



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED SEPTEMBER 30, 2000**

# **City of Holly Hill, Florida**

## ***Comprehensive Annual Financial Report***

***For the Fiscal Year Ended September 30, 2000***



### **City Commission**

Honorable William D. Arthur, Mayor

District 1 - Arthur J. Byrnes

District 2 - Paul E. Lockeby

District 3 - Keith Tarrer

District 4 - Roland Via

### **City Manager**

Joseph A. Forte

### **City Attorney**

Edward F. Simpson, Jr.

### **Director of Finance**

Brenda Gubernator

### **Independent Auditors**

Brent Millikan & Company, P.A.

Prepared by:  
Holly Hill Finance Department  
Brenda Gubernator, Finance Director



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 CITY OF HOLLY HILL, FLORIDA

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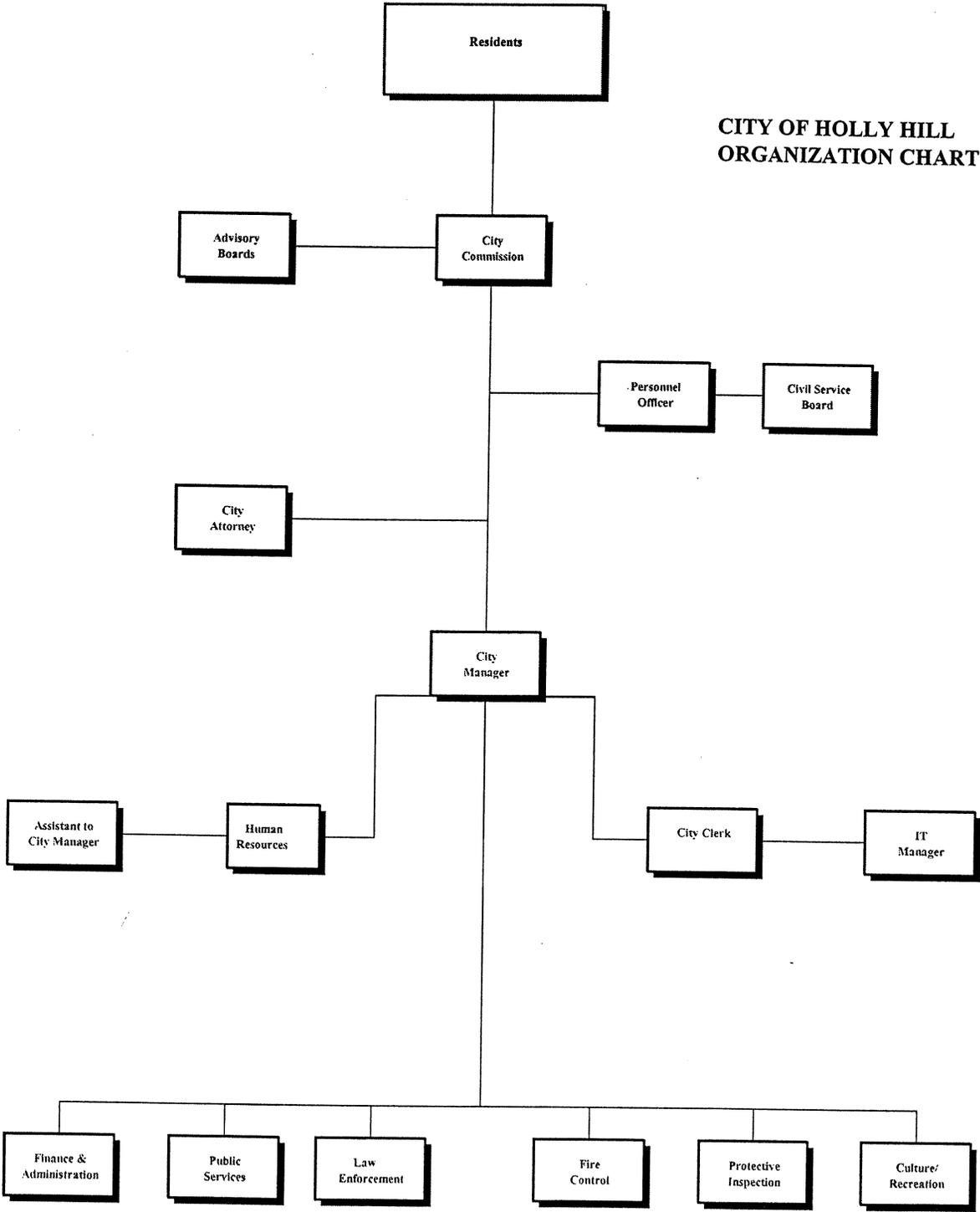
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***Organization Chart***



**CITY OF HOLLY HILL  
ORGANIZATION CHART**





## ***City of Holly Hill, Florida***

### ***Certificate of Achievement Awarded***

*For the Year Ended September 30, 1999*

*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Holly Hill, Florida, for its comprehensive annual financial report for the fiscal year ended September 30, 1999.*

*In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.*

*A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.*



**CERTIFICATE OF ACHIEVEMENT**  
For the Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

**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, 1999**

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.



*Anne Spray Kinney*  
President

*Jeffrey L. Esser*  
Executive Director



*Letter of Transmittal*





# CITY OF HOLLY HILL

TEN SIXTY--FIVE RIDGEWOOD AVENUE

HOLLY HILL, FLORIDA 32117-2898

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February 28, 2001

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

The comprehensive annual financial report of the City of Holly Hill, Florida, for the fiscal year ended September 30, 2000, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapters 10.500 and 11.45, 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 government. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation 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 four sections: introductory, financial, statistical and compliance. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to make the determination whether the audit of the City's participation in federal awards will be conducted as single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Based on the level of expenditures directly related to federal awards the City was required to have its September 30, 2000 fiscal year end audit conducted as a single audit. Accordingly, there are supplementary reports and a schedule of expenditures of federal awards relative to a single audit presented in the last section of this report. In addition, supplementary information is provided in relation to the reporting requirements of the Rules of the Auditor General for state financial assistance and are also presented in the last section of this report.

This report includes all funds and account groups of the City. The City provides a full range of municipal services contemplated by statute or character. They include law enforcement and fire protection, development services, sanitation and solid waste control, road and street facilities, parks and recreation facilities, community redevelopment, and general administrative services.

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Members of the City Commission  
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This report also includes the Community Redevelopment Authority. Since its governing body is the same as the City's, and a separate legal entity was not formed with its creation, their financial statements are included in the City's general-purpose financial statements as a separate special revenue fund pursuant to Governmental Accounting Standards Board Statement of Governmental Accounting Standards No. 14 "*The Financial Reporting Entity*."

### **ECONOMIC CONDITION AND OUTLOOK**

The City is located on the eastern end of the Interstate-4 (I-4) corridor, the economic zone of Central Florida which roughly follows I-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 vacant land parcels and other resources, growth is slow at about 2% per year. Property valuations increased during the past year by 7.5%. 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 3.0% unemployment rate as compared to a statewide rate of 3.9%.

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. Recreation - A municipal swimming pool, locker rooms and pool equipment building were added to the multi-purpose recreational facility previously completed in 1999. Funding for these additions was provided by Community Development Block Grant funds and the Florida Recreation Development Assistance Program as well as City funds.
2. Water and Sewer - Rehabilitation on about one-third of the City sewer system was begun at a projected cost of \$2.2 million. Rehabilitation will prevent infiltration of dirt and excess stormwater runoff into the sewer lines by re-lining the pipes and/or replacing pipes where necessary.
3. Public Works - Phase II beautification of the medians in the northern one-half of the City on US #1 was completed with the assistance of the Florida Department of Transportation and its Highway Beautification Grant. Planted with trees, bushes and flowers, the medians are pleasing to motorists driving along this commercial corridor.

Honorable Mayor Arthur, and  
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4. Stormwater Management - The Walker and 15<sup>th</sup> Streets drainage project was completed during the year with the aid of Community Development Block Grant Funds and the City's Stormwater Utility fees. The Flamingo Area drainage project was begun during the year and will be funded with city Stormwater Utility fees and assistance from the St. Johns Water Management District. These improvements to the Stormwater Drainage System demonstrate City officials' commitment to alleviating flooding and to protecting lives and properties.

### **PROSPECTS FOR THE FUTURE**

The City adopted its first Long-Range Goals in February 1995. The goals were revised and updated in February 1996 and in March 1998. The goals were revised again in January 1999. Several areas of progress are noted below.

1. To adopt and implement a plan to redevelop the Tax Increment Financing District—CC1 Corridor. U.S. #1 (also known as Ridgewood Avenue) is the main artery through the City. Numerous areas have been upgraded or redeveloped in recent years. The City is committed to continuing this trend.
  - Business owners are being encouraged to promote sprucing up the district and complying with codes to create a pleasing and stable environment. The City's median and other beautification projects are inspiring efforts to enhance the area.
  - The TIF District is beginning to generate additional revenues that will be utilized in the form of grants for façade improvements, tree planting and signage.
2. To develop a five-year capital improvements plan. The City is faced with limited funds to accomplish numerous capital projects. The City is committed to developing a defined capital improvement plan.
  - Completed plans include stormwater drainage, street paving, sidewalks, median beautification and a multi-purpose recreational facility. Additional plans for water and sewer facilities are in process.
3. To develop a five-year recreation plan. The City is committed to providing a variety of recreational programs for all age groups at a reasonable fee.
  - Additional recreational facilities such as tennis and racquetball courts, a multi-purpose playing field and a wellness center are planned.
4. To create a better "people" environment for the city. The City Commission will institute policies to create a better environment for all residents, business owners, staff, and visitors to the City.

- The 2nd annual awards to the Employee of the Year and the Citizen of the Year was expanded to include a Business of the Year award. Joint efforts between the City and its employees and board members and the Chamber of Commerce and the local businesses to promote communication and understanding is proving to be successful within the community.
  - A special Centennial celebration for the City's 100<sup>th</sup> Birthday on July 1, 2001 is planned. It is expected to be a three day event complete with fireworks, a carnival and various other programs. Community involvement in this project is highly anticipated.
5. To enhance the City's code enforcement efforts. For the benefit of the residents and businesses, the City recognizes the need to enhance its enforcement efforts.
- The next fiscal year budget provides for a full-time housing property inspector who will be charged with enforcing codes in residential areas. This will enhance the efforts of the current staff to encourage residents and businesses to meet code requirements and improve the appearance of the City.
6. To continue and expand economic development activities. Economic development is acknowledged as an important factor for the well being of the City.
- The City's website, maintained by in-house personnel, is continually being enhanced to provide information that is useful to developers. The Redevelopment Advisory Board for the TIF District is an influential body furthering the development efforts of City officials.

### **FINANCIAL INFORMATION**

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

*Budgeting Controls* In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of all the governmental and proprietary 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. Any unencumbered balance of appropriations shall revert to the General Fund and be subject to future appropriations. Open encumbrances are reported as reservations of fund balance at year end. Budgetary

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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.

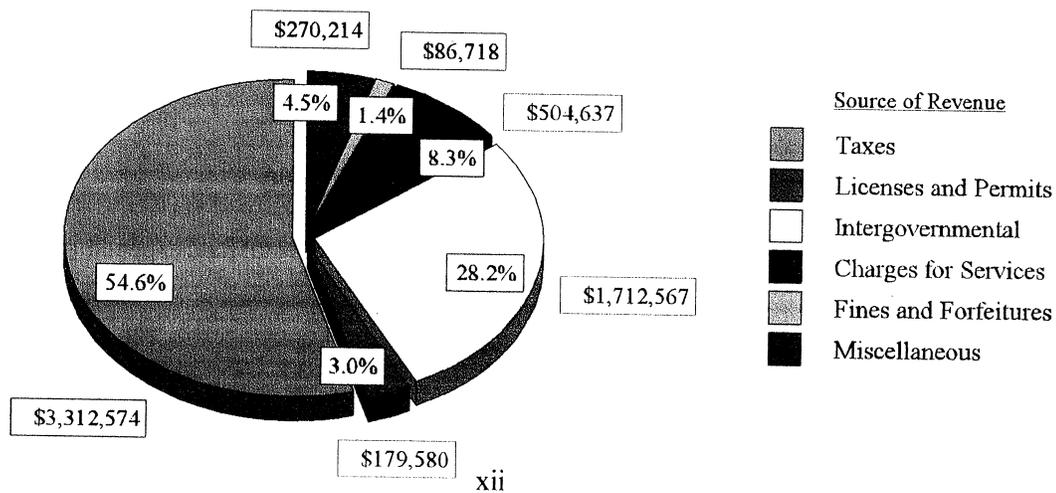
As demonstrated by the financial statements and schedules included in the Financial Section of this comprehensive annual financial report, the City continues to meet its responsibility for sound financial management.

General Government Functions The following schedule presents a summary of governmental fund (General, Special Revenue, Capital Projects, and Expendable Trust funds) revenues for the fiscal year ended September 30, 2000, and the increases and decreases in relation to prior year revenues:

<u>Revenue Source</u>	<u>2000 Amount</u>	<u>Percent of Total</u>	<u>2000 Increase (Decrease)</u>
Taxes .....	\$ 3,312,574	54.6%	\$ 79,337
Licenses and permits .....	179,580	3.0%	(65,605)
Intergovernmental revenue .....	1,712,567	28.2%	142,161
Charges for services .....	504,637	8.3%	29,654
Fines and forfeitures .....	86,718	1.4%	(20,527)
Miscellaneous revenue .....	<u>270,214</u>	4.5%	<u>24,770</u>
Totals .....	\$ <u>6,066,290</u>		\$ <u>189,790</u>

A summary of the individual components of the City's governmental fund revenues are displayed in the following graph:

**Governmental Fund Revenues**  
 For the Fiscal Year Ended September 30, 2000



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Revenues received from governmental fund sources totaled \$6,066,290 for the year ended September 30, 2000, which represents a 3.2% increase of \$189,790 over the amount earned in the previous year. Actual revenues were greater than budgeted revenues by \$289,062. The City experienced revenue growth in virtually all revenue sources in 2000 without raising ad-valorem taxes. Revenue from business licenses and fines and forfeitures were the only major revenue sources which experienced declines of \$65,605 and \$20,527, respectively during 2000.

Ad valorem taxes continue to be the City's most significant revenue source. The Commission's efforts to reduce ad valorem taxes in 2000 were successful. Tax revenues (which were planned to be reduced by 3%) remained relatively stable during 2000 from the combined result of increased taxable values and new construction in the City. The total non-exempt valuation of all real property, subsurface rights, personal property and centrally assessed property subject to ad valorem taxes amounted to \$417 million, an increase of \$18 million, or 4.5% over the last year's \$399 million. Florida Statutes, Chapter 192, controls the assessments and collections of ad valorem taxes. The County of Volusia, Florida, is responsible for assessing, billing and collecting the City's share of ad valorem taxes in accordance with Florida law.

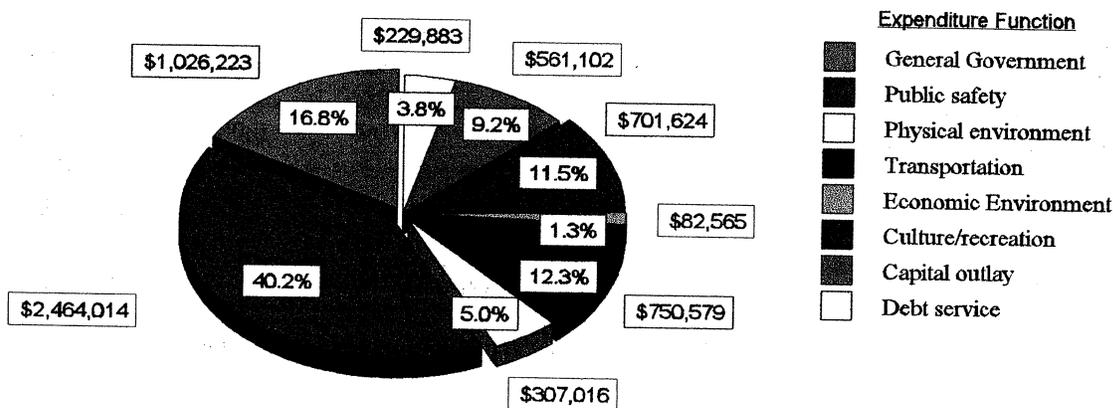
The property tax levy during the current year was 5.09007 mills, or 3.0% below last year's millage rate of 5.25000 mills. A summary of the City's millage rates and tax levies for each of the past ten years is presented in Table 4 of the Statistical Section of this Report.

The following schedule presents a summary of governmental fund expenditures for the fiscal year ended September 30, 2000, and the increases and decreases in relation to prior year expenditures:

<u>Expenditure Function</u>	<u>2000 Amount</u>	<u>Percent of Total</u>	<u>2000 Increase (Decrease)</u>
General government .....	\$ 1,026,223	16.8%	\$ (144,199)
Public safety .....	2,464,014	40.2%	144,678
Physical environment .....	307,016	5.0%	(292,268)
Transportation .....	750,579	12.3%	115,946
Economic environment .....	82,565	1.3%	(19,806)
Culture/recreation .....	701,624	11.5%	69,524
Capital outlay .....	561,102	9.2%	(1,077,608)
Debt service .....	<u>229,883</u>	3.8%	<u>2,554</u>
Totals .....	\$ <u>6,123,006</u>		\$ <u>(1,201,179)</u>

A summary of the individual functional components of the City's governmental fund expenditures are displayed in the following graph:

**Governmental Fund Expenditures**  
 For the Fiscal Year Ended September 30, 2000



Expenditures for the City's general governmental functions totaled \$6,123,006 for 2000, which represents a decrease of \$1,201,179 or 16.4% below expenditures of \$7,324,185 last year. This substantial decrease was directly related to prior year capital projects which were completed in the current year. Other reductions were the combined result of a decrease in capital spending from grant related activities and from the Commission's desire to reduce governmental spending in 2000 to support a successful ad-valorem millage decrease.

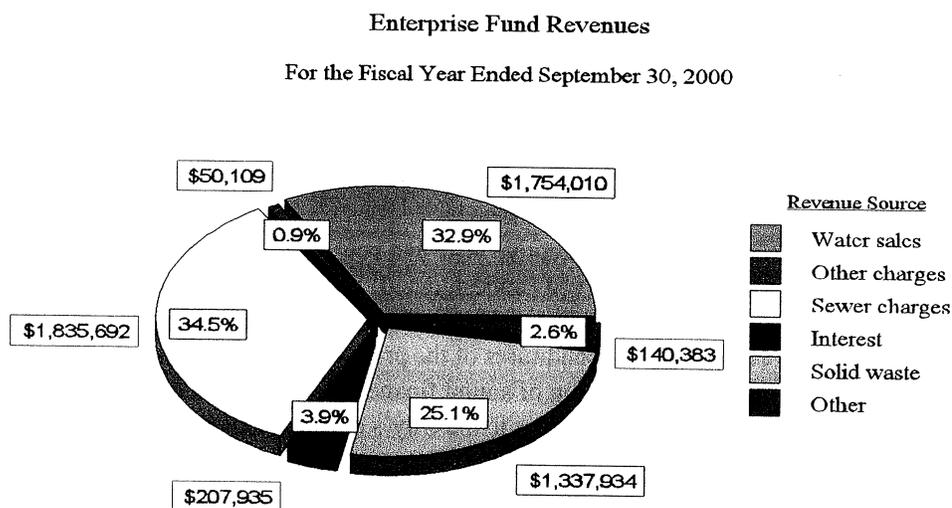
General Fund Equity Balance For the second consecutive year in a row, fund balance in the City's General Fund increased by more than 25%. The unreserved (undesignated) portion of the fund balance increased \$453,814 or 29.0% over the amount available at the end of 1999. This increase provides the City with a fund balance that is equivalent to 40.7% of the total expenditures of the prior year or an amount equal to fund over 21 weeks of operating expenditures. This indication of sound financial position will ensure the availability of resources needed to continue providing quality services to the City's citizens without imposing an undue tax burden.

Enterprise Operations The City's primary government enterprise operations are comprised of two separate and distinct activities: the Water and Sewer Utility Fund, the Solid Waste Utility Fund. The following schedule presents a summary of enterprise fund revenues for the fiscal year ended September 30, 2000, and the increases and decreases in relation to prior year revenues:

Honorable Mayor Arthur, and  
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 City of Holly Hill, Florida  
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<u>Operating Revenue Source</u>	<u>2000 Amount</u>	<u>Percent of Total</u>	<u>2000 Increase (Decrease)</u>
Water sales .....	\$ 1,754,010	32.9%	\$ 70,990
Sewer charges .....	1,835,692	34.5%	85,023
Waste disposal charges .....	1,337,934	25.1%	38,595
Other charges .....	50,109	0.9%	(4,534)
Interest earnings .....	207,935	3.9%	46,851
Other income .....	<u>140,383</u>	2.6%	<u>99,859</u>
Totals .....	\$ <u>5,326,063</u>		\$ <u>336,784</u>

A summary of the individual components of the City's enterprise fund revenues are displayed in the following graph:



The City's combined enterprise fund revenues increased by \$336,784 during 2000. The significant increases in the charges for services in the enterprise funds were the combined result of increased consumer demand for utility services and a 3.5% utility rate increase effective October 1, 1999. The increase in other income was primarily attributable to the recognition of gains from the final disposal and adjustments of utility and solid waste fund assets of more than \$80,000 in 2000.

