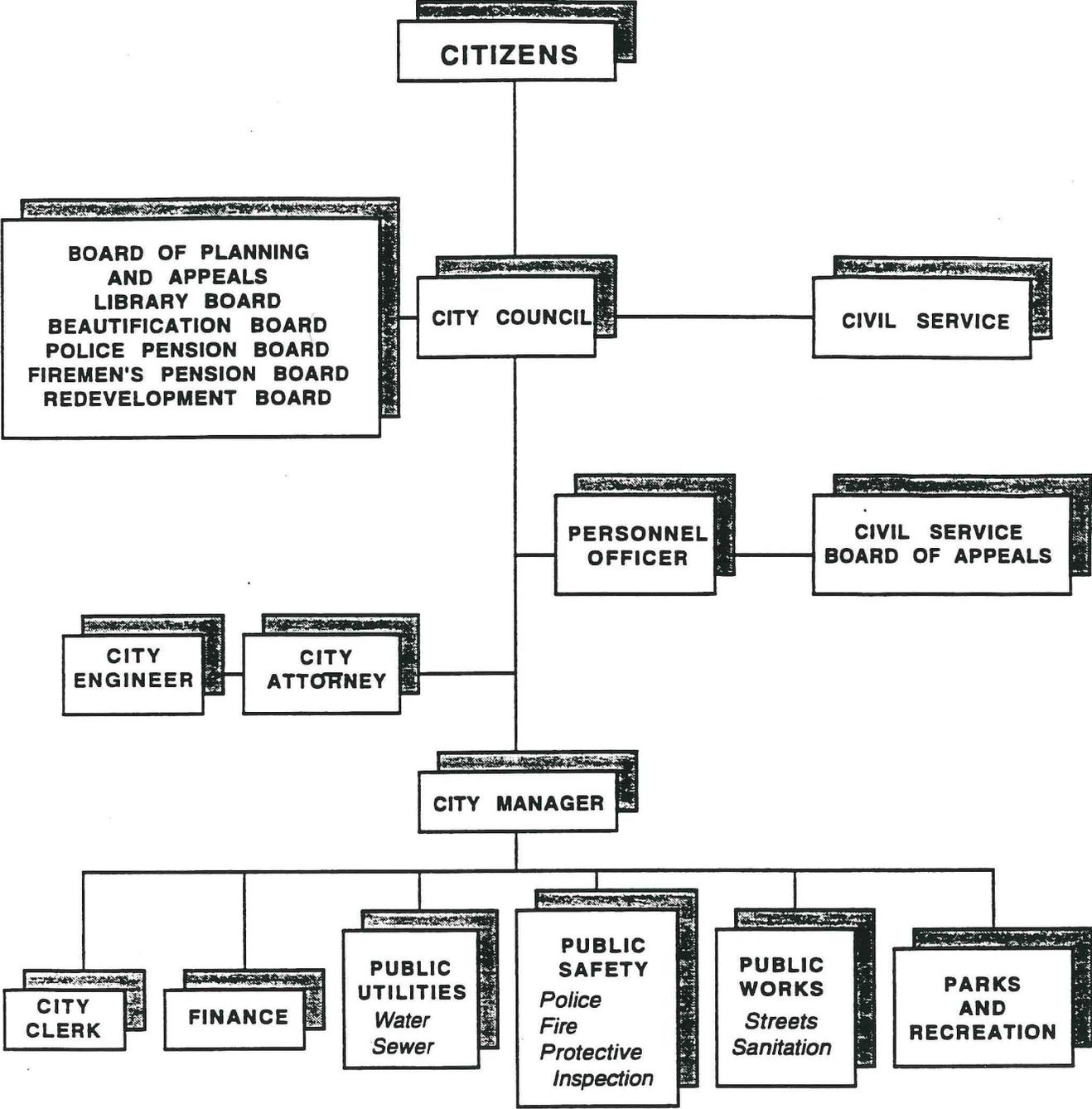
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Organization Chart

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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, 1995

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.



Arthur R. Lynch
President

Jeffrey L. Esser
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, 1996 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 \$3,550,000 as of September 30, 1996 and operating income of \$448,000 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, 1996, 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 January 31, 1997 on our consideration of the City of Holly Hill, Florida's internal control and a report dated January 31, 1997 on its compliance with laws and regulations.



January 31, 1997

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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, 1996

(in thousands)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets			
Cash and cash equivalents	\$ 737	\$ 630	\$ 2
Investments	-	-	-
Accounts receivable - net	2	15	-
Taxes receivable	82	-	-
Other receivables	27	-	-
Due from other funds	297	277	-
Due from other governments	239	-	-
Prepaid insurance	-	-	-
Restricted assets:			
Cash and cash equivalents:			
Sinking Funds	-	-	-
Construction Fund	-	-	-
Renewal and Replacement Fund	-	-	-
Customer deposits	-	-	-
Impact fee	-	-	-
Land	-	-	-
Buildings	-	-	-
Improvements other than buildings	-	-	-
Machinery and equipment	-	-	-
Accumulated depreciation	-	-	-
Construction in progress	-	-	-
Unamortized bond issue costs	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 1,384	\$ 922	\$ 2

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
		Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt
\$ 1,085	\$ 457	\$ -	\$ -	\$ 2,911	\$ 2,837
-	4,703	-	-	4,703	4,161
255	-	-	-	272	330
-	-	-	-	82	66
6	51	-	-	84	63
29	-	-	-	603	265
-	-	-	-	239	53
31	-	-	-	31	31
11	-	-	-	11	4
4	-	-	-	4	284
349	-	-	-	349	275
420	-	-	-	420	412
71	-	-	-	71	407
155	-	1,332	-	1,487	1,487
10,817	-	1,936	-	12,753	12,724
7,710	-	5,346	-	13,056	11,932
7,437	-	1,943	-	9,380	9,275
(7,877)	-	-	-	(7,877)	(7,042)
567	-	-	-	567	26
226	-	-	-	226	235
-	-	-	1,139	1,139	1,224
\$ 21,296	\$ 5,211	\$ 10,557	\$ 1,139	\$ 40,511	\$ 39,049

City of Holly Hill, Florida

Combined Balance Sheet All Fund Types and Account Groups (continued)

September 30, 1996

(in thousands)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, fund equity and other credits			
Liabilities:			
Accounts payable	\$ 133	\$ -	\$ -
Accrued liabilities	83	1	-
Due to other funds	277	248	-
Current portion of notes payable	-	-	-
Other liabilities	2	-	-
Deferred revenues	82	-	-
Payable from restricted assets:			
Accounts payable	-	-	-
Customer deposits	-	-	-
Arbitrage rebate liability	-	-	-
Current portion of revenue bonds payable	-	-	-
Deferred compensation payable	-	-	-
Revenue bonds payable - net	-	-	-
Notes payable	-	-	-
Obligation for compensated absences	-	-	-
Total liabilities	<u>577</u>	<u>249</u>	
Commitments and contingencies			
Fund equity and other credits:			
Contributed capital	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings:			
Reserved for renewal and replacement	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved for law enforcement trust	-	-	-
Reserved for pensions	-	-	-
Reserved for police education	11	-	-
Reserved for stormwater drainage	-	671	-
Reserved for capital projects	-	-	2
Unreserved:			
Undesignated	796	2	-
Total fund equity and other credits	<u>807</u>	<u>673</u>	<u>2</u>
Total liabilities, fund equity and other credits	<u>\$ 1,384</u>	<u>\$ 922</u>	<u>2</u>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
		Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt
\$ 83	\$ 2	\$ -	\$ -	\$ 218	\$ 202
32	-	-	-	116	41
78	-	-	-	603	265
48	-	-	-	48	48
-	-	-	-	2	2
-	-	-	-	82	66
94	-	-	-	94	57
420	-	-	-	420	412
13	-	-	-	13	13
255	-	-	-	255	245
-	243	-	-	243	198
13,924	-	-	-	13,924	14,166
47	-	-	714	761	918
172	-	-	425	597	561
15,166	245	-	1,139	17,376	17,194
2,995	-	-	-	2,995	2,961
-	-	10,557	-	10,557	9,965
349	-	-	-	349	275
2,786	-	-	-	2,786	2,996
-	8	-	-	8	31
-	4,958	-	-	4,958	4,385
-	-	-	-	11	15
-	-	-	-	671	643
-	-	-	-	2	3
-	-	-	-	798	581
6,130	4,966	10,557	-	23,135	21,855
\$ 21,296	\$ 5,211	\$ 10,557	\$ 1,139	\$ 40,511	\$ 39,049

