

Comprehensive Annual Financial Report

City of Holly Hill, Florida

For the Fiscal Year Ended September 30, 1998

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, 1998

City Commission

William Arthur, Mayor

J. D. Mellette, Vice Mayor

Arthur J. Byrnes

Shirley Heyman

Roland Via

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, 1998

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Letter of Transmittal

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CITY OF HOLLY HILL

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HOLLY HILL, FLORIDA 32117-2898

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April 21, 1999

The Honorable Mayor, City Commission 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, 1998, 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 five sections: introductory, financial, statistical, state financial assistance and other reports. The introductory section includes a list of principal officials, this transmittal letter, the City's organizational chart and the certificate of achievement for excellence in financial reporting. The financial section includes the general purpose financial statements and notes thereon 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. The schedule of state financial assistance section includes reports and schedules required for proper accounting and reporting of grant receipts and expenditures. The other reports section includes the report on compliance and internal control based on an audit performed in accordance with *Government Auditing Standards* and the management letter and other required disclosures.

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 City of Holly Hill Community Redevelopment Fund, 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

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County of Volusia, Volusia County School District, Halifax Hospital District, the St. Johns Water Management District and Volusian Water Alliance, 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. Growth in the City has been favorable during the past year and is expected to continue during the coming year. However, due to limited availability of vacant land parcels and other resources, growth is slow at about 2% per year. Property valuations increased during the past year by 3.5%. The City is encouraged by the number of voluntary annexation applications received and by the number of new and expanding businesses that have applied for permits and licenses. Opportunities for additional growth still exist in an already dynamic business and industrial community. The community currently has a 3.4% unemployment rate as compared to a statewide rate of 4.3%.

Growth trends and their challenge to government are expected to continue. And, while having a positive impact, maintaining service delivery to the residential and business community continues to require innovations to obtain and manage resources to meet the challenge.

Major Initiatives

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

1. Fire Department ALS Upgrade—The department expanded its services to include Advanced Life Support (ALS) services to the community by providing training to several of its personnel and by the overhaul of a truck already owned by the City to provide a first response vehicle for the expanded service. The department also provided a variety of community fire and life safety awareness programs.
2. Law Enforcement—The Police Department maintained its commitment to the local residents and businesses through the continuation of special programs, such as the Bike Patrols, Police Explorers, and Neighborhood Watch. Grant funds such as COPS Universal Hiring and the Local Law Enforcement Block Grant have assisted with programs resulting in a greater level of interaction within target areas of the community.

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3. **Drainage Improvements**—A portion of the planned Northwest Drainage Canal Improvements was completed during the year with improvements to Royal Oak, Kingsport, and New Castle Courts in the Glenmeadows Subdivision. Also, the Southeast Drainage Canal Improvements were substantially complete at the end of the year. Funding for these improvements was provided by Community Development Block Grant funds, St. Johns Water Management District funds, and by the City's Stormwater Utility funds. Drainage improvements were also completed in Riviera Estates, the subdivision annexed in 1997.
4. **Solid Waste**—The City entered into an agreement to privatize the collection and disposal of solid waste and recyclable materials effective April 1, 1998. Both residential and commercial customers received a benefit from this because the City was able to reduce its rates and still maintain an acceptable level of service.
5. **Water and Sewer**—Extensions of the water and sewer systems were completed in 1998 to Riviera Estates, a subdivision containing 44 parcels annexed during 1997. An extension of the sewer system was also completed across Nova Road to serve an area that will have a new Walgreen's store. These parcels were annexed in 1998. The City's engineers completed a sewer system rehabilitation study and began an evaluation of the system which includes smoke testing, manhole inspection, heavy cleaning of sewer lines, and an internal inspection of the collection lines to determine the amount of infiltration that is occurring.

For the Future:

In February 1998, the City Commission reviewed the long-range goals that were developed and adopted in 1996. The first four goals were carried over from a list of goals developed in February 1995. Two new goals were added in February 1996. The goals were again revised in February 1998. A review of the progress made in 1998 is shown below.

1. To adopt and implement a plan to redevelop the Tax Increment Financing District—CC1 Corridor, U.S. #1 is the main artery through the City. Numerous areas have been upgraded or redeveloped in recent years. The City committed to continuing this trend.
 - A. Additional police officers partially funded with the federal COPS grant continue the Bike Patrol of this area. They are meeting and talking with the people living and working in the district and at the same time providing a deterrent to crime. Business owners are being encouraged to promote sprucing up the district and complying with codes to create a pleasing and stable environment.

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2. To develop a five-year capital improvements plan. The City is faced with limited funds to accomplish numerous capital projects. The City committed to developing a defined capital improvement plan.
 - A. Completed plans include stormwater drainage, street paving, sidewalks, median beautification and a multi-purpose recreational facility. A sewer system rehabilitation plan is almost completed and additional plans for water and sewer facilities is in process.
3. To develop and implement an annexation plan. Annexations are being accomplished on a voluntary basis since voters rejected the annexation referendum of a large area west of Holly Hill in 1998.
 - A. Individually and voluntarily, the City annexed eleven parcels on the west side of Nova Road and three parcels on north Ridgewood Avenue in 1998.
4. To develop a five year recreation plan. The City is committed to providing recreational programs for all age groups with a variety of programs at a reasonable fee.
 - A. Construction began on a multi-purpose facility in the fall of 1998 and will be completed by September 1999. Plans for the programs to be offered at this facility include basketball, aerobics, tumbling, crafts, and dance lessons. Additional programs will be developed from suggestions received from the Recreation Board, residents and the local schools.

Financial Information

City management is responsible for establishing and maintaining internal control 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. Internal control 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.

Budgetary 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

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by the City's governing body. Activities in the general fund, special revenue funds, capital projects fund, expendable trust fund and various water and sewer funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department or division within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget.

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

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

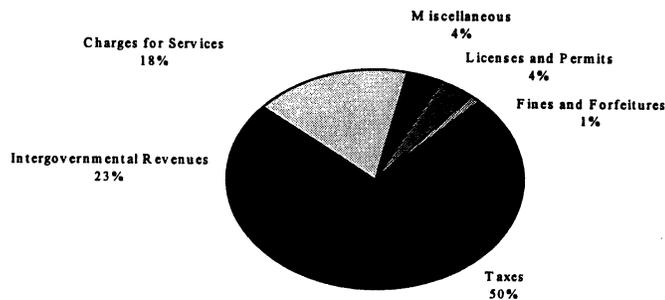
General Governmental Functions:

The following schedule presents a summary of General Governmental revenues for the fiscal year ended September 30, 1998 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 over 1997</u>
Taxes (all sources)	\$2,977	50%	\$103
Licenses and permits	234	4	14
Intergovernmental revenues	1,351	23	216
Charges for services	1,058	18	127
Fines and forfeitures	93	1	26
Miscellaneous	220	4	20
Totals	<u>\$5,933</u>	<u>100%</u>	<u>\$506</u>

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



Revenues for the general governmental functions totaled \$5,933,000 for the year ended September 30, 1998, an increase of \$506,000 from the previous year. Actual revenues were greater than budgeted revenues by \$152,000.

Ad valorem taxes continue to be the most significant revenue source. The total nonexempt valuation for ad valorem taxes amounts to \$379,373,000, an increase of 2% 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:

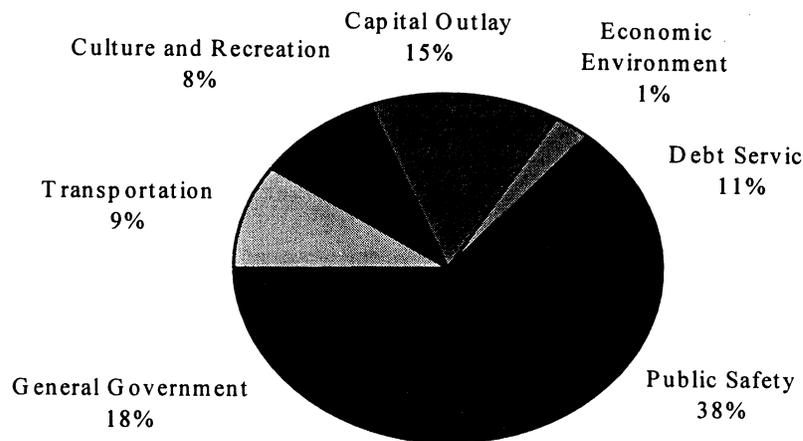
	<u>1997/98</u>	<u>1996/97</u>
General Fund	5.51831 mills	5.53591 mills

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The following schedule presents a summary of General Governmental expenditures for the fiscal year ended September 30, 1998 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 1997</u>
General government	\$1,104	18%	\$ 73
Public safety	2,291	38	32
Transportation	520	9	(11)
Economic environment	88	1	33
Culture and recreation	508	8	(14)
Capital outlay	926	15	198
Debt service	670	11	497
Totals	\$6,107	100%	\$808

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



Expenditures for total General Governmental functions amounted to \$6,107,000 for the year, an increase of \$808,000 over the preceding year.

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General Government expenditures increased \$73,000 over the previous year and accounted for 18% of total expenditures.

Public Safety, which includes Police, Fire and Protective Inspection Departments, accounted for 38% of expenditures, as compared to 43% for the preceding fiscal year.

Transportation represented 9% of expenditures, as compared to 10% for the preceding year.

Economic Environment represented 1% of expenditures, which was the same as for the preceding year.

The Culture and Recreation Department accounted for 8% of expenditures, as compared to 10% for the previous fiscal year.

Expenditures for capital improvements amounted to \$926,000 for the fiscal year, an increase of 27% over the preceding fiscal year. Debt service requirement included principal retirement of \$617,000 and interest of \$53,000.

General Fund Balance:

The fund balance of the General Fund increased by 41% during the fiscal year ended September 30, 1998. The \$409,000 increase provided the City with a fund balance that is the equivalent of 26% of the actual expenditures for the fiscal year ended September 30, 1998. 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, 1998 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 1997</u>
Water sales	\$1,625	47%	\$75
Sewer charges	1,674	48	14
Other income	76	2	(26)
Interest revenue	110	3	19
Totals	\$3,485	100%	\$82

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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 \$82,000 over the past year.

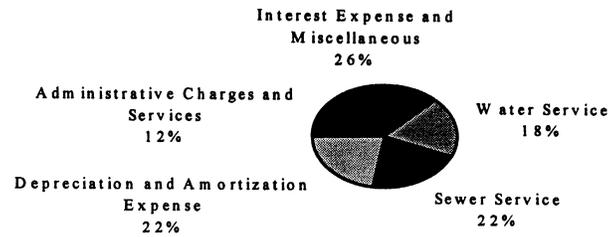
The City records connection charges and impact fees as contributed capital. During the year, connection charges and impact fees amounted to \$68,000, an increase of \$10,000 from the previous year.

The following schedule presents a summary of Water and Sewer System Fund expenses for the fiscal year ended September 30, 1998 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 1997</u>
Water service	\$ 599	18%	\$(40)
Sewer service	751	22	27
Administrative charges and services	400	12	(9)
Depreciation expense	750	22	9
Interest expenses and miscellaneous	877	26	-
Totals	\$3,377	100%	\$(13)

April 21, 1999

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



This year, the City had net income of \$108,000 in the Water and Sewer System Fund.