The following schedule presents a summary of enterprise fund expenses for the year ended September 30, 2000, and the increases and decreases in relation to prior year amounts:

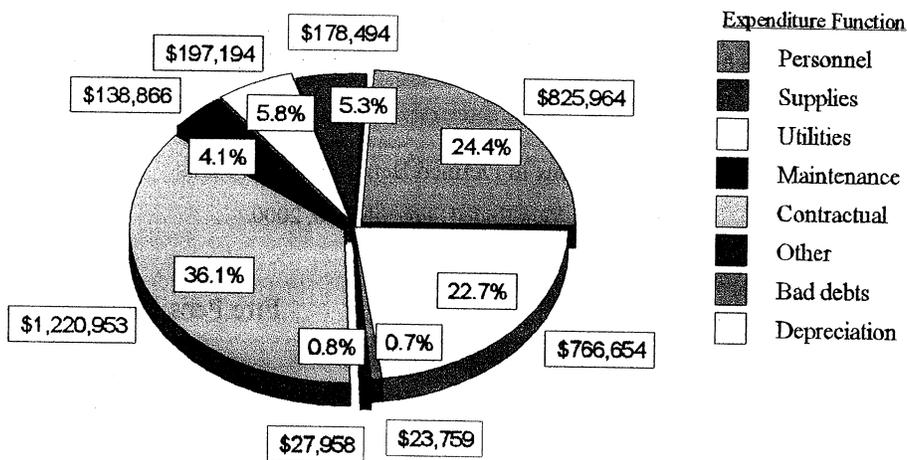
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<u>Operating Expenses</u>	<u>2000 Amount</u>	<u>Percent of Total</u>	<u>2000 Increase (Decrease)</u>
Personal services .....	\$ 825,964	24.4%	\$ 15,960
Materials and supplies .....	178,494	5.3%	(43,445)
Utilities .....	197,194	5.8%	(3,872)
Maintenance and repairs .....	138,866	4.1%	(34,370)
Contractual services .....	1,220,953	36.1%	130,944
Other expenses .....	27,958	0.8%	(11,491)
Bad debts .....	23,759	0.7%	(15,493)
Depreciation .....	<u>766,654</u>	22.7%	<u>(21,281)</u>
Totals .....	\$ <u>3,379,842</u>		\$ <u>16,952</u>

The City's enterprise fund expenses are composed of the following:

Enterprise Fund Expenses

For the Fiscal Year Ended September 30, 2000



The decreases in utility operating expenses experienced in 2000 resulted primarily from reductions of supply costs and maintenance and repair expenses due in part to the recent replacement and rehabilitation of a significant portion of the City's utility plant assets. The significant increase in contractual services was directly related to the City's increased cleanup activities and above-normal debris removal and disposal costs incurred subsequent to the summer storms experienced last year.

The City's net income before operating transfers from its Water and Sewer Fund and Solid Waste Fund totaled \$889,197 and \$204,642, respectively, for the year ended September 30, 2000. Operating transfers from the

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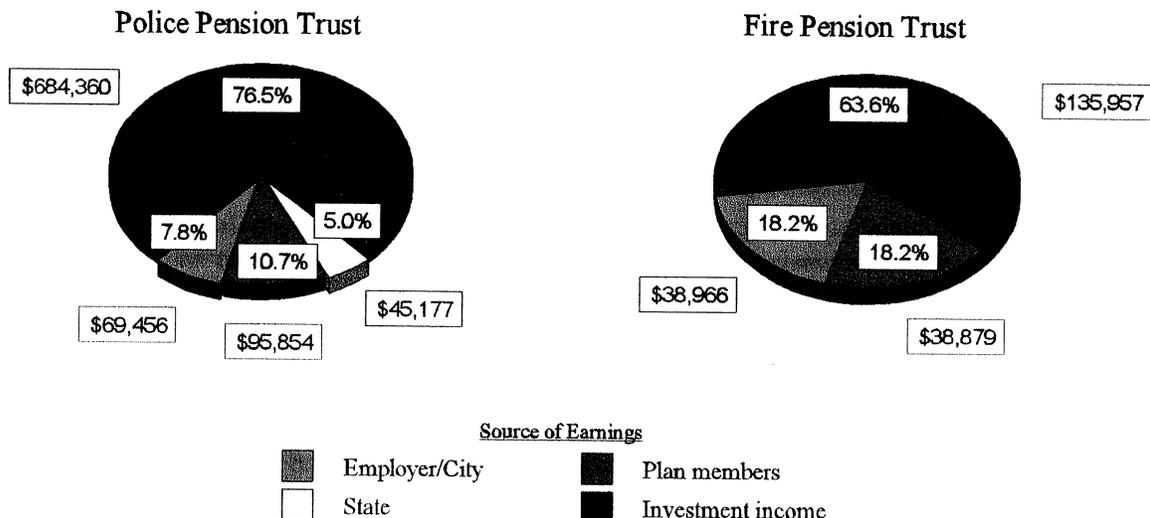
Water and Sewer Fund to the General Fund totaled \$450,000 (as reimbursement for administrative expenses) compared with \$440,000 in 1999. Operating transfers from the Solid Waste Fund to the General Fund and Capital Projects Fund totaled \$225,300 and \$80,000, respectively.

**Pension Trust Fund Operations** The Municipal Police Officers' Retirement Trust Fund was created by the City under the provisions of Chapter 185, Florida Statutes. During the year, revenues were derived from City contributions of \$69,456, State contributions of \$45,177, plan member contributions of \$95,854, interest and dividend earnings of \$157,722, and net appreciation in fair value of investments of \$577,021. Investment expenses totaled \$50,383 for the year. As of September 30, 2000, the net plan assets held in trust for pension benefits totaled \$5,500,525 which was 12.0% over last year's amount.

The Municipal Firefighters' Pension Trust Fund was created by the City under the provisions of Chapter 175, Florida Statutes. During the year, revenues were derived from City contributions of \$38,966, plan member contributions of \$38,879, interest and dividend earnings of \$83,285, and net appreciation in fair value of investments of \$81,637. Investment expenses totaled \$28,965 for the year. At year end, the net plan assets held in trust for pension benefits totaled \$2,015,051, which was 2.1% over last year's amount. During 2000, the City did not receive the state contribution to the Plan. As a result, the City did not deposit the total required contribution to the Fire Plan as determined by the October 1, 1999 actuarial valuation. The contribution shortfall of \$30,342, is expected to be funded with the receipt of state casualty insurance premium taxes in the following year, at which time all funding requirements will be met.

The most recent actuarial valuations for each pension fund continue to reflect a positive trend in the growth of both plans. The following is a summary of the contributions to the City's defined benefit pension plans for the year ended September 30, 2000:

Source of Contributions to Defined Benefit Pension Plans  
 For the Fiscal Year Ended September 30, 2000



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 City of Holly Hill, Florida  
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The City's general employees, excluding police and firefighters, are provided pension benefits based upon their individual dates of employment with the City. All general employees hired before January 1, 1996 are included in the Florida Retirement System of the State of Florida. This plan is a cost-sharing, multiple-employer public employee retirement system created and administered by the State of Florida, Department of Administration, Division of Retirement. The City's payroll for employees covered under the plan totaled \$1,377,329 for the recent fiscal year. The City's contributions to the plan totaled \$136,782 during the year.

Pursuant to Chapter 95-338, Laws of Florida, and Ordinance No. 2450, all new employees hired by the City after December 31, 1995, do not participate in the Florida Retirement System. The City's alternative retirement plan is a defined contribution plan with an effective date of January 1, 1996. For the fiscal year ended September 30, 2000 covered wages for employees participating in this plan amounted to \$562,860; the City contributions to the plan accounts of the participants amounted to \$41,330 and employee contributions to the plan amounted to \$11,244.

Debt Administration At September 30, 2000, the City had no general bonded debt obligations outstanding. Water and sewer revenue bonds issued in 1992 are rated AAA by Moody's Investor Services and AAA by Standard and Poor's Corporation and are insured by Municipal Bond Investors Corporation. Debt service payments during the year consisted of \$295,000 in principal maturities and \$826,589 of interest.

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 fair value of the assets. The total cost of general fixed assets at September 30, 2000 totaled \$14,986,107 as compared to \$14,017,760 for the preceding year, an increase of 6.9%.

Cash Management Cash temporarily idle during the year was invested in demand deposit and time deposit accounts and U.S. Treasury securities ranging from 12 to 24 months to maturity. The City'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 in accordance with state statutes. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. At September 30, 2000, 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 years was as follows:

	<u>2000</u>	<u>1999</u>
General Fund .....	\$ 147,765	109,591
Special Revenue Funds .....	48,185	41,472
Capital Projects Fund .....	20,829	47,157
Water and Sewer System Fund .....	171,731	107,789
Solid Waste Fund .....	<u>36,204</u>	<u>53,294</u>
Total interest earnings .....	\$ <u>424,714</u>	<u>359,303</u>

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
February 28, 2001  
Page 12

The preceding amounts do not include interest and dividend earnings on the City's pension trust funds because these funds are not available for general City use.

*Risk Management* The City contracts for all known risk elements through the purchase of insurance from outside insurance companies. In addition, various risk control techniques are in place to minimize accident related losses. These include the establishment of safety rules and procedures, accident prevention training, and the ongoing efforts of the safety committee, which is charged with (1) reviewing accident reports to identify and verify their causes; (2) recommending corrective actions; (3) reviewing employee safety suggestions; (4) hearing and investigating employee complaints; (5) investigating hazardous conditions, material or equipment; and (6) recommending awards or penalties.

All insurance coverage is held by commercial carriers and no settlements in excess of claims have been incurred during the past three fiscal years.

#### **OTHER INFORMATION**

*Independent Audit* The City Charter and State Statutes require an annual audit by independent certified public accountants. The accounting firm of Brent Millikan & Company, P.A., was selected by the City Commission to serve in this capacity. Their auditors' report on the general purpose financial statements is included in the financial section of this report. Their reports on compliance and other matters is contained in the *Compliance* section at the end of the comprehensive annual financial report.

*Awards* The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its comprehensive annual financial report for the fiscal year ended September 30, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government 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 23 consecutive years. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 1999. This is the eleventh 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.

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
February 28, 2001  
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*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.

Respectfully submitted,

*Brenda Gubernator*

Brenda Gubernator  
Director of Finance



## ***Financial Section***

***This section is composed of the following three parts:***

***Independent Auditors' Report***

***General Purpose Financial Statements***

***Combining and Individual Fund and  
Account Group Financial Statements***



***Independent Auditors' Report***



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

**Independent Auditor's Report**

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

We have audited the accompanying general-purpose financial statements of City of Holly Hill, Florida, as of and for the year ended September 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of City of Holly Hill, Florida's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the Police Officers' Retirement Trust Fund, which statements reflect net assets held in trust for pension benefits of \$5,500,525 as of September 30, 2000 and changes in net assets held in trust for pension benefits of \$588,768 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and in 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Holly Hill, Florida, as of September 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2001 on our consideration of City of Holly Hill, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Honorable Mayor, City Commission  
and City Manager  
City of Holly Hill, Florida  
Page 2 of 2

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of City of Holly Hill, Florida, taken as a whole. The combining and individual fund and account group financial statements and 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 City of Holly Hill, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

The information presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information 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.

*Brest Milliken & Co., P.A.*

February 28, 2001

## ***General-Purpose Financial Statements***

### ***(Combined Statements - Overview)***

*The diverse nature of a governmental operation and the necessity of complying with legal provisions require accounting systems unlike those commonly used by commercial enterprises. Rather than establishing a single unified set of accounts for recording and summarizing all financial transactions, the accounts of a governmental unit are organized on the basis of funds or account groups.*

*The general-purpose financial statements were prepared to allow the user of the financial report to obtain an overview and broad perspective of City of Holly Hill, Florida's financial position ahead of the comparable data on a detailed basis by individual funds.*

**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
 September 30, 2000  
 With Comparative Totals for September 30, 1999  
 CITY OF HOLLY HILL, FLORIDA

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Assets and Other Debits:</b>			
Cash and cash equivalents .....	\$ 1,826,098	937,812	101,353
Investments .....	530,134	0	0
Receivables - net:			
Delinquent taxes .....	65,941	0	0
Accounts .....	17,845	29,109	0
Accrued interest .....	143	0	0
Liens .....	40,627	0	0
Due from brokers .....	0	0	0
Due from other funds .....	13,676	1,183	0
Advances to other funds .....	59,700	0	0
Due from other governments .....	69,483	748	150,000
Prepaid items .....	30,342	0	0
<b>Restricted assets:</b>			
Cash and cash equivalents:			
Sinking Funds .....	0	0	0
Renewal and Replacement Fund .....	0	0	0
Restricted Impact Fees .....	0	0	0
Customer deposits .....	0	0	0
Land .....	0	0	0
Buildings .....	0	0	0
Improvements other than buildings .....	0	0	0
Machinery and equipment .....	0	0	0
Accumulated depreciation .....	0	0	0
Construction in progress .....	0	0	0
Unamortized debt expense .....	0	0	0
Other debits:			
Amount to be provided for retirement of general long-term debt .....	0	0	0
<b>Total assets and other debits.....</b>	<b>\$ 2,653,989</b>	<b>968,852</b>	<b>251,353</b>

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

## Statement 1

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals- (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt	2000	1999
Enterprise	Trust				
\$ 2,436,859	407,828	0	0	5,709,950	4,930,244
0	7,078,837	0	0	7,608,971	6,964,590
0	0	0	0	65,941	64,843
299,501	0	0	0	346,455	377,980
3,289	44,887	0	0	48,319	55,070
0	0	0	0	40,627	31,553
0	150,000	0	0	150,000	0
6,107	0	0	0	20,966	88,575
0	0	0	0	59,700	59,700
94,103	46,781	0	0	361,115	373,083
9,457	0	0	0	39,799	9,239
35,401	0	0	0	35,401	17,569
508,398	0	0	0	508,398	313,862
135,239	0	0	0	135,239	48,515
518,980	0	0	0	518,980	490,848
154,739	0	1,367,000	0	1,521,739	1,521,739
10,847,325	0	3,648,857	0	14,496,182	14,157,136
8,839,275	0	7,635,752	0	16,475,027	15,710,505
6,750,554	0	2,307,915	0	9,058,469	8,981,347
(10,028,584)	0	0	0	(10,028,584)	(9,443,056)
1,513,893	0	26,583	0	1,540,476	510,331
239,080	0	0	0	239,080	200,112
0	0	0	1,557,853	1,557,853	1,735,769
\$ 22,363,616	7,728,333	14,986,107	1,557,853	50,510,103	47,199,554

(Continued)...

COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 September 30, 2000  
 With Comparative Totals for September 30, 1999  
 CITY OF HOLLY HILL, FLORIDA

Liabilities, Equity and Other Credits:	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Liabilities:</b>			
Accounts payable .....	\$ 110,670	431	0
Contracts payable - retainage .....	0	0	0
Accrued liabilities .....	165,740	10,090	0
Pension contribution payable .....	30,342	0	0
Refundable deposits .....	1,892	0	0
Due to other funds .....	89	748	0
Advance from other funds .....	0	59,700	0
Deferred revenues .....	170,514	0	0
<b>Restricted fund liabilities:</b>			
Accounts payable .....	0	0	0
Customers' deposits .....	0	0	0
Current portion of revenue bonds payable .....	0	0	0
Revenue bonds payable - net .....	0	0	0
Notes payable .....	0	0	0
Obligation for compensated absences .....	0	0	0
<b>Total liabilities .....</b>	<b>479,247</b>	<b>70,969</b>	<b>0</b>
<b>Equity and Other Credits:</b>			
Contributed capital .....	0	0	0
Investment in general fixed assets .....	0	0	0
<b>Retained Earnings:</b>			
Reserved for renewal and replacement .....	0	0	0
Unreserved .....	0	0	0
<b>Fund Balances:</b>			
Reserved for encumbrances .....	0	0	0
Reserved for community redevelopment.....	0	0	0
Reserved for transportation .....	69,363	0	0
Reserved for advances to other funds .....	59,700	0	0
Reserved for police education .....	17,595	0	0
Reserved for stormwater drainage .....	0	893,113	0
Reserved for capital projects .....	0	0	251,353
Reserved for law enforcement trust .....	0	0	0
Reserved for pension benefits .....	0	0	0
Unreserved - Undesignated .....	2,028,084	4,770	0
<b>Total equity and other credits.....</b>	<b>2,174,742</b>	<b>897,883</b>	<b>251,353</b>
<b>Total liabilities, equity and other credits .....</b>	<b>\$ 2,653,989</b>	<b>968,852</b>	<b>251,353</b>

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

Statement 1  
(Continued)

	Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals-	
			General Fixed Assets	General Long-Term Debt	Memorandum Only	
	Enterprise	Trust and Agency			2000	1999
\$	306,619	22,028	0	0	439,748	785,308
	0	0	0	0	0	115,974
	44,802	0	0	0	220,632	194,648
	0	0	0	0	30,342	0
	0	0	0	0	1,892	1,632
	0	20,129	0	0	20,966	88,575
	0	0	0	0	59,700	59,700
	0	0	0	0	170,514	139,494
	5,908	0	0	0	5,908	13,758
	518,980	0	0	0	518,980	490,848
	310,000	0	0	0	310,000	295,000
	12,819,408	0	0	0	12,819,408	13,116,755
	1,415,479	0	0	1,117,069	2,532,548	1,324,147
	110,655	0	0	440,784	551,439	545,501
	<u>15,531,851</u>	<u>42,157</u>	<u>0</u>	<u>1,557,853</u>	<u>17,682,077</u>	<u>17,171,340</u>
	3,311,710	0	0	0	3,311,710	3,208,550
	0	0	14,986,107	0	14,986,107	14,017,760
	508,398	0	0	0	508,398	313,862
	3,011,657	0	0	0	3,011,657	2,867,654
	0	0	0	0	0	11,440
	0	0	0	0	0	16,900
	0	0	0	0	69,363	0
	0	0	0	0	59,700	59,700
	0	0	0	0	17,595	15,215
	0	0	0	0	893,113	781,582
	0	0	0	0	251,353	194,746
	0	31,583	0	0	31,583	21,721
	0	7,654,593	0	0	7,654,593	6,963,411
	0	0	0	0	2,032,854	1,555,673
	<u>6,831,765</u>	<u>7,686,176</u>	<u>14,986,107</u>	<u>0</u>	<u>32,828,026</u>	<u>30,028,214</u>
\$	<u>22,363,616</u>	<u>7,728,333</u>	<u>14,986,107</u>	<u>1,557,853</u>	<u>50,510,103</u>	<u>47,199,554</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS**  
For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Revenue:</b>			
Taxes .....	\$ 3,279,961	32,613	0
Licenses and permits .....	179,580	0	0
Intergovernmental .....	1,170,485	350,502	191,580
Charges for services .....	137,894	366,743	0
Fines and forfeitures .....	73,361	0	0
Miscellaneous .....	200,929	48,185	20,829
<b>Total revenue .....</b>	<b>5,042,210</b>	<b>798,043</b>	<b>212,409</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,026,223	0	0
Public safety .....	2,443,962	16,286	0
Physical environment .....	0	307,016	0
Transportation .....	584,862	165,717	0
Economic environment .....	0	82,565	0
Culture/recreation .....	701,394	230	0
Capital outlay .....	0	0	561,102
<b>Debt Service:</b>			
Principal retirement .....	169,034	0	0
Interest and fiscal charges .....	60,849	0	0
<b>Total expenditures .....</b>	<b>4,986,324</b>	<b>571,814</b>	<b>561,102</b>
Excess of revenue over (under) expenditures .....	55,886	226,229	(348,693)
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	0	0	0
Operating transfers in .....	679,644	1,573	405,300
Operating transfers (out) .....	(226,873)	(104,344)	0
<b>Total other financing sources (uses) .....</b>	<b>452,771</b>	<b>(102,771)</b>	<b>405,300</b>
Excess of revenue and other sources over expenditures and other uses .....	508,657	123,458	56,607
Fund balances, beginning of year .....	1,666,085	774,426	194,746
Fund balances, end of year .....	\$ <u>2,174,742</u>	<u>897,884</u>	<u>251,353</u>

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

Statement 2

Fiduciary Fund Type	Totals- (Memorandum Only)		
	Trust	2000	1999
\$	0	3,312,574	3,233,237
	0	179,580	245,185
	0	1,712,567	1,570,406
	0	504,637	474,983
	13,357	86,718	107,245
	271	270,214	245,444
	<u>13,628</u>	<u>6,066,290</u>	<u>5,876,500</u>
	0	1,026,223	1,170,422
	3,766	2,464,014	2,319,336
	0	307,016	599,284
	0	750,579	634,633
	0	82,565	102,371
	0	701,624	632,100
	0	561,102	1,638,710
	0	169,034	161,610
	0	60,849	65,719
	<u>3,766</u>	<u>6,123,006</u>	<u>7,324,185</u>
	<u>9,862</u>	<u>(56,716)</u>	<u>(1,447,685)</u>
	0	0	0
	0	1,086,517	1,658,117
	0	(331,217)	(367,817)
	<u>0</u>	<u>755,300</u>	<u>1,290,300</u>
	9,862	698,584	(157,385)
	<u>21,721</u>	<u>2,656,978</u>	<u>2,814,363</u>
\$	<u>31,583</u>	<u>3,355,562</u>	<u>2,656,978</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES**  
For the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes .....	\$ 3,320,300	3,279,961	(40,339)
Licenses and permits .....	216,000	179,580	(36,420)
Intergovernmental .....	917,500	1,170,485	252,985
Charges for services .....	125,800	137,894	12,094
Fines and forfeitures .....	75,600	73,361	(2,239)
Miscellaneous .....	161,000	200,929	39,929
<b>Total revenue .....</b>	<b>4,816,200</b>	<b>5,042,210</b>	<b>226,010</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,138,700	1,026,223	112,477
Public safety .....	2,613,800	2,443,962	169,838
Physical environment .....	0	0	0
Transportation .....	632,400	584,862	47,538
Economic environment .....	0	0	0
Culture/recreation .....	760,500	701,394	59,106
Capital outlay .....	0	0	0
<b>Debt Service:</b>			
Principal retirement .....	169,100	169,034	66
Interest and fiscal charges .....	60,900	60,849	51
<b>Total expenditures .....</b>	<b>5,375,400</b>	<b>4,986,324</b>	<b>389,076</b>
Excess of revenue over (under) expenditures .....	(559,200)	55,886	615,086
<b>Other Financing Sources (Uses):</b>			
Operating transfers in .....	683,900	679,644	(4,256)
Operating transfers (out) .....	(233,300)	(226,873)	6,427
Appropriated fund balance .....	111,300	0	(111,300)
<b>Total other financing sources (uses) .....</b>	<b>561,900</b>	<b>452,771</b>	<b>(109,129)</b>
Excess of revenue and other sources over expenditures and other uses .....	2,700	508,657	505,957
Fund balances, beginning of year .....	1,666,085	1,666,085	0
Fund balances, end of year .....	\$ 1,668,785	2,174,742	505,957