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, 1996

(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects Fund	Expendable Trust	1996	1995
Revenues:						
Taxes	\$2,904	\$ -	\$ -	\$ -	\$2,904	\$2,825
Licenses and permits	215	-	-	-	215	186
Intergovernmental revenues	1,143	-	-	-	1,143	1,148
Charges for services	567	278	-	-	845	855
Fines and forfeitures	50	-	-	8	58	63
Miscellaneous revenues	222	2	-	1	225	104
Total revenues	5,101	280	-	9	5,390	5,181
Expenditures:						
Current:						
General Government	1,024	-	-	-	1,024	1,123
Public Safety	2,241	-	-	11	2,252	2,398
Transportation	436	83	-	-	519	566
Culture and Recreation	583	1	-	-	584	594
Capital outlay	463	166	1	21	651	969
Debt service:						
Principal retirement	109	-	-	-	109	107
Interest	34	-	-	-	34	37
Total expenditures	4,890	250	1	32	5,173	5,794
Excess (deficiency) of revenues over expenditures	211	30	(1)	(23)	217	(613)
Other financing sources (uses):						
Proceeds from issuance of note payable	-	-	-	-	-	160
Transfer from other funds	-	-	-	-	-	18
Excess (deficiency) of revenues and other sources over expenditures and other uses	211	30	(1)	(23)	217	(435)
Fund balances at beginning of year	1,239	-	3	31	1,273	1,708
Residual equity transfer	(643)	643	-	-	-	-
Fund balances at end of year	\$ 807	\$ 673	\$ 2	\$ 8	\$1,490	\$1,273

See accompanying notes.

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types

Year ended September 30, 1996

(in thousands)

	General Fund				Special Revenue Funds			
	Budget	Actual	Variance (Unfavorable) Favorable	1995 Actual	Budget	Actual	Variance (Unfavorable) Favorable	1995 Actual
Revenues:								
Taxes	\$2,909	\$2,904	\$ (5)	\$2,825	\$ -	\$ -	\$ -	\$ -
Licenses and permits	197	215	18	186	-	-	-	-
Intergovernmental revenues	1,142	1,143	1	1,148	-	-	-	-
Charges for services	569	567	(2)	855	272	278	6	-
Fines and forfeitures	47	50	3	47	-	-	-	-
Miscellaneous revenues	219	222	3	100	2	2	-	-
Total revenues	5,083	5,101	18	5,161	274	280	6	-
Expenditures:								
Current:								
General Government	1,069	1,024	45	1,123	-	-	-	-
Public Safety	2,369	2,241	128	2,385	-	-	-	-
Transportation	471	436	35	566	88	83	5	-
Culture and Recreation	626	583	43	594	3	1	2	-
Capital outlay	484	463	21	827	325	166	159	-
Debt service:								
Principal retirement	109	109	-	107	-	-	-	-
Interest	34	34	-	37	-	-	-	-
Total expenditures	5,162	4,890	272	5,639	416	250	166	-
Excess (deficiency) of revenues over expenditures	(79)	211	290	(478)	(142)	30	172	-
Other financing sources (uses):								
Proceeds from issuance of note payable	-	-	-	160	-	-	-	-
Transfer from other funds	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures and other uses	(79)	211	290	(318)	(142)	30	172	-
Fund balances at beginning of year								
	1,239	1,239	-	1,557	-	-	-	-
Residual equity transfer	(643)	(643)	-	-	643	643	-	-
Fund balances at end of year	\$ 517	\$ 807	\$ 290	\$1,239	\$ 501	\$ 673	\$172	\$ -

See accompanying notes.

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
All Governmental Fund Types

Year ended September 30, 1996

(in thousands)

	Capital Projects Fund				Total (Memorandum Only)			
	Budget	Actual	Variance (Unfavorable) Favorable	1995 Actual	Budget	Actual	Variance (Unfavorable) Favorable	1995 Actual
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$2,909	\$2,904	\$ (5)	\$2,8
Licenses and permits	-	-	-	-	197	215	18	1
Intergovernmental revenues	-	-	-	-	1,142	1,143	1	1,1
Charges for services	-	-	-	-	841	845	4	8
Fines and forfeitures	-	-	-	-	47	50	3	
Miscellaneous revenues	-	-	-	3	221	224	3	1
Total revenues	-	-	-	3	5,357	5,381	24	5,1
Expenditures:								
Current:								
General Government	-	-	-	-	1,069	1,024	45	1,1
Public Safety	-	-	-	-	2,369	2,241	128	2,3
Transportation	-	-	-	-	559	519	40	5
Culture and Recreation	-	-	-	-	629	584	45	5
Capital outlay	1	1	-	133	810	630	180	9
Debt service:								
Principal retirement	-	-	-	-	109	109	-	1
Interest	-	-	-	-	34	34	-	
Total expenditures	1	1	-	133	5,579	5,141	438	5,7
Excess (deficiency) of revenues over expenditures	(1)	(1)	-	(130)	(222)	240	462	(6
Other financing sources (uses):								
Proceeds from issuance of note payable	-	-	-	-	-	-	-	1
Transfer from other funds	-	-	-	18	-	-	-	
Excess (deficiency) of revenues over expenditures and other uses	(1)	(1)	-	(112)	(222)	240	462	(4
Fund balances at beginning of year	3	3	-	115	1,242	1,242	-	1,6
Residual equity transfer	-	-	-	-	-	-	-	
Fund balances at end of year	\$ 2	\$ 2	\$ -	\$ 3	\$1,020	\$1,482	\$462	\$1,2

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, 1996

	Proprietary	Fiduciary	Totals	
	Fund Type	Fund Type	(Memorandum Only)	
	Enterprise	Pension Trust	1996	1995
Operating revenues:				
Charges for services	\$4,344	\$ -	\$4,344	\$4,190
Contributions	-	337	337	384
Investment income	-	486	486	628
Total operating revenues	4,344	823	5,167	5,202
Operating expenses:				
Personal services	1,256	-	1,256	1,320
Benefit payments	-	167	167	160
Withdrawals and termination payments	-	12	12	3
Contractual services	674	71	745	956
Materials and supplies	469	-	469	246
Other charges and services	493	-	493	530
Depreciation and amortization	844	-	844	842
Miscellaneous expenses	7	1	8	24
Total operating expenses	3,743	251	3,994	4,081
Operating income	601	572	1,173	1,121
Nonoperating revenues (expenses):				
Interest income	140	-	140	160
Grant revenue	27	-	27	15
Other income	2	1	3	37
Interest expense	(906)	-	(906)	(895)
Total nonoperating revenues (expenses)	(737)	1	(736)	(683)
Income (loss) before operating transfers	(136)	573	437	438
Operating transfers:				
Transfer to other funds	-	-	-	(18)
Net income (loss)	(136)	573	437	420
Retained earnings/fund balances at beginning of year	3,271	4,385	7,656	7,236
Retained earnings/fund balances at end of year	\$3,135	\$4,958	\$8,093	\$7,656

See accompanying notes.