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

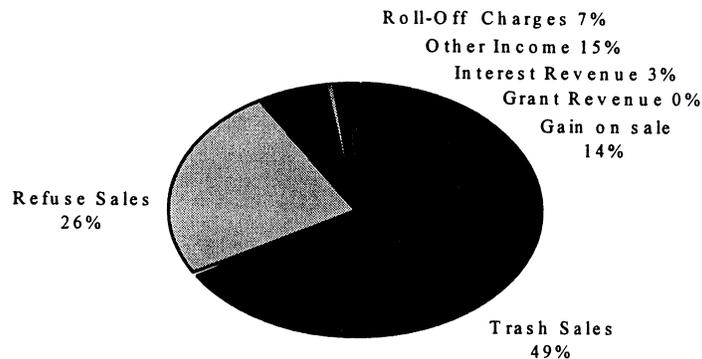
	<u>1998</u>
Gross revenue (includes connection charges)	\$3,553
Income available for debt service	2,203
Annual debt service requirement	1,123
Coverage (income available for debt service divided by annual debt service requirement)	1.96

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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, 1998 (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1997</u>
Trash sales	\$ 792	49%	\$(68)
Refuse sales	411	26	(1)
Roll-off charges	112	7	18
Other income	14	1	4
Gain on sale of fixed assets	234	14	234
Grant revenue	1	—	(13)
Interest revenue	39	3	13
	<u>\$1,603</u>	<u>100%</u>	<u>\$187</u>

The percentage of each revenue to total revenues and transfers is displayed as follows:



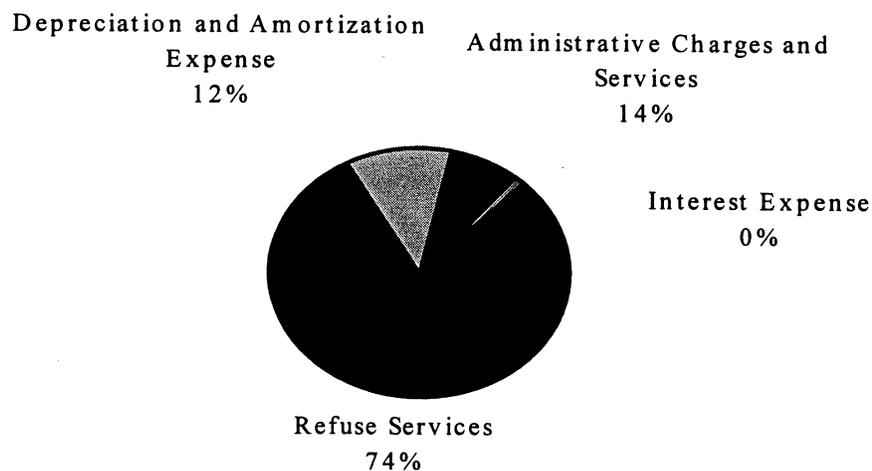
During the current year, the City privatized its solid waste services and sold its existing refuse trucks to the current provider of the services.

April 21, 1999

The following schedule presents a summary of Solid Waste Fund expenses for the fiscal year ended September 30, 1998 (*in thousands*).

<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1997</u>
Refuse services	\$1,011	74%	\$ 56
Administrative charges and services	197	14	98
Depreciation and amortization expense	163	12	32
Interest expense	1	—	(5)
	<u>\$1,372</u>	<u>100%</u>	<u>\$181</u>

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



This year, the City had net income of \$231,000 in the Solid Waste Fund.

April 21, 1999

Debt Administration:

At September 30, 1998, 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 \$270,000 in principal maturities and \$853,000 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 Commission 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 held in trust for pension benefits of \$4,440,000 and the Firefighters' Retirement System had \$1,838,000. 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 \$21,000, employee contributions of \$31,000, City contributions of \$66,000, investment income of \$70,000, and other income of \$49,000. For the Police Officers' Retirement Trust Fund, the revenues were derived from State of Florida contributions of \$52,000, employee contributions of \$86,000, City contributions of \$92,000 and investment income of \$149,000.

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, 1998 amounted to \$11,899,000 as compared to \$11,256,000 for the preceding year, an increase of 6%.

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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, 1998, 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>	Interest Earned	
	1998	1997
	<i>(in thousands)</i>	
General Fund	\$ 89	\$ 74
Special Revenue Funds	48	35
Capital Projects Fund	1	3
Water and Sewer System Fund	110	70
Solid Waste Fund	29	26
Total interest earnings for the City	\$277	\$208

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.

Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All insurance coverage is held by commercial carriers and no settlements in excess of claims have been incurred during Fiscal 1996, 1997 or 1998.

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.

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

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April 21, 1999

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, 1997. 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.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 21 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.

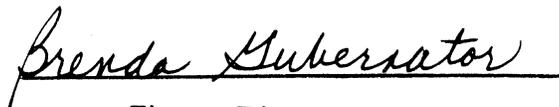
In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 1997. This is the ninth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation 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,

A handwritten signature in cursive script that reads "Brenda Gubernator". The signature is written in black ink and is positioned above a horizontal line.

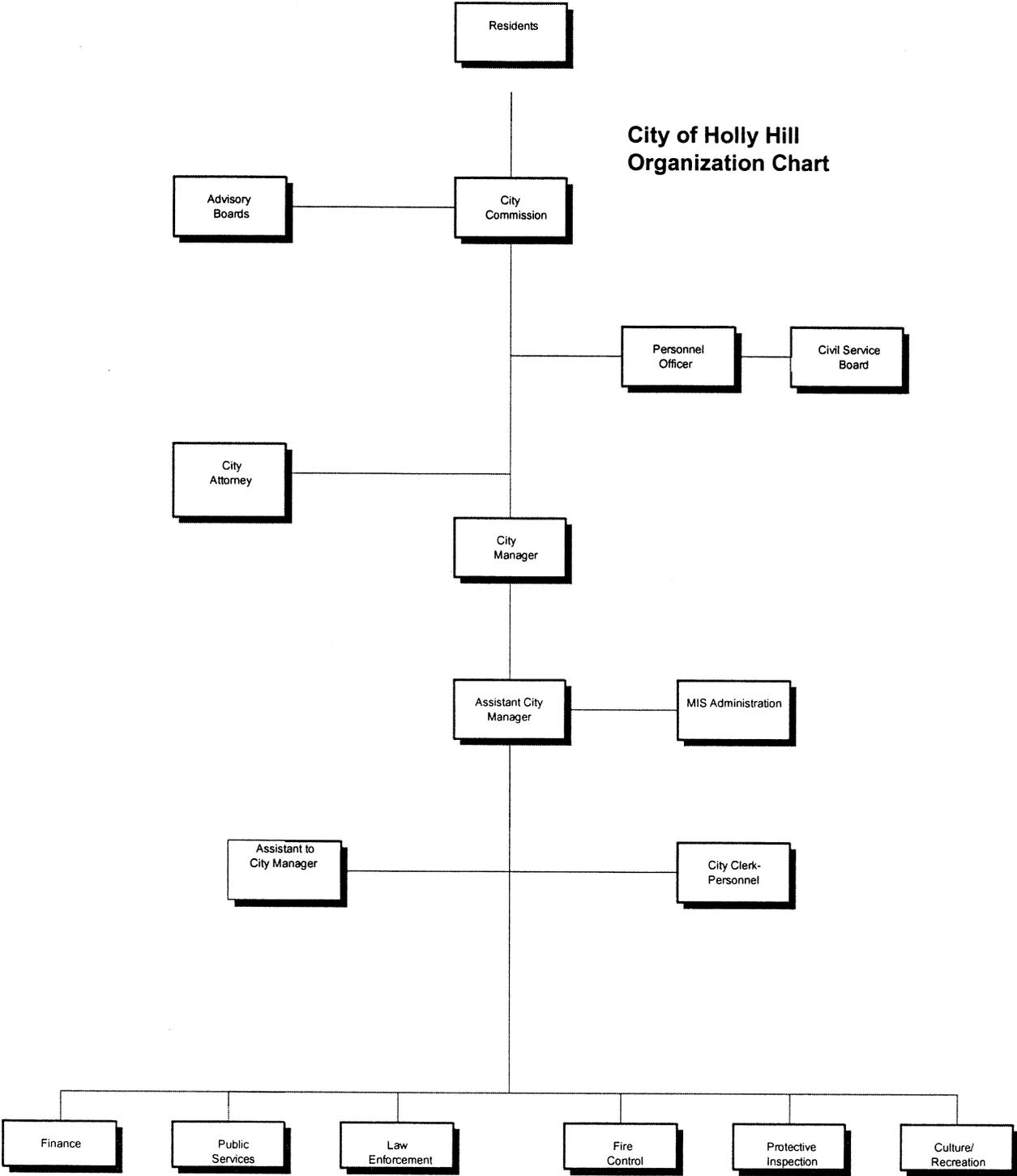
Finance Director

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Organization Chart

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City of Holly Hill Organization Chart



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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, 1997

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.



Douglas R. Ellsworth
President

Jeffrey L. Essler
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
Commission and City Manager
City of Holly Hill, Florida

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida (the City), as of and for the year ended September 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the Police Officers' Retirement Trust Fund, which statements reflect net assets held in trust for pension benefits of \$4,440,000 as of September 30, 1998 and changes in net assets held in trust for pension benefits of \$116,000 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 1998, 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.

The Year 2000 issues supplementary information on page 69 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin No. 98-1 as amended are not sufficiently specific to permit us to perform procedures that would

provide meaningful results. In addition, we do not provide assurance that the City is or will become Year 2000 compliant, that the City's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become Year 2000 compliant.

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 March 9, 1999 on our consideration of the City of Holly Hill, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Ernst + Young LLP

March 9, 1999

General Purpose Financial Statements
(Combined Statements—Overview)

City of Holly Hill, Florida

Combined Balance Sheet All Fund Types and Account Groups

September 30, 1998

(in thousands)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets			
Cash and cash equivalents	\$ 1,419	\$ 970	\$ 4
Investments	-	-	682
Accounts receivable—net	2	27	-
Taxes receivable	85	-	-
Interest receivable	9	-	-
Other receivables	31	-	-
Due from other funds	129	119	-
Due from other governments	50	32	-
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	-	-	-
Advance to other funds	60	-	-
Unamortized bond issue costs	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 1,785	\$ 1,148	\$ 686

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
		Enterprise	Trust	General Fixed Assets	General Long-Term Debt
\$ 1,852	\$ 381	\$ -	\$ -	\$ 4,626	\$ 4,064
494	5,951	-	-	7,127	5,565
321	-	-	-	350	362
-	-	-	-	85	84
-	39	-	-	48	37
9	-	-	-	40	32
173	7	-	-	428	144
1	-	-	-	83	57
31	-	-	-	31	31
36	-	-	-	36	23
-	-	-	-	-	38
266	-	-	-	266	122
459	-	-	-	459	442
-	-	-	-	-	101
155	-	1,332	-	1,487	1,487
10,848	-	2,083	-	12,931	12,786
8,786	-	6,268	-	15,054	14,169
6,636	-	2,216	-	8,852	9,958
(8,657)	-	-	-	(8,657)	(8,735)
40	-	-	-	40	11
-	-	-	-	60	17
209	-	-	-	209	217
-	-	-	1,912	1,912	1,210
\$ 21,659	\$ 6,378	\$ 11,899	\$ 1,912	\$ 45,467	\$ 42,222