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

Statement 3

Special Revenue Funds			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
32,600	32,613	13	0	0	0
0	0	0	0	0	0
395,100	350,502	(44,598)	109,600	191,580	81,980
360,000	366,743	6,743	0	0	0
0	0	0	0	0	0
40,200	48,185	7,985	9,900	20,829	10,929
<u>827,900</u>	<u>798,043</u>	<u>(29,857)</u>	<u>119,500</u>	<u>212,409</u>	<u>92,909</u>
0	0	0	0	0	0
16,500	16,286	214	0	0	0
589,700	307,016	282,684	0	0	0
165,800	165,717	83	0	0	0
99,700	82,565	17,135	0	0	0
200	230	(30)	0	0	0
0	0	0	635,300	561,102	74,198
0	0	0	0	0	0
0	0	0	0	0	0
<u>871,900</u>	<u>571,814</u>	<u>300,086</u>	<u>635,300</u>	<u>561,102</u>	<u>74,198</u>
<u>(44,000)</u>	<u>226,229</u>	<u>270,229</u>	<u>(515,800)</u>	<u>(348,693)</u>	<u>167,107</u>
8,000	1,573	(6,427)	405,300	405,300	0
(108,600)	(104,344)	4,256	0	0	0
144,600	0	(144,600)	110,500	0	(110,500)
<u>44,000</u>	<u>(102,771)</u>	<u>(146,771)</u>	<u>515,800</u>	<u>405,300</u>	<u>(110,500)</u>
0	123,458	123,458	0	56,607	56,607
<u>774,425</u>	<u>774,425</u>	<u>0</u>	<u>194,746</u>	<u>194,746</u>	<u>0</u>
<u>774,425</u>	<u>897,883</u>	<u>123,458</u>	<u>194,746</u>	<u>251,353</u>	<u>56,607</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS - (Continued)**  
For the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Statement 3

	Totals - All Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes .....	\$ 3,352,900	3,312,574	(40,326)
Licenses and permits .....	216,000	179,580	(36,420)
Intergovernmental .....	1,422,200	1,712,567	290,367
Charges for services .....	485,800	504,637	18,837
Fines and forfeitures .....	75,600	73,361	(2,239)
Miscellaneous .....	211,100	269,943	58,843
<b>Total revenue .....</b>	<b>5,763,600</b>	<b>6,052,662</b>	<b>289,062</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,138,700	1,026,223	112,477
Public safety .....	2,630,300	2,460,248	170,052
Physical environment .....	589,700	307,016	282,684
Transportation .....	798,200	750,579	47,621
Economic environment .....	99,700	82,565	17,135
Culture/recreation .....	760,700	701,624	59,076
Capital outlay .....	635,300	561,102	74,198
<b>Debt Service:</b>			
Principal retirement .....	169,100	169,034	66
Interest and fiscal charges .....	60,900	60,849	51
<b>Total expenditures .....</b>	<b>6,882,600</b>	<b>6,119,240</b>	<b>763,360</b>
Excess of revenue over (under) expenditures .....	(1,119,000)	(66,578)	1,052,422
<b>Other Financing Sources (Uses):</b>			
Operating transfers in .....	1,097,200	1,086,517	(10,683)
Operating transfers (out) .....	(341,900)	(331,217)	10,683
Appropriated fund balance .....	366,400	0	(366,400)
<b>Total other financing sources (uses) .....</b>	<b>1,121,700</b>	<b>755,300</b>	<b>(366,400)</b>
Excess of revenue and other sources over expenditures and other uses .....	2,700	688,722	686,022
Fund balances, beginning of year .....	2,635,256	2,635,256	0
Fund balances, end of year .....	<u>\$ 2,637,956</u>	<u>3,323,978</u>	<u>686,022</u>

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

**COMBINED STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES**

Statement 4

For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	<u>2000</u>	<u>1999</u>
Operating Revenue:		
Charges for services .....	\$ 4,977,745	4,787,671
Operating Expenses:		
Personal services .....	825,964	810,004
Materials and supplies .....	178,494	221,939
Utilities .....	197,194	201,066
Maintenance and repairs .....	138,866	173,236
Contractual services .....	1,220,953	1,090,009
Other expenses .....	27,958	39,449
Bad debts .....	23,759	39,252
Depreciation .....	766,654	787,935
Total operating expenses .....	<u>3,379,842</u>	<u>3,362,890</u>
Total operating income .....	<u>1,597,903</u>	<u>1,424,781</u>
Nonoperating Revenue (Expenses):		
Interest earnings .....	207,935	161,084
Operating grant revenue .....	4,271	1,023
Other income (expenses) .....	136,112	39,501
Interest expense .....	<u>(852,382)</u>	<u>(866,744)</u>
Total nonoperating revenue (expenses) .....	<u>(504,064)</u>	<u>(665,136)</u>
Net income before operating transfers .....	1,093,839	759,645
Operating transfers .....	<u>(755,300)</u>	<u>(1,290,300)</u>
Net income (loss) .....	338,539	(530,655)
Retained earnings, beginning of year .....	<u>3,181,516</u>	<u>3,712,171</u>
Retained earnings, end of year .....	<u>\$ 3,520,055</u>	<u>3,181,516</u>

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



**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**

Statement 5

For the Fiscal Year Ended September 30, 2000  
 With Comparative Totals for the Fiscal Year Ended September 30, 1999  
 CITY OF HOLLY HILL, FLORIDA

	2000	1999
<b>Operating Activities:</b>		
Operating income (loss) .....	\$ 1,597,903	1,424,781
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	766,654	787,935
Bad debt expense .....	23,759	39,252
Other income .....	57,523	39,501
Changes in assets and liabilities:		
Accounts receivable, net .....	9,558	(54,899)
Other receivables .....	(3,053)	9,137
Due from other funds .....	8,710	157,926
Prepaid expenses .....	(218)	22,420
Accounts payable .....	3,299	(57,255)
Accrued liabilities .....	6,635	2,855
Due to other funds .....	(584)	(151,649)
Customer deposits .....	28,132	31,349
Obligation for compensated absences .....	16,101	1,633
	2,514,419	2,252,986
<b>Noncapital and Related Financing Activities:</b>		
Operating grants .....	4,271	1,023
Operating transfers (out) .....	(755,300)	(1,290,300)
	(751,029)	(1,289,277)
<b>Capital and Related Financing Activities:</b>		
Capital contributions .....	103,160	86,908
Proceeds on note payable .....	1,217,316	0
Debt reduction outlays .....	(295,000)	(280,000)
Acquisition and construction of capital assets .....	(1,327,933)	(401,591)
Interest paid .....	(827,324)	(844,132)
	(1,129,781)	(1,438,815)
<b>Investing Activities:</b>		
Proceeds from maturity of investments .....	246,026	493,743
Purchases of investments .....	0	(246,027)
Interest received .....	207,936	161,083
	453,962	408,799
Net cash provided by (used in) investing activities .....	453,962	408,799
Net (decrease) increase in cash and cash equivalents .....	1,087,571	(66,307)
Cash and cash equivalents, beginning of year .....	2,547,306	2,613,613
Cash and cash equivalents, end of year .....	\$ 3,634,877	2,547,306

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**ALL PENSION TRUST FUNDS**  
For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	Pension Trust Funds		
	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	General Employees' Retirement Trust
<b>Additions:</b>			
Contributions from:			
Employer .....	\$ 69,456	38,966	36,157
State .....	45,177	0	0
Plan members .....	95,854	38,879	11,244
<b>Total contributions.....</b>	<b>210,487</b>	<b>77,845</b>	<b>47,401</b>
<b>Investment income:</b>			
Net realized and unrealized appreciation (depreciation) in fair value of investments .....	577,021	81,637	0
Interest and dividend earnings .....	157,722	83,285	16,552
	734,743	164,922	16,552
Less: investment management fees .....	(50,383)	(28,965)	0
<b>Total investment income .....</b>	<b>684,360</b>	<b>135,957</b>	<b>16,552</b>
<b>Total additions .....</b>	<b>894,847</b>	<b>213,802</b>	<b>63,953</b>
<b>Deductions:</b>			
Benefit payments .....	190,469	132,745	0
Refunds/withdrawals .....	99,313	24,558	3,152
Administrative expenses .....	16,297	14,702	184
<b>Total deductions.....</b>	<b>306,079</b>	<b>172,005</b>	<b>3,336</b>
<b>Net increase .....</b>	<b>588,768</b>	<b>41,797</b>	<b>60,617</b>
<b>Net assets held in trust for pension benefits:</b>			
Beginning of year .....	4,911,757	1,973,254	78,400
End of year .....	\$ 5,500,525	2,015,051	139,017

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

Statement 6

Totals - Memorandum Only	
<u>2000</u>	<u>1999</u>
144,579	172,738
45,177	81,260
<u>145,977</u>	<u>118,928</u>
<u>335,733</u>	<u>372,926</u>
658,658	483,676
<u>257,559</u>	<u>239,405</u>
916,217	723,081
<u>(79,348)</u>	<u>(60,211)</u>
<u>836,869</u>	<u>662,870</u>
<u>1,172,602</u>	<u>1,035,796</u>
323,214	323,214
127,023	27,109
<u>31,183</u>	<u>40,604</u>
<u>481,420</u>	<u>390,927</u>
691,182	644,869
<u>6,963,411</u>	<u>6,318,542</u>
<u><u>7,654,593</u></u>	<u><u>6,963,411</u></u>



*Notes To The Financial Statements*



## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

#### **Municipal Creation and Organization**

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

#### **Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the financial position, results of operations and cash flows of the applicable fund types and account groups governed by the City Commission of the City of Holly Hill, Florida (the primary government) and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

#### **Individual Component Unit Disclosures**

*Blended Component Unit.* The City of Holly Hill Community Redevelopment Fund was created by Ordinance 2426 to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment. Although legally separate, the same elected City Commission members serve as the governing board of the Community Redevelopment Fund. Since the City is financially accountable for the activities of the Fund, its governing board is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a special revenue fund.

#### **Basis of Presentation - Fund Accounting**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

*Governmental Fund Types* - Governmental funds are accounted for on a spending measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other uses) of "available spendable resources" during a period. The following fund categories are included in the City's governmental funds:

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

*Special Revenue Funds* - These funds are used to account for the proceeds of specific revenue sources (other than expendable trust or capital projects) which are legally restricted for particular functions or activities of the City.

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (CONTINUED)**

*Proprietary Fund Type* - Proprietary funds are accounted for on a capital maintenance measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund measurement focus is upon determination of net income, financial position, and cash flows. The following fund category is included in the City's proprietary funds:

*Enterprise Funds* - Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of revenue bonds, federal grants contributions and other City funds.

*Fiduciary Fund Types* - Fiduciary Funds, which include trust and agency funds, account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The following fund categories are included in the City's fiduciary funds:

*Pension Trust Funds* - Pension trust funds (Police, Fire, and General Employees) are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

*Expendable Trust Fund* - Expendable trust funds are accounted for in essentially the same manner as governmental funds since the fund's resources may be fully expended for authorized expenditures.

*Account Groups* - Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds

*General Long-Term Debt Account Group* - This group of accounts is established to account for all long-term debt of the City except those accounted for in the proprietary funds.

**Measurement Focus - Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

*Governmental Funds Types*

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

The modified accrual basis of accounting is utilized by the governmental fund types and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due or when amounts have been accumulated for payments to be made early in the following year,

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (CONTINUED)**

and certain compensated absences and claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest earnings, and charges for services. Fines, permits, and certain intergovernmental revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues received as reimbursements for specific purposes or projects are recognized based upon the expenditures recorded.

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

*Proprietary Fund Types*

Proprietary and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

The accrual basis of accounting is utilized by proprietary fund types and pension trust funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Based on the accounting and reporting standards set forth in Government Accounting Standards Board Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*", the City has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989.

**Budgets and Budgetary Accounting**

The City follows the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or before August 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the City Commission, as needed.
- The general summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- The City 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.
- The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. The level of classification detail at which expenditures may not legally exceed appropriations is within a department or division by fund.
- Every appropriation lapses at the close of the fiscal year.

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

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (CONTINUED)**

- 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.
- Under current budget policy, the management can amend a budget within a particular department, at the division level only. Amendments from one department to another, must be approved by the City Commission, as the budget is adopted at the departmental level.

**Encumbrances**

Throughout the fiscal year, an encumbrance system is employed to account for any commitments resulting from approved purchase orders and contracts. Encumbrances are not treated as expenditures nor as liabilities, and as such are not recorded in the formal accounting records of the City. While the City strongly encourages liquidation of all outstanding purchase orders prior to the end of the year, outstanding encumbrances at year end, when applicable, are reported as reservations of fund balance for subsequent years' expenditure based on the encumbered appropriation carried over. Appropriations lapse at the end of the fiscal year.

**Cash and Cash Equivalents**

The City deposits all cash surpluses in interest bearing checking accounts. Earnings from these accounts are appropriately allocated to the depositing fund accounts based upon the investment equity and are used, where applicable, to finance general municipal operations. For purposes of proprietary fund statements of cash flows, all highly liquid debt instruments purchased with original maturity dates of three months or less are considered by the City to be cash equivalents.

**Investments**

The City's investments are reported at fair value. State statutes authorize the government to invest and reinvest any surplus public funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the U.S. Treasury.

**Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These interfund receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Advances to Other Funds**

Long-term interfund loans receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable, available financial resources, and therefore are not available for appropriation.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (CONTINUED)**

**Receivables**

Accounts receivable have been reported net of an allowance for uncollectible accounts which has been provided based upon management's analysis of historical trends.

Operating sales of the City's water and sewer system are recognized on the basis of the cycle billings rendered monthly. Unbilled utility service charges are recognized and accrued at year end by prorating the first cycle billing subsequent to the end of the fiscal year for the number of days applicable to the current year.

**Restricted Assets**

Restricted proceeds from the issuance of long-term debt obligations, restricted funds required to be set aside for restricted purposes which cannot be used for routine operations are classified as restricted assets since their exclusive use is limited by applicable bond covenants and other legal indentures.

**Fixed Assets/Utility Plant In Service**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by the fund's measurement focus. All fixed assets of the City used in governmental fund type operations (other than those recorded in proprietary funds), are general fixed assets. These assets belong to the City as a whole rather than to any one of the City's individual funds and are accounted for by placing them in a single, self-balancing group of accounts called the General Fixed Assets Account Group. The acquisition of these assets by the City is accounted for as an expenditure in the fund in which it is made and also, as an increase in the General Fixed Assets Account Group. All purchased fixed assets are recorded at the historical cost or estimated historical cost if actual cost is not available. All donated fixed assets are capitalized at their fair market value at the date of donation. Certain "public domain" infrastructure fixed assets such as roads, bridges, sidewalks, curbs, and drainage systems are capitalized in the accounting records. No depreciation has been taken on the general fixed assets.

Proprietary fund fixed assets, including utility plant in service, are stated at historical or estimated historical cost. The costs of additions, replacements, and renewals of units of property are appropriately capitalized. The cost (estimated, if not known) of units of property retired, less net salvage, is charged to accumulated depreciation and the appropriate asset account. Donated assets are capitalized at estimated fair market value on the date donated. Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property, are charged to operating expenses. Construction period interest is capitalized net of interest earned on unexpended construction funds in accordance with the applicable provisions of Financial Accounting Standard Number 62, and therefore, depreciated over the remaining useful life of the related asset. No interest cost relating to construction has been capitalized during the current fiscal year.

Depreciation is provided for by utilization of the straight-line method (half-year convention in year of acquisition) calculated on a service-life basis to amortize the cost of the asset over their economic estimated useful lives which are as follows:

Buildings .....	50	years
Improvements other than buildings .....	10-50	years
Machinery and equipment .....	3-30	years

**Unamortized Debt Discount and Issue Costs**

Bond discounts and debt issuance costs for the proprietary fund type are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Unamortized bond discounts are presented in aggregate on the financial statements as a reduction of the carrying cost of the related long-term debt. Unamortized debt issuance costs are presented as other assets.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (CONTINUED)**

**Payroll and Compensated Absences**

The portion of employees payroll costs paid subsequent to year-end attributable to services performed prior to year-end, including accumulated unpaid vacation and sick-leave, is recorded and recognized as a liability. Since governmental fund balance sheets reflect current liabilities, only the current portion of the liability is reported in the governmental fund. The remainder of the liability is recorded in the General Long-Term Debt Account Group.

Employee vacation leave is based upon the number of years of employment with the City and a portion must be used as time off annually and the remainder can be used as time off or accrued. The maximum amount accrued varies with the general and fire personnel and the police personnel, 90 days and 93.5 days, respectively. Upon termination, the employee receives a cash benefit equal to the number of days accrued based on the employee's current wage rate.

Sick leave is granted to all full time employees. General and fire personnel can accumulate, at a rate of one day per month, up to a maximum of 90 days. Upon retirement or death, employees are paid 100% of their accumulated unpaid sick leave. Upon resignation, only those employees with 15 years of service are paid 50% of their accumulated unpaid sick leave. Police personnel are granted extended leave to be used for illnesses involving absences of three or more days. The extended leave accrues at a rate of four hours per month. There is no maximum accumulated amount, however payment is based on the number of years of service with a maximum of 825 hours.

**Deferred Revenue**

Deferred revenues represent revenues which have been recorded as deferred (unearned) revenues until they become "available" for revenue recognition. The deferred revenues in the General Fund represent delinquent unpaid taxes and occupational license revenues received in advance of their effective dates.

**Long-Term Debt Accounting**

The General Long-Term Debt Account Group was established for the purpose of recording and fairly presenting the City's long-term debt at any time from date of issuance until the debt is finally retired. All long-term liabilities (other than those recorded in the proprietary funds), are general long-term debt. These liabilities belong to the City as a whole and are accounted for by placing them in a single self-balancing group of accounts called the General Long-Term Debt Account Group. Long-term debt expected to be financed from proprietary fund operations is recorded and serviced in those funds.

**Fund Equity**

Contributions of capital to proprietary funds from any source received are recorded in an appropriately captioned contributed capital account. Reserves represent those portions of fund balance/retained earnings which must be segregated for some future use and which are, therefore, not available for further appropriation or expenditure. The description of each reserve indicates the purpose for which it was intended.

**Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

Property taxes are levied November 1st of each year and payable from November through March, with a discount available for payment prior to March 1st (4% in November, 3% in December, 2% in January, and 1% in February). All unpaid taxes are delinquent as of April 1st of the following year. During April and May, a listing of parcels of property with unpaid taxes is compiled and advertised. On June 1st (the lien date) tax certificates are sold on all real estate parcels with unpaid real property taxes. A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes by June 1st. Delinquent unpaid tax collections may remain uncollected for several years.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (CONTINUED)**

certificate sales proceeds or from foreclosure on assessed property. All delinquent past due amounts (which are measurable but not available as of the end of the fiscal year) are recognized as deferred revenue until collected.

**Interfund Transfers and Transactions**

Transfers are recognized in the accounting period in which the interfund receivable and payable arise. Interfund transactions are recorded as corresponding increases and/or decreases in each fund's equity in pooled cash, or as follows:

*Quasi-External Transactions* - Transactions which are treated as revenues, expenditures, or expenses if they involve organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the fund involved, and

*Reimbursements* - Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it, which are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed, and

*Residual Equity Transfers* - Transactions which constitute nonrecurring or nonroutine transfers of equity between funds are accounted for as additions to and deductions from fund balances which are extraneous to normal operations; and

*Operating Transfers* - All other interfund transfers are treated as a separate item in each fund's statement of revenues, expenditures or expenses and changes in fund balance if they are for the purpose of shifting resources from a fund legally required to receive the revenue to a fund authorized to expend the revenue.

**Risk Management**

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

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

**Memorandum Only - Total Columns**

Total columns on the Combined Financial Statements - Overview are captioned "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 cash flows in conformity with generally accepted accounting principles. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 2 - CASH DEPOSITS 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 investment in 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.

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, (The Florida Security for Public Deposits Act), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Treasurer's office. Compliance with the provisions of Chapter 280, F.S., is monitored by the Department of Insurance.

**Deposits**

At September 30, 2000, the carrying amount of the City's deposits, including money market funds with financial institutions, was (\$95,209) and the bank balance was \$70,726. The bank balance was both insured by federal depository insurance and secured in accordance with the statutory provisions of the Florida Security for Deposits Act. Included in the carrying amount of these funds is \$1,577 in petty cash, change funds, and undeposited receipts.