City of Holly Hill, Florida

Combined Statement of Cash Flows
Proprietary Fund Type

Year ended September 30, 1996

(in thousands)

	1996	1995
Operating activities		
Operating income	\$ 601	\$ 332
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	844	842
Nonoperating income	29	51
Operating transfer	-	(18)
Accounts receivable, net	54	36
Other receivables	(4)	-
Due from other funds	166	(158)
Prepaid insurance	-	(25)
Accounts payable	41	(2)
Accrued liabilities	23	-
Due to other funds	(113)	81
Customer deposits	8	6
Obligation for compensated absences	12	(28)
Net cash provided by operating activities	<u>1,661</u>	<u>1,117</u>
Capital and related financing activities		
Acquisition and construction of capital assets	(1,216)	(510)
Principal paid on bond maturities	(245)	(240)
Principal paid on note payable	(48)	(48)
Interest paid on note payable	(6)	(12)
Interest paid on bonds	(878)	(899)
Capital contributions from customers	34	36
Net cash used in capital and related financing activities	<u>(2,359)</u>	<u>(1,673)</u>
Investing activities		
Interest on investments	140	160
Net cash provided by investing activities	<u>140</u>	<u>160</u>
Net decrease in cash and cash equivalents	(558)	(396)
Cash and cash equivalents at beginning of year	2,498	2,894
Cash and cash equivalents at end of year	<u>\$1,940</u>	<u>\$2,498</u>

See accompanying notes.

City of Holly Hill, Florida
Notes to Financial Statements

September 30, 1996

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)

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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, Special Revenue 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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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.

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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.
- (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, Special Revenue 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 1995/96 fiscal year, one such supplemental appropriation increasing the budget by \$778,000 was approved on September 10, 1996 through Ordinance Number 2438 in accordance with the City Charter.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Cash and Cash Equivalents

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

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 5.55375.

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).

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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

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 fair 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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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:

<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 has been capitalized during the current fiscal year.

Bond Discounts and Issuance Costs

Bond discounts and bond issuance costs for the Proprietary Fund Types 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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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.

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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, 1995 account balances have been reclassified in this report to conform with the financial statement presentation used in 1996.

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 \$619,000 and the bank balance was \$662,000. The bank balance was secured by the bank through participation in the Florida Security for Public Deposits Act. The City also had \$1,000 of petty cash on hand as of September 30, 1996.

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

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; money market accounts that invest in United States government obligations; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

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, 1996:

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

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.

Following is a summary of investments held by the City at September 30, 1996 (*in thousands*):

	<u>Carrying Amount</u>	<u>Market Value</u>
Pension Trust Fund Investments:		
Money Market	\$ 53	\$ 53
Common stock	2,157	2,157
U.S. government and agency obligations	1,618	1,618
Corporate bonds	616	616
	<u>4,444</u>	<u>4,444</u>
Deferred Compensation Investment Pool	243	243
State Board of Administration—Local Government Surplus Funds Investment Pool	3,162	3,162
Total investments	<u>\$7,849</u>	<u>\$7,849</u>

3. Accounts Receivable—Net

The accounts receivable—net at September 30, 1996 consists of the following:

	<u>Governmental Funds</u>		<u>Enterprise</u>	<u>Funds</u>
	<u>General</u>	<u>Stormwater</u>	<u>Water and</u>	<u>Solid</u>
	<u>Fund</u>	<u>Fund</u>	<u>Sewer</u>	<u>Waste</u>
	<i>(in thousands)</i>			
Accounts receivable	\$2	\$18	\$181	\$116
Less: Allowance for doubtful accounts	-	3	25	17
Accounts receivable—net	<u>\$2</u>	<u>\$15</u>	<u>\$156</u>	<u>\$ 99</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, 1995	Additions	Deletions	Balance September 30, 1996
	<i>(in thousands)</i>			
Land	\$1,332	\$ -	\$ -	\$ 1,332
Buildings	1,907	29	-	1,936
Improvements other than buildings	4,861	485	-	5,346
Machinery and equipment	1,865	188	110	1,943
Total general fixed assets	<u>\$9,965</u>	<u>\$702</u>	<u>\$110</u>	<u>\$10,557</u>

5. Changes in General Long-Term Debt Account Group

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

	Balance October 1, 1995	Notes Payable Issued	Retired	Net Increase in Compensated Absences	Balance September 30, 1996
	<i>(in thousands)</i>				
Notes payable:					
Volusia County—800 MHZ radio system	\$ 115	\$ -	\$ 11	\$ -	\$ 104
Sun Bank of Volusia County Fire truck	73	-	24	-	49
Fire station and City Hall	635	-	74	-	561
Obligation for compensated absences	401	-	-	24	425
Total general long-term debt	<u>\$1,224</u>	<u>\$ -</u>	<u>\$109</u>	<u>\$24</u>	<u>\$1,139</u>

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, 1996 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
	<i>(in thousands)</i>			
1997	\$26	\$51	\$100	\$ 16
1998	25	49	495	16
1999	-	-	-	16
2000	-	-	-	16
2001 - 2004	-	-	-	64
Total debt service	51	100	495	128
Less: interest	2	5	34	24
	\$49	\$95	\$561	\$104

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable

Revenue bonds payable at September 30, 1996 are payable solely from the net revenues of the water and sewer system and are comprised of the following issue:

	Rates and Dates	Final Maturity	Annual Serial Payments	Amount Issued	Amount Outstanding
<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	\$255-\$1,060	\$15,390	\$14,510
Less: Unamortized discount					331
Current portion					255
Bonds payable—long-term					
portion					<u>\$13,924</u>

The annual debt service requirements to amortize the above bonds outstanding at September 30, 1996 are as follows:

<u>Fiscal year ending September 30</u>	<u>(in thousands)</u>
1997	\$ 1,120
1998	1,123
1999	1,121
2000	1,122
2001	1,122
2002 - 2004	3,370
2005 - 2009	5,618
2010 - 2014	5,623
2015 - 2019	5,617
2020 - 2022	3,375
Total debt service	<u>29,211</u>
Less: Interest	14,701
Principal due	<u>\$14,510</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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

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.

At September 30, 1996, the following outstanding bonds are considered defeased:

	Balance at September 30, 1995	Deletions	Balance at September 30, 1996
	<i>(in thousands)</i>		
1964 Series A Water and Sewer Revenue Bonds	\$ 680	\$140	\$ 540
1972 Series B Water and Sewer Revenue Bonds	475	110	365
1989 Water and Sewer Revenue Bonds	13,335	210	13,125
	<u>\$14,490</u>	<u>\$460</u>	<u>\$14,030</u>

10. Interfund Accounts

Individual fund interfund receivables and payables at September 30, 1996 consist of the following:

<u>Fund</u>	Due From Other Funds	Due To Other Funds
	<i>(in thousands)</i>	
General Fund	\$297	\$277
Stormwater	277	248
Water and Sewer System	-	60
Solid Waste	29	18
	<u>\$603</u>	<u>\$603</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

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, 1996 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.

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 \$3,388,000 for the fiscal year ended September 30, 1995. Payroll expenditures for employees covered by the police and fire pensions were \$800,000 and \$263,000, 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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

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, 1996	
	Police Officers	Firefighters
Retirees and beneficiaries currently receiving benefits	4	7
Vested terminated employees	-	-
Active employees:		
Fully vested	13	1
Nonvested	11	8

Accumulated System Benefits

The actuarial 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
	<hr/> 1,957
Nonvested benefits	58
	<hr/> <hr/> \$2,015

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

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
	<u>(in thousands)</u>
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>

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:

	1995	October 1 1994	1993
	<u>(in thousands)</u>		
Retirees and beneficiaries receiving benefits and vested terminated employees entitled to future benefits	\$ 551	\$ 380	\$ 211
Current employees:			
Accumulated employee contributions	324	276	174
Employer—financed vested	1,687	1,621	1,454
Employer—financed nonvested	227	171	223
Total pension benefit obligation (PBO) (1)	<u>2,789</u>	<u>2,448</u>	<u>2,062</u>
Net assets available for benefits, at market	<u>3,102</u>	<u>2,519</u>	<u>2,237</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