City of Holly Hill, Florida

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

September 30, 1998

(in thousands)

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Liabilities, fund equity and other credits			
Liabilities:			
Accounts payable	\$ 98	\$ 5	\$ 43
Contracts payable—retainage	-	19	-
Accrued liabilities	137	6	-
Due to other funds	54	198	-
Current portion of notes payable	-	-	-
Other liabilities	2	-	-
Deferred revenues	85	-	-
Payable from restricted assets:			
Accounts payable	-	-	-
Customer deposits	-	-	-
Current portion of revenue bonds payable	-	-	-
Advance from other funds	-	60	-
Revenue bonds payable—net	-	-	-
Notes payable	-	-	-
Obligation for compensated absences	-	-	-
Total liabilities	<u>376</u>	<u>288</u>	<u>43</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 advances	60	-	-
Reserved for encumbrances	12	-	-
Reserved for law enforcement trust	-	-	-
Reserved for pensions	-	-	-
Reserved for police education	13	-	-
Reserved for community redevelopment	17	-	-
Reserved for stormwater drainage	-	873	-
Reserved for capital projects	-	-	643
Unreserved:			
Undesignated (deficit)	1,307	(13)	-
Total fund equity and other credits	<u>1,409</u>	<u>860</u>	<u>643</u>
Total liabilities, fund equity and other credits	<u>\$ 1,785</u>	<u>\$ 1,148</u>	<u>\$ 686</u>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
		Enterprise	Trust	General Fixed Assets	General Long-Term Debt
\$ 339	\$ 13	\$ -	\$ -	\$ 498	\$ 373
-	-	-	-	19	-
36	9	-	-	188	192
152	24	-	-	428	122
-	-	-	-	-	47
-	-	-	-	2	2
-	-	-	-	85	84
30	-	-	-	30	14
459	-	-	-	459	442
280	-	-	-	280	270
-	-	-	-	60	17
13,399	-	-	-	13,399	13,666
38	-	-	1,447	1,485	829
93	-	-	465	558	539
14,826	46	-	1,912	17,491	16,597
3,121	-	-	-	3,121	3,053
-	-	11,899	-	11,899	11,256
266	-	-	-	266	122
3,446	-	-	-	3,446	3,251
-	-	-	-	60	17
-	-	-	-	12	13
-	16	-	-	16	10
-	6,316	-	-	6,316	6,075
-	-	-	-	13	10
-	-	-	-	17	-
-	-	-	-	873	831
-	-	-	-	643	20
-	-	-	-	1,294	967
6,833	6,332	11,899	-	27,976	25,625
\$ 21,659	\$ 6,378	\$ 11,899	\$ 1,912	\$ 45,467	\$ 42,222

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, 1998

(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects Fund	Expendable Trust	1998	1997
Revenues:						
Taxes	\$2,977	\$ -	\$ -	\$ -	\$2,977	\$2,874
Licenses and permits	234	-	-	-	234	220
Intergovernmental revenues	1,088	263	-	-	1,351	1,135
Charges for services	711	347	-	-	1,058	931
Fines and forfeitures	81	-	-	12	93	67
Miscellaneous	164	48	8	-	220	200
Total revenues	5,255	658	8	12	5,933	5,427
Expenditures:						
Current:						
General government	1,104	-	-	-	1,104	1,031
Public safety	2,285	-	-	6	2,291	2,259
Transportation	423	97	-	-	520	531
Economic environment	-	88	-	-	88	55
Culture and recreation	508	-	-	-	508	522
Capital outlay	339	453	134	-	926	728
Debt service:						
Principal retirement	617	-	-	-	617	135
Interest	53	-	-	-	53	38
Total expenditures	5,329	638	134	6	6,107	5,299
Excess of revenues over (under) expenditures	(74)	20	(126)	6	(174)	128
Other financing sources (uses):						
Proceeds from issuance of note payable	-	-	1,234	-	1,234	250
Transfers in	485	2	-	-	487	-
Transfers out	(2)	-	(485)	-	(487)	-
Excess of revenues and other sources over expenditures and other uses	409	22	623	6	1,060	378
Fund balances at beginning of year	1,000	838	20	10	1,868	1,490
Fund balances at end of year	\$1,409	\$860	\$ 643	\$16	\$2,928	\$1,868

See accompanying notes.

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

Year ended September 30, 1998

(in thousands)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance (Unfavorable) Favorable	Budget	Actual	Variance (Unfavorable) Favorable
Revenues:						
Taxes	\$2,987	\$2,977	\$(10)	\$ -	\$ -	\$ -
Licenses and permits	226	234	8	-	-	-
Intergovernmental revenues	1,008	1,088	80	399	263	(136)
Charges for services	704	711	7	340	347	7
Fines and forfeitures	73	81	8	-	-	-
Miscellaneous revenues	105	164	59	22	48	26
Total revenues	5,103	5,255	152	761	658	(103)
Expenditures:						
Current:						
General government	1,131	1,104	27	-	-	-
Public safety	2,442	2,285	157	-	-	-
Transportation	451	423	28	119	97	22
Economic environment	-	-	-	102	88	14
Culture and recreation	557	508	49	-	-	-
Capital outlay	380	339	41	771	453	318
Debt service:						
Principal retirement	628	617	11	-	-	-
Interest	54	53	1	-	-	-
Total expenditures	5,643	5,329	314	992	638	354
Excess of revenues over (under) expenditures	(540)	(74)	466	(231)	20	251
Other financing sources (uses):						
Proceeds from issuance of note payable	-	-	-	-	-	-
Transfer from other funds	485	485	-	45	2	(43)
Transfer to other funds	(45)	(2)	43	-	-	-
Appropriated fund balance	100	-	(100)	186	-	(186)
Excess of revenues and other sources over expenditures and other uses	-	409	409	-	22	22
Fund balances at beginning of year	1,000	1,000	-	838	838	-
Fund balances at end of year	\$1,000	\$1,409	\$409	\$838	\$860	\$ 22

See accompanying notes.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

- (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 Commission 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 Commission 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 Commission by ordinance may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenue. During the 1997/98 fiscal year, one such supplemental appropriation increasing the budget by \$3,259,200 was approved on September 22, 1998 through Ordinance Number 2534 in accordance with the City Charter.

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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 5.51831.

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 Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate(s) for the coming fiscal year.

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

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

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

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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 amortized cost or fair value based on the maturity date at time of purchase. Fair value is based on quoted market prices.

Fixed Assets

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

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

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Capitalization of Interest

No 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.

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result, if unperformed contracts in process at year-end are completed.

Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather reservations of fund balance for subsequent years' appropriation. Encumbrances are reported in Governmental Fund types.

Contributed Capital

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

Long-Term Debt

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

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

Combined Statements "Memorandum Only" Total Columns

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

Reclassifications

Certain September 30, 1997 account balances have been reclassified in this report to conform with the financial statement presentation used in 1998.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments

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

Deposits

The carrying amount of the City's deposits, including money market funds with financial institutions, was \$127,000 and the bank balance was \$433,000. 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, 1998.

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

Investments

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

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 City of Holly Hill is a member of the Local Government Surplus Funds Trust Fund that is administered by the State Board of Administration of Florida (SBA). This fund is a 2a-7 like fund which has the characteristics of a money market fund. Thus, its cost is its fair value. Funds that have not been transferred to the state investment pool are placed in an over-night repurchase agreement. The repurchase agreement balance is collateralized with securities held by the City's agent in the agent's name.

The following schedule categorizes the level of risk assumed by the City relating to investments held at September 30, 1998:

Category 1

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

Category 2

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

Category 3

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Investments in the SBA are not normally subject to risk categorization pursuant to GASB Statement 3. Following is a summary of investments held by the City at September 30, 1998 (*in thousands*):

	<u>Recorded Amount</u>	<u>Fair Value</u>
Pension Trust Fund Investments (excluding money market) (category 3):		
Common stock	\$ 3,281	\$ 3,281
U.S. government and agency obligations	1,581	1,581
Corporate bonds	989	989
City investments:		
U.S. government and agency obligations (category 3)	1,175	1,190
Repurchase agreement (category 2)	582	582
	<u>7,608</u>	<u>7,623</u>
Money market—Pension Trust Funds	100	100
State Board of Administration—Local Government		
Surplus Funds Investment Pool	4,678	4,678
Total investments	<u>\$12,386</u>	<u>\$12,401</u>

3. Accounts Receivable—Net

The accounts receivable—net at September 30, 1998 consists of the following:

	<u>Governmental Funds</u>		<u>Enterprise Funds</u>	
	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>
	<i>(in thousands)</i>			
Accounts receivable	\$2	\$34	\$287	\$107
Less allowance for doubtful accounts	-	(7)	(40)	(33)
Accounts receivable—net	<u>\$2</u>	<u>\$27</u>	<u>\$247</u>	<u>\$ 74</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, 1997	Additions	Deletions	Balance September 30, 1998
	<i>(in thousands)</i>			
Land	\$ 1,332	\$ -	\$ -	\$ 1,332
Buildings	1,969	114	-	2,083
Improvements other than buildings	5,683	585	-	6,268
Machinery and equipment	2,272	322	378	2,216
Total general fixed assets	\$11,256	\$1,021	\$378	\$11,899

5. Changes in General Long-Term Debt Account Group

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

	Balance October 1, 1997	Notes Payable Issued	Retired	Net Increase in Compensated Absences	Balance September 30, 1998
	<i>(in thousands)</i>				
Notes payable:					
Volusia County—800 MHZ radio system	\$ 94	\$ -	\$ 11	\$ -	\$ 83
Sun Bank of Volusia County:					
Fire truck	24	-	24	-	-
Fire station and City Hall	484	-	484	-	-
Computer System	227	-	47	-	180
Utility Service Tax Revenue Note Series 1998(A)	-	1,234	50	-	1,184
	829	1,234	616	-	1,447
Obligation for compensated absences	381	-	-	84	465
Total general long-term debt	\$1,210	\$1,234	\$616	\$84	\$1,912

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. Proceeds from the \$808,000 note were used for fire station and City Hall construction. The liability for the fire truck was recorded in the General Long-Term Debt Account Group and for the sanitation trucks in the Solid Waste Enterprise Fund. Utility service tax revenues were pledged for repayment of principal and interest on both notes. These notes were retired during the current year.

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 2004.

In December 1996, the City executed a note with a local banking institution in the amount of \$250,000, including interest of approximately \$33,000 at a rate of 4.55%. The proceeds of the note were used to purchase a new computer system. The agreement provides for semi-annual payments of approximately \$28,000 principal and interest through December 2001.

In April 1998, the City executed a note with a local banking institution in the amount of \$1,233,920, including interest of approximately \$400,000 at a rate of 4.84%. The proceeds of the note were used to retire the City's Utility Service Tax Revenue Note, Series 1993A of approximately \$24,000, to retire the City's Utility Service Tax Revenue Note, Series 1993B of approximately \$484,000, to construct and install a multipurpose building adjacent to City Hall, and to provide for certain roadway median improvements. The agreement provides for semi-annual payments of approximately \$79,000 principal and interest through March 2008.