**Investments**

The City's investment policies are governed by state statutes and local ordinances. The basic allowable investment instruments include: Local Government Surplus Funds Trust Fund; negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the U.S. Government; interest bearing time deposits or savings accounts in banks organized under the laws of this state, in national banks organized under the laws of the United States and doing business and situated in this state, in savings and loan associations which are under state supervision or in federal savings and loan associations located in this state and organized under federal law and federal supervision; money market accounts that invest in U.S. Government obligations; obligations of Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

The City 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 overnight repurchase agreement. The repurchase agreement balance is collateralized with securities held by the City's agent in the agent's name.

The City's investments are categorized into the following three categories of credit risk:

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS - (CONTINUED)**

- Category 2 includes uninsured and unregistered investments for which the securities are held by the banks' trust departments or agents in the City's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the banks, or by their trust departments or agents but not in the City's name.

The City's investments are categorized as follows:

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Government agency securities . . . .	\$ 0	530,134	0	530,134	530,134
Repurchase agreement . . . . .	0	0	445,000	445,000	445,000
Pension Fund investments with trustee:					
Cash and money market funds . . . . .	0	0	466,247	466,247	466,247
U.S. Government agency securities . . .	0	0	1,087,259	1,087,259	1,087,259
U.S. Corporate debt securities . . . . .	0	0	1,643,422	1,643,422	1,643,422
U.S. Corporate equity securities . . . .	<u>0</u>	<u>0</u>	<u>4,258,104</u>	<u>4,258,104</u>	<u>4,258,104</u>
Sub-total . . . . .	<u>\$ 0</u>	<u>530,134</u>	<u>7,900,032</u>	8,430,166	8,430,166
Investments not subject to categorization:					
Local Government Surplus Funds					
Trust Fund Investment Pool:					
Restricted . . . . .				1,198,018	1,198,018
Unrestricted . . . . .				<u>4,983,964</u>	<u>4,983,964</u>
Total . . . . .				<u>\$14,612,148</u>	<u>14,612,148</u>

**NOTE 3 - ACCOUNTS RECEIVABLE - NET**

The City's net accounts receivable are composed of the following at September 30, 2000:

	<u>Governmental Funds</u>		<u>Enterprise Funds</u>	
	<u>General</u>	<u>Stormwater Drainage</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>
Accounts receivable . . . . .	\$ 17,845	38,507	267,222	112,773
Less: allowance for doubtful accounts . . . . .	<u>0</u>	<u>(9,398)</u>	<u>(53,347)</u>	<u>(27,147)</u>
Net accounts receivable . . . . .	<u>\$ 17,845</u>	<u>29,109</u>	<u>213,875</u>	<u>85,626</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

The City's Individual fund interfund receivables and payables are composed of the following at September 30, 2000:

<u>Fund</u>	<u>Interfund Due From</u>	<u>Interfund Due To</u>
Due to/from other funds:		
General Fund .....	\$ 13,676	89
Special Revenue Funds:		
Stormwater Drainage .....	1,173	0
Community Redevelopment .....	10	0
Community Development Block Grant .....	0	748
Enterprise Funds:		
Water and Sewer .....	6,107	0
Pension Trust Funds:		
General Employees' Pension Trust Fund .....	<u>0</u>	<u>20,129</u>
Totals .....	<u>\$ 20,966</u>	<u>20,966</u>
Advance to/from other funds:		
General Fund .....	\$ 59,700	0
Special Revenue Funds:		
Community Redevelopment .....	<u>0</u>	<u>59,700</u>
Totals .....	<u>\$ 59,700</u>	<u>59,700</u>

**NOTE 5 - FIXED ASSETS**

A summary of changes in general fixed assets for the year is as follows:

	<u>Balances 09/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 09/30/00</u>
Land .....	\$ 1,367,000	0	0	1,367,000
Buildings .....	3,309,811	339,046	0	3,648,857
Improvements other than buildings .....	6,911,452	724,300	0	7,635,752
Machinery and equipment .....	2,181,297	166,189	39,571	2,307,915
Construction work in progress .....	<u>248,200</u>	<u>17,916</u>	<u>239,533</u>	<u>26,583</u>
Totals .....	<u>\$ 14,017,760</u>	<u>1,247,451</u>	<u>279,104</u>	<u>14,986,107</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**NOTE 6 - LONG-TERM DEBT**

**General Long-Term Debt**

The City's general long-term debt consists of the following as of September 30, 2000:

Notes Payable to:

County of Volusia, Florida:

Noninterest bearing note payable dated January 24, 1995; \$8,002 due semi-annually through 2004, with interest imputed at 5%; unsecured (anticipated to be paid with unencumbered General Fund revenue) . . . . . \$ 57,211

Sun Bank of Volusia County:

4.55% promissory note payable dated December 11, 1996; \$28,281 due semi-annually through 2001; secured by the City's non-ad valorem tax revenues received by the City . . . . . 81,037

4.84% Utility Service Tax Revenue Note, Series 1998A, dated April 14, 1998; \$78,687 due semi-annually through 2008; secured by utility service tax revenues . . . . . 978,821

Total notes payable . . . . . 1,117,069

Obligation for compensated absences . . . . . 440,784

Total general long-term debt . . . . . \$ 1,557,853

A summary of changes in general long-term debt for the year is as follows:

	Balances <u>09/30/99</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>09/30/00</u>
Notes Payable:				
County of Volusia, Florida . . . . .	\$ 69,836	0	12,625	57,211
Sun Bank of Volusia County:				
4.55% promissory note . . . . .	132,078	0	51,041	81,037
4.84% Utility Service Tax Revenue Note, Series 1998A . . . . .	1,082,908	0	104,087	978,821
Obligation for compensated absences . . . . .	<u>450,947</u>	<u>0</u>	<u>10,163</u>	<u>440,784</u>
Totals . . . . .	<u>\$ 1,735,769</u>	<u>0</u>	<u>177,916</u>	<u>1,557,853</u>

A summary of the City's aggregate debt service requirements to maturity on general long-term debt obligation (notes payable) is as follows:

	Volusia <u>County</u>	Sun <u>Trust</u>	Series <u>1998A</u>	<u>Total</u>
Fiscal year ending September 30, 2001 . . .	\$ 16,003	56,561	157,374	229,938
Fiscal year ending September 30, 2002 . . .	16,003	28,280	157,374	201,657
Fiscal year ending September 30, 2003 . . .	16,003	0	157,374	173,377
Fiscal year ending September 30, 2004 . . .	16,003	0	157,374	173,377
Fiscal year ending September 30, 2005 . . .	0	0	157,374	157,374
Thereafter . . . . .	<u>0</u>	<u>0</u>	<u>394,709</u>	<u>394,709</u>
Total requirements . . . . .	64,012	84,841	1,181,579	1,330,432
Less: amounts representing interest . . . . .	<u>(6,801)</u>	<u>(3,804)</u>	<u>(202,758)</u>	<u>(213,663)</u>
Net principal amount . . . . .	<u>\$ 57,211</u>	<u>81,037</u>	<u>978,821</u>	<u>1,117,069</u>



**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**NOTE 7 - CONTRIBUTED CAPITAL**

The following is a summary of changes in enterprise fund contributed capital for the year:

	<u>Balances</u> <u>09/30/99</u>	<u>Meter</u> <u>Connections</u>	<u>Impact</u> <u>Fees</u>	<u>Balances</u> <u>09/30/00</u>
<b>Water and Sewer Fund:</b>				
<b>Contributions from:</b>				
Federal government .....	\$ 919,421	0	0	919,421
Customers .....	2,073,194	16,806	81,064	2,171,064
<b>Solid Waste Fund:</b>				
Contributions from other Funds .....	<u>215,935</u>	<u>0</u>	<u>0</u>	<u>215,935</u>
<b>Totals .....</b>	<b>\$ <u>3,208,550</u></b>	<b><u>16,806</u></b>	<b><u>81,064</u></b>	<b><u>3,306,420</u></b>

**NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains two enterprise funds which provide water and sewer services and solid waste collection services to citizens of the community. Individual segment information for the year ended September 30, 2000, is as follows:

	<u>Water and</u> <u>Sewer</u>	<u>Solid</u> <u>Waste</u>	<u>Total</u>
Operating revenue .....	\$ 3,639,811	1,337,934	4,977,745
Operating expense:			
Depreciation .....	745,709	20,945	766,654
Other .....	1,448,382	1,164,806	2,613,188
Operating income .....	1,445,720	152,183	1,597,903
Nonoperating revenue (expenses) .....	(556,523)	52,459	(504,064)
Operating transfers .....	(450,000)	(305,300)	(755,300)
Net income (loss) .....	439,197	(100,658)	338,539
Current capital contributions .....	97,870	0	97,870
Net working capital .....	2,053,796	444,099	2,497,895
Fixed asset acquisitions, including capitalized interest .....	1,345,025	0	1,345,025
Fixed asset retirements .....	(102,536)	0	(102,536)
Total assets .....	21,755,721	607,895	22,363,616
Total liabilities .....	15,433,060	98,791	15,531,851
Fund equity .....	6,322,661	509,104	6,831,765

**NOTE 9 - PENSION PLANS**

**General Employees - Defined Benefit Pension Plan**

*Plan Description.* (Pre-01/01/96 general employees) The City contributes to the Florida Retirement System (the "FRS") of the State of Florida, a cost-sharing, multiple-employer public employee retirement system created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 121, F.S.

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

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 9 - PENSION PLANS - (CONTINUED)**

Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560, or calling 850-488-5706.

*Funding Policy.* The FRS funding policy provides for required monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability reemerges, future plan benefit changes, assumption changes, and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

The required contributions to the plan for the fiscal years ended September 30, 2000, 1999, and 1998 were \$136,782, \$209,393, and \$292,000, respectively. The required contribution percentages for qualifying employee compensation were 9.15% for the period from July, 2000 through September, 2000, 10.15% for the plan year ended June 30, 2000, 16.45% for the plan year ended June 30, 1999, and 17.43% for the plan year ended June 30, 1998. There were no employee contributions made during these years.

***Defined Contribution Plan***

The City contributes to the Florida Municipal Pension Trust Fund, a defined contribution plan which is administered by Florida League of Cities, Inc., P. O. Box 1757, Tallahassee, FL 32302-1757. Under Resolution No. 61 and Ordinance No. 2417, as amended, the City established this plan for all regular full time employees hired on or after January 1, 1996 by revoking its participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees.

Participants become eligible the first day of the month following their date of employment. 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. Employer and employee contributions to the plan were \$41,330 and \$11,244, respectively, for the year ended September 30, 2000. The City has the power to amend plan provisions at any time.

**Police Officers and Firefighters:**

***Defined Benefit Pension Plans***

*Plan Description.* The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Municipal Police Officers' Retirement Trust Fund (the "Police Plan") and Municipal Firefighters' Pension Trust Fund (the "Fire Plan"). Both Plans issue publicly available stand-alone financial reports that include financial statements and required supplementary information for the plans. The Police Plan report may be obtained by writing to City of Holly Hill, Florida Police Officers' Retirement Trust Fund, Post Office Box 251485, Holly Hill, FL 32125 or calling (386) 947-4175. The Fire Plan report may be obtained by writing to City of Holly Hill, Florida Firefighters' Retirement System Pension Trust Fund, 1065 Ridgewood Avenue, Holly Hill, FL 32117-2898 or calling (386) 947-4173.

All certified police officers and firefighters are eligible to participate in the respective systems after employment. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Police Plan and the Fire Plan can be found in Chapters 185 and 175, Florida Statutes, respectively. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from invest-

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

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

**NOTE 9 - PENSION PLANS - (CONTINUED)**

ments from accumulated funds. The act also provides that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff, local financial institutions, and third-party fund custodians.

Full-time, uniformed police officers are eligible to participate in the Police Plan upon employment by the City. Full-time, uniformed firefighters are eligible to participate in the Fire Plan upon employment with the City. Employees vest with full benefits after 10 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. An independent actuary appointed by the Board of Trustees actuarially determines benefits to be paid to retirees. Current membership in the pension plans is composed of the following:

	<u>Police Plan</u>	<u>Fire Plan</u>
Participant data as of October 1, 1999, the date of the most recent actuarial valuation:		
Retirees and beneficiaries currently		
receiving benefits . . . . .	9	7
Vested terminated employees . . . . .	0	0
Active employees:		
Fully vested . . . . .	6	2
Nonvested . . . . .	<u>17</u>	<u>9</u>
Total participants . . . . .	<u>35</u>	<u>18</u>

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

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

*Contribution Requirements and Contributions Made.* The City provides contributions to the Police Plan and Fire Plan under the authority of Chapters 185 and 175, Florida Statutes, respectively and pursuant to City ordinances. Employees covered under the plans are required to make contributions of 11.2% [Police Plan] and 10.0% [Fire Plan] of their compensation. The City is required to contribute the remaining amounts necessary to fund the Plans based on the funding amounts determined by the Plans' actuaries.

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. During the current year, the City evaluated both plans to determine the net pension obligation or assets at the end of 2000.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

NOTE 9 - PENSION PLANS - (CONTINUED)

The City's annual pension cost and net pension obligations to the Police and Fire Plans were as follows:

Municipal Police Officers' Retirement Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/99 .....	0	100.0%	\$ 0
09/30/98 .....	0	100.0%	0
09/30/97 .....	0	100.0%	0

Municipal Firefighters' Pension Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/99 .....	\$ 55,571	100.7%	\$ (39,956)
09/30/98 .....	49,568	145.0%	\$ (39,541)
09/30/97 .....	59,009	100.0%	0

The Fire Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (part VII, Chapter 112, Florida Statutes) in 1980. Accordingly, the City has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the Net Pension Obligation on October 1, 1997 is \$-0-.

The development of the Net Pension Obligation (NPO) in the Fire Plan through October 1, 1999 is as follows:

	<u>09/30/97</u>	<u>09/30/98</u>	<u>09/30/99</u>
Actuarially determined contribution ..	\$	49,568	54,940
Interest on NPO .....		0	(2,966)
Adjustment .....		0	3,597
Annual Pension Cost .....		49,568	55,571
Contributions made .....		89,109	55,986
Increase in NPO .....		(39,541)	(415)
NPO - beginning of year .....		0	(39,541)
NPO - end of year .....	\$ <u>0</u>	<u>(39,541)</u>	<u>(39,956)</u>

During the year ended September 30, 2000, the City did not deposit the total required contribution to the Fire Plan as determined by the October 1, 1999 actuarial valuation. The actuarially determined minimum deposit was \$108,187. Amounts actually contributed by the City and covered Fire Plan employees totaled \$38,966 and \$38,879, respectively, for the fiscal year ended September 30, 2000. The remaining unfunded defined benefit pension contribution liability of \$30,342 is recognized as a fund liability of the General Fund at September 30, 2000. The contribution shortfall is expected to be funded with the receipt of state casualty insurance premium taxes in the subsequent fiscal year. No corresponding receivable on the Fire Plan's statement of plan net assets and related addition on the statement of changes in plan net assets has been recognized at September 30, 2000 since the amount was not appropriated by the City.

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

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

**NOTE 9 - PENSION PLANS - (CONTINUED)**

The actuarial valuations for both plans were prepared in accordance with GASB Statements No. 25 and 27. Significant actuarial assumptions used in the valuations for each plan are as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>
Contribution rates as of 09/30/99:		
City for Members .....	10.6%	16.8%
Plan Members .....	9.2%	10.0%
Actuarial valuation dates .....	10/01/99	10/01/99
Actuarial cost method .....	Frozen Entry Age	Aggregate
Amortization method .....	Level percent, closed	N/A
Remaining amortization period .....	27	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 does not identify or separately amortize unfunded actuarial liabilities.

*Related Party Transactions.* The City held no securities which were included in the assets of the Police Plan or Fire Plan.

*Required Supplementary Information.* The required supplementary information pursuant to GASB No. 25 is contained in Schedules 1 and 2 presented immediately following these notes to the financial statements.

**NOTE 10 - DEFERRED EMPLOYEE BENEFITS**

The City offers its City Manager participation in a Money Purchase Plan and Trust, created in accordance with Section 401(a) of the Internal Revenue Code. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 59½ (normal retirement age) the participant may elect to commence receiving benefits which equal accumulated employers' contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. The City contributes 14.26% of the participant's salary to the Plan. For the year ended September 30, 2000, the City's covered payroll was \$10,231 and contributions were \$1,459.

**NOTE 10 - LEGAL MATTERS**

The City is engaged in routine litigation incidental to the conduct of their respective business and municipal affairs. In the opinion of their Counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit their ability to perform their operations or materially affect their financial condition.

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

September 30, 2000

CITY OF HOLLY HILL, FLORIDA

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**NOTE 11 - COMMITMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

***Required Supplementary Information***



**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

Schedule 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c)
<b>Municipal Firefighters' Pension Trust Fund</b>						
10/01/1990	\$854,954	\$854,954	\$0	100.00%	\$210,891	0.00%
10/01/1992	968,985	968,985	0	100.00%	248,509	0.00%
10/01/1994	1,080,566	1,080,566	0	100.00%	305,913	0.00%
10/01/1996	1,399,697	1,399,697	0	100.00%	266,576	0.00%
10/01/1997	1,719,631	1,719,631	0	100.00%	306,325	0.00%
10/01/1998	1,831,190	1,831,190	0	100.00%	326,669	0.00%
10/01/1999	1,964,236	1,964,236	0	100.00%	381,325	0.00%
<b>Municipal Police Officers' Retirement Trust Fund</b>						
10/01/1993	\$2,533,928	\$2,802,211	\$268,283	90.43%	\$806,029	33.28%
10/01/1995	3,113,805	3,465,000	351,195	89.86%	780,593	44.99%
10/01/1996	3,555,970	3,874,578	318,608	91.78%	851,576	37.41%
10/01/1997	4,335,919	4,696,323	360,404	92.33%	889,439	40.52%
10/01/1998	4,440,281	4,654,807	214,526	95.39%	796,342	26.94%
10/01/1999	4,911,757	5,060,316	148,559	97.06%	870,214	17.07%

Source: Foster & Foster, Inc., Actuaries  
 Valuation dated 10/01/99

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS**  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

**Schedule 2**

Fiscal Year Ended	Annual Required Contribution	Employer Contributions	State Contributions	Total Contributions	Percentage Contributed
<b>Municipal Firefighters' Pension Trust Fund</b>					
09/30/1993	\$61,768	\$47,267	\$16,540	\$63,807	103.30%
09/30/1994	61,159	47,114	16,815	63,929	104.53%
09/30/1995	99,442	85,580	18,124	103,704	104.29%
09/30/1996	95,129	73,256	22,790	96,046	100.96%
09/30/1997	80,281	59,009	21,272	80,281	100.00%
09/30/1998	87,446	89,109	37,878	126,987	145.22%
09/30/1999	83,017	55,985	28,077	84,062	101.26%
<b>Municipal Police Officers' Retirement Trust Fund</b>					
09/30/1993	\$151,419	\$109,458	\$42,045	\$151,503	100.06%
09/30/1994	167,570	127,555	43,894	171,449	102.31%
09/30/1995	78,152	34,258	48,205	82,463	105.52%
09/30/1996	32,913	12,890	47,683	60,573	184.04%
09/30/1997	0	0	51,190	51,190	100.00%
09/30/1998	0	0	51,839	51,839	100.00%
09/30/1999	0	0	48,760	48,760	100.00%

Source: Foster & Foster, Inc., Actuaries  
Valuation dated 10/01/99

***Combining,  
Individual Fund  
and  
Account Group  
Financial Statements***

*These financial statements provide a more detailed view of the general-purpose financial statements presented in the preceding subsection.*

*Combining statements are presented when there are more than one fund of a given fund type. Individual fund and account group statements are presented when there is only one fund of a given type and for the account group. They are also necessary to present budgetary comparisons.*



## ***General Fund***

*The General Fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in other funds. In the City of Holly Hill, these services include police and fire protection, street services, parks and recreation, building safety, general administration and any other activity for which a special fund has not been created.*



COMPARATIVE BALANCE SHEETS  
 GENERAL FUND  
 September 30, 2000 and 1999  
 CITY OF HOLLY HILL, FLORIDA

Exhibit A-1

	2000	1999
<b>Assets:</b>		
Cash and cash equivalents .....	\$ 1,826,098	1,632,441
Investments .....	530,134	0
Receivables (net of allowance for uncollectible accounts):		
Delinquent taxes .....	65,941	64,843
Accounts .....	17,845	10,643
Accrued interest .....	143	0
Liens .....	40,628	31,553
Due from other funds .....	13,675	52,775
Advances to other funds .....	59,700	59,700
Due from other governments .....	69,483	194,846
Deferred charge .....	30,342	0
	<u>2,653,989</u>	<u>2,046,801</u>
<b>Total assets</b> .....	<b>\$ 2,653,989</b>	<b>2,046,801</b>
 <b>Liabilities and Fund Equity:</b>		
<b>Liabilities:</b>		
Accounts payable .....	\$ 110,670	93,536
Accrued liabilities .....	165,740	134,870
Pension contribution payable .....	30,342	0
Due to other funds .....	89	11,184
Refundable deposits .....	1,892	1,632
Deferred revenue .....	170,514	139,494
	<u>479,247</u>	<u>380,716</u>
<b>Total liabilities</b> .....	<b>479,247</b>	<b>380,716</b>
 <b>Fund Equity:</b>		
<b>Fund balance:</b>		
<b>Reserved for:</b>		
Community redevelopment .....	0	16,900
Transportation (local option gas tax funds) .....	69,363	0
Advances to other funds .....	59,700	59,700
Police education .....	17,595	15,215
<b>Unreserved:</b>		
Undesignated .....	2,028,084	1,574,270
	<u>2,174,742</u>	<u>1,666,085</u>
<b>Total fund equity</b> .....	<b>2,174,742</b>	<b>1,666,085</b>
	<u>2,653,989</u>	<u>2,046,801</u>
<b>Total liabilities and fund equity</b> .....	<b>\$ 2,653,989</b>	<b>2,046,801</b>