	1995	October 1 1994	1993
	<i>(in thousands)</i>		
Net assets in excess of pension benefit obligation	\$ 213	\$ 71	\$ 175
Increase in PBO resulting from plan amendments and changes in assumptions	\$ -	\$ -	\$ 92
Ratio of assets to PBO	111.2%	102.9%	108.5%
Covered payroll	\$ 800	\$ 781	\$ 806
Ratio of net assets in excess of PBO to payroll	26.6%	9.1%	21.7%

(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>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

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

	1995	October 1 1994	1993
	<i>(in thousands)</i>		
Retirees and beneficiaries receiving benefits and vested terminated employees entitled to future benefits	\$ 603	\$ 625	\$ 655
Current employees:			
Accumulated employee contributions	211	180	147
Employer-financed vested	574	534	254
Employer-financed nonvested	123	112	168
Total pension benefit obligation (PBO)	1,511	1,451	1,224
Net assets available for benefits, at market	1,283	1,076	1,049
Unfunded pension benefit obligation (UPBO)	\$ 228	\$ 375	\$ 175
Increase in PBO resulting from plan amendments and changes in assumptions	\$ -	\$ 164	\$ -
Ratio of assets to PBO	84.9%	74.2%	85.7%
Covered payroll	\$ 263	\$ 333	\$ 306
Ratio of UPBO to covered payroll	86.9%	112.4%	57.2%

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	\$2,789	\$3,102
Firefighters' Retirement System	1,511	1,273
	\$4,300	\$4,375

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

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.

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.		
	% Becoming Disabled During the Year	% Terminating During the Year	Current Salary as % of Salary at Retirement
Age			
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

% Becoming Disabled During the Year
(Male and Female)

25	.09%
35	.14%
45	.35%
55	.74%

Employee Withdrawal Rates

Age	% Termination During the Year		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%

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.

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, 1994 actuarial valuation for the Firefighters' Retirement System.

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.

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, 1996, contributions to the police and fire pension funds are set forth below:

Police Officers' Retirement Trust Fund

	Employer Contribution		Employee Contribution	
	Amount	% of Covered Payroll	Amount	% of Covered Payroll
	<i>(in thousands)</i>		<i>(in thousands)</i>	
1996	\$ 91	11.4%	\$74	9.3%
1995	117	15.0	77	9.9
1994	155	19.7	73	9.0

Firefighters' Retirement System Fund

	Employer Contribution		Employee Contribution	
	Amount	% of Covered Payroll	Amount	% of Covered Payroll
	<i>(in thousands)</i>		<i>(in thousands)</i>	
1996	\$68	26.0%	\$26	9.9%
1995	91	27.2	33	10.0
1994	47	15.4	30	9.9

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

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

General Employees

All nonuniformed City of Holly Hill full-time employees hired or taking office prior to January 1, 1996 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, 1996 was \$2,058,000. The City's total payroll was \$3,388,000.

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

Category	Benefit	Vesting	Employer Contribution Rate		
			1/1/95	1/1/96	7/1/96
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.	17.57%	17.66%	17.43%

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, 1996 was \$358,000; these contributions represented 17.4% 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, 1996 (the date of the latest

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Pension Plans (continued)

actuarial valuation update) for the System as a whole, was \$51.38 billion. The System's net assets available for benefits on that date (valued at market) were \$44.39 billion leaving an unfunded pension benefit obligation of \$6.97 billion. The City's fiscal year 1996 contribution as a percentage of total contributions required of all participating entities is insignificant.

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, 1996 valuation update were: 8% for investment return; 5% for salary increases; 2.5% for seniority and merit increases; and 3% for post retirement benefit increases.

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, 1996.

13. Investment Portfolio

During 1996 and 1995, 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	Fair Value at
	During the Year	End of Year
	<i>(in thousands)</i>	
Year ended September 30, 1996		
Cash and cash equivalents	\$ -	\$ 456
U.S. government and agency obligations	(4)	1,055
U.S. corporate obligations	(20)	520
U.S. corporate equities	220	1,498
	<u>\$196</u>	<u>\$3,529</u>
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
	<u>\$299</u>	<u>\$3,081</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

13. Investment Portfolio (continued)

During 1996 and 1995, the Firefighters' Retirement System's cash and investments (including cash and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows:

	Net Appreciation (Depreciation) in	
	Fair Value	Fair Value at
	During the Year	End of Year
	<i>(in thousands)</i>	
Year ended September 30, 1996		
Cash deposits	\$ -	\$ 1
Money market	-	53
U.S. government and agency obligations	(13)	563
U.S. corporate obligations	(1)	96
U.S. corporate equities	105	659
	<u>\$ 91</u>	<u>\$1,372</u>
Year ended September 30, 1995		
Cash deposits	\$ -	\$ 1
Money market and commercial paper	-	109
U.S. government and agency obligations	40	520
U.S. corporate obligations	4	96
U.S. corporate equities	92	546
	<u>\$136</u>	<u>\$1,272</u>

14. Defined Contribution Plan

Through adoption of Resolution No. 61 and Ordinance No. 2417, as amended, the City elected to opt out of the Florida Retirement System for all employees hired or taking office on or after January 1, 1996 through the formation of a new plan, the City of Holly Hill's General Employees Defined Contribution Plan (the Plan). The Plan had six active participants at September 30, 1996.

Participants become eligible the first day of the month following the date of hire. Employees are required to contribute 2% of their salary to the Plan and can voluntarily contribute up to an additional 8%. The City contributes 10% of the employees' salary to the Plan.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

14. Defined Construction Plan (continued)

Contributions to the Plan for fiscal year 1996 were \$1,000 and \$7,000 for employees and the City, which represents 1.4% and 10.1% of covered payroll, respectively. The payroll for participants covered under the Plan amounted to \$69,000 and the total payroll for the City was \$3,388,000 for fiscal year 1996.

The City Commission has the authority to adopt and/or amend Plan provisions or contribution requirements. The Plan is administered through the Florida League of Cities.

Plan assets are reported at fair value.

15. 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).

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

16. 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	\$2,745	\$216	\$2,961
Meter connection charges	6	-	6
Sewer connection charges	1	-	1
Impact fees	27	-	27
Contributed capital at end of year	<u>\$2,779</u>	<u>\$216</u>	<u>\$2,995</u>

17. 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. The City purchases commercial insurance to cover its exposure to risks of loss which may arise.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

18. 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, 1996 is as follows:

	Water and Sewer	Solid Waste
	<i>(in thousands)</i>	
Operating revenues	\$ 3,057	\$ 1,287
Depreciation expense	699	145
Operating income	543	58
Operating grants	-	27
Net income (loss)	(239)	103
Current capital contributions	34	-
Fixed assets:		
Additions	1,821	23
Disposals	628	8
Net working capital	689	476
Total assets	20,294	1,002
Long-term liabilities	14,020	123
Total equity	5,390	740

19. Subsequent Event

In November 1996, the City entered into an agreement to purchase a new computer system and financial reporting software package. In order to finance this purchase, the City signed a promissory note in the amount of \$250,000 on December 11, 1996. This note matures December 11, 2001 and bears an interest rate of 4.55%. The note will be repaid in ten semi-annual payments of approximately \$28,000. The note was approved by the City Commission pursuant to Resolution 96-73 on December 10, 1996.

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			
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
1996	74	91	11.4	48	333	-	546

Expenses by Type

(in thousands)

	Benefits	Refunds	Administrative and Other	Total
1987	\$19	\$ -	\$ 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
1996	46	-	52	98

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				
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
1996	26	68	26.0	22	153	1	270

Expenses by Type

(in thousands)

	Benefits	Withdrawals and Terminations		Refunds	Administrative and Other		Total
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	
1996	121	12	-	-	20	153	

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)	(5) Annual Covered Payroll	(6)
				Unfunded Pension Benefit Obligation (Net Assets in Excess of Pension Benefit Obligation) (2) - (1)		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	2,519	2,448	102.9	(71)	781	(9.1)
1996	3,102	2,789	111.2	(213)	800	(26.6)
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	1,076	1,451	74.2	375	333	112.4
1996	1,283	1,511	84.9	228	263	86.9

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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Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Stormwater—to account for stormwater fee revenues and the expenditure of those revenues for the operation, maintenance and improvement of the stormwater system.