In July 1998, the City executed a loan with the State of Florida Department of Environmental Protection (FDEP) through its clean water state revolving loan program in the amount of \$94,500, of which \$38,000 has been drawn as of September 30, 1998. Interest is calculated at a rate of 3.11%. The proceeds of the loan will be used for a sewer system evaluation. The agreement provides for semiannual payments of \$3,260 beginning June 2001 through December 2020.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

7. Notes Payable (continued)

The annual debt service requirements to amortize the above notes payable outstanding at September 30, 1998 are as follows:

Fiscal year ending September 30	Series 1998A	Volusia County	Sun Trust	FDEP
	General Long-Term Debt Account Group	General Long-Term Debt Account Group	General Long-Term Debt Account Group	Solid Waste Fund
	<i>(in thousands)</i>			
1999	\$ 157	\$16	\$ 57	\$ -
2000	157	16	56	-
2001	157	16	56	6
2002	157	16	28	7
2003	157	16	-	6
Thereafter	710	16	-	66
Total debt service	1,495	96	197	85
Less interest	(311)	(13)	(17)	(47)
	<u>\$1,184</u>	<u>\$83</u>	<u>\$180</u>	<u>\$38</u>

8. Revenue Bonds Payable

Revenue bonds payable at September 30, 1998 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 Revenue Bonds, Series 1992	3.6 - 6.125% (4/1, 10/1)	10/1/2022	\$280-\$1,060	\$15,390	\$13,985
Less unamortized discount					(306)
Current portion					(280)
Bonds payable—long-term portion					<u>\$13,399</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable (continued)

The annual debt service requirements to amortize the above bonds outstanding at September 30, 1998 are as follows:

<u>Fiscal year ending September 30</u>	<u>(in thousands)</u>
1999	\$ 1,121
2000	1,122
2001	1,122
2002	1,125
2003	1,122
2004-2008	5,616
2009-2013	5,622
2014-2018	5,620
2019-2022	4,498
Total debt service	<u>26,968</u>
Less interest	<u>(12,983)</u>
Principal due	<u><u>\$13,985</u></u>

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable (continued)

Early Redemption

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

Investment Restrictions

The Bond Resolution provides that monies on deposit in the various bond accounts may be invested in permitted investments, the definition of which includes various securities backed by the full faith and credit of the U.S. Government or its agencies, depository accounts fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, commercial paper, money market funds, and bankers' acceptances meeting requirements defined in the Bond Resolution, units of participation in the Local Government Surplus Funds Trust Fund, and any other investments allowed by Florida law.

9. Refunded Bonds

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

At September 30, 1998, the following outstanding bonds are considered defeased:

	Balance at September 30, 1997	Principal Payments	Balance at September 30, 1998
	<i>(in thousands)</i>		
1964 Series A Water and Sewer Revenue Bonds	\$ 390	\$150	\$ 240
1972 Series B Water and Sewer Revenue Bonds	250	120	130
1989 Water and Sewer Revenue Bonds	12,900	240	12,660
	\$13,540	\$510	\$13,030

City of Holly Hill, Florida

Notes to Financial Statements (continued)

10. Interfund Accounts

Individual fund interfund receivables and payables at September 30, 1998 consist of the following:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
	<i>(in thousands)</i>	
General Fund	\$129	\$ 54
Youth Center	-	1
Community Redevelopment	4	-
Community Development Block Grant	92	105
Stormwater	23	92
Water and Sewer System	19	152
Solid Waste	154	-
Fire Retirement	7	-
General Employee Pension	-	24
	<u>\$428</u>	<u>\$428</u>

During the current year, the General Fund advanced an additional \$43,000 to the Community Redevelopment Fund to help fund additional law enforcement officers to patrol the City's redevelopment district. The advance is noninterest bearing and is expected to be repaid at the end of a five year period from revenues generated within the district.

11. 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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

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.

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 upon employment with the City. Employees vest for full benefits after ten years of service. Normal retirement occurs for Police Officers at the earlier of age 55 and 10 years of credited service or 20 years of credited service regardless of age but no earlier than age 55 for vested terminations. Normal retirement for firefighters occurs at age 50. 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, 1998	
	Police Officers	Firefighters
Participant data as of October 1, 1997, the date of the most recent actuarial valuation:		
Retirees and beneficiaries currently receiving benefits	3	7
Vested terminated employees	-	-
Active employees:		
Fully vested	6	1
Nonvested	19	9

Significant Accounting Policies

Basis of Accounting—City of Holly Hill's financial statements for the two pension funds are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due.

Method Used to Value Investments—Investments in the two plan funds are reported at fair value. Fair value has been measured by quoted market prices in an active market.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

Contribution Requirements and Contributions Made

Ordinances adopted by the City provide that participating Police and Fire Department employees contribute 9.2% and 10%, respectively, of their salary to the plans. The City contributes 10.6% of the salary of participating Police Department employees to the Police Pension Plan in accordance with union contracts. City contributions to the Fire Pension are made as needed to fund any actuarial deficiency.

The City has adopted GASB Statement No. 27 on pension accounting and reporting. This Statement requires the computation of a net pension obligation (NPO) or asset which would result if the City's contributions to the pension funds did not equal the annual pension cost as computed by the plan actuaries. The City evaluated both plans and determined that no net pension obligation or assets existed for either plan at the end of 1998.

Annual pension cost and contribution information for the last three fiscal years are as follows (in thousands):

Police Officers' Retirement Fund		
Year ended September 30	Annual Pension Cost	Percentage Contributed
1998	\$ -	100.00%
1997	-	100.00
1996	30	100.00

Firefighters' Retirement System		
Year ended September 30	Annual Pension Cost	Percentage Contributed
1998	\$59	100.00%
1997	54	100.00
1996	81	100.00

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

Actuarial Methods and Significant Assumptions

	Police Officers' Retirement Fund	Firefighters' Retirement System
Valuation date	10/01/97	10/01/97
Actuarial cost method	Frozen Entry Age	Aggregate
Amortization method	Level percent, closed	N/A
Remaining amortization period	29	N/A
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	8.0%	7.5%
Projected salary increases*	7.5%	5.0%
*Includes inflation at	3.0%	2.5%
Cost of living adjustments	0.0%	0.0%

N/A—The amortization method and period are not applicable for this plan since the Aggregate Actuarial Cost Method is being used.

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.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

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.

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

Membership Category	Benefit	Vesting	Employer Contribution Rate July 1, 1998	Employer Contribution Rate July 1, 1996
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.	16.45%	17.43%
Senior management	2% times average compensation (five highest years) if age 62 or 30 years of service at any age.	After 7 years of creditable service.	24.04%	21.58%

Employer contributions include .94% for a post retirement health insurance subsidy (.66% prior to July 1, 1998), except for senior management for which no such subsidy is provided. No employee contributions are required. The System also provides disability and survivors' benefits. Contribution obligations and benefits are established by State Statute.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as a percentage of covered payroll are adequate to accumulate sufficient assets to pay benefits when due.

The contributions required for the years ended September 30, 1998, 1997 and 1996 were \$292,000, \$323,000 and \$358,000, respectively, which is equal to the required contribution for each year.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling 850-488-5541.

12. Investment Portfolio

During 1998 and 1997, the Police Officers' Retirement Trust Fund cash and cash equivalents and investments (including cash and cash equivalents and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows:

	Net Appreciation (Depreciation) in Fair Value During the Year	Fair Value at End of Year
Year ended September 30, 1998		
Cash and cash equivalents	\$ -	\$ 365
U.S. government and agency obligations	33	935
U.S. corporate obligations	35	758
U.S. corporate equities	(79)	2,369
	<u>\$ (11)</u>	<u>\$ 4,427</u>
Year ended September 30, 1997		
Cash and cash equivalents	\$ -	\$ 453
U.S. government and agency obligations	23	1,296
U.S. corporate obligations	15	552
U.S. corporate equities	540	1,998
	<u>\$ 578</u>	<u>\$ 4,299</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Investment Portfolio (continued)

During 1998 and 1997, the Firefighters' Retirement System's cash and investments (including cash and investments bought, sold, as well as held during the year) appreciated in fair value, as follows:

	Net Appreciation in Fair Value During the Year	Fair Value at End of Year
	<i>(in thousands)</i>	
Year ended September 30, 1998		
Money market	\$ -	\$ 97
U.S. government and agency obligations	32	620
U.S. corporate obligations	8	226
U.S. corporate equities	8	884
	\$48	\$1,827
Year ended September 30, 1997		
Money market	\$ 11	\$ 53
U.S. government and agency obligations	14	520
U.S. corporate obligations	3	199
U.S. corporate equities	285	914
	\$313	\$1,686

13. 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 12 active participants at September 30, 1998.

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)

13. Defined Contribution Plan (continued)

Contributions to the Plan for fiscal year 1998 were \$5,000 and \$3,000 for employees and the City, respectively.

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.

14. 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	\$2,837	\$216	\$3,053
Meter connection charges	8	-	8
Sewer connection charges	1	-	1
Impact fees	59	-	59
Contributed capital at end of year	<u>\$2,905</u>	<u>\$216</u>	<u>\$3,121</u>

15. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All insurance coverage is held by commercial carriers and no settlements in excess of claims have been incurred during fiscal 1996, 1997 or 1998.

16. Commitments and Contingencies

Litigation

Various suits arising in the ordinary course of City operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses

City of Holly Hill, Florida

Notes to Financial Statements (continued)

16. Commitments and Contingencies (continued)

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.

Commitments

As of September 30, 1998, the City has two material projects outstanding. The construction of a gymnasium at an estimated cost of \$1,200,000 to be completed in September 1999, and the construction of the South East Drainage project at an estimated cost of \$395,000 to be completed in March 1999.

17. Segment Information for Enterprise Funds

The City maintains two enterprise funds which provide water and sewer services and solid waste collection services. Segment information for the year ended September 30, 1998 is as follows:

	Water and Sewer	Solid Waste	Total Enterprise Funds
	<i>(in thousands)</i>		
Operating revenues	\$ 3,354	\$1,315	\$ 4,669
Depreciation expense	750	163	913
Operating income (loss)	854	(56)	798
Operating grants	-	1	1
Net income	108	231	339
Current capital contributions	68	-	68
Fixed assets:			
Additions	799	42	841
Disposals	390	1,131	1,521
Net working capital	1,264	1,090	2,354
Total assets	20,148	1,511	21,659
Long-term liabilities	13,527	3	13,530
Total equity	5,637	1,196	6,833

City of Holly Hill, Florida

Notes to Financial Statements (continued)

18. Accounting Change

During the current year, the City of Holly Hill, Florida adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Adoption of this Statement is accounted for as a cumulative effect of a change in accounting principle. There was no cumulative effect of applying this accounting change.

19. Fund Balance Deficit

During the current year, the Community Redevelopment Special Revenue Fund incurred a fund balance deficit of \$16,000. The deficit will be funded through future operations.

20. Subsequent Event

On October 6, 1998, at a special meeting, the City Commission awarded a bid to Hall Construction in the amount of \$1,087,000 for a Recreational Facility to be built on City property adjacent to City Hall. The facility will provide offices, a multi-purpose room and a gymnasium.

Required Supplementary Information

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City of Holly Hill, Florida
Required Supplementary Information

September 30, 1998

Year 2000 Disclosures

Some of the City's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software that recognize a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The City has completed an assessment and is currently in the remediation stage of its Year 2000 project. The City will have to modify or replace portions of its hardware and software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The total Year 2000 project cost is estimated at approximately \$50,000. To date, the City has incurred approximately \$30,000, primarily for assessment of the Year 2000 issue, development of a modification plan, and purchase of new hardware and software.