**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GENERAL FUND**

**Exhibit A-2**

For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	<u>2000</u>	<u>1999</u>
<b>Revenue:</b>		
Taxes .....	3,279,961	3,202,707
Licenses and permits .....	179,580	245,185
Intergovernmental .....	1,170,485	1,135,902
Charges for services .....	137,894	116,708
Fines and forfeitures .....	73,361	77,588
Miscellaneous .....	<u>200,929</u>	<u>156,067</u>
<b>Total revenue .....</b>	<b><u>5,042,210</u></b>	<b><u>4,934,157</u></b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government .....	1,026,223	1,170,422
Public safety .....	2,443,962	2,279,242
Transportation .....	584,862	553,042
Culture/recreation .....	701,394	631,882
<b>Debt Service:</b>		
Principal retirement .....	169,034	161,610
Interest and fiscal charges .....	<u>60,849</u>	<u>65,719</u>
<b>Total expenditures .....</b>	<b><u>4,986,324</u></b>	<b><u>4,861,917</u></b>
<b>Excess of revenue over (under) expenditures .....</b>	<b><u>55,886</u></b>	<b><u>72,240</u></b>
<b>Other Financing Sources (Uses):</b>		
Operating transfers in .....	679,644	665,300
Operating transfers (out) .....	<u>(226,873)</u>	<u>(367,817)</u>
<b>Total other financing sources (uses) .....</b>	<b><u>452,771</u></b>	<b><u>297,483</u></b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>508,657</b>	<b>369,723</b>
<b>Fund balance, beginning of year .....</b>	<b><u>1,666,085</u></b>	<b><u>1,296,362</u></b>
<b>Fund balance, end of year .....</b>	<b><u><u>2,174,742</u></u></b>	<b><u><u>1,666,085</u></u></b>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**Exhibit A-3**

For the Fiscal Year Ended September 30, 2000  
With Comparative Actual Amounts for the Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
<b>Revenue:</b>				
<b>Taxes:</b>				
General property taxes:				
Current ad valorem taxes .....	\$ 1,436,000	1,397,304	(38,696)	1,407,231
Delinquent ad valorem taxes .....	20,000	42,775	22,775	104,746
Local option gas tax .....	158,000	157,776	(224)	159,311
2nd Local option gas tax .....	85,000	69,363	(15,637)	
Local alternative fuel user fee .....	0	0	0	107
Franchise taxes .....	615,300	581,777	(33,523)	591,963
Utility service taxes .....	1,006,000	1,030,966	24,966	939,349
<b>Total taxes .....</b>	<b>3,320,300</b>	<b>3,279,961</b>	<b>(40,339)</b>	<b>3,202,707</b>
<b>Licenses and permits:</b>				
Business .....	153,000	108,753	(44,247)	179,622
Nonbusiness .....	63,000	70,827	7,827	65,563
<b>Total licenses and permits .....</b>	<b>216,000</b>	<b>179,580</b>	<b>(36,420)</b>	<b>245,185</b>
<b>Intergovernmental Revenue:</b>				
Federal Grants:				
Department of Justice .....	81,400	94,434	13,034	59,879
Department of Transportation .....	0	0	0	14,990
Federal Emergency Management Administration .....	0	167,065	167,065	167,921
State Grants:				
Department of Community Affairs .....	0	26,953	26,953	205
Department of Business and Professional Regulation.....	10,000	11,550	1,550	48,633
State Shared Revenues:				
Municipal two-cent cigarette tax .....	30,000	28,297	(1,703)	30,921
State revenue sharing proceeds .....	260,000	281,809	21,809	267,785
Mobile home licenses .....	14,000	11,058	(2,942)	13,628
Alcoholic beverage licenses .....	7,000	5,469	(1,531)	6,603
Local government half-cent sales tax .....	495,000	522,876	27,876	495,711
Motor fuel tax rebate .....	5,000	5,077	77	10,996
Firefighters' supplemental revenue .....	1,800	1,534	(266)	1,550
Other Shared Revenues:				
County grants .....	800	750	(50)	4,300
County shared revenues .....	12,500	13,613	1,113	12,780
<b>Total intergovernmental revenue .....</b>	<b>917,500</b>	<b>1,170,485</b>	<b>252,985</b>	<b>1,135,902</b>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND - (Continued)**  
 For the Fiscal Year Ended September 30, 2000  
 With Comparative Actual Amounts for the Year Ended September 30, 1999  
 CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
<b>Charges for services:</b>				
General government .....	\$ 10,600	8,399	(2,201)	9,572
Public safety .....	1,000	3,419	2,419	2,701
Transportation .....	30,200	35,549	5,349	27,751
Culture/recreation .....	84,000	90,527	6,527	76,684
<b>Total charges for services .....</b>	<b>125,800</b>	<b>137,894</b>	<b>12,094</b>	<b>116,708</b>
<b>Fines and forfeitures:</b>				
Court cases .....	73,700	70,957	(2,743)	76,092
Local ordinance violations .....	1,900	2,404	504	1,496
<b>Total fines and forfeitures .....</b>	<b>75,600</b>	<b>73,361</b>	<b>(2,239)</b>	<b>77,588</b>
<b>Miscellaneous Revenues:</b>				
Interest earnings .....	119,000	147,765	28,765	109,591
Sale of fixed assets .....	7,300	3,456	(3,844)	7,895
Contributions and donations .....	19,500	21,210	1,710	5,470
Miscellaneous revenues .....	15,200	28,498	13,298	33,111
<b>Total miscellaneous revenue .....</b>	<b>161,000</b>	<b>200,929</b>	<b>39,929</b>	<b>156,067</b>
<b>Total revenue .....</b>	<b>4,816,200</b>	<b>5,042,210</b>	<b>226,010</b>	<b>4,934,157</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Legislative:</b>				
Personal services .....	24,000	18,469	5,531	16,111
Operating expenditures .....	45,100	42,017	3,083	44,408
	69,100	60,486	8,614	60,519
<b>Executive:</b>				
Personal services .....	216,500	195,056	21,444	389,361
Operating expenditures .....	51,600	40,777	10,823	22,655
	268,100	235,833	32,267	412,016
<b>Financial and Administrative:</b>				
Personal services .....	412,000	403,951	8,049	392,424
Operating expenditures .....	251,100	220,603	30,497	216,911
	663,100	624,554	38,546	609,335

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**

**Exhibit A-3**

For the Fiscal Year Ended September 30, 2000  
With Comparative Actual Amounts for the Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
<b>Other General Government:</b>				
Personal services .....	\$ 17,500	15,849	1,651	11,485
Operating expenditures .....	67,200	63,536	3,664	59,242
Capital outlay .....	38,300	10,965	27,335	3,760
Grants and aids .....	15,400	15,000	400	14,065
	<u>138,400</u>	<u>105,350</u>	<u>33,050</u>	<u>88,552</u>
Total general government .....	<u>1,138,700</u>	<u>1,026,223</u>	<u>112,477</u>	<u>1,170,422</u>
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Personal services .....	1,471,300	1,381,991	89,309	1,260,193
Operating expenditures .....	180,400	160,144	20,256	132,794
Capital outlay .....	9,300	9,250	50	49,198
	<u>1,661,000</u>	<u>1,551,385</u>	<u>109,615</u>	<u>1,442,185</u>
<b>Fire Protection:</b>				
Personal services .....	593,600	562,691	30,909	551,134
Operating expenditures .....	104,200	93,683	10,517	74,260
Capital outlay .....	26,300	23,709	2,591	6,685
	<u>724,100</u>	<u>680,083</u>	<u>44,017</u>	<u>632,079</u>
<b>Building Inspection:</b>				
Personal services .....	149,900	141,003	8,897	142,814
Operating expenditures .....	77,600	70,326	7,274	62,164
Capital outlay .....	1,200	1,165	35	0
	<u>228,700</u>	<u>212,494</u>	<u>16,206</u>	<u>204,978</u>
Total public safety .....	<u>2,613,800</u>	<u>2,443,962</u>	<u>169,838</u>	<u>2,279,242</u>
<b>Transportation:</b>				
<b>Road and Street Facilities:</b>				
Personal services .....	339,000	325,846	13,154	329,706
Operating expenditures .....	273,700	239,422	34,278	207,866
Capital outlay .....	19,700	19,594	106	15,470
	<u>632,400</u>	<u>584,862</u>	<u>47,538</u>	<u>553,042</u>
Total transportation .....	<u>632,400</u>	<u>584,862</u>	<u>47,538</u>	<u>553,042</u>
<b>Culture/Recreation:</b>				
<b>Parks:</b>				
Personal services .....	258,700	231,621	27,079	223,853
Operating expenditures .....	124,800	113,315	11,485	125,080
Capital outlay .....	25,700	20,511	5,189	40,945
	<u>409,200</u>	<u>365,447</u>	<u>43,753</u>	<u>389,878</u>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2000  
With Comparative Actual Amounts for the Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
<b>Recreation:</b>				
Personal services .....	\$ 194,100	185,628	8,472	164,997
Operating expenditures .....	133,600	124,097	9,503	71,039
Capital outlay .....	23,600	26,222	(2,622)	5,968
	<u>351,300</u>	<u>335,947</u>	<u>15,353</u>	<u>242,004</u>
<b>Total culture/recreation .....</b>	<b>760,500</b>	<b>701,394</b>	<b>59,106</b>	<b>631,882</b>
<b>Debt Service:</b>				
<b>Principal retirement:</b>				
General government .....	156,400	156,409	(9)	149,298
Public safety.....	12,700	12,625	75	12,312
	<u>169,100</u>	<u>169,034</u>	<u>66</u>	<u>161,610</u>
<b>Interest and fiscal charges:</b>				
General government .....	57,500	57,505	(5)	62,062
Public safety.....	3,400	3,344	56	3,657
	<u>60,900</u>	<u>60,849</u>	<u>51</u>	<u>65,719</u>
<b>Total debt service .....</b>	<b>230,000</b>	<b>229,883</b>	<b>117</b>	<b>227,329</b>
<b>Total expenditures .....</b>	<b>5,375,400</b>	<b>4,986,324</b>	<b>389,076</b>	<b>4,861,917</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(559,200)</b>	<b>55,886</b>	<b>615,086</b>	<b>72,240</b>
<b>Other Financing Sources (Uses):</b>				
<b>Operating transfers from:</b>				
Community Development Block Grant Fund ...	8,600	4,344	(4,256)	0
Water and Sewer Fund .....	450,000	450,000	0	440,000
Solid Waste Fund .....	225,300	225,300	0	225,300
Appropriated fund balance.....	111,300	0	(111,300)	0
<b>Operating transfers to:</b>				
Community Redevelopment Fund .....	0	0	0	(18,300)
Law Enforcement Block Grant Fund .....	(8,000)	(1,573)	6,427	(1,617)
Capital Projects Fund .....	(225,300)	(225,300)	0	(347,900)
<b>Total financing sources (uses) .....</b>	<b>561,900</b>	<b>452,771</b>	<b>(109,129)</b>	<b>297,483</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>2,700</b>	<b>508,657</b>	<b>505,957</b>	<b>369,723</b>
<b>Fund balance, beginning of year .....</b>	<b>1,666,085</b>	<b>1,666,085</b>	<b>0</b>	<b>1,296,362</b>
<b>Fund balance, end of year .....</b>	<b>\$ 1,668,785</b>	<b>2,174,742</b>	<b>505,957</b>	<b>1,666,085</b>

## ***Special Revenue Funds***

*Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. In the City of Holly Hill, these earmarked revenues are from the following:*

***Stormwater Drainage*** - to account for stormwater fee revenue and the expenditures 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 grant funds from the Community Development Block Grant Program.

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

**COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS**

September 30, 2000

With Comparative Totals for September 30, 1999

CITY OF HOLLY HILL, FLORIDA

	<u>Stormwater Drainage</u>	<u>Youth Center</u>	<u>Community Redevelopment</u>
<b>Assets:</b>			
Cash .....	\$ 869,216	2,943	65,653
Accounts receivable - net .....	29,109	0	0
Due from other funds .....	1,173	0	10
Due from other governments .....	0	0	0
<b>Total assets .....</b>	<b><u>\$ 899,498</u></b>	<b><u>2,943</u></b>	<b><u>65,663</u></b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Accounts payable .....	\$ 431	0	0
Accrued liabilities .....	5,954	0	4,136
Due to other funds .....	0	0	0
Advance from General Fund .....	0	0	59,700
<b>Total liabilities .....</b>	<b><u>6,385</u></b>	<b><u>0</u></b>	<b><u>63,836</u></b>
<b>Fund Equity:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Encumbrances .....	0	0	0
Stormwater drainage.....	893,113	0	0
<b>Unreserved:</b>			
<b>Designated for:</b>			
Undesignated (deficit) .....	0	2,943	1,827
<b>Total fund equity .....</b>	<b><u>893,113</u></b>	<b><u>2,943</u></b>	<b><u>1,827</u></b>
<b>Total liabilities and fund equity .....</b>	<b><u>\$ 899,498</u></b>	<b><u>2,943</u></b>	<b><u>65,663</u></b>

Exhibit B-1

Community Development Block Grant	Local Law Enforcement Block Grant	Totals	
		2000	1999
0	0	937,812	888,420
0	0	29,109	31,324
0	0	1,183	20,983
748	0	748	58,130
<u>748</u>	<u>0</u>	<u>968,852</u>	<u>998,857</u>
0	0	431	94,704
0	0	10,090	6,656
748	0	748	63,372
0	0	59,700	59,700
<u>748</u>	<u>0</u>	<u>70,969</u>	<u>224,432</u>
0	0	0	11,440
0	0	893,113	781,582
0	0	4,770	(18,597)
<u>0</u>	<u>0</u>	<u>897,883</u>	<u>774,425</u>
<u>748</u>	<u>0</u>	<u>968,852</u>	<u>998,857</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL SPECIAL REVENUE FUNDS  
September 30, 2000  
With Comparative Totals for September 30, 1999  
CITY OF HOLLY HILL, FLORIDA**

	Stormwater Drainage	Youth Center	Community Redevelopment
<b>Revenue:</b>			
Taxes .....	\$ 0	0	32,613
Intergovernmental .....	0	0	60,990
Charges for services .....	366,743	0	0
Miscellaneous .....	46,514	0	1,547
<b>Total revenue .....</b>	<b>413,257</b>	<b>0</b>	<b>95,150</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety .....	0	0	0
Physical environment .....	301,726	0	0
Transportation .....	0	0	0
Economic environment .....	0	0	82,565
Culture/recreation .....	0	230	0
<b>Total expenditures .....</b>	<b>301,726</b>	<b>230</b>	<b>82,565</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>111,531</b>	<b>(230)</b>	<b>12,585</b>
<b>Other Financing Sources (Uses):</b>			
Operating transfers from General fund .....	0	0	0
Operating transfers (to) General fund .....	0	0	0
Operating transfers (to) Capital Projects fund .....	0	0	0
<b>Total other financing sources (uses) .....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>111,531</b>	<b>(230)</b>	<b>12,585</b>
<b>Fund balances, beginning of year .....</b>	<b>781,582</b>	<b>3,173</b>	<b>(10,758)</b>
<b>Fund balances, end of year .....</b>	<b>\$ 893,113</b>	<b>2,943</b>	<b>1,827</b>

Exhibit B-2

Community Development Block Grant	Local Law Enforcement Block Grant	Totals	
		2000	1999
0	0	32,613	30,530
275,351	14,161	350,502	264,330
0	0	366,743	358,275
0	124	48,185	41,990
<u>275,351</u>	<u>14,285</u>	<u>798,043</u>	<u>695,125</u>
0	16,286	16,286	15,918
5,290	0	307,016	599,284
165,717	0	165,717	81,591
0	0	82,565	102,371
0	0	230	218
<u>171,007</u>	<u>16,286</u>	<u>571,814</u>	<u>799,382</u>
<u>104,344</u>	<u>(2,001)</u>	<u>226,229</u>	<u>(104,257)</u>
0	1,573	1,573	19,917
(4,344)	0	(4,344)	0
(100,000)	0	(100,000)	0
<u>(104,344)</u>	<u>1,573</u>	<u>(102,771)</u>	<u>19,917</u>
0	(428)	123,458	(84,340)
0	428	774,425	858,765
<u>0</u>	<u>0</u>	<u>897,883</u>	<u>774,425</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes:			
Current ad valorem taxes .....	\$ 0	0	0
Intergovernmental Revenue:			
Federal grants .....	0	0	0
State grants .....	40,000	0	(40,000)
Shared revenues from other local units .....	0	0	0
Charges for Services:			
Physical environment .....	360,000	366,743	6,743
Miscellaneous:			
Interest earnings .....	40,000	46,514	6,514
Total revenue .....	<u>440,000</u>	<u>413,257</u>	<u>(26,743)</u>
Expenditures:			
Current:			
Public Safety:			
Personal services .....	0	0	0
Capital outlay.....	0	0	0
Physical Environment:			
Personal services .....	123,300	108,983	14,317
Operating expenditures .....	103,600	50,964	52,636
Capital outlay.....	357,500	141,779	215,721
Transportation:			
Capital outlay.....	0	0	0
Economic Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Capital outlay.....	0	0	0
Culture/Recreation:			
Operating expenditures .....	0	0	0
Total expenditures .....	<u>584,400</u>	<u>301,726</u>	<u>282,674</u>
Excess of revenue over (under) expenditures .....	<u>(144,400)</u>	<u>111,531</u>	<u>255,931</u>
Other Financing Sources (Uses):			
Operating transfers from General fund.....	0	0	0
Operating transfers (to) General fund.....	0	0	0
Operating transfers (to) Capital Projects fund.....	0	0	0
Appropriated fund balance.....	144,400	0	(144,400)
Total other financing sources (uses) .....	<u>144,400</u>	<u>0</u>	<u>(144,400)</u>
Excess of revenue and other sources over (under) expenditures and other uses .....	0	111,531	111,531
Fund balances, beginning of year .....	<u>781,582</u>	<u>781,582</u>	<u>0</u>
Fund balances, end of year .....	<u>\$ 781,582</u>	<u>893,113</u>	<u>111,531</u>

Exhibit B-3

Youth Center			Community Redevelopment		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	32,600	32,613	13
0	0	0	9,000	9,221	221
0	0	0	0	0	0
0	0	0	51,700	51,769	69
0	0	0	0	0	0
0	0	0	0	1,547	1,547
0	0	0	93,300	95,150	1,850
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	92,400	75,425	16,975
0	0	0	300	175	125
0	0	0	7,000	6,965	35
200	230	(30)	0	0	0
200	230	(30)	99,700	82,565	17,135
(200)	(230)	(30)	(6,400)	12,585	18,985
0	0	0	6,400	0	(6,400)
0	0	0	0	0	0
0	0	0	0	0	0
200	0	(200)	0	0	0
200	0	(200)	6,400	0	(6,400)
0	(230)	(230)	0	12,585	12,585
3,173	3,173	0	(10,758)	(10,758)	0
3,173	2,943	(230)	(10,758)	1,827	12,585

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS - (Continued)**  
For the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Community Development Block Grant		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes:			
Current ad valorem taxes .....	\$ 0	0	0
Intergovernmental Revenue:			
Federal grants .....	279,700	275,351	(4,349)
State grants .....	0	0	0
Shared revenues from other local units .....	0	0	0
Charges for Services:			
Physical environment .....	0	0	0
Miscellaneous:			
Interest earnings .....	0	0	0
Total revenue .....	<u>279,700</u>	<u>275,351</u>	<u>(4,349)</u>
Expenditures:			
Current:			
Public Safety:			
Personal services .....	0	0	0
Capital outlay.....	0	0	0
Physical Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Capital outlay.....	5,300	5,290	10
Transportation:			
Capital outlay.....	165,800	165,717	83
Economic Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Capital outlay.....	0	0	0
Culture/Recreation:			
Operating expenditures .....	0	0	0
Total expenditures .....	<u>171,100</u>	<u>171,007</u>	<u>93</u>
Excess of revenue over (under) expenditures .....	<u>108,600</u>	<u>104,344</u>	<u>(4,256)</u>
Other Financing Sources (Uses):			
Operating transfers from General fund.....	0	0	0
Operating transfers (to) General fund.....	(8,600)	(4,344)	4,256
Operating transfers (to) Capital Projects fund.....	(100,000)	(100,000)	0
Appropriated fund balance.....	0	0	0
Total other financing sources (uses) .....	<u>(108,600)</u>	<u>(104,344)</u>	<u>4,256</u>
Excess of revenue and other sources over (under) expenditures and other uses .....	0	0	0
Fund balances, beginning of year .....	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances, end of year .....	<u><u>\$ 0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