Youth Center—to account for the receipt and expenditure of program funds authorized by the Youth Center Advisory Board.

City of Holly Hill, Florida

Combining Balance Sheet
All Special Revenue Funds

September 30, 1996

	<u>Stormwater</u>	<u>Youth Center</u>	<u>Total</u>
Assets			
Cash	\$ 628	\$ 2	\$ 630
Accounts receivable	15	-	15
Due from other funds	277	-	277
Total assets	<u>\$ 920</u>	<u>\$ 2</u>	<u>\$ 922</u>
Liabilities and fund equity			
Liabilities:			
Accrued liabilities	\$ 1	\$ -	\$ 1
Due to other funds	248	-	248
Total liabilities	<u>249</u>	<u>-</u>	<u>249</u>
Fund equity:			
Fund balances:			
Reserved:			
Reserved for stormwater drainage	671	-	671
Unreserved:			
Undesignated	-	2	2
Total fund equity	<u>671</u>	<u>2</u>	<u>673</u>
Total liabilities and fund equity	<u>\$ 920</u>	<u>\$ 2</u>	<u>\$ 922</u>

City of Holly Hill, Florida

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
All Special Revenue Funds

Year ended September 30, 1996

	<u>Stormwater</u>	<u>Youth Center</u>	<u>Total</u>
Revenues			
Charges for services	\$ 277	\$ 1	\$ 278
Other	-	2	2
Total revenues	<u>277</u>	<u>3</u>	<u>280</u>
Expenditures:			
Current:			
Personal services	51	-	51
Operating expenses	32	1	33
Capital outlay	166	-	166
Total expenditures	<u>249</u>	<u>1</u>	<u>250</u>
Excess of revenues over expenditures	<u>28</u>	<u>2</u>	<u>30</u>
Fund balances at beginning of year	-	-	-
Residual equity transfer	643	-	643
Fund balances at end of year	<u>\$ 671</u>	<u>\$ 2</u>	<u>\$ 673</u>

City of Holly Hill, Florida

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
All Special Revenue Funds

Year ended September 30, 1996

	Stormwater		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Charges for services	\$ 271	\$ 277	\$ 6
Other	-	-	-
Total revenues	<u>271</u>	<u>277</u>	<u>6</u>
Expenditures			
Current:			
Personal services	53	51	2
Operating expenses	35	32	3
Capital outlay	325	166	159
Total expenditures	<u>413</u>	<u>249</u>	<u>164</u>
Excess of revenues over (under) expenditures	(142)	28	170
Fund balances at beginning of year	-	-	-
Residual equity transfer	643	643	-
Fund balances at end of year	<u>\$ 501</u>	<u>\$ 671</u>	<u>\$ 170</u>

Youth Center			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1	\$ 1	\$ -	\$ 272	\$ 278	\$ 6
2	2	-	2	2	-
3	3	-	274	280	6
-	-	-	53	51	2
3	1	2	38	33	5
-	-	-	325	166	159
3	1	2	416	250	166
-	2	2	(142)	30	172
-	-	-	-	-	-
-	-	-	643	643	-
\$ -	\$ 2	\$ 2	\$ 501	\$ 673	\$ 172

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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, 1996

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1996	1995
Assets				
Current assets:				
Cash and cash equivalents	\$ 631	\$ 454	\$ 1,085	\$ 1,116
Accounts receivable - net	156	99	255	309
Other receivables	2	4	6	2
Due from other funds	-	29	29	195
Prepaid insurance	22	9	31	31
Total current assets	811	595	1,406	1,653
Restricted assets:				
Sinking Funds	11	-	11	4
Construction Fund	4	-	4	284
Renewal and Replacement Fund	349	-	349	275
Customer deposits	400	20	420	412
Impact fee	71	-	71	407
Total restricted assets	835	20	855	1,382
Property, plant and equipment:				
Land	155	-	155	155
Buildings	10,779	38	10,817	10,817
Improvements other than buildings	7,710	-	7,710	7,071
Machinery and equipment	5,713	1,724	7,437	7,410
	24,357	1,762	26,119	25,453
Less: accumulated depreciation	6,502	1,375	7,877	7,042
	17,855	387	18,242	18,411
Construction in progress	567	-	567	26
	18,422	387	18,809	18,437
Other assets:				
Unamortized bond issue costs	226	-	226	235
Total assets	\$20,294	\$ 1,002	\$21,296	\$21,707

	Water and Sewer System	Solid Waste	Totals	
			1996	1995
Liabilities and fund equity				
Current liabilities (payable from current assets):				
Accounts payable	\$ 40	\$ 43	\$ 83	\$ 79
Accrued liabilities	22	10	32	9
Due to other funds	60	18	78	191
Current portion of notes payable	-	48	48	48
Total current liabilities (payable from current assets)	122	119	241	327
Current liabilities (payable from restricted assets):				
Accounts payable	94	-	94	57
Customer deposits	400	20	420	412
Arbitrage rebate liability	13	-	13	13
Current portion of revenue bonds payable	255	-	255	245
(Total current liabilities payable from restricted assets)	762	20	782	727
Long-term debt:				
Revenue bonds payable - net	13,924	-	13,924	14,166
Notes payable	-	47	47	95
Other liabilities				
Obligation for compensated absences	96	76	172	160
Total liabilities	14,904	262	15,166	15,475
Fund equity:				
Contributed capital:				
Contribution from federal government	920	-	920	920
Contribution from customers	1,859	-	1,859	1,825
Contribution from other funds and account groups	-	216	216	216
Retained earnings				
Reserved for Renewal and Replacement	349	-	349	275
Unreserved	2,262	524	2,786	2,996
Total fund equity	5,390	740	6,130	6,232
Total liability and fund equity	\$20,294	\$1,002	\$21,296	\$21,707

City of Holly Hill, Florida

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

For the year ended September 30, 1996

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1996	1995
Operating revenues:				
Water sales	\$1,471	\$ -	\$1,471	\$1,363
Sewer charges	1,540	-	1,540	1,479
Service charges	17	-	17	15
Cut-off charges	19	-	19	18
Hydrant rental	10	-	10	10
Trash sales	-	804	804	785
Refuse sales	-	364	364	382
Roll-off charges	-	119	119	138
Total operating revenues	3,057	1,287	4,344	4,190
Operating expenses:				
Water service	659	-	659	736
Sewer service	759	-	759	733
Refuse service	-	988	988	1,017
Administrative charges and services	397	96	493	530
Depreciation expense	699	145	844	842
Total operating expenses	2,514	1,229	3,743	3,858
Operating income	543	58	601	332
Nonoperating revenues (expenses):				
Interest revenue	125	15	140	160
Grant revenue	-	27	27	15
Other income (expense)	(7)	9	2	36
Interest expense	(900)	(6)	(906)	(895)
Total nonoperating revenues (expenses)	(782)	45	(737)	(684)
Income (loss) before operating transfers	(239)	103	(136)	(352)
Operating transfers:				
Transfers to other funds	-	-	-	(18)
Net income (loss)	(239)	103	(136)	(370)
Retained earnings at beginning of year	2,850	421	3,271	3,641
Retained earnings at end of year	\$2,611	\$ 524	\$3,135	\$3,271

City of Holly Hill, Florida

Combining Statement of Cash Flows
All Enterprise Funds

For the year ended September 30, 1996

(in thousands)

	Water and	Solid	Totals	
	Sewer System	Waste	1996	1995
Operating activities				
Operating income	\$ 543	\$ 58	\$ 601	\$ 332
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	699	145	844	842
Nonoperating income (expense)	(7)	36	29	51
Operating transfer	-	-	-	(18)
Accounts receivable, net	60	(6)	54	36
Other receivables	-	(4)	(4)	-
Due from other funds	82	84	166	(158)
Prepaid insurance	-	-	-	(25)
Accounts payable	50	(9)	41	(2)
Accrued liabilities	16	7	23	-
Due to other funds	(120)	7	(113)	81
Customer deposits	7	1	8	6
Obligation for compensated absences	4	8	12	(28)
Net cash provided by operating activities	1,334	327	1,661	1,117
Capital and related financing activities				
Acquisition and construction of capital assets	(1,193)	(23)	(1,216)	(510)
Principal paid on bond maturities	(245)	-	(245)	(240)
Principal paid on note payable	-	(48)	(48)	(48)
Interest paid on note payable	-	(6)	(6)	(12)
Interest paid on bonds	(878)	-	(878)	(899)
Capital contributions from customers	34	-	34	36
Net cash used by capital and related financing activities	(2,282)	(77)	(2,359)	(1,673)
Investing activities				
Interest on investments	125	15	140	160
Net cash provided by investing activities	125	15	140	160
Net increase (decrease) in cash and cash equivalents	(823)	265	(558)	(396)
Cash and cash equivalents at beginning of year	2,289	209	2,498	2,894
Cash and cash equivalents at end of year	\$1,466	\$474	\$1,940	\$2,498

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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.