The project, including validation/testing of changes made, is estimated to be completed not later than September 30, 1999, which is prior to any anticipated impact on its operating systems. The City believes that with modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the City.

The costs of the project and the date on which the City believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

City of Holly Hill, Florida
 Required Supplementary Information
 Schedules of Funding Progress
 September 30, 1998
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
Firefighters Retirement System						
10/01/90	\$ 855	\$ 855	\$ —	100%	\$211	—%
10/01/92	969	969	—	100	249	—
10/01/94	1,080	1,080	—	100	306	—
10/01/96	1,400	1,400	—	100	266	—
10/01/97	1,720	1,720	—	100	306	—
Police Officers Retirement Trust						
10/01/92	\$1,987	\$2,236	\$249	88.84%	\$736	33.89%
10/01/94	2,534	2,802	268	90.43	806	33.28
10/01/95	3,114	3,465	351	89.86	781	44.99
10/01/96	3,556	3,875	319	91.78	852	37.41
10/01/97	4,336	4,696	360	92.33	889	40.52

Source: Foster & Foster, Inc., Actuaries

City of Holly Hill, Florida
 Required Supplementary Information
 Schedules of Employer Contributions
 September 30, 1998
 (In Thousands)

Firefighters Retirement System

Year ended September 30	Annual Required Contribution	Percentage Contribution
1993	\$21	105.95%
1994	62	103.30
1995	61	104.53
1996	99	104.29
1997	95	100.96
1998	80	100.00

Police Officers Retirement Trust

Year ended September 30	Annual Required Contribution	Percentage Contribution
1994	\$151	100.06%
1995	168	102.32
1996	78	105.52
1997	33	184.04
1998	-	100.00

Source: Foster & Foster, Inc., Actuaries

Combining Statements—By Fund Type

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.

Community Redevelopment—to account for the receipt and expenditure of property tax revenues from the tax increment financing district.

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

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

City of Holly Hill, Florida

Combining Balance Sheet
All Special Revenue Funds

September 30, 1998

	<u>Stormwater</u>	<u>Youth Center</u>	<u>Community Redevelopment</u>	<u>Community Development Block Grant</u>	<u>Total</u>
Assets					
Pooled cash and investments	\$ 941	\$ 4	\$ 25	\$ -	\$ 970
Accounts receivable, net	27	-	-	-	27
Due from other funds	23	-	4	92	119
Due from other governments	-	-	19	13	32
Total assets	<u>\$ 991</u>	<u>\$ 4</u>	<u>\$ 48</u>	<u>\$ 105</u>	<u>\$ 1,148</u>
Liabilities and fund equity					
Liabilities:					
Accounts payable	\$ 5	\$ -	\$ -	\$ -	\$ 5
Contracts payable—retainage	19	-	-	-	19
Accrued liabilities	2	-	4	-	6
Due to other funds	92	1	-	105	198
Advance from other funds	-	-	60	-	60
Total liabilities	<u>118</u>	<u>1</u>	<u>64</u>	<u>105</u>	<u>288</u>
Fund equity:					
Fund balances:					
Reserved:					
Reserved for stormwater drainage	873	-	-	-	873
Unreserved:					
Undesignated (deficit)	-	3	(16)	-	(13)
Total fund equity	<u>873</u>	<u>3</u>	<u>(16)</u>	<u>-</u>	<u>860</u>
Total liabilities and fund equity	<u>\$ 991</u>	<u>\$ 4</u>	<u>\$ 48</u>	<u>\$ 105</u>	<u>\$ 1,148</u>

City of Holly Hill, Florida

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

Year ended September 30, 1998

	<u>Stormwater</u>	<u>Youth Center</u>	<u>Community Redevelopment</u>	<u>Community Development Block Grant</u>	<u>Local Law Enforcement Block Grant</u>	<u>Total</u>
Revenues:						
Charges for services	\$ 347	\$ -	\$ -	\$ -	\$ -	347
Intergovernmental	-	-	68	176	19	263
Other	48	-	-	-	-	48
Total revenues	<u>395</u>	<u>-</u>	<u>68</u>	<u>176</u>	<u>19</u>	<u>658</u>
Expenditures:						
Current:						
Personal services	54	-	85	-	-	139
Operating	42	2	1	-	1	46
Capital outlay	257	-	-	176	20	453
Total expenditures	<u>353</u>	<u>2</u>	<u>86</u>	<u>176</u>	<u>21</u>	<u>638</u>
Excess of revenues over (under) expenditures	<u>42</u>	<u>(2)</u>	<u>(18)</u>	<u>-</u>	<u>(2)</u>	<u>20</u>
Operating transfers:						
Operating transfers in	-	-	-	-	2	2
Fund balances at beginning of year	831	5	2	-	-	838
Fund balances at end of year	<u>\$ 873</u>	<u>\$ 3</u>	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 860</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, 1998

	<u>Stormwater</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Charges for services	\$ 340	\$ 347	\$ 7
Intergovernmental	45	-	(45)
Other	20	48	28
Total revenues	<u>405</u>	<u>395</u>	<u>(10)</u>
Expenditures:			
Current:			
Personal services	57	54	3
Operating	61	42	19
Capital outlay	473	257	216
Total expenditures	<u>591</u>	<u>353</u>	<u>238</u>
Excess of revenues over (under) expenditures	(186)	42	228
Operating transfers:			
Operating transfer in	-	-	-
Appropriated fund balance	186	-	(186)
Fund balances at beginning of year	831	831	-
Fund balances at end of year	<u>\$ 831</u>	<u>\$ 873</u>	<u>\$ 42</u>

<u>Youth Center</u>			<u>Community Redevelopment</u>			<u>Community Development Block Grant</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	67	68	1	268	176	(92)
<u>2</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2</u>	<u>-</u>	<u>(2)</u>	<u>67</u>	<u>68</u>	<u>1</u>	<u>268</u>	<u>176</u>	<u>(92)</u>
-	-	-	96	85	11	-	-	-
2	2	-	4	1	3	-	-	-
-	-	-	10	-	10	268	176	92
<u>2</u>	<u>2</u>	<u>-</u>	<u>110</u>	<u>86</u>	<u>24</u>	<u>268</u>	<u>176</u>	<u>92</u>
-	(2)	(2)	(43)	(18)	25	-	-	-
-	-	-	43	-	(43)	-	-	-
-	-	-	-	-	-	-	-	-
5	5	-	2	2	-	-	-	-
<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ (2)</u>	<u>\$ 2</u>	<u>\$ (16)</u>	<u>\$ (18)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 1998

Page 2 of 2

	Local Law Enforcement Block Grant			Totals		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Charges for services	\$ -	\$ -	\$ -	\$ 340	\$ 347	\$ 7
Intergovernmental	19	19	-	399	263	(136)
Other	-	-	-	22	48	26
Total revenues	<u>19</u>	<u>19</u>	<u>-</u>	<u>761</u>	<u>658</u>	<u>(103)</u>
Expenditures						
Current:						
Personal services	-	-	-	153	139	14
Operating	1	1	-	68	46	22
Capital outlay	20	20	-	771	453	318
Total expenditures	<u>21</u>	<u>21</u>	<u>-</u>	<u>992</u>	<u>638</u>	<u>354</u>
Excess of revenues over (under) expenditures	(2)	(2)	-	(231)	20	251
Operating transfers:						
Operating transfer in	2	2	-	45	2	(43)
Appropriated fund balance	-	-	-	186	0	(186)
Fund balances at beginning of year	-	-	-	838	838	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 838</u>	<u>\$ 860</u>	<u>\$ 22</u>

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, 1998

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1998	1997
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,210	\$ 642	\$ 1,852	\$ 1,494
Investments	-	494	494	-
Accounts receivable—net	247	74	321	337
Other receivables	-	9	9	2
Due from other funds	19	154	173	35
Due from other governments	-	1	1	-
Prepaid insurance	22	9	31	31
Total current assets	1,498	1,383	2,881	1,899
Restricted assets:				
Sinking Funds	36	-	36	23
Construction Fund	-	-	-	38
Renewal and Replacement Fund	266	-	266	122
Customer deposits	440	19	459	442
Impact fee	-	-	-	101
Total restricted assets	742	19	761	726
Property, plant and equipment:				
Land	155	-	155	155
Buildings	10,793	55	10,848	10,817
Improvements other than buildings	8,786	-	8,786	8,486
Machinery and equipment	5,850	786	6,636	7,686
	25,584	841	26,425	27,144
Less accumulated depreciation	(7,925)	(732)	(8,657)	(8,735)
	17,659	109	17,768	18,409
Construction in progress	40	-	40	11
	17,699	109	17,808	18,420
Other assets:				
Unamortized bond issue costs	209	-	209	217
Total assets	\$20,148	\$1,511	\$21,659	\$21,262

	Water and Sewer System	Solid Waste	Totals	
			1998	1997
Liabilities and fund equity				
Current liabilities (payable from current assets):				
Accounts payable	\$ 51	\$ 288	\$ 339	\$ 116
Accrued liabilities	31	5	36	40
Due to other funds	152	-	152	83
Current portion of notes payable	-	-	-	47
Total current liabilities (payable from current assets)	234	293	527	286
Current liabilities (payable from restricted assets):				
Accounts payable	30	-	30	14
Customer deposits	440	19	459	442
Current portion of revenue bonds payable	280	-	280	270
Total current liabilities (payable from restricted assets)	750	19	769	726
Long-term debt:				
Revenue bonds payable—net	13,399	-	13,399	13,666
Notes payable	38	-	38	-
Other liabilities				
Obligation for compensated absences	90	3	93	158
Total liabilities	14,511	315	14,826	14,836
Fund equity:				
Contributed capital:				
Contribution from federal government	920	-	920	920
Contribution from customers	1,985	-	1,985	1,917
Contribution from other funds and account groups	-	216	216	216
Retained earnings				
Reserved for renewal and replacement	266	-	266	122
Unreserved	2,466	980	3,446	3,251
Total fund equity	5,637	1,196	6,833	6,426
Total liability and fund equity	\$20,148	\$1,511	\$21,659	\$21,262

City of Holly Hill, Florida

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

For the year ended September 30, 1998

(in thousands)

	Water and Sewer System	Solid Waste	Totals 1998	1997
Operating revenues:				
Water sales	\$1,625	\$ -	\$1,625	\$1,550
Sewer charges	1,674	-	1,674	1,660
Service charges	16	-	16	16
Cut-off charges	27	-	27	21
Hydrant rental	10	-	10	10
Reclaimed water charges	2	-	2	3
Trash sales	-	792	792	860
Refuse sales	-	411	411	412
Roll-off charges	-	112	112	94
Total operating revenues	3,354	1,315	4,669	4,626
Operating expenses:				
Water service	599	-	599	639
Sewer service	751	-	751	724
Refuse service	-	1,011	1,011	955
Administrative charges and services	400	197	597	508
Depreciation expense	750	163	913	872
Total operating expenses	2,500	1,371	3,871	3,698
Operating income (loss)	854	(56)	798	928
Nonoperating revenues (expenses):				
Interest revenue	110	39	149	117
Grant revenue	-	1	1	14
Other income, net of expenses	21	14	35	62
Gain on sale of fixed assets	-	234	234	-
Interest expense	(877)	(1)	(878)	(883)
Total nonoperating revenues (expenses)	(746)	287	(459)	(690)
Net income	108	231	339	238
Retained earnings at beginning of year	2,624	749	3,373	3,135
Retained earnings at end of year	\$2,732	\$ 980	\$3,712	\$3,373