Exhibit B-3

Local Law Enforcement Block Grant			Totals - All Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	32,600	32,613	13
14,700	14,161	(539)	303,400	298,733	(4,667)
0	0	0	40,000	0	(40,000)
0	0	0	51,700	51,769	69
0	0	0	360,000	366,743	6,743
200	124	(76)	40,200	48,185	7,985
<u>14,900</u>	<u>14,285</u>	<u>(615)</u>	<u>827,900</u>	<u>798,043</u>	<u>(29,857)</u>
1,400	1,308	92	1,400	1,308	92
15,100	14,978	122	15,100	14,978	122
0	0	0	123,300	108,983	14,317
0	0	0	103,600	50,964	52,636
0	0	0	362,800	147,069	215,731
0	0	0	165,800	165,717	83
0	0	0	92,400	75,425	16,975
0	0	0	300	175	125
0	0	0	7,000	6,965	35
0	0	0	200	230	(30)
<u>16,500</u>	<u>16,286</u>	<u>214</u>	<u>871,900</u>	<u>571,814</u>	<u>300,086</u>
<u>(1,600)</u>	<u>(2,001)</u>	<u>(401)</u>	<u>(44,000)</u>	<u>226,229</u>	<u>270,229</u>
1,600	1,573	(27)	8,000	1,573	(6,427)
0	0	0	(8,600)	(4,344)	4,256
0	0	0	(100,000)	(100,000)	0
0	0	0	144,600	0	(144,600)
<u>1,600</u>	<u>1,573</u>	<u>(27)</u>	<u>44,000</u>	<u>(102,771)</u>	<u>(146,771)</u>
0	(428)	(428)	0	123,458	123,458
428	428	0	774,425	774,425	0
<u>428</u>	<u>0</u>	<u>(428)</u>	<u>774,425</u>	<u>897,883</u>	<u>123,458</u>



## ***Capital Projects Funds***

*Capital Projects Funds are created to account for the financial resources to be used for the acquisition or construction of major capital facilities by a governmental unit except those financed by proprietary funds. In the City of Holly Hill, these funds are used to account for the construction of a multipurpose building adjacent to City Hall and certain roadway median improvements financed in part from the proceeds of the City's Utility Service Tax Revenue Bond, Series 1998A.*



**COMPARATIVE BALANCE SHEETS**  
**CAPITAL PROJECTS FUND**  
September 30, 2000 and 1999  
CITY OF HOLLY HILL, FLORIDA

**Exhibit C-1**

	<u>1999</u>	<u>1999</u>
<b>Assets:</b>		
Cash and cash equivalents .....	\$ 101,353	214,734
Investments .....	0	303,784
Accrued interest receivable .....	0	3,063
Due from other governments .....	<u>150,000</u>	<u>98,174</u>
<b>Total assets .....</b>	<b>\$ <u>251,353</u></b>	<b><u>619,755</u></b>
 <b>Liabilities and Fund Equity:</b>		
<b>Liabilities:</b>		
Accounts payable .....	\$ 0	295,600
Contract retainage payable .....	0	115,974
Due to other funds .....	<u>0</u>	<u>13,435</u>
<b>Total liabilities .....</b>	<b><u>0</u></b>	<b><u>425,009</u></b>
 <b>Fund Equity:</b>		
<b>Fund balance:</b>		
<b>Reserved for:</b>		
Capital projects .....	251,353	194,746
<b>Unreserved:</b>		
Undesignated .....	<u>0</u>	<u>0</u>
<b>Total fund equity .....</b>	<b><u>251,353</u></b>	<b><u>194,746</u></b>
<b>Total liabilities and fund equity .....</b>	<b>\$ <u>251,353</u></b>	<b><u>619,755</u></b>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND**

**Exhibit C-2**

For the Fiscal Year Ended September 30, 2000  
With Comparative Actual Amounts for the Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
<b>Revenue:</b>				
<b>Intergovernmental:</b>				
State grants .....	\$ 109,600	191,580	81,980	170,174
<b>Miscellaneous:</b>				
Interest earnings .....	9,900	20,829	10,929	47,157
<b>Total revenue .....</b>	<b>119,500</b>	<b>212,409</b>	<b>92,909</b>	<b>217,331</b>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Transportation .....	90,500	90,310	190	196,603
Culture/recreation .....	544,800	470,792	74,008	1,442,107
<b>Total expenditures .....</b>	<b>635,300</b>	<b>561,102</b>	<b>74,198</b>	<b>1,638,710</b>
<b>Excess of revenue over (under)   expenditures .....</b>	<b>(515,800)</b>	<b>(348,693)</b>	<b>167,107</b>	<b>(1,421,379)</b>
<b>Other Financing Sources (Uses):</b>				
<b>Operating transfers from:</b>				
General Fund .....	225,300	225,300	0	347,900
Community Development Block Grant Fund .	100,000	100,000	0	0
Solid Waste Fund .....	80,000	80,000	0	625,000
Appropriated fund balance .....	110,500	0	(110,500)	0
<b>Total financing sources (uses) .....</b>	<b>515,800</b>	<b>405,300</b>	<b>(110,500)</b>	<b>972,900</b>
<b>Excess of revenue and other   sources over (under)   expenditures and other uses .....</b>	<b>0</b>	<b>56,607</b>	<b>56,607</b>	<b>(448,479)</b>
Fund balance, beginning of year.....	194,746	194,746	0	643,225
Fund balance, end of year .....	\$ 194,746	251,353	56,607	194,746

## ***Enterprise Funds***

*Enterprise Funds are established to account for the financing of self-supporting municipal activities which render services on a user charge basis to the general public.*

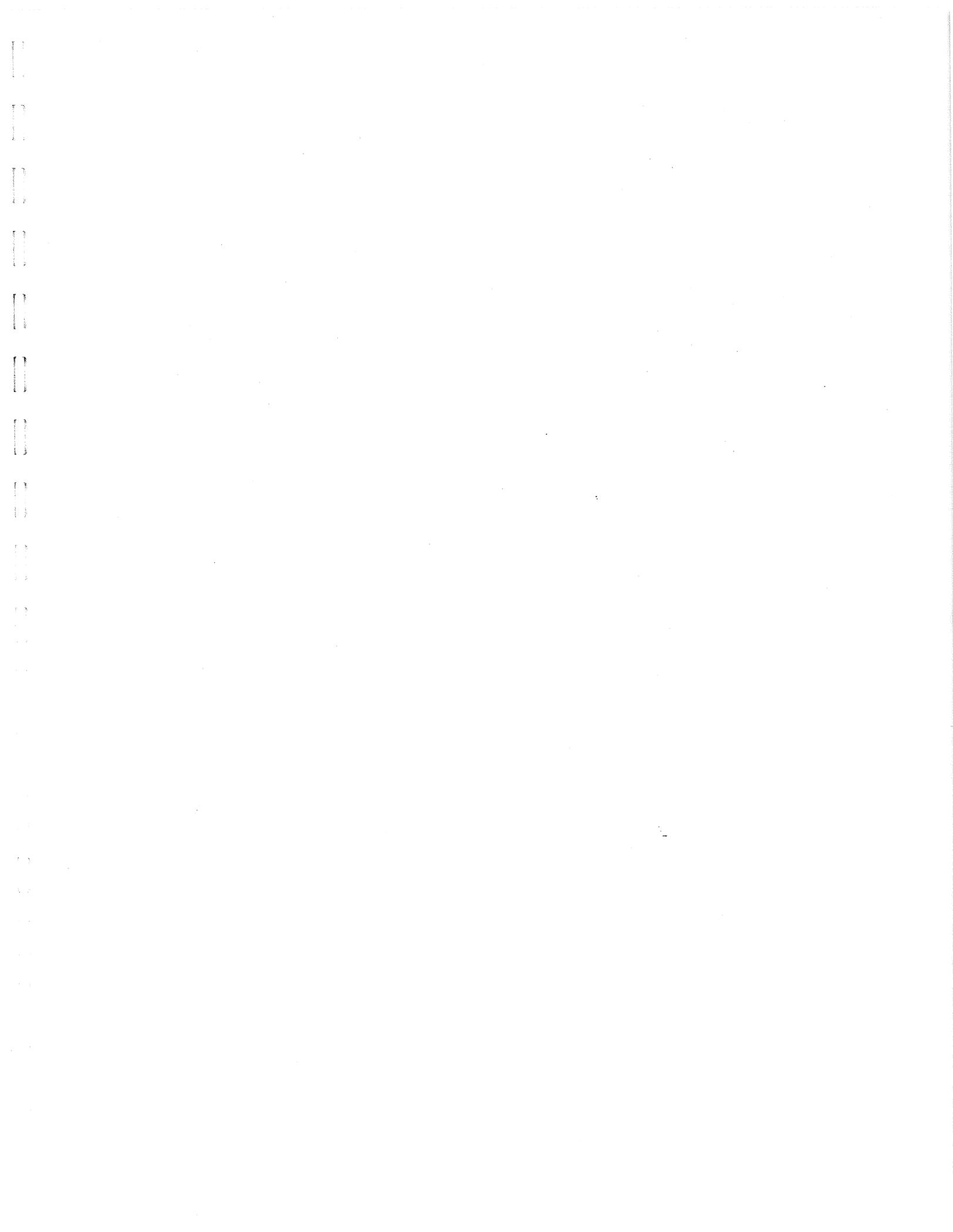
*The significant characteristic of an Enterprise Fund is that the accounting system makes it possible to determine whether the activity is operated at a profit or loss. All reports of Enterprise Funds are self-contained. In this way, creditors, legislators, and the general public can evaluate the performance of the municipal enterprise on the same basis as investor-owned enterprises in the same industry.*

*In the City of Holly Hill, the enterprise funds consist of the following:*

***Water and Sewer System*** - to account for the fiscal activities of the City's water and sewer treatment, distribution and collection systems as well as the funding and payment of related debt.

***Solid Waste*** - to account for the fiscal activities of the City's solid waste collection systems as well as the funding and payment of related debt.





**COMBINING BALANCE SHEET**  
**ALL ENTERPRISE FUNDS**  
September 30, 2000  
With Comparative Totals for September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2000	1999
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents .....	\$ 2,007,674	429,185	2,436,859	1,676,512
Investments .....	0	0	0	246,027
Accounts receivable-net.....	213,875	85,626	299,501	336,013
Accrued interest receivable .....	0	3,289	3,289	236
Due from other funds .....	6,103	4	6,107	14,817
Due from other governments .....	90,373	3,730	94,103	535
Prepaid expenses .....	8,485	972	9,457	9,239
<b>Total current assets .....</b>	<b>2,326,510</b>	<b>522,806</b>	<b>2,849,316</b>	<b>2,283,379</b>
<b>Restricted Assets:</b>				
<b>Cash and cash equivalents:</b>				
Sinking Funds .....	35,401	0	35,401	17,569
Renewal and Replacement Fund .....	508,398	0	508,398	313,862
Restricted Impact Fees .....	135,239	0	135,239	48,515
Customer deposits .....	499,861	19,119	518,980	490,848
<b>Total restricted assets .....</b>	<b>1,178,899</b>	<b>19,119</b>	<b>1,198,018</b>	<b>870,794</b>
<b>Property, Plant and Equipment:</b>				
Land .....	154,739	0	154,739	154,739
Buildings .....	10,792,674	54,651	10,847,325	10,847,325
Improvements other than buildings .....	8,839,275	0	8,839,275	8,799,053
Machinery and equipment .....	5,949,877	800,677	6,750,554	6,800,050
	25,736,565	855,328	26,591,893	26,601,167
Less: accumulated depreciation .....	(9,239,226)	(789,358)	(10,028,584)	(9,443,056)
	16,497,339	65,970	16,563,309	17,158,111
Construction in progress .....	1,513,893	0	1,513,893	262,131
<b>Net property, plant and equipment.....</b>	<b>18,011,232</b>	<b>65,970</b>	<b>18,077,202</b>	<b>17,420,242</b>
<b>Other Assets:</b>				
Unamortized bond issuance costs .....	239,080	0	239,080	200,112
<b>Total assets .....</b>	<b>\$ 21,755,721</b>	<b>607,895</b>	<b>22,363,616</b>	<b>20,774,527</b>

	Water and Sewer Utility	Solid Waste	Totals	
			2000	1999
<b>Liabilities and Fund Equity:</b>				
<b>Current Liabilities (payable from current assets):</b>				
Accounts payable .....	\$ 229,394	77,225	306,619	295,471
Accrued liabilities .....	43,320	1,482	44,802	38,166
Due to other funds .....	0	0	0	584
<b>Total current liabilities (payable from current assets) .....</b>	<b>272,714</b>	<b>78,707</b>	<b>351,421</b>	<b>334,221</b>
<b>Current Liabilities (payable from restricted assets):</b>				
Accounts payable .....	5,908	0	5,908	13,758
Customer deposits .....	499,861	19,119	518,980	490,848
Revenue bonds payable .....	310,000	0	310,000	295,000
<b>Total current liabilities (payable from restricted assets) .....</b>	<b>815,769</b>	<b>19,119</b>	<b>834,888</b>	<b>799,606</b>
<b>Long-Term Debt:</b>				
Revenue bonds payable-net .....	12,819,408	0	12,819,408	13,116,755
Notes payable .....	1,415,479	0	1,415,479	39,325
<b>Total long-term debt .....</b>	<b>14,234,887</b>	<b>0</b>	<b>14,234,887</b>	<b>13,156,080</b>
<b>Other Liabilities:</b>				
Obligation for compensated absences .....	109,690	965	110,655	94,554
<b>Total liabilities .....</b>	<b>15,433,060</b>	<b>98,791</b>	<b>15,531,851</b>	<b>14,384,461</b>
<b>Fund Equity:</b>				
<b>Contributed Capital from:</b>				
Federal government .....	924,711	0	924,711	919,421
Customers .....	2,171,064	0	2,171,064	2,073,194
Other funds .....	0	215,935	215,935	215,935
<b>Total contributed capital .....</b>	<b>3,095,775</b>	<b>215,935</b>	<b>3,311,710</b>	<b>3,208,550</b>
<b>Retained Earnings:</b>				
Reserved for renewal and replacement .....	508,398	0	508,398	313,862
Unreserved .....	2,718,488	293,169	3,011,657	2,867,654
<b>Total retained earnings .....</b>	<b>3,226,886</b>	<b>293,169</b>	<b>3,520,055</b>	<b>3,181,516</b>
<b>Total fund equity .....</b>	<b>6,322,661</b>	<b>509,104</b>	<b>6,831,765</b>	<b>6,390,066</b>
<b>Total liabilities and fund equity .....</b>	<b>\$ 21,755,721</b>	<b>607,895</b>	<b>22,363,616</b>	<b>20,774,527</b>

**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
ALL ENTERPRISE FUNDS**

**Exhibit D-2**

For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

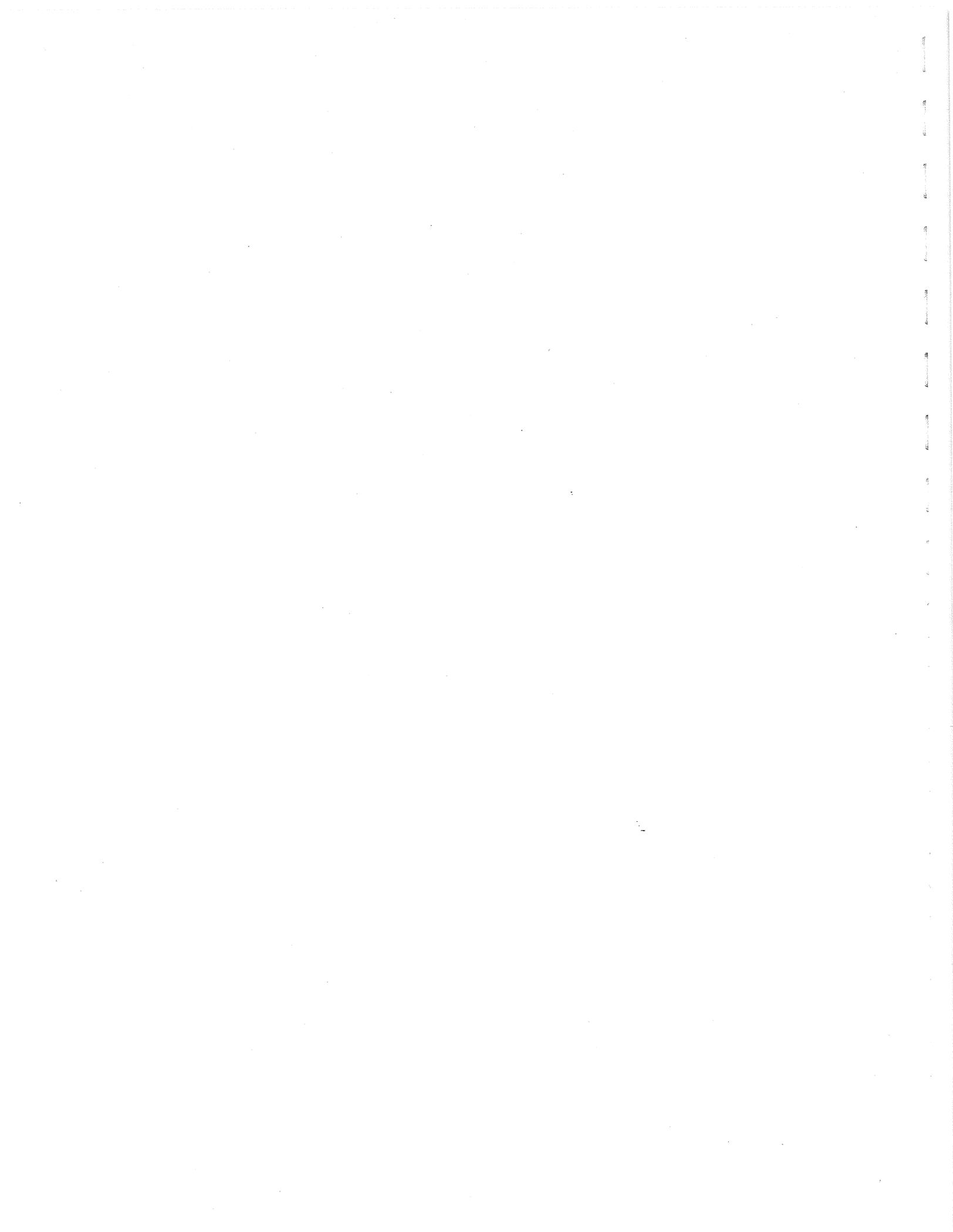
	Water and Sewer Utility	Solid Waste	Totals	
			2000	1999
<b>Operating Revenue:</b>				
<b>Charges for Services:</b>				
Water sales .....	\$ 1,754,010	0	1,754,010	1,683,020
Sewer charges .....	1,835,692	0	1,835,692	1,750,669
Service/cut-off charges .....	32,881	0	32,881	37,566
Fire hydrant rental .....	10,062	0	10,062	10,107
Other charges .....	7,166	0	7,166	6,970
Waste disposal charges .....	0	1,337,934	1,337,934	1,299,339
<b>Total operating revenue .....</b>	<b>3,639,811</b>	<b>1,337,934</b>	<b>4,977,745</b>	<b>4,787,671</b>
<b>Operating Expenses:</b>				
Personal services .....	790,581	35,383	825,964	810,004
Materials and supplies .....	173,464	5,030	178,494	221,939
Utilities .....	196,828	366	197,194	201,066
Maintenance and repairs .....	137,431	1,435	138,866	173,236
Contractual services .....	104,762	1,116,191	1,220,953	1,090,009
Other expenses .....	27,577	381	27,958	39,449
Bad debts .....	17,739	6,020	23,759	39,252
Depreciation .....	745,709	20,945	766,654	787,935
<b>Total operating expenses .....</b>	<b>2,194,091</b>	<b>1,185,751</b>	<b>3,379,842</b>	<b>3,362,890</b>
<b>Total operating income .....</b>	<b>1,445,720</b>	<b>152,183</b>	<b>1,597,903</b>	<b>1,424,781</b>
<b>Nonoperating Revenue (Expenses):</b>				
Interest earnings .....	171,731	36,204	207,935	161,084
Operating grant - federal .....	0	4,271	4,271	1,023
Other income (expenses) .....	124,128	11,984	136,112	39,501
Interest expense .....	(852,382)	0	(852,382)	(866,744)
<b>Total nonoperating revenue (expenses) ..</b>	<b>(556,523)</b>	<b>52,459</b>	<b>(504,064)</b>	<b>(665,136)</b>
<b>Net income before operating transfers ....</b>	<b>889,197</b>	<b>204,642</b>	<b>1,093,839</b>	<b>759,645</b>
<b>Operating Transfers:</b>				
Transfer to General Fund .....	(450,000)	(225,300)	(675,300)	(665,300)
Transfer to Capital Projects Fund .....	0	(80,000)	(80,000)	(625,000)
<b>Total operating transfers .....</b>	<b>(450,000)</b>	<b>(305,300)</b>	<b>(755,300)</b>	<b>(1,290,300)</b>
<b>Net income (loss) .....</b>	<b>439,197</b>	<b>(100,658)</b>	<b>338,539</b>	<b>(530,655)</b>
<b>Retained earnings, beginning of year .....</b>	<b>2,787,689</b>	<b>393,827</b>	<b>3,181,516</b>	<b>3,712,171</b>
<b>Retained earnings, end of year .....</b>	<b>\$ 3,226,886</b>	<b>293,169</b>	<b>3,520,055</b>	<b>3,181,516</b>

**COMBINING STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS**

**Exhibit D-3**

For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2000	1999
<b>Operating Activities:</b>				
Operating income (loss) .....	\$ 1,445,720	152,183	1,597,903	1,424,781
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation .....	745,709	20,945	766,654	787,935
Bad debt expense .....	17,739	6,020	23,759	39,252
Other income .....	45,539	11,984	57,523	39,501
Changes in assets and liabilities:				
Accounts receivable, net .....	18,448	(8,890)	9,558	(54,899)
Other receivables .....	0	(3,053)	(3,053)	9,137
Due from other funds .....	8,714	(4)	8,710	157,926
Prepaid expenses .....	(332)	114	(218)	22,420
Accounts payable .....	197,598	(194,299)	3,299	(57,255)
Accrued liabilities .....	6,504	131	6,635	2,855
Due to other funds .....	(584)	0	(584)	(151,649)
Customer deposits .....	28,132	0	28,132	31,349
Obligation for compensated absences .....	16,951	(850)	16,101	1,633
Net cash provided by (used in) operating activities....	<u>2,530,138</u>	<u>(15,719)</u>	<u>2,514,419</u>	<u>2,252,986</u>
<b>Noncapital and Related Financing Activities:</b>				
Operating grants .....	0	4,271	4,271	1,023
Operating transfers (out) .....	(450,000)	(305,300)	(755,300)	(1,290,300)
Net cash provided by (used in) noncapital and related financing activities .....	<u>(450,000)</u>	<u>(301,029)</u>	<u>(751,029)</u>	<u>(1,289,277)</u>
<b>Capital and Related Financing Activities:</b>				
Capital contributions .....	103,160	0	103,160	86,908
Proceeds on note payable .....	1,217,316	0	1,217,316	0
Debt reduction outlays .....	(295,000)	0	(295,000)	(280,000)
Acquisition and construction of capital assets .....	(1,327,933)	0	(1,327,933)	(401,591)
Interest paid .....	(827,324)	0	(827,324)	(844,132)
Net cash provided by (used in) capital and related financing activities .....	<u>(1,129,781)</u>	<u>0</u>	<u>(1,129,781)</u>	<u>(1,438,815)</u>
<b>Investing Activities:</b>				
Proceeds from maturity of investments .....	0	246,026	246,026	493,743
Purchases of investments .....	0	0	0	(246,027)
Interest received .....	171,731	36,205	207,936	161,083
Net cash provided by investing activities .....	<u>171,731</u>	<u>282,231</u>	<u>453,962</u>	<u>408,799</u>
Net increase (decrease) in cash and cash equivalents	1,122,088	(34,517)	1,087,571	(66,307)
Cash and cash equivalents, beginning of year .....	<u>2,064,485</u>	<u>482,821</u>	<u>2,547,306</u>	<u>2,613,613</u>
Cash and cash equivalents, end of year .....	<u>\$ 3,186,573</u>	<u>448,304</u>	<u>3,634,877</u>	<u>2,547,306</u>



## ***Trust and Agency Funds***

*Trust and Agency Funds are set up for the purpose of accounting for money and property received from non-enterprise fund sources and held by the City in the capacity of trustee, custodian or agent for individuals, governmental entities and non-public organizations. Use of these funds facilitates the discharge of responsibilities placed upon the City by virtue of law or other similar authority.*

*In the City of Holly Hill, the enterprise funds consist of the following:*

***Municipal Police Officers' Retirement Trust Fund*** - 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 pursuant to the provisions of Chapter 185, F.S.