General Employees' Retirement Trust Fund

The General Employees' Retirement Trust Fund is used to account for the fiscal activities of the City's defined contribution plan, which accumulates contributions from the City and participating employees.

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, 1996

(in thousands)

	Pension Trust Funds		
	Police Officers' Retirement Trust	Fire Fighters' Retirement System	General Employees' Retirement Trust
Assets			
Current assets:			
Cash and cash equivalents	\$ 456	\$ 1	\$ -
Investments	3,073	1,371	8
Interest receivable	21	12	-
Contribution receivable	-	18	-
Total current assets	3,550	1,402	8
Total assets	<u>\$3,550</u>	<u>\$1,402</u>	<u>\$ 8</u>
Liabilities and fund equity			
Current liabilities:			
Accounts payable	\$ -	\$ 2	\$ -
Deferred compensation payable	-	-	-
Total current liabilities	-	2	-
Fund equity:			
Fund balances:			
Reserved -			
Reserved for law enforcement	-	-	-
Reserved for pensions	3,550	1,400	8
Total fund equity	3,550	1,400	8
Total liabilities and fund equity	<u>\$3,550</u>	<u>\$1,402</u>	<u>\$ 8</u>

Expendable Trust Fund	Agency Fund	Totals	
Law Enforcement Trust	Deferred Compensation	1996	1995
\$-	\$ -	\$ 457	\$ 314
8	243	4,703	4,270
-	-	33	32
-	-	18	2
8	243	5,211	4,618
\$8	\$243	\$5,211	\$4,618
\$-	\$ -	\$ 2	\$ 4
-	243	243	198
-	243	245	202
8	-	8	31
-	-	4,958	4,385
8	-	4,966	4,416
\$8	\$243	\$5,211	\$4,618

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, 1996

(in thousands)

	Police Officers' Retirement Trust	Firefighters' Retirement System	General Employees' Retirement Trust	Totals 1996	Totals 1995
Operating revenues:					
Contributions	\$ 213	\$ 116	\$8	\$ 337	\$ 384
Interest and dividends	137	62	-	199	193
Net appreciation (depreciation) in fair value of investments	196	91	-	287	435
Total operating revenues	546	269	8	823	1,012
Operating expenses:					
Benefit payments	46	121	-	167	160
Withdrawals and termination payments	-	12	-	12	3
Contract services	52	19	-	71	60
Miscellaneous	-	1	-	1	-
Total operating expenses	98	153	-	251	223
Operating income	448	116	8	572	789
Nonoperating income:					
Other income	-	1	-	1	1
Total nonoperating revenue	-	1	-	1	1
Net income	448	117	8	573	790
Fund balances at beginning of year	3,102	1,283	-	4,385	3,595
Fund balances at end of year	\$3,550	\$1,400	\$8	\$4,958	\$4,385

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, 1996

(in thousands)

	Totals	
	1996	1995
Revenues:		
Fines and forfeitures	\$ 8	\$16
Miscellaneous revenues—interest	1	1
Total revenues	<u>9</u>	<u>17</u>
Expenditures:		
Current:		
Public Safety	11	13
Capital outlay	21	9
Total expenditures	<u>32</u>	<u>22</u>
Excess of revenues under expenditures	(23)	(5)
Fund balance at beginning of year	31	36
Fund balance at end of year	<u>\$ 8</u>	<u>\$31</u>

City of Holly Hill, Florida

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

For the year ended September 30, 1996

(in thousands)

	Balance October 1, 1995	Additions	Deletions	Balance September 30, 1996
Assets:				
Investments	\$198	\$61	\$16	\$243
Liabilities:				
Deferred compensation payable	\$198	\$61	\$16	\$243

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, 1996

(in thousands)

	Budget (Revised)	1996 Actual	Variance Favorable (Unfavorable)	1995 Actual
Taxes:				
Ad valorem taxes	\$1,387	\$1,343	\$(44)	\$1,383
Delinquent ad valorem taxes	20	27	7	10
Utility taxes	933	951	18	894
Utility franchise fees	560	574	14	538
Towing service	9	9	-	-
Total taxes	2,909	2,904	(5)	2,825
Licenses and permits:				
Professional and occupational licenses	130	147	17	126
City share/County licenses	12	13	1	11
Building permits	15	19	4	21
Other licenses and permits	20	21	1	18
Inspection fees	20	15	(5)	10
Total licenses and permits	197	215	18	186
Intergovernmental revenues:				
State shared revenues:				
General Government—				
State Revenue Sharing	270	283	13	282
FINE Grant	137	74	(63)	48
Mobile home licenses	15	15	-	14
Alcoholic beverage licenses	10	7	(3)	5
Local government half-cent sales tax	435	414	(21)	441
Two-cent cigarette tax	40	33	(7)	42
Department of Community Affairs	-	14	14	-
D.A.R.E Federal Grant	-	-	-	5
LWCF Federal Grant	-	-	-	71
City contribution—911 Grant	-	-	-	19
Symms Trails Fund Grant	25	26	1	-
Transportation -				
Rebate on municipal vehicles	7	8	1	2
Local option gas tax	150	160	10	152
Shared revenues from other local units:				
Port Authority	53	109	56	67
Total intergovernmental revenues	1,142	1,143	1	1,148

City of Holly Hill, Florida

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

Year ended September 30, 1996

(in thousands)

	Budget (Revised)	1996 Actual	Variance Favorable (Unfavorable)	1995 Actual
Charges for services:				
General Government charges:				
Zoning fees	2	2	-	1
Other charges	4	5	1	3
Public Safety charges:				
Police services	2	1	(1)	2
Physical environment charges				
Stormwater drainage	-	-	-	274
Culture and Recreation charges:				
Program activity fees	58	57	(1)	58
Sica Hall	10	9	(1)	10
Other charges for services:				
Transfer from Enterprise operations	493	493	-	507
Total charges for services	569	567	(2)	855
Fines and forfeitures:				
Court fines	42	44	2	43
Police education	3	3	-	3
Code enforcement fines	1	2	1	1
Parking violations	1	1	-	-
Total fines and forfeitures	47	50	3	47
Miscellaneous revenues:				
Miscellaneous revenue	8	9	1	9
Interest earnings	89	89	-	79
Surplus sales, equipment, etc.	84	100	16	4
Scrap sales	4	4	-	2
Contributions and donations	16	-	(16)	2
Firefighter's supplemental compensation	1	1	-	1
Insurance proceeds	17	19	2	3
Total miscellaneous revenues	219	222	3	100
Total revenues	\$5,083	\$5,101	\$ 18	\$5,161

City of Holly Hill, Florida

General Fund
Schedule of Expenditures - Budget and Actual

Year ended September 30, 1996

(in thousands)