City of Holly Hill, Florida
Combining Statement of Cash Flows
All Enterprise Funds

For the year ended September 30, 1998

(in thousands)

	Water and Sewer System	Solid Waste	Totals 1998	1997
Operating activities				
Operating income (loss)	\$ 854	\$ (56)	\$ 798	\$ 928
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	750	163	913	872
Gain on sale of fixed assets	-	234	234	-
Nonoperating income	21	15	36	76
Accounts receivable, net	(25)	41	16	(82)
Other receivables	2	(9)	(7)	4
Due from other funds	(19)	(119)	(138)	(6)
Due from other governments	-	(1)	(1)	-
Accounts payable	34	205	239	(47)
Accrued liabilities	5	(9)	(4)	(5)
Due to other funds	69	-	69	5
Customer deposits	18	(1)	17	22
Obligation for compensated absences	(21)	(44)	(65)	(14)
Net cash provided by operating activities	1,688	185	1,873	1,753
Capital and related financing activities				
Acquisition and construction of capital assets	(465)	164	(301)	(483)
Proceeds on note payable	38	-	38	-
Principal paid on bond maturities	(270)	-	(270)	(255)
Principal paid on note payable	-	(47)	(47)	(48)
Interest paid on note payable	-	(1)	(1)	(6)
Interest paid on bonds	(856)	-	(856)	(856)
Capital contributions from customers	68	-	68	58
Net cash provided (used) by capital and related financing activities	(1,485)	116	(1,369)	(1,590)
Investing activities				
Purchases of investments	-	(494)	(494)	-
Interest on investments	110	39	149	117
Net cash provided (used) by investing activities	110	(455)	(345)	117
Net increase in cash and cash equivalents	313	80	393	280
Cash and cash equivalents at beginning of year	1,639	581	2,220	1,940
Cash and cash equivalents at end of year	\$1,952	\$661	\$2,613	\$2,220

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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.

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, 1998

(in thousands)

	Totals	
	1998	1997
Revenues:		
Fines and forfeitures	\$12	\$ 9
Miscellaneous	-	2
Total revenues	12	11
Expenditures:		
Current:		
Public safety	6	7
Capital outlay	-	2
Total expenditures	6	9
Excess of revenues over expenditures	6	2
Fund balance at beginning of year	10	8
Fund balance at end of year	\$16	\$10

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, 1998

(in thousands)

	Budget (Revised)	1998 Actual	Variance Favorable (Unfavorable)	1997 Actual
Taxes:				
Ad valorem taxes	\$1,427	\$1,405	\$ (22)	\$1,378
Delinquent ad valorem taxes	10	20	10	7
Utility taxes	955	963	8	890
Utility franchise fees	584	578	(6)	573
Towing service	11	11	-	11
Total taxes	2,987	2,977	(10)	2,859
Licenses and permits:				
Professional and occupational licenses	147	153	6	134
City share/County licenses	13	12	(1)	13
Building permits	36	46	10	44
Other licenses and permits	12	6	(6)	11
Inspection fees	18	17	(1)	18
Total licenses and permits	226	234	8	220
Intergovernmental revenues:				
State shared revenues:				
General Government:				
State Revenue Sharing	279	281	2	279
FINE Grant	-	-	-	100
Mobile home licenses	15	14	(1)	15
Alcoholic beverage licenses	7	7	-	4
Local government half-cent sales tax	450	466	16	447
Two-cent cigarette tax	33	33	-	34
D.A.R.E Federal Grant	18	17	(1)	15
Youth Tobacco Program	25	60	35	-
Transportation:				
Rebate on municipal vehicles	3	13	10	2
Local option gas tax	165	184	19	165
Grants from other local units:				
Volusia County EMS Grant	13	13	-	-
Total intergovernmental revenues	1,008	1,088	80	1,061

City of Holly Hill, Florida

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

Year ended September 30, 1998

(in thousands)

	Budget (Revised)	1998 Actual	Variance Favorable (Unfavorable)	1997 Actual
Charges for services:				
General Government charges:				
Zoning fees	3	3	-	3
Other charges	3	5	2	5
Public Safety charges:				
Police services	2	1	(1)	1
Fire services	1	1	-	1
Transportation charges:				
Median maintenance	19	20	1	-
Sidewalk fee	5	5	-	-
Culture and Recreation charges:				
Program activity fees	65	71	6	67
Sica Hall	9	8	(1)	9
Other charges for services:				
Transfer from Enterprise operations	597	597	-	508
Total charges for services	704	711	7	594
Fines and forfeitures:				
Court fines	65	76	11	53
Police education	6	4	(2)	3
Code enforcement fines	1	1	-	1
Parking violations	1	-	(1)	1
Total fines and forfeitures	73	81	8	58
Miscellaneous revenues:				
Miscellaneous revenue	8	29	21	11
Interest earnings	89	119	30	90
Surplus sales, equipment, etc.	5	13	8	51
Scrap sales	1	-	(1)	3
Contributions and donations	-	1	1	1
Firefighter's supplemental compensation	2	2	-	1
Total miscellaneous revenues	105	164	59	157
Other sources:				
Appropriated fund balance	100	-	(100)	-
Total revenues	\$5,203	\$5,255	\$ 52	\$4,949

City of Holly Hill, Florida

General Fund
Schedule of Expenditures—Budget and Actual

Year ended September 30, 1998

(in thousands)

	Budget (Revised)	1998 Actual	Variance Favorable (Unfavorable)	1997 Actual
General Government:				
Legislative:				
Personal services	\$ 18	\$ 17	\$ 1	\$ 15
Operating	38	37	1	36
Total City Council	56	54	2	51
Executive:				
Personal services	275	273	2	293
Operating	28	25	3	22
Total City Manager	303	298	5	315
Finance:				
Personal services	405	401	4	369
Operating	262	256	6	177
Total Finance and Administration	667	657	10	546
Other Services:				
Personal services	8	4	4	25
Operating	97	91	6	94
Capital outlay	22	22	-	25
Debt service	641	629	12	131
Total other services	768	746	22	275
Total General Government	1,794	1,755	39	1,187
Public Safety:				
Law Enforcement:				
Personal services	1,412	1,336	76	1,318
Operating	155	138	17	151
Capital outlay	84	84	-	41
Debt service	16	16	-	16
Total Law Enforcement	1,667	1,574	93	1,526

City of Holly Hill, Florida

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

Year ended September 30, 1998

(in thousands)

	Budget (Revised)	1998 Actual	Variance Favorable (Unfavorable)	1997 Actual
Public Safety (continued):				
Fire Control:				
Personal services	592	546	46	519
Operating	79	69	10	69
Capital outlay	34	29	5	11
Debt service	25	25	-	26
Total Fire Control	730	669	61	625
Protective Inspection:				
Personal services	142	138	4	138
Operating	62	58	4	57
Capital outlay	4	4	-	3
Total Protective Inspection	208	200	8	198
Total Public Safety	2,605	2,443	162	2,349
Transportation:				
Road and Street Facilities:				
Personal services	236	232	4	270
Operating	215	191	24	174
Capital outlay	174	161	13	197
Total Road and Street Facilities	625	584	41	641
Total Transportation	625	584	41	641
Culture and Recreation:				
Parks and Recreation Facilities:				
Personal services	386	368	18	362
Operating	171	140	31	160
Capital outlay	62	39	23	57
Total Parks and Recreation Facilities	619	547	72	579
Total Culture and Recreation	619	547	72	579
Total expenditures	\$5,643	\$5,329	\$314	\$4,756

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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.

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City of Holly Hill, Florida
 Schedule of General Fixed Assets
 by Function and Activity

As of September 30, 1998

(in thousands)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General Government	\$ 1,833	\$ 191	\$1,134	\$ 62	\$ 446
Public Safety:					
Police	637	-	46	2	589
Fire	639	30	199	2	408
Total Public Safety	1,276	30	245	4	997
Public Works:					
Streets	6,364	28	74	5,633	629
Total Public Works	6,364	28	74	5,633	629
Culture and Recreation:					
Parks and Recreation Facilities	2,236	1,083	482	569	102
Library	190	-	148	-	42
Total Culture and Recreation	2,426	1,083	630	569	144
Total general fixed assets allocated to functions	\$11,899	\$1,332	\$2,083	\$6,268	\$2,216

City of Holly Hill, Florida

Schedule of Changes in General Fixed Assets
by Function and Activity

For the year ended September 30, 1998

(in thousands)

Function and Activity	General Fixed Assets October 1, 1997	Additions	Deletions	General Fixed Assets September 30, 1998
General Government	\$ 1,907	\$ 75	\$ 149	\$ 1,833
Public Safety:				
Police	612	104	79	637
Fire	635	42	38	639
Total Public Safety	1,247	146	117	1,276
Public Works:				
Streets	5,737	669	42	6,364
Total Public Works	5,737	669	42	6,364
Culture and Recreation:				
Parks and Recreation Facilities	2,175	131	70	2,236
Library	190	-	-	190
Total Culture and Recreation	2,365	131	70	2,426
Total general fixed assets	\$11,256	\$1,021	\$378	\$11,899

Note: Additions and deletions include transfers between classifications.

City of Holly Hill, Florida
 Schedule of General Fixed Assets
 by Source

September 30, 1998 and 1997

(in thousands)

	1998	1997
General fixed assets:		
Land	\$ 1,332	\$ 1,332
Buildings	2,083	1,969
Improvements other than buildings	6,268	5,683
Machinery and equipment	2,216	2,272
Total general fixed assets	\$11,899	\$11,256
Investment in general fixed assets from:		
General Fund	\$ 9,527	\$ 9,471
Special Revenue Funds	776	323
Capital Projects Fund	1,528	1,394
Expendable Trust Fund	68	68
Total investment in general fixed assets	\$11,899	\$11,256

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Statistical Section

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City of Holly Hill, Florida
Comments Relative to Statistical Section

September 30, 1998

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	
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
1997	4,949	2,859	58	220	5	1,061	21
1998	5,740	2,977	52	234	4	1,088	19

Charges for Services		Fines and Forfeitures		Miscellaneous Revenue		Operating Transfers In		Loan Proceeds	
\$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	-	-	-	-
594	12	58	1	157	3	-	-	-	-
711	12	81	1	164	3	485	9	-	-

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	
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	
1997	4,756	1,187	25	2,349	49	
1998	5,331	1,755	33	2,443	46	

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

Physical Environment		Transportation		Culture and Recreation		Operating Transfers Out	
\$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	-	-
-	-	641	14	579	12	-	-
-	-	584	11	547	10	2	-

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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, 1998

(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
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
1997	374,322	381,961	98	1,474	1,378	93.5	84	5.7
1998	379,373	387,115	98	1,505	1,405	93.4	85	5.6

N/A Information not available.

(1) Obtained from the Volusia County Revenue Office.