***Municipal Firefighters' Pension Trust Fund*** - to account for the fiscal activities of the Board of Trustees for the Holly Hill Firefighters' Pension Trust Fund which accumulates assets and pays benefits to qualified retirees of the Holly Hill Fire Department pursuant to the provisions of Chapter 175, F.S.

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

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



**COMBINING BALANCE SHEET**  
**ALL FIDUCIARY FUNDS**  
September 30, 2000  
With Comparative Totals for September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

	Pension Trust Funds		
	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	General Employees' Retirement Trust
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents .....	\$ 368,070	2,165	6,010
<b>Investments:</b>			
Money market funds .....	0	87,755	2,297
U.S. government and agency .....	670,960	372,104	44,195
U.S. corporate debt obligations .....	1,150,647	468,977	23,798
U.S. corporate equities .....	3,241,371	933,887	82,846
	<u>5,062,978</u>	<u>1,862,723</u>	<u>153,136</u>
Accrued interest receivable .....	22,696	22,191	0
Due from brokers .....	0	150,000	0
Due from other governments .....	46,781	0	0
	<u>5,500,525</u>	<u>2,037,079</u>	<u>159,146</u>
Total current assets .....	<u>5,500,525</u>	<u>2,037,079</u>	<u>159,146</u>
Total assets .....	<u>\$ 5,500,525</u>	<u>2,037,079</u>	<u>159,146</u>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Accounts payable .....	\$ 0	22,028	0
Accrued liabilities .....	0	0	0
Due to other funds .....	0	0	20,129
	<u>0</u>	<u>22,028</u>	<u>20,129</u>
Total liabilities .....	<u>0</u>	<u>22,028</u>	<u>20,129</u>
<b>Fund Equity:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Law enforcement .....	0	0	0
Employee pensions .....	5,500,525	2,015,051	139,017
	<u>5,500,525</u>	<u>2,015,051</u>	<u>139,017</u>
Total fund equity .....	<u>5,500,525</u>	<u>2,015,051</u>	<u>139,017</u>
Total liabilities and fund equity .....	<u>\$ 5,500,525</u>	<u>2,037,079</u>	<u>159,146</u>

Exhibit E-1

Expendable Trust Fund	Totals	
	2000	1999
Law Enforcement Trust		
31,583	407,828	518,137
0	90,052	64,348
0	1,087,259	1,378,286
0	1,643,422	1,362,322
0	4,258,104	3,609,823
0	7,078,837	6,414,779
0	44,887	51,771
0	150,000	0
0	46,781	21,398
31,583	7,728,333	7,006,085
31,583	7,728,333	7,006,085
0	22,028	5,997
0	0	14,956
0	20,129	0
0	42,157	20,953
31,583	31,583	21,721
0	7,654,593	6,963,411
31,583	7,686,176	6,985,132
31,583	7,728,333	7,006,085

**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
LAW ENFORCEMENT EXPENDABLE TRUST FUND**  
For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

**Exhibit E-2**

	<u>2000</u>	<u>1999</u>
<b>Revenue:</b>		
Fines and forfeitures .....	\$ 13,357	29,657
Miscellaneous .....	271	230
	<u>13,628</u>	<u>29,887</u>
<b>Total revenue .....</b>		
<b>Expenditures:</b>		
<b>Current:</b>		
<b>Public Safety:</b>		
Operating expenditures .....	3,766	3,912
Capital outlay .....	0	20,264
	<u>3,766</u>	<u>24,176</u>
<b>Total expenditures .....</b>		
Excess of revenue over (under) expenditures .....	9,862	5,711
Fund balance, beginning of year .....	<u>21,721</u>	<u>16,010</u>
Fund balance, end of year .....	<u>\$ 31,583</u>	<u>21,721</u>

## ***General Fixed Assets Account Group***

*General fixed assets are those fixed assets of the City which are not accounted for in proprietary or nonexpendable trust funds. To be classified as a fixed asset in this category a specific piece of property must possess three attributes: (1) the asset must be tangible in nature; (2) the asset must have a useful life longer than the current fiscal year; and (3) the asset must have a significant value.*

*The general fixed assets are maintained in a self-balancing group of accounts which require adequate accounting procedures and records to assure their protective custody.*



**SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
 For the Fiscal Year Ended September 30, 2000  
 With Comparative Totals for the Fiscal Year Ended September 30, 1999  
 CITY OF HOLLY HILL, FLORIDA

	<u>2000</u>	<u>1999</u>
<b>General Fixed Assets:</b>		
Land .....	\$ 1,367,000	1,367,000
Buildings .....	3,648,857	3,309,811
Improvements other than buildings .....	7,635,752	6,911,452
Machinery and equipment .....	2,307,915	2,181,297
Construction work in progress .....	<u>26,583</u>	<u>248,200</u>
<b>Total general fixed assets .....</b>	<b>\$ <u>14,986,107</u></b>	<b><u>14,017,760</u></b>
<b>Investment in General Fixed Assets From:</b>		
General Fund .....	\$ 9,757,412	9,674,984
Special Revenue Funds .....	1,019,714	694,897
Capital Projects Fund .....	3,716,849	3,155,747
Expendable Trust Fund .....	<u>492,132</u>	<u>492,132</u>
<b>Total general fixed assets .....</b>	<b>\$ <u>14,986,107</u></b>	<b><u>14,017,760</u></b>

**SCHEDULE OF GENERAL FIXED ASSETS  
 BY FUNCTION AND ACTIVITY  
 GENERAL FIXED ASSETS ACCOUNT GROUP  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA**

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General Government .....	\$ 190,970	1,134,383	80,636
Public Safety:			
Police protection .....	0	45,852	2,350
Fire protection .....	29,493	200,292	2,266
	<u>29,493</u>	<u>246,144</u>	<u>4,616</u>
Public Works .....	63,692	107,636	6,566,206
Parks, Recreation and Sica Hall .....	1,082,845	2,012,245	984,294
Libraries .....	0	148,449	0
Total general fixed assets - allocated to functions .....	\$ <u>1,367,000</u>	<u>3,648,857</u>	<u>7,635,752</u>

Exhibit F-2

Machinery and Equipment	Construction Work in Progress	Total
393,061	0	1,799,050
596,809	0	645,011
426,857	0	658,908
<u>1,023,666</u>	0	<u>1,303,919</u>
<u>726,956</u>	26,583	7,491,073
<u>122,782</u>	0	4,202,166
<u>41,450</u>	0	189,899
<u><u>2,307,915</u></u>	<u><u>26,583</u></u>	<u><u>14,986,107</u></u>

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
 BY FUNCTION AND ACTIVITY  
 GENERAL FIXED ASSETS ACCOUNT GROUP  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA**

**Exhibit F-3**

Function and Activity	General Fixed Assets 10/01/1999	Additions	Deletions	General Fixed Assets 09/30/2000
General Government .....	\$ 1,792,448	19,095	12,493	1,799,050
Public Safety:				
Police protection .....	620,783	24,228	0	645,011
Fire protection .....	635,198	23,710	0	658,908
	<u>1,255,981</u>	<u>47,938</u>	<u>0</u>	<u>1,303,919</u>
Public Works .....	7,065,336	437,871	12,134	7,491,073
Parks, Recreation and Sica Hall .....	3,714,096	503,014	14,944	4,202,166
Libraries .....	189,899	0	0	189,899
Total general fixed assets.....	\$ <u>14,017,760</u>	<u>1,007,918</u>	<u>39,571</u>	<u>14,986,107</u>

## ***General Long-Term Debt Account Group***

*The general long-term debt account group is a self-balancing group of accounts established to account for the unmatured general long-term debt of a government.*



**COMPARATIVE STATEMENTS OF GENERAL LONG-TERM DEBT  
GENERAL LONG-TERM DEBT ACCOUNT GROUP**  
For the Fiscal Year Ended September 30, 2000  
With Comparative Totals for the Fiscal Year Ended September 30, 1999  
CITY OF HOLLY HILL, FLORIDA

**Exhibit G-1**

	<u>2000</u>	<u>1999</u>
Amount to be Provided for Payment of General Long-Term Debt .....	\$ <u>1,557,853</u>	<u>1,735,769</u>
 General Long-term Debt:		
Notes Payable:		
Sun Bank of Volusia County - Utility Service Tax Revenue		
Note, Series 1998A .....	978,821	1,082,908
Sun Bank of Volusia County - computer systems .....	81,037	132,078
County of Volusia - 800 MHZ radio system .....	<u>57,211</u>	<u>69,836</u>
Total notes payable .....	1,117,069	1,284,822
Obligation for compensated absences payable .....	<u>440,784</u>	<u>450,947</u>
Total general long-term debt .....	\$ <u>1,557,853</u>	<u>1,735,769</u>



## ***Statistical Section***

*Statistical tables differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These tables reflect social and economic data, financial trends and the fiscal capacity of the City of Holly Hill, Florida.*



**GENERAL FUND REVENUES - BY SOURCE**  
**LAST TEN FISCAL YEARS**  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA  
*(Amounts in \$)*

Table 1

Fiscal Year	Total	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous
1991	5,424,529	2,412,088	162,013	969,513	1,669,189	65,862	145,864
1992	4,489,036	2,460,486	182,537	946,091	700,084	87,325	112,513
1993	4,966,324	2,805,954	174,719	973,354	847,432	80,263	84,602
1994	5,144,110	2,836,184	179,654	1,034,801	851,951	61,720	179,800
1995	5,161,162	2,825,642	188,062	1,147,940	854,831	46,859	97,828
1996	5,100,361	2,903,615	215,032	1,145,089	568,051	49,605	218,969
1997	4,949,140	2,859,618	219,428	1,060,025	595,622	57,484	156,963
1998	4,633,584	3,159,746	197,426	921,033	113,272	81,317	160,790
1999	4,934,157	3,202,707	245,185	1,135,902	116,708	77,588	156,067
2000	5,042,210	3,279,961	179,580	1,170,485	137,894	73,361	200,929

**GENERAL FUND EXPENDITURES - BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA  
 (Amounts in \$)

**Table 2**

Fiscal Year	Total	General Government	Public Safety	Physical Environment	Transportation	Culture/ Recreation	Debt Service
1991	5,628,971	1,370,059	1,859,666	1,005,292	821,012	572,942	0
1992	4,583,104	1,375,415	2,014,405	0	714,072	479,212	0
1993	5,018,070	1,111,577	2,400,339	0	862,075	644,079	0
1994	5,068,613	1,176,392	2,319,543	0	922,001	650,677	0
1995	5,477,498	1,256,993	2,459,806	0	960,144	800,555	0
1996	4,890,722	1,134,574	2,352,963	0	517,567	885,618	0
1997	4,758,054	1,187,115	2,350,099	0	642,129	578,711	0
1998	5,328,393	1,127,297	2,401,183	0	583,501	546,508	669,904
1999	4,861,917	1,170,422	2,279,242	0	553,042	631,882	227,329
2000	4,986,324	1,026,223	2,443,962	0	584,862	701,394	229,883

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY:  
PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA  
(\$ in thousands)**

**Table 3**

Fiscal Year	Assessed Value (1)	Estimated Actual Value (2)		Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Outstanding Delinquent Taxes Receivable	Percent of Levy Outstanding
1991	352,542	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%
1999	398,980	403,010	99%	1,498	1,419	94.7%	65	4.3%
2000	416,963	416,963	100%	1,517	1,430	94.3%	66	4.4%

(1) Obtained from the County of Volusia, Florida, Finance Department.

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

**PROPERTY TAX RATES AND TAX LEVIES (1)**  
**DIRECT AND ALL OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**Table 4**

Fiscal Year	Holly Hill	Volusia County School District	Volusia County	Southeast Volusia Mosquito Control	Ponce Inlet and Port Authority	East Volusia Transit	Halifax Hospital	St. Johns Water Management District	Florida Inland Navigation District	Endangered and Recreation Lands
<b>TAX RATES</b> <i>(per \$1,000 of assessed value)</i>										
1991	4.46300	9.54800	4.94100	0.32400	0.09500	0.25900	2.87400	0.35800	0.05500	0.25000
1992	4.43400	9.54800	0.48200	0.31600	0.09300	0.31000	2.81800	0.35800	0.05300	0.25000
1993	5.46950	9.54800	4.89600	0.31500	0.09300	0.31400	2.82100	0.35800	0.05200	0.16700
1994	5.46950	9.86900	5.44300	0.31800	0.09400	-	2.75000	0.47000	0.05100	0.18400
1995	5.46950	10.27700	5.53200	0.28700	0.09400	-	2.26400	0.48200	0.04900	0.18400
1996	5.55375	10.88700	5.98900	0.26200	0.09400	-	2.25500	0.48200	0.04000	0.18300
1997	5.53591	10.82100	6.03600	0.23800	0.09300	-	2.23100	0.48200	0.03800	0.18100
1998	5.51831	10.48700	6.20100	0.23800	0.09000	-	2.18900	0.48200	0.05000	0.17700
1999	5.25000	10.37600	6.20400	0.23800	0.09000	-	2.15200	0.48200	0.04800	0.17400
2000	5.09007	9.91700	6.20400	0.23800	0.09000	-	2.15174	0.48200	0.04400	0.16900
<b>TAX LEVIES</b> <i>(\$ in thousands)</i>										
1991	\$ 1,162	2,485	1,286	84	25	67	748	93	14	65
1992	\$ 1,167	2,514	1,269	83	24	82	742	94	14	66
1993	\$ 1,439	2,511	1,288	83	24	83	742	94	14	44
1994	\$ 1,425	2,572	1,418	83	24	-	717	122	13	48
1995	\$ 1,444	2,714	1,461	76	25	-	598	127	13	49
1996	\$ 1,466	2,875	1,581	69	25	-	595	127	11	48
1997	\$ 1,434	2,803	1,563	62	24	-	578	125	10	47
1998	\$ 1,495	2,841	1,680	64	24	-	593	130	14	48
1999	\$ 1,491	2,946	1,762	68	26	-	611	137	13	49
2000	\$ 1,845	2,949	1,845	71	27	-	640	143	13	50

(1) Obtained from the County of Volusia, Florida, Finance Department.

**DEBT SERVICE REQUIREMENTS TO MATURITY**  
**WATER AND SEWER REVENUE BONDS, SERIES 1992**  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Table 5

Due October 1,	Principal	Mandatory Amortization Installment	Interest	Total
2001	\$310,000		\$811,544	\$1,121,544
2002	330,000		795,114	1,125,114
2003	345,000		776,964	1,121,964
2004	365,000		757,644	1,122,644
2005	385,000		736,656	1,121,656
2006	410,000		714,038	1,124,038
2007	435,000		689,438	1,124,438
2008		\$460,000	663,337	1,123,337
2009		490,000	635,162	1,125,162
2010		520,000	605,150	1,125,150
2011		550,000	573,300	1,123,300
2012		585,000	539,612	1,124,612
2013		620,000	503,781	1,123,781
2014		660,000	465,806	1,125,806
2015		700,000	425,381	1,125,381
2016		740,000	382,506	1,122,506
2017		785,000	337,181	1,122,181
2018		835,000	289,100	1,124,100
2019		885,000	237,956	1,122,956
2020		940,000	183,750	1,123,750
2021		1,000,000	126,175	1,126,175
2022		1,060,000	64,925	1,124,925
Total	<u>\$2,580,000</u>	<u>\$10,830,000</u>	<u>\$11,314,520</u>	<u>\$24,724,520</u>

COMPUTATION OF OVERLAPPING DEBT  
 END OF FISCAL YEAR  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA  
 (\$ in thousands)

Table 6

Name of Governmental Unit	Net Debt Outstanding	Percent Applicable to the Governmental Unit	City of Holly Hill Share of Debt
Volusia County School District	\$52,278	2.05%	\$1,072
County of Volusia, Florida	6,380	2.05%	131
St. Johns River Water Management District	68,275	0.30%	<u>205</u>
Total overlapping debt			<u><u>\$1,407</u></u>

SCHEDULE OF INSURANCE IN FORCE  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Table 7

Type of Coverage Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<b>Coregis Insurance Group</b>				
Policy #651-006986				
General Liability	12/1/99 - 12/1/00	General Liability	\$1,000,000 Total Occurrence Limit	\$39,931
Law Enforcement		Law Enforcement Liability	\$1,000,000 Total Occurrence Limit	
Professional Liability			Aggregate \$5,000,000	
Auto Coverage	12/1/99 - 12/1/00	Automobile Liability \$1,000 deductible	\$500,000 Liability \$10,000 Personal Injury Protection	\$34,181
Public Officials Liability	12/1/99 - 12/1/00	Wrongful Acts \$2,500 Retention	\$1,000,000 each loss and in aggregate	\$8,528
Property	12/1/99 - 12/1/00	\$1,000 deductible \$5,000 deductible per occurrence for any windstorm \$500,000 deductible per occurrence for flood	\$20,531,250 blanket for building and contents - Flood \$5,000,000	
Inland Marine (Cont. Equip)	12/1/99 - 12/1/00	Off-road Equipment Deductible \$500 Computer equipment & media Deductible \$1,000	\$417,673 listed property \$400,000 listed property	
Crime/Employee Dishonesty	12/1/99 - 12/1/00	Honesty Blanket Bond Theft, Disappearance & Destruction Forgery or Alteration Cumputer Fraud Deductible \$1,000	\$100,000 per loss \$5,000 Inside & Outside Premises \$50,000 \$100,000	\$26,273
Hunt Insurance Group Policy # SRG8045349B Police & Firefighters Accidental Death & Dismemberment	4/15/00 - 4/15/01	Accidental Death Police & Firefighters Unlawful and Intentional Death and Dismem- berment Principle Sum	\$25,000 \$25,000 \$75,000	\$1,011
The Hartford Steam Boiler Inspection & Insurance Co. Policy #FBP9497065 Boiler & Machinery	4/15/00 - 4/15/01	Mechanical Breakdowns Lightning Damages, City Hall Equipment & Leased Equip. \$1,000 deductible	\$3,900,000	\$1,268
Preferred Governmental Insurance Trust (PGIT) Policy #001000000005099 Workers' Compensation	10/01/99 - 10/01/00	Statutory	Statutory, employers' liability \$1,000,000	\$124,595
Commerce & Industry Petroleum Liability Insurance Policy #FPL8072644 Environmental Protection	6/25/00 - 6/25/01	Fuel Storage Tank \$10,000 deductible	\$1,000,000 Each Incident \$1,000,000 Each Aggregate	\$1,657

**REVENUE BOND COVERAGE**  
**WATER AND SEWER SYSTEM FUND**  
**LAST TEN FISCAL YEARS**  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA  
(\$ in thousands)

**Table 8**

Fiscal Year	Gross Revenue (1)	Operating Expenses (4)	Net Revenues	Debt Service Requirements			Debt Service Coverage (Times)
				Principal	Interest	Total	
1991	2,986	1,302	1,684	165	985	1,150 (2)	1.46
1992	3,276	1,500	1,776	175	985	1,160 (2)	1.53
1993	3,317	1,475	1,842	165	743	908 (3)	2.03
1994	3,440	1,541	1,899	230	893	1,123 (3)	1.69
1995	3,088	1,469	1,619	240	885	1,125 (3)	1.44
1996	3,216	1,418	1,798	245	876	1,121 (3)	1.60
1997	3,461	1,363	2,098	255	865	1,120 (3)	1.87
1998	3,553	1,350	2,203	270	853	1,123 (3)	1.96
1999	3,712	1,513	2,199	280	841	1,121 (3)	1.96
2000	4,039	1,448	2,591	295	827	1,122 (3)	2.31

- (1) Included in gross revenue for debt service coverage are water and sewer connection charges which are reclassified as contributions from customers for financial statement presentation.
- (2) Debt service expenditures for Series 1989 Bonds.
- (3) Debt service expenditures for Series 1992 Bonds.
- (4) Operating expenses for debt service coverage exclude depreciation, amortization, and City administrative charges.