	Budget (Revised)	1996 Actual	Variance Favorable (Unfavorable)	1995 Actual
General Government				
City Council:				
Personal services	\$ 15	\$ 14	\$ 1	\$ 12
Operating expenses	36	36	-	36
Total City Council	51	50	1	48
City Manager:				
Personal services	302	296	6	245
Operating expenses	27	23	4	27
Total City Manager	329	319	10	272
Finance and Administration:				
Personal services	315	305	10	322
Operating expenses	230	215	15	180
Total Finance and Administration	545	520	25	502
Civil Services:				
Personal services	1	1	-	8
Operating expenses	6	5	1	6
Total Civil Service	7	6	1	14
Other Services:				
Personal services	41	40	1	214
Operating expenses	96	89	7	73
Capital outlay	9	9	-	35
Debt service	100	100	-	100
Total other services	246	238	8	422
Total General Government	1,178	1,133	45	1,258
Public Safety				
Law Enforcement:				
Personal services	1,395	1,339	56	1,438
Operating expenses	156	142	14	155
Capital outlay	21	19	2	179
Debt service	16	16	-	16
Total Law Enforcement	1,588	1,516	72	1,788
Fire Control:				
Personal services	499	468	31	503
Operating expenses	76	64	12	79
Capital outlay	42	37	5	9
Debt service	27	27	-	28
Total Fire Control	644	596	48	619

City of Holly Hill, Florida

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

Year ended September 30, 1996

(in thousands)

	Budget (Revised)	1996 Actual	Variance Favorable (Unfavorable)	1995 Actual
Public Safety (continued)				
Protective Inspection:				
Personal services	193	183	10	163
Operating expenses	50	45	5	47
Capital outlay	13	13	-	2
Total Protective Inspection	256	241	15	212
Total Public Safety	2,488	2,353	135	2,619
Transportation				
Road and Street Facilities:				
Personal services	261	243	18	332
Operating expenses	210	193	17	174
Capital outlay	87	82	5	26
Total Road and Street Facilities	558	518	40	532
Storm Drainage:				
Personal services	-	-	-	43
Operating expenses	-	-	-	17
Capital outlay	-	-	-	369
Total Storm Drainage	-	-	-	429
Total Transportation	558	518	40	961
Culture and Recreation				
Parks:				
Personal services	296	277	19	345
Operating expenses	88	81	7	72
Capital outlay	290	285	5	198
Total Parks	674	643	31	615
Recreation Facilities:				
Personal services	150	147	3	95
Operating expenses	92	78	14	82
Capital outlay	22	18	4	9
Total Recreation Facilities	264	243	21	186
Total Culture and Recreation	938	886	52	801
Total expenditures	\$5,162	\$4,890	\$272	\$5,639

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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, 1996

(in thousands)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General Government	\$1,653	\$ 191	\$1,113	\$ 57	\$ 292
Public Safety					
Police	570	-	46	3	521
Fire	625	30	199	2	394
Total Public Safety	1,195	30	245	5	915
Public Works					
Streets	5,402	28	56	4,715	603
Total Public Works	5,402	28	56	4,715	603
Culture and Recreation					
Parks	1,851	1,083	160	547	61
Recreation Facilities	266	-	214	22	30
Library	190	-	148	-	42
Total Culture and Recreation	2,307	1,083	522	569	133
Total general fixed assets allocated to functions	\$10,557	\$1,332	\$1,936	\$5,346	\$1,943

City of Holly Hill, Florida

Schedule of Changes in General Fixed Assets
by Function and Activity

For the Year ended September 30, 1996

(in thousands)

Function and Activity	General Fixed Assets October 1, 1995	Additions	Deletions	General Fixed Assets September 30, 1996
General Government	\$1,646	\$ 23	\$ 16	\$ 1,653
Public Safety				
Police	573	40	43	570
Fire	578	66	19	625
Total Public Safety	1,151	106	62	1,195
Public Works				
Streets	4,892	541	31	5,402
Total Public Works	4,892	541	31	5,402
Culture and Recreation				
Parks	1,834	18	1	1,851
Recreation Facilities	252	14	-	266
Library	190	-	-	190
Total Culture and Recreation	2,276	32	1	2,307
Total general fixed assets	\$9,965	\$702	\$110	\$10,557

Note: Additions and deletions include transfers between classifications.

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Statistical Section

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City of Holly Hill, Florida

Comments Relative to Statistical Section

September 30, 1996

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	
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
1996	5,101	2,904	57	215	4	1,143	23

Charges for Services		Fines and Forfeitures		Miscellaneous Revenue		Operating Transfers In		Loan Proceeds	
\$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	-	-	-	-
567	11	50	1	222	5	-	-	-	-

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	
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	5,639	1,258	23	2,619	45
1996	4,890	1,133	23	2,353	48

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

Physical Environment		Transportation		Culture and Recreation		Operating Transfers Out	
\$ 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	-	-
-	-	518	11	886	18	-	-

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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, 1996

(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
1987	\$314,006	\$314,006	100%	\$ 884	\$ 829	93.9%	\$22	2.5%
1988	315,792	315,792	100	959	924	96.3	23	2.4
1989	330,040	330,040	100	966	923	95.6	31	3.2
1990	341,900	341,900	100	1,125	1,083	96.3	88	3.4
1991	352,549	352,549	100	1,162	1,105	95.1	42	3.6
1992	359,264	359,264	100	1,167	1,116	95.6	50	4.3
1993	359,923	371,055	97	1,439	1,373	95.4	52	3.6
1994	359,277	378,187	95	1,425	1,372	96.3	59	4.1
1995	364,891	384,096	95	1,444	1,383	95.8	66	4.6
1996	368,068	383,404	96	1,438	1,343	93.4	82	5.7

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, 1996

Fiscal Year Ended	Holly Hill	School District	Volusia County	Advertising District	Mosquito Control
<i>Tax Rates</i>					
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
1996	5.55375	10.887	5.989	-	.262
<i>City's Share of Tax Levies</i>					
		<i>(in thousands)</i>			
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
1996	1,466	2,875	1,581	-	69

* 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
.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
.094	-	2.255	.482	.040	.183
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
25	-	595	127	11	48

Table V

City of Holly Hill, Florida

Debt Service Requirements to Maturity
Water and Sewer Revenue Bonds

September 30, 1996

(in thousands)

Due October 1	Series 1992		Total Debt Service
	Principal	Interest	
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	\$14,510	\$14,701	\$29,211

Table VI

City of Holly Hill, Florida

Computation of Overlapping Debt
End of Fiscal Year

September 30, 1996

(in thousands)

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable To The Governmental Unit	City of Holly Hill – Share of Debt
School District	\$165,883	2.02%	\$3,351
County of Volusia	11,948	2.02	241
Total overlapping debt			<u>\$3,592</u>

Table VII
City of Holly Hill, Florida
Schedule of Insurance in Force

September 30, 1996

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. SRG80435349A	4/15/96 - 4/15/97	Accidental Death Police and Firefighters	\$25,000 \$25,000 \$75,000	\$850
<u>Contractors' Equipment Policy</u> Aetna 035IZ253999100FCA	4/15/96 - 4/15/97	Off-road equipment	\$289,855	\$1,602 \$ 500 deductible
<u>Business Automobile Policy</u> Titan Indemnity Co. 35BA03554-C1	12/1/95 - 12/1/96	Automobile liability	\$200,000 Liability \$25,000 physical damage \$10,000 personal injury protection	\$75,100 \$ 1,000 deductible
<u>Public Officials and Employees Liability</u> Coregis Ins. Co. 524-491934	4/15/96 - 4/15/97	Wrongful acts	\$1,000,000	\$ 9,850 \$10,000 deductible
<u>Law Enforcement Professional Liability</u> Titan Ins. Co. 20PL02179-C1	12/1/95 - 12/1/96	Police officers bodily injury, property damage and personal injury	\$1,000,000 each person \$1,000,000 each occurrence	\$14,700 \$ 2,500 deductible
<u>Boiler & Machinery</u> Hartford Steam Boiler Ins. Co. ASG-AT-9497065-07	4/15/96 - 4/15/97	Mechanical breakdowns Lightning damages City Hall equipment Leased equipment	Not limited	\$1,131 \$1,000 deductible
<u>Volunteer Firefighter Accidental Death & Disability</u> Zurich Insurance Co. HVF8169826	4/15/96 - 4/15/97	Medical expense disability Partial Disability Accidental death Fresh pursuit Unlawful and intentional death	\$ 5,000 \$ 100 weekly \$ 50 weekly \$25,000 \$25,000 \$75,000	\$925