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

Source: Volusia County Revenue Office

Table IV

City of Holly Hill, Florida

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

September 30, 1998

Fiscal Year Ended	Holly Hill	School District	Volusia County	Mosquito Control
<i>Tax Rates</i>				
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
1997	5.53591	10.821	6.036	.238
1998	5.51831	10.487	6.204	.238

City's Share of Tax Levies (in thousands)

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
1997	1,434	2,803	1,563	62
1998	1,495	2,841	1,680	64

* 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
.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
.093	-	2.231	.482	.038	.181
.090	-	2.189	.482	.050	.177
\$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
24	-	578	125	10	47
24	-	593	130	14	48

Table V

City of Holly Hill, Florida

Debt Service Requirements to Maturity
Water and Sewer Revenue Bonds

September 30, 1998

(in thousands)

Due October 1	Series 1992		Total Debt Service
	Principal	Interest	
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	\$13,985	\$12,983	\$26,968

Table VI

City of Holly Hill, Florida

Computation of Overlapping Debt
End of Fiscal Year

September 30, 1998

(in thousands)

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable To The Governmental Unit	City of Holly Hill—Share of Debt
School District	\$137,918	1.99%	\$2,745
County of Volusia	8,247	1.99	164
Total overlapping debt			<u>\$2,909</u>

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

September 30, 1998

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. SRG8045349B	4/15/98-4/15/99	Accidental Death Police and Firefighters Unlawful & Intentional Death & Dismemberment Principle Sum	\$25,000 \$25,000 \$75,000	\$819
<u>Contractors' Equipment Policy</u> The Travelers Property Casualty QT-660-282X9133-TIL-98	4/15/98-4/15/99	Off-road equipment	\$408,349	\$1,988 \$500 deductible
<u>Business Automobile Policy</u> Coregis Indemnity Co. 651-006986-4	12/1/97-12/1/98	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 POI-001394-1	12/1/97-12/1/98	Wrongful acts	\$1,000,000	\$5,805 \$2,500 deductible each claim
<u>Law Enforcement Professional Liability</u> Coregis 651-006986-4	12/1/97-12/1/98	Police officers bodily injury, property damage and personal injury	\$1,000,000 each person \$1,000,000 each occurrence	\$15,520 \$2,500 deductible
<u>Boiler & Machinery</u> Hartford Steam Boiler Ins. Co. FBP-AT-9497065-09	4/15/98-4/15/99	Mechanical breakdowns Lightning damages City Hall equipment Leased equipment	\$3,900,000	\$1,163 \$1,000 deductible
<u>Part Time Firefighter Accidental Death & Disability</u> AIG 21VP482553	4/15/97-4/15/99	Medical expense disability Partial Disability Accidental death Fresh pursuit	\$5,000 \$100 weekly \$50 weekly \$25,000 \$25,000	\$819

Table VII (continued)
City of Holly Hill, Florida
Schedule of Insurance in Force
September 30, 1998

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> Coregis 651-006986-4	12/1/97-12/1/98	General liability	\$200,000 \$300,000 each occurrence	\$34,900
<u>Workers' Compensation</u> Governmental Risk Insurance Trust 00053	12/1/97-12/1/98	Statutory	Statutory, employer's liability \$1,000,000	\$121,008
<u>Public Employees Honesty Bond</u> Continental Insurance Co.—#BNP 002-47-79	4/15/98-4/15/01	Blanket bond	\$50,000 blanket on all positions	\$1,336 \$500 deductible
#BNP 132-23-02	6/29/92-indefinitely		\$100,000 Finance Director	\$500
<u>Motor Truck Cargo</u> The Travelers Indemnity Co. QT660282X9133-TIL-98	4/15/98-4/14/99	Roll-off bins liability	\$50,000 each bin \$50,000 disaster	\$2,598 \$500 deductible
<u>Package Policy</u> Crum & Forster Ins. Co. Policy #503-1673812	4/15/98-4/15/99			\$19,604
Property—Basic Coverage		\$12,116,306 building limits \$7,602,491 contents limits	\$1,000 deductible 1% deductible— wind and hail	
Property—Special Coverage		\$39,200 contents limit (City Hall)	\$1,000 deductible 1% deductible— fire and hail	

Table VII (continued)
City of Holly Hill, Florida
Schedule of Insurance in Force
September 30, 1998

Type of Coverage Name of Company and Policy Number	Policy Period From-To	Details of Coverage	Liability Limits	Annual Premium (Gross)
Computer (EDP) Coverage		\$200,000 Hardware City Hall and Police	\$1,000 deductible	
		\$24,170 Hardware Public Works		
		\$16,000 Hardware Fire Station		
		\$3,900 Hardware Youth Center		
		\$110,467 Data City Hall and Police		
		\$4,307 Data Public Works		
		\$40,000 Extra Expense—City Hall		
		\$20,000 Extra Expense—Public Works		
		\$20,000 Transit Expense		
		\$75,000 New Equipment		
		\$75,000 New Location		
		\$15,000 Fire System		
		\$20,000 Debris Removal		
		\$10,000 Pollutant Removal		
Crime Coverage		\$5,000 theft inside \$5,000 theft outside	\$1,000 deductible	
<u>Environmental Protection</u> Commerce & Industry Petroleum Liability Insurance FPL8072644	6/25/98-6/25/99	Fuel storage tank \$1,000,000 each incident	\$500 deductible	\$1,875

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

September 30, 1998

(in thousands)

Fiscal Year Ended	Gross Revenues (1)	(2)	Operating Expense (6)	Net Revenues	Debt Service Requirements			Debt Service Coverage
					Principal	Interest	Total	
1989	\$2,589	(2)	\$1,102	\$1,487	\$389	\$304	\$ 693 (3)	2.15
1990	2,830		1,150	1,680	-	996	996 (4)	1.69
1991	2,986		1,302	1,684	165	996	1,161 (4)	1.45
1992	3,276		1,500	1,776	175	985	1,160 (4)	1.53
1993	3,317		1,475	1,842	165	743	908 (5)	2.03
1994	3,440		1,541	1,899	230	893	1,123 (5)	1.69
1995	3,088		1,469	1,619	240	885	1,125 (5)	1.44
1996	3,216		1,418	1,798	245	876	1,121 (5)	1.60
1997	3,461		1,363	2,098	255	865	1,120 (5)	1.87
1998	3,553		1,350	2,203	270	853	1,123 (5)	1.96

- (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 \$33,000 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, Series 1984, and Series 1989 combined.
- (4) Debt service for Series 1989.
- (5) Debt service for Series 1992.
- (6) 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, 1998

(in thousands)

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment (3)
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 %
1997	(5)	11	2	(6)	4.0 %
1998	(5)	11	2	(6)	3.4%

- (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, 1998

(in thousands)

Fiscal Year	(1) Commercial Construction		Residential Construction		(2) Bank Deposits (In Thousands)	Commercial	(3) Property Value	
	Units	Value	Units	Value			Residential	Nontaxable
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
1997	16	3,777	41	739	N/A	2,836,488	8,334,733	4,660,708
1998	40	4,657	84	1,322	N/A	2,984,058	8,714,059	4,892,427

(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, 1998

Title of Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$ 9,840	4 years 9 months	\$50,000 blanket amount on all positions \$100,000 on Finance Director
Mayor Pro-Tem	6,600	10 years 8 months	
City Commissioners (3)	6,600	9 months to 9 years 9 months	
City Attorney (retainer)	7,500	22 1/2 years	
City Manager	66,646	3 years 2 months	
Deputy Clerk	47,481	19 years 5 months	
Finance Director	51,334	7 years 7 months	
Police Chief	48,755	1 year	
Public Services Director	58,240	3 years 9 months	
Fire Chief	46,235	3 years 7 months	
Building Official	46,342	18 years	

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

September 30, 1998

(in thousands)

Name	Type of Business	Assessed Values	Percent of Total Assessed Value
Holly Hill R.H.F. Housing, Inc.	Bishop Glen Retirement Center	\$ 6,629	1.75%
Florida Power & Light	Electrical utility	5,779	1.52
BellSouth Telecommunications, Inc.	Communications	5,455	1.44
William H. Jones	Metra Electronics Manufacturer	4,519	1.19
Sun Communities Operating (Holly Forest)	Mobile Home Park	4,269	1.12
John Hancock Mutual Life Ins.	Winn Dixie	3,246	.86
Holly Point Apartments, Inc.	Apartment Complex	2,724	.72
Polyvers, Ltd.	Apartment Complex	2,552	.67
Unatin, Jerome	Apartment Complex	2,486	.65
Life Insurance Co. of Georgia Publix Super Markets, Inc.	Shopping Center	2,196	.59
		\$39,855	10.51%

Source: Volusia County Property Appraiser

Table XIII
City of Holly Hill, Florida
Climatological Summary

September 30, 1998

Holly Hill is approximately 4 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, 1998

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:

Commission/Manager

Area: 4 square miles

54 miles pave streets
1.0 mile unpaved streets
24.2 miles sidewalks
30.2 miles storm sewers
68.0 miles sanitary sewer

276 fire hydrants

Fire Protection:

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

Police Protection:

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

Recreation:

6 Parks total 44.2 acres
2 Playgrounds
3 Recreation buildings
1 Tennis court
9 Shuffleboard courts
4 Ballfields
1 Community Center
3 Public fishing piers
1 Boat ramp
1 Tot lot
1 Wooden Pier Overlook

Education: Volusia County Schools—

Elementary 1
Secondary 1

Students:

Kindergarten—Grade 5 = 827
Grades 6-8 = 1,239
2,066

Personnel:

Instructional 127
Noninstructional 90
Administrative 6

Street Lights:

High Pressure Sodium Vapor
6,300 lumen—667
9,500 lumen—77
16,000 lumen—35
22,000 lumen—134
50,000 lumen—2

White Way Underground

1,000 lumen—6

Employees as of September 30, 1998:

107 Civil Service
3 Exempt

110 Total

Water Treatment Plant:

Design capacity—2.3 MGD
Current production rate—1.215 MGD
Users—5,767

Water Pollution Control Plant:

Capacity—2.4 MGD
Current production rate—1.530 MGD
Collection system users—5,030

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Schedule of State Financial Assistance

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City of Holly Hill, Florida

Schedule of State Financial Assistance

Year ended September 30, 1998

Grantor/Program Title	Contract Number	Identification Number	Program or Award Amount	Receipts	Expenditures
State of Florida Department of Transportation Highway Beautification Grant	AG156	403675-1-74-01	\$90,174	\$ -	\$ -
State of Florida Department of Environmental Protection Recycling and Education Grant		RE98-62	3,933	537	2,744
Total State Financial Assistance			<u>\$94,107</u>	<u>\$537</u>	<u>\$2,744</u>

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**Report of Independent Auditors
on Compliance and Internal Control
Over Financial Reporting Based on an Audit
Performed in Accordance
with *Government Auditing Standards***

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

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida (the City), as of September 30, 1998, and have issued our report thereon dated March 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective for our audit and, 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

We noted other matters involving internal control and its operation that we have reported to the management of the City in a separate letter dated March 9, 1999 (see Management Letter).

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

Ernst + Young LLP

March 9, 1999

Management Letter

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

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida (the City) as of September 30, 1998, and have issued our report thereon dated March 9, 1999.

We have issued our Report of Independent Auditors on Compliance and Internal Control Based on an Audit Performed in Accordance with *Government Auditing Standards*, dated March 9, 1999.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

Comments Reported in Prior Year's Management Letter

We noted, during the course of our audit of the financial statements of the City, that appropriate action had been taken upon recommendations and suggested accounting procedures as outlined in the Management Letter for the year ended September 30, 1997.