Table VII (continued)
City of Holly Hill, Florida
Schedule of Insurance in Force

September 30, 1996

Type of Coverage Name of Company and Policy Number	Policy Period From – To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<u>Municipal Liability</u> Titan Indemnity 10-GL-02171-C1	12/1/95 – 12/1/96	General liability	\$300,000 \$300,000 each occurrence	\$34,900
<u>Workers' Compensation</u> Governmental Risk Insurance Trust 00053	12/1/95 – 12/1/96	Statutory	Statutory, employer's liability \$1,000,000	\$105,973
<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 \$500 deductible
#BNP 132-23-02	6/29/92 – indefinitely		\$100,000 Finance Director	\$ 750
<u>Motor Truck Cargo</u> Aetna Casualty & Surety 35IL278135FCA	2/1/96 – 2/1/97	Roll-off bins liability	\$10,000 each bin \$50,000 disaster	\$281 \$500 deductible
<u>Package Policy</u> Crum & Forster Ins. Co. Policy #503-523014-4	4/15/96 – 4/15/97			\$21,167
Property – Basic Coverage		\$12,116,306 building limits \$ 7,602,491 contents limits	\$1,000 deductible \$10,000 deductible – wind and hail	
Property – Special Coverage		\$39,200 contents limit (City Hall)	\$1,000 deductible \$10,000 deductible – fire and hail	

Table VII (continued)
City of Holly Hill, Florida
Schedule of Insurance in Force
September 30, 1996

Type of Coverage Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
Computer (EDP) Coverage		\$85,655 Hardware City Hall and Police \$24,170 Hardware Public Works \$36,097 Data City Hall and Police \$4,307 Data Public Works \$20,000 Extra Expense \$20,000 Transit Expense \$75,000 New Equipment \$75,000 New Location \$15,000 Fire System \$20,000 Debris Removal \$10,000 Pollutant Removal	\$1,000 deductible	
Crime Coverage		\$5,000 theft inside \$5,000 theft outside	\$250 deductible	
<u>Environmental Protection Commerce & Industry Petroleum Liability Insurance FPL5878648</u>	6/25/96 - 6/25/97	Fuel storage tank \$1,000,000 each incident	\$500 deductible	\$895

Table VIII

City of Holly Hill, Florida

Revenue Bond Coverage
Water and Sewer System Fund
Last Ten Fiscal Years

September 30, 1996

(in thousands)

Fiscal Year Ended	Gross		Operating Expense (7)	Net Revenues	Debt Service Requirements			Debt Service Coverage
	Revenues (1)				Principal	Interest	Total	
1987	\$2,125	(2)	\$1,158	\$ 976	\$345	\$311	\$ 656 (3)	1.47
1988	2,224	(2)	1,109	1,115	355	287	642 (3)	1.74
1989	2,589	(2)	1,102	1,487	389	304	693 (4)	2.15
1990	2,830		1,150	1,680	-	996	996 (5)	1.69
1991	2,986		1,302	1,684	165	996	1,161 (5)	1.45
1992	3,276		1,500	1,776	175	985	1,160 (5)	1.53
1993	3,317		1,475	1,842	165	743	908 (6)	2.03
1994	3,440		1,541	1,899	230	893	1,123 (6)	1.69
1995	3,088		1,469	1,619	240	885	1,125 (6)	1.44
1996	3,216		1,418	1,798	245	876	1,121 (6)	1.60

- (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.
- (3) Debt service for 1964 Series A, 1970 Series B, 1972 Series B, and Series 1984.
- (4) Debt service for 1964 Series A, 1970 Series B, 1972 Series B, Series 1984, and Series 1989 combined.
- (5) Debt service for Series 1989.
- (6) Debt service for Series 1992.
- (7) 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, 1996

(in thousands)

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment (3)
1987		11	2		4.9 %
1988		11	2		4.7 %
1989		12	2		5.0 %
1990		12	2		6.0 %
1991	(4)	11	2	(6)	7.3 %
1992	(5)	11	2	(6)	7.9 %
1993	(5)	11	2	(6)	6.3 %
1994	(5)	11	2	(6)	6.4%
1995	(5)	11	2	(6)	4.9%
1996	(5)	12	2	(6)	4.2%

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

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

September 30, 1996

(in thousands)

Fiscal Year	(1) Commercial Construction		Residential Construction		(2) Bank Deposits (In Thousands)	Commercial	(3) Property Value	
	Units	Value	Units	Value	Commercial		Residential	Nontaxable
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
1996	16	1,735	55	1,582	N/A	2,708,437	7,922,818	4,509,253

(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, 1996

Title of Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$ 8,640	2 year 9 months	\$50,000 blanket amount on all positions \$100,000 on Finance Director
Mayor Pro-Tem	5,400	2 year 9 months	
City Councilmen (3)	5,400	2 year 9 months to 7 years 9 months	
City Attorney (retainer)	7,500	20 1/2 years	
City Manager	65,339	1 year 2 months	
Deputy Clerk	46,550	17-1/2 years	
Finance Director	49,836	5 years 7 months	
Police Chief	58,739	13 years 7 months	
Public Services Director	57,665	1 year 3 months	
Fire Chief	42,962	1 year 7 months	
Building Official	45,885	16 years	

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

September 30, 1996

(in thousands)

Name	Type of Business	Assessed Values	Percent of Total Assessed Value
Holly Hill R.H.F. Housing, Inc.	Bishop Glen Retirement Center	\$18,062	4.90%
Florida Power & Light	Electrical utility	5,741	1.56
BellSouth Telecommunications, Inc.	Communications	5,580	1.52
William H. Jones	Metra Electronics Manufacturer	4,236	1.15
Barchester Corp.	Mobile Home Park	3,773	1.03
John Hancock Mutual Life Ins.	Winn Dixie	3,057	.83
Holly Point Apartments, Inc.	Apartment Complex	2,769	.75
Polyvers, Ltd.	Apartment Complex	2,571	.70
Life Insurance Co. of Georgia Publix Super Markets, Inc.	Shopping Center	2,160	.59
SunTrust Bank	Banking	1,492	.41
		\$49,441	13.44%

Table XIII
City of Holly Hill, Florida
Climatological Summary

September 30, 1996

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, 1996

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
29.8 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
2 Public fishing piers
1 Boat ramp
1 Tot lot

Education: Volusia County Schools -
Elementary 1
Secondary 1

Students:

Kindergarten - Grade 5 = 911
Grades 6 - 8 = 976

Personnel:

Instructional 123
Noninstructional 67
Administrative 7

Street Lights:

High Pressure Sodium Vapor

6,300 lumen - 665
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, 1996:

115 Civil Service
1 Exempt

116 Total

Water Treatment Plant:

Design capacity - 2.3 MGD
Current production rate - 1.142 MGD
Users - 5,725

Water Pollution Control Plant:

Capacity - 2.4 MGD
Current production rate - 1.48 MGD
Collection system users - 4,997

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Other Reports

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Report of Independent Auditors on Internal Control

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, 1996, and have issued our report thereon dated January 31, 1997.

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 internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control 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 internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control 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, 1996, we obtained an understanding of internal control. With respect to internal control, 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 internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 components 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 internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the Management of City of Holly Hill, Florida in a separate communication dated January 31, 1997 (see Management Letter).

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

Ernst + Young LLP

January 31, 1997

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, 1996, and have issued our report thereon dated January 31, 1997.

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.



January 31, 1997

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