Current Year Findings

Information Systems

General

As part of planning our audit of the City for the year ended September 30, 1998, we performed a general controls review of the Information Systems function. Our review focused on whether sufficient controls were present over the following objective areas:

1. Application acquisition, development and maintenance is appropriately tested and approved before being placed into production, and
2. Access to sensitive data files is restricted to authorized users and programs.

Information Systems (continued)

General (continued)

Our review was limited to those areas which we considered necessary for audit purposes (i.e., primarily financial applications) and was not intended to be a comprehensive examination of the Information Systems function. The following suggestions, which resulted from our general controls review, are to provide assistance in improving procedures and controls.

Year 2000

Attention continues to be directed toward the Year 2000 problem. The situation is very serious and complex, and it threatens virtually all areas of many organization's operations to some degree. An organization's operations could be significantly affected if they, their customers or their suppliers do not effectively address the Year 2000 issue.

Our responsibility as your auditors is to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. As such, our audit of the Company's financial statements is not designed to determine the Company's readiness for the Year 2000. Further, we have no responsibility with regard to the Company's efforts to make its systems, or any other systems, such as those of vendors, service providers, or any other third parties Year 2000 ready, or to provide assurance on whether the Company has addressed or will be able to address all affected systems on a timely basis.

In conjunction with our audit planning, we made limited inquiries of selected personnel regarding the Company's Year 2000 readiness plan. Based on our limited inquiries, Management stated that their Year 2000 procedures are nearly completed. The rest of their Year 2000 procedures are for non-critical system and they will be completed by the Year 2000.

Due to the pervasiveness and complexity of this issue we recommend the Company continuously reassess its systems and operations to identify any areas of risk not previously addressed.

These observations should not be considered as all-inclusive of the Year 2000 issues and risks of the Company.

Management's Response

The City is committed to the seriousness of this issue. A technical committee has been established and is addressing affected systems. The financial accounting software and police and fire record's systems are now Year 2000 compliant. The City's water and sewer distribution systems are being upgraded and testing and validation are expected to be complete by June 1, 1999. The City is in the process of verifying other operational applications. In addition, the City is obtaining written certifications from vendors, service providers, banks, and other third-party organizations that could impose a hardship on City operations or cash flows.

Information Systems (continued)

Business Continuity Planning

The City has discussed possible business continuity procedures for disastrous events that render the computer systems inoperable and has focused on the appropriate data and systems backup and off site storage procedures.

This represents a good start, but significantly more work is needed to develop, formalize and test a business continuity plan to ensure they will address all of the business needs in the event of a disaster:

- Critical systems have not been identified to determine the order in which systems should be recovered. It is a difficult and complex question to know just how much time the system can be down before business procedures are seriously impacted.
- Procedures have not been established to move computer operations to the backup sites. Also, it is not clear how much effort the various departments have put into business resumption planning.

Historically, disaster recovery planning has been thought of as strictly an IS issue. However, in all organizations where computer systems are critical to operations, it is important for disaster planning to include business resumption plans to be addressed as an organizational issue. Critical downtimes must be established to prioritize which systems will be brought up first. Buy lists and plans must be developed for moving operations to another data center, even in the event of the loss of key management personnel. Departments must be prepared to implement alternative procedures in the event of lost computer systems, servers, paper work, documentation, or workstations.

There are three critical components to business continuity planning:

- ***Business resumption plans*** are all-encompassing instructions for continuing business operations in the event of a disruption, regardless of the cause. The objective is to recover business unit processing services either manually or on personal computers while normal business operations are being resumed.
- ***IT disaster recovery plans*** require assessments to define critical applications, identifies personnel needed to recover the critical applications, and evaluate the risk of various types of disasters occurring. With this information, detailed recovery procedures can be developed.
- ***Backup procedures*** must be performed effectively and completely each day because of the uncertainty associated with disasters.

Management should develop and maintain business continuity plans for resumption of City operations (including the recovery of information systems) in the event of disasters such as fire, tornadoes, power outages, air conditioning breakdowns, or water leakage. Procedures should be developed to periodically test the plans in order to be fully prepared in the event of a disaster.

Information Systems (continued)

Business Continuity Planning (continued)

Management's Response

Management will be incorporating a plan for resumption of City data operations in the event of a disaster within its emergency management plan.

User Access Procedures

To ensure only valid users can gain access to your network, we recommend the formalization of a user access procedure. A "User ID and Password Request Form" may facilitate this process by documenting approval by the department supervisor, and the levels of access granted to the user.

Currently, all passwords are assigned by the Computer Systems Analyst. This has created a security weakness, because some users write down their passwords and store them near their PC. By allowing users to create their own password through a forced system password change, users are more likely to remember their passwords without writing them down.

We understand the password change frequency has not been determined. The recommended password change frequency is once a quarter or every 90 days. System values should be set to ensure passwords cannot be easily guessed. Many companies require employees to sign an integrity statement addressing the security of passwords and the City's information assets.

Management's Response

Management is preparing forms to document approvals for levels of access granted to users. In addition, a change in the security will be made to force password changes by users every 90 days as recommended.

Program Changes

Although program upgrades and patches are tested by the vendor prior to release, all changes should be executed in a test environment and tested prior to modification of the production environment. Thorough testing helps ensure the production environment will not be corrupted. The absence of formal program change procedures may diminish the City's ability to safeguard assets and control the accuracy and validity of computer-generated data.

Management's Response

Management will develop formal program change procedures to ensure thorough testing and safeguarding of the computer systems.

Information Systems (continued)

Backup Storage Procedures

The City's backup tapes contain sensitive data, and must be stored in a secure place, to prevent unauthorized access and destruction from flood or fire. We recommend that all backup tapes be stored in a fire proof safe, which remains locked. We also suggest a more secure storage location for off-site tape storage; an example is a safety deposit box.

Management's Response

Management will develop additional backup storage procedures to comply with this recommendation.

Virus Scanning Software

Viruses from floppy disks, email attachments, and files downloaded from the Internet pose a threat to the integrity of the City's data. Currently, only the servers and three workstations use virus scanning software. We recommend the implementation of a virus scanning package for all workstations. When the virus scanning software is set up, the servers should be scanned, and then each workstation. This will allow the software to be set to scan files whenever they are opened, rather than scanning all files during the boot process.

The effectiveness of any virus scanning software will depend on adequate maintenance, to ensure updates of virus detection files are loaded to your system in a timely manner.

Management's Response

Additional virus scanning software will be explored and installed to comply with this recommendation.

Credit Card Policy

During our review of the City's Credit Card Policy, we noted a formal written policy still had not been implemented by the City. The previous policy was no longer in effect due to changes that had been made to it during fiscal year 1997. We recommend a new, updated policy be developed whereby set guidelines are established for the use, review and written approval of all City credit card uses.

Management's Response

A formal written credit card policy is being implemented and it sets guidelines for the use, review and written approval of all City credit card uses.

Assessment of the Collectibility of Accounts Receivable

We noted that an accounts receivable aging report is not prepared on a periodic basis to assess the collectibility of accounts receivable balances. We recommend that an accounts receivable aging report be prepared each month in order to determine if an adjustment to the reserve for uncollectible accounts should be made or if an account should be investigated.

Additionally, we recommend that a formal write-off policy be established which documents the general criteria for writing off past due accounts and the appropriate levels of authority required to approve all write-offs. We recommend that the City develop such procedures to ensure that all accounts receivable are properly accounted for and to enhance collectibility.

Management's Response

A review of the existing accounts receivable is currently underway. Aging reports will be kept on a monthly basis and will be reviewed to assess the collectibility of outstanding balances. In addition, a formal write-off policy will be established as recommended. Updated procedures will be written to work in conjunction with the new utility billing software.

Fixed Assets

We continue to note the following points from our review and testing of fixed assets:

- The accounting records have not been maintained on a current basis.

We strongly encourage the City to establish computerized fixed asset records and to maintain these records on a current basis in order to have an accurate account of fixed assets. We noted the City is beginning to utilize its new software package to assist in this area, and we encourage continuance of this effort.

Management's Response

The Finance Department is continuing its effort to utilize this new software package. This program will assist in maintaining the records on a current basis.

Bank Reconciliation

Currently, bank reconciliations are not being performed on a timely basis, and therefore are also not being reviewed in a timely manner. To ensure appropriate asset accountability and proper and timely preparation of the bank reconciliations, all such reconciliations should be reviewed by the supervisor of the individual responsible for reconciling related accounts.

Management's Response

Management agrees that timely reconciliations should be prepared and reviewed on a timely basis and is currently in the process of bringing all reconciliations up to date.

Year End Closing

We have noted, the City has had difficulty closing the year end balances in a timely manner. This was due in part to a system conversion that was done during FY 1997. The finance department should concentrate its efforts to close the accounts as soon as possible after year end. This will ensure that the financial statements are issued in order to meet reporting deadlines and will also enable finance personnel to focus on current issues rather than historical ones.

Management's Response

The Finance Department will concentrate its efforts on closing the accounts as soon as possible after year-end and is currently reviewing processes to achieve this.

Other Required Disclosures

Annual Financial Report

The City has filed its annual report for the fiscal year ended September 30, 1998 as required by Section 218.32 of the Florida Statutes, with the Department of Banking and Finance. We reviewed the financial information contained in this report and compared it to that of the City's audited financial statements noting it agreed in all material respects.

Financial Emergency Act

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

This letter is intended solely for the information and use of the City Commission, management, and agencies providing financial assistance and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst & Young LLP

March 9, 1999

Independent Auditors Required Disclosure in Accordance
with *Government Auditing Standards*

You have engaged us to conduct an audit of the City of Holly Hill's general purpose financial statements for the year ended September 30, 1998 in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities for testing and reporting on internal control and on compliance with applicable laws and regulations under those standards are described in the table below. In addition, the table contrasts our responsibilities in this engagement with other procedures that could be performed in other financial-related audits.

Service That We Could Provide	Our Responsibility Regarding Internal Control	Our Responsibility Regarding Compliance with Laws and Regulations
Financial statement audit—GAAS	We consider internal control to plan the nature, timing and extent of audit procedures for the purpose of expressing our opinion on the general purpose financial statements. We report, orally or in writing, any reportable conditions, including material weaknesses, that we identify as a result of our audit procedures. Our report does not provide assurance on internal control over financial reporting.	We design our audit to provide reasonable assurance of detecting fraud that is material to the financial statements and illegal acts that have a direct and material effect on the financial statement amounts.
Financial statement audit—Government Auditing Standards	In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal control and identify reportable conditions, including material weaknesses, if any. Our reports do not provide assurance on internal control over financial reporting.	In addition to the GAAS responsibilities, we design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the general purpose financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.
Examination-level attestation	We could be engaged to examine and report on management's written assertion as to the design and operating effectiveness of internal control. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include an evaluation of the design of the entity's internal control, and performing tests of relevant internal control policies and procedures to evaluate their operating effectiveness.	We could be engaged to examine and report on management's written assertion regarding compliance. The engagement could be conducted at the financial statement level, or could result in a determination as to whether all federal programs have been administered in accordance with applicable laws and regulations. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include obtaining an understanding of the specific compliance requirements, obtaining an understanding of the design of the entity's internal control over compliance, and testing compliance with specified requirements.
Agreed-upon procedures level attestation	We could be engaged to perform agreed-upon procedures related to management's written assertions as to the design and operating effectiveness of internal control. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.	We could be engaged to perform agreed-upon procedures related to management's written assertions regarding compliance. The objective of the agreed-upon procedure is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.