**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**Table 9**

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment Rate (3)
1991	(4)	11,141	1,814	(6)	7.3%
1992	(5)	11,198	1,876	(6)	7.9%
1993	(5)	11,258	1,894	(6)	6.3%
1994	(5)	11,455	1,891	(6)	6.4%
1995	(5)	11,539	1,894	(6)	4.9%
1996	(5)	11,370	1,887	(6)	4.2%
1997	(5)	11,310	1,872	(6)	4.0%
1998	(5)	11,325	2,066	(6)	3.4%
1999	(5)	11,383	1,888	(6)	3.0%
2000	(5)	11,383	1,813	(6)	3.0%

(1) County of Volusia, Florida, Planning Department

(2) Volusia County School District

(3) Florida Department of Labor

(4) U. S. Bureau of Census

(5) Bureau of Economic and Business Research

(6) Volusia County unemployment rate

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA  
 (All amounts in thousands)

**Table 10**

Fiscal Year	(1)				(2) Bank Deposits	(3) Property Values		
	Commercial Construction		Residential Construction			Commercial	Residential	Nontaxable
	Units	Value	Units	Value				
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	118,086	2,673,336	7,278,177	4,026,670
1995	10	1,312	61	692	124,705	2,679,990	7,512,145	4,109,968
1996	16	1,735	55	1,582	118,817	2,708,437	7,922,818	4,509,253
1997	16	3,777	41	739	117,928	2,836,488	8,334,733	4,660,708
1998	40	4,657	84	1,322	125,678	2,984,058	8,714,059	4,892,427
1999	50	2,997	96	1,031	115,258	3,132,391	9,211,462	5,165,689
2000	58	4,137	86	1,119	116,162	3,438,564	10,007,763	5,579,709

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

(2) Florida Bankers Association

(3) County of Volusia, Property Appraiser

**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS**  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

**Table 11**

Title of City Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$9,840	6 years, 9 months	\$100,000 blanket amount on all
City Commissioners (4)	6,600	2 years, 9 months to 12 years, 8 months	
City Attorney (retainer)	7,500	Over 24 years	
City Manager	66,500	2 months	
City Clerk	34,999	1 year, 3 months	
Finance Director	54,989	9 years, 7 months	
Police Chief	0	Vacant	
Public Services Director	60,786	5 years, 9 months	
Fire Chief	0	Vacant	
Building Official	47,627	20 years	

**SCHEDULE OF MAJOR TAXPAYERS**  
September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

**Table 12**

Taxpayer Name	Type of Business	Assessed Values	Percent of Assessed Value
Holly Hill R.H.F. Housing, Inc.	Bishops Glen Retirement Center	\$7,538	1.65%
Florida Power & Light	Electric power utility	6,684	1.47%
KMC Telecom Leasing, Inc.	Communications	5,377	1.18%
BellSouth Telecommunications, Inc.	Communications utility	4,570	1.00%
Sun Communities Operating: Holly Forest Mobile Home Park	Mobile Home Park	4,269	0.94%
William H. Jones, Metra Electronics	Electronics Manufacturer	3,968	0.87%
EIG Holly Hill, LLC	Winn Dixie Shopping Center	3,421	0.75%
Riviera Assisted Living	Assisted Living Facility	3,368	0.74%
United Rentals, Inc.	Construction Equipment Rentals	3,237	0.71%
Holly Point Apartments, Inc.	Apartment Complex	3,127	0.69%
Totals		<u>\$45,559</u>	<u>10.00%</u>

Source: Volusia County Property Appraiser

MISCELLANEOUS STATISTICAL DATA  
 September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

Table 13

Date of Incorporation:	July 1, 1901		
Date First Charter Adopted:	1901		
Date Present Charter Adopted:	1941		
Form of Government:	Commission/Manager		
Area - Square Miles:	4.5		
Miles of Streets and Sidewalks:		Employees as of September 30, 2000	
Paved Streets	57.2 miles	Civil service	107
Unpaved Streets	1.0 miles	Exempt	3
Sidewalks	28.0 miles	Education: Volusia County School District	
Miles of Storm Sewers:		Elementary schools	1
Storm sewers	34 miles	Secondary schools	1
Sanitary sewers	73 miles	Students:	
Fire Protection:		Kindergarten to grade 5	754
Number of stations:	1	Grades 6 to 8	1,059
Number of Firefighters	11	Total	<u>1,813</u>
Number of fire hydrants	272	Education personnel:	
Police Protection:		Instructional	118
Number of stations:	1	Noninstructional	58
Number of Police officers	31	Administrative	10
Number of Reserve officers	10	Street Lights:	
Animal Control officers	1	High pressure Sodium Vapor:	
Recreation:		6300 lumern	671
Parks (51.2 acres):	8	9500 lumern	81
Playgrounds	3	16000 lumern	35
Recreation buildings	5	22000 lumern	134
Tennis courts	1	50000 lumern	2
Shuffleboard courts	9	White Way underground 1000 lumen	6
Baseball/softball fields	5	Water Treatment Plant:	
Community centers	2	Design capacity	2.3 MGD
Public fishing piers	3	Current production rate	1.215 MGD
Boat ramps	1	Users	5,767
Wooden pier overlook	3	Water Pollution Control Plant:	
Municipal gymnasium	1	Design capacity	2.4 MGD
Concrete bike paths (miles)	1.5	Current production rate	1.530 MGD
Swimming pools	1	Users	5,030

## CLIMATOLOGICAL SUMMARY

September 30, 2000

City of Holly Hill, Florida

Table 14

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 degrees 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, co-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

***Compliance Section***



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

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

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

We have audited the general-purpose financial statements of City of Holly Hill, Florida, as of and for the year ended September 30, 2000, and have issued our report thereon dated February 28, 2001. 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 City of Holly Hill, Florida's financial statements are free of material misstatement, we performed tests of its 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 of 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 under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Holly Hill, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Commission, management, and the Auditor General of the State of Florida. However, this report is a matter of public record and its distribution is not limited.

*Brent Millikan & Co., P.A.*

February 28, 2001



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

**Report on Compliance With Requirements Applicable to Each Major  
Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of City of Holly Hill, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. The City of Holly Hill, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Holly Hill, Florida's management. Our responsibility is to express an opinion on City of Holly Hill, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Holly Hill, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Holly Hill, Florida's compliance with those requirements.

In our opinion, City of Holly Hill, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2000.

Internal Control Over Compliance

The management of City of Holly Hill, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Holly Hill, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

The Honorable Mayor, City Commission  
and City Manager  
City of Holly Hill, Florida  
Page 2 of 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

*Schedule of Expenditures of Federal Awards*

We have audited the general-purpose financial statements of City of Holly Hill, Florida as of and for the year ended September 30, 2000, and have issued our report thereon dated February 28, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the City Commission, management, and the Auditor General of the State of Florida. However, this report is a matter of public record and its distribution is not limited.

*Brent Milliken & Co., P.C.*

February 28, 2001



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For the Fiscal Year Ended September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>US Department of Housing and Urban Development:</u></b>			
Community Development Block Grant:			
Passed-through County of Volusia, Florida,			
Department of Community Services			
Entitlement Grants:			
Urban County Block Grant 10/96 to 09/97 .....	14.218	CDBG HH 96/97	67,921
Urban County Block Grant 10/97 to 09/98 .....	14.218	CDBG HH 97/98	64,773
Urban County Block Grant 10/98 to 09/99 .....	14.218	CDBG HH 98/99	38,313
Urban County Block Grant 10/99 to 09/00 .....	14.218	CDBG HH 99/00	<u>104,344</u>
			<u>275,351</u>
<b><u>U.S. Department of Justice:</u></b>			
Passed-through Florida Department of Community Affairs:			
Police Athletic League (PAL) Grant .....	16.579	00-CJ-DB-06-74-02-034	67,855
Office of Justice Programs:			
Local Law Enforcement Block Grant .....	16.592	1999-LB-VX-8309	14,161
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Grant Act .....	16.607		876
Office of Community Oriented Police Services:			
COPS Grant .....	16.710	1997UMWX0166	<u>34,924</u>
			<u>117,816</u>
<b><u>Federal Emergency Management Agency:</u></b>			
Disaster Relief Grant:			
Passed through State of Florida Department of Community Affairs, Division of Emergency:			
Hurricane Floyd .....	83.516	00-RM-XX-06-74-02-145	4,094
Hurricane Irene .....	83.516	00-RM-W-*06-74-02-174	<u>162,971</u>
			<u>167,065</u>
Total Expenditures of Federal Awards .....			<u>\$ 560,232</u>



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ yes	<u>  X  </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ yes	<u>  X  </u> none reported	

Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	<u>  X  </u> no	

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
US Department of Housing and Urban Development Community Development Block Grant Urban County Block Grant	14.218
Federal Emergency Management Agency Disaster Relief Activity Grant	83.516

Dollar threshold used to distinguish between type A and type B programs:	<u>  \$300,000  </u>
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.



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

**Independent Auditors' Report on  
Examination of Management's Assertion  
About Compliance With Specified Requirements**

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

We have examined management's assertion about City of Holly Hill, Florida's compliance with the allowable cost requirements established in the grant agreements applicable to state grants and aids appropriations identified on the accompanying schedule of state financial assistance for the year ended September 30, 2000, included in the accompanying Management Assertion Report. Management is responsible for City of Holly Hill, Florida's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about City of Holly Hill, Florida's compliance based on our examination.

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

In our opinion, management's assertion that City of Holly Hill, Florida complied with the aforementioned requirements for the fiscal year ended September 30, 2000, is fairly stated, in all material respects.

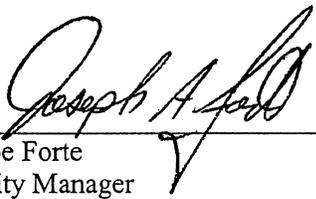
*Brent Millikan & Co., P.A.*

February 28, 2001



**City of Holly Hill, Florida**  
**Management Assertion Report**  
**Year Ended September 30, 2000**

We, Joe Forte, City Manager , and Honorable William D. Arthur, Mayor , hereby assert that,  
City of Holly Hill, Florida complied with the allowable cost requirements of the grants and aids  
appropriations identified on the attached Schedule of State Financial Assistance during the fiscal year ended  
September 30, 2000 .

  
\_\_\_\_\_  
Joe Forte  
City Manager

March 14, 2001

  
\_\_\_\_\_  
William D. Arthur  
Mayor

March 14, 2001

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
 For the Fiscal Year Ended September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

Grantor Agency/Program Title	State Contract Grant No.	(1) Federal CFDA Number
Florida Department of Community Affairs: Police Athletic League (PAL) Grant (3) .....	00-CJ-DB-06-74-02-034	16.579
Florida Department of Community Affairs: Division of Emergency Grant:		
Hurricane Floyd (3) .....	00-RM-XX-06-74-02-145	83.516
Hurricane Irene (3) .....	00-RM-W-*06-74-02-174	83.516
Florida Department of Environmental Protection:		
Solid Waste Recycling and Education Program .....	RE2000-62	N/A
Recreation Development Assistance Program (2) .....	FRDAP Project No. F01071	N/A
State Revolving Loan Fund .....	CS12070905P	N/A
Florida Department of Business and Professional Regulation:		
Division of Alcoholic Beverages and Tobacco		
Agents Combating Tobacco Sales		
Enforcement Contract Program (2) .....	99-00104-00	N/A
Florida Department of Transportation:		
Highway Beautification Grant (2) .....	AH645	N/A
Total State Financial Assistance .....		

- (1) Federal CFDA numbers apply only to federal programs.
- (2) State Grants and Aids Appropriations moneys. The grand total of State Grants and Aids Appropriations moneys received by the City for the year was \$203,130.
- (3) Amount of expenditures also reported in Schedule of Federal Awards as passed-through from the State of Florida. The total of cash receipts from federal awards passed-through to the City totaled \$219,380. Qualifying expenditures reimbursed with federal funds passed-through state agencies totaled \$261,873.

<u>State Receipts</u>	<u>Federal Through State Receipts</u>	<u>Total Receipts</u>	<u>Recognized Revenue and Expenditures</u>
\$ 0	\$ 52,315	\$ 52,315	\$ 67,855
659	4,094	4,753	4,753
26,294	162,971	189,265	189,265
4,271	0	4,271	4,271
150,000	0	150,000	150,000
1,268,689	0	1,268,689	0
11,550	0	11,550	11,550
41,580	0	41,580	41,580
<u>\$ 1,503,043</u>	<u>\$ 219,380</u>	<u>\$ 1,722,423</u>	<u>\$ 469,274</u>



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

**MANAGEMENT LETTER**

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

We have audited the financial statements of City of Holly Hill, Florida, as of and for the year ended September 30, 2000, and have issued our report thereon dated February 28, 2001. 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.

In planning and performing our audit of the general-purpose financial statements of City of Holly Hill, Florida, for the year ended September 30, 2000, we considered its internal control structure 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 structure. As a result, no weaknesses in procedures or controls came to our attention which are required to be reported.

We are submitting for your consideration the accompanying recommendations designed to help City of Holly Hill, Florida, improve the internal control structure and achieve operational efficiencies (in Exhibit A attached). After you have received our comments, we will be pleased to discuss further any questions you may have.

This report is intended for the information of the City Commission, management, and applicable federal and state regulatory bodies. However, this report is a matter of public record and its distribution is not limited.

*Brent Millikan & Co., P.A.*

February 28, 2001



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As required by Section 10.554(e), Rules of the Auditor General of the State of Florida, we make the following disclosures:

1. Determination of Financial Emergency - Sections 10.554(1)(e)(2) and 10.554(1)(e)(7)

We determined that City of Holly Hill, Florida, was not in a state of financial emergency at September 30, 2000, as a consequence of conditions described in Section 218.503(1), Florida Statutes. We also determined that no other recommendations addressing deteriorating financial conditions were necessary.

2. Department of Banking and Finance - Annual Financial Report for 09/30/2000 - Section 10.554(1)(e)(3)

We have compared the data contained in the financial report required to be filed with the Florida Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes with the financial data included in the City's audited general purpose financial statements. No exceptions were noted during our review.

3. Investment of Public Funds - Section 10.554(1)(e)(4)

The City of Holly Hill, Florida, complied with Section 218.415, Florida Statutes (1999), regarding the investment of public funds during the fiscal year ended September 30, 2000.

4. Official Title and Legal Authority for the Primary Government - Section 10.554(1)(e)(9)

The City of Holly Hill, Florida was originally incorporated under the general laws of Florida on July 1, 1901 (Records of Incorporations, Volusia County, Vol. I, p. 101). This incorporation was validated in 1903 by Laws of Florida, Chapter 5346 (1903).

5. Summary Schedule of (1999) Prior Year Audit Findings - Sections 10.554(1)(e)(1) and 10.554(1)(i)

We have determined that the City of Holly Hill, Florida has followed all recommendations made in the preceding annual financial audit report.

6. Schedule of Current Year Comments - Section 10.554(1)(e)(6) and 10.554(1)(e)(8)

Development of Indirect Cost Plan for Federal and State Grants

For each of the past two consecutive years, the City has been the recipient of significant federal and state grants and awards. However, we noted that the City has not developed a formal indirect cost allocation plan for purposes of charging certain allowable costs to grants where the City is participating in an agent capacity.

Since the City is similarly responsible for monitoring grant compliance and establishing a satisfactory internal control system to insure compliance with the various grant conditions, we recommend that the City consider development of a formal indirect cost allocation plan to maximize its reimbursements for indirect costs associated with the various sponsoring agreements. We realize that in many instances these grants only provide for direct costs. However, if you develop a plan in advance, it may be possible to obtain approval for reimbursement of other related administrative costs that the City would not otherwise

incur. Documentation for the allocations of overhead and other indirect costs must be developed prior to entering into any future federal award contracts. The general principles for determining allowable costs are outlined in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Implementation of OMB Circular A-87 requires establishing policies and procedures for indirect cost allocation plans. The City does not have a designated cognizant agency, so it does not have to submit a cost allocation plan for approval; however, it must maintain the plan on file and be available for auditors and administering agencies to review.

Guidance for interpretation and implementation of Circular A-87 can be found in the Department of Health and Human Services publication, *Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government (ASMB C-10)*, that was issued in April 1997. A copy of this publication is available from the Government Printing Office or on the HHS GrantsNet Internet site at [www.os.dhhs.gov/progorg/grantsnet/index.html](http://www.os.dhhs.gov/progorg/grantsnet/index.html).

*Required Minimum Pension Contributions*

Each year an independent actuary is engaged by the Board of Trustees of the City's Police and Fire Pension Trust Funds to compute the actuarially required pension contributions for the subsequent year. During the year, we noted that the City did not deposit the total required contribution to the Fire Plan as determined by the October 1, 1999 actuarial valuation. The actuarially determined minimum deposit was \$108,187. Amounts actually contributed by the City and covered Fire Plan employees totaled \$38,966 and \$38,879, respectively. The remaining \$30,342 unfunded portion of the actuarially required contribution was required to be deposited in the Plan prior to the end of the fiscal year.

During our review of the Fire Plan, we subsequently noted that the funding shortfall was partially created from the substantial delay in receiving state casualty insurance premium excise tax revenues which have historically been used to finance this portion of the City's pension expense. It was also noted that the funding delay was caused by the City's failure to timely adopt the necessary policies required to comply with certain legislative changes mandated by the state prior to year end. Since the state funds were not received prior to the end of the year, under the terms of the Fire Plan, the City is responsible for the ultimate financing of all unfunded pension liabilities associated with the Plan.

We recommend that the funding shortfall for 2000 be corrected at the earliest possible date. We also recommend that future steps be taken to monitor all receipts of state casualty insurance premium excise taxes in the future to ensure that the pension plans are properly funded by the City in the event of a similar delay in the receipt of these funds.

*Required Implementation of GASB Statement No. 34 Financial Statement Changes*

As we mentioned last year, in June 1999, the Governmental Accounting Standards Board (the "GASB") issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* which establishes new financial reporting requirements for all state and local governments throughout the United States the first phase of which must be implemented by the City by October 1, 2001. In addition to the significant financial reporting requirements, your financial managers will be required to share their insights in your financial operations by providing a management's discussion and analysis (referred to as MD&A) by giving financial statements readers

what is expected to be an objective and easily readable analysis of the City's financial performance for the year. This analysis should provide your citizens and financial statement users with the information they need to help them assess whether the City's financial position has improved or deteriorated as a result of the year's operations.

There are two distinctly separate issues to consider in the transition period. The first is related exclusively to financial reporting model and formatting changes. The second is related exclusively to significant accounting changes that have to be made prior to implementation. While both issues require monumental changes in the way your City operates its financial affairs, the second issue contains specific requirements that must be assessed and understood immediately in order to plan for the appropriate implementation of the new requirements by their scheduled due dates.

The second transition issue has to do with the required reporting of general infrastructure assets in your financial reporting entity. While an extended due date has been allowed for the implementation of this requirement, the City must, in advance, take the necessary steps to determine the value of its general infrastructure assets for inclusion in its financial statements. This could result in an immense undertaking on your part, the entire cost of which must be assumed by the City as well. The following steps are essential in this process:

- Engage a governmental infrastructure appraisal specialist
- Identify and inventory all general infrastructure assets owned by the City
- Obtain detailed "estimated original cost" appraisal of all qualifying assets
- Calculate accumulated depreciation on assets at date of conversion

These required changes are nothing less than "monumental" in scope. Since this data is required to be included in your financial reporting entity, steps must be taken well in advance to ensure that it is obtained prior to its absolute due date to avoid future reporting inadequacies.

We continue to strongly recommend that you consider establishment of a formal transition plan for developing the necessary accounting information which will be required for implementation. If it is your desire, we would be happy to assist your personnel in this endeavor at your convenience.



# CITY OF HOLLY HILL

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March 27, 2001

To the Honorable Mayor, City Commission  
And City Manager  
City of Holly Hill, Florida

## **RESPONSE TO MANAGEMENT COMMENTS FYE 9/30/00**

### Development of Indirect Cost Plan for Federal and State Grants

The Finance Department will obtain the publications providing guidance for interpretation and implementation of an indirect cost plan in order to develop one for the city which may allow us to obtain reimbursement of related administrative costs on some future grants.

### Required Minimum Pension Contributions

The funding shortfall is being corrected in the current fiscal year. In the future, steps will be taken to monitor all receipts of state casualty insurance premium excise taxes to ensure that the pension plans are properly funded by the City in the event of a similar delay in the receipt of these funds.

### Required Implementation of GASB Statement No. 34 Financial Statement Changes

Finance Department staff have received publications and attended training sessions on the changes required by Statement No. 34. Planning for the appropriate implementation of the new requirements will be underway immediately. Also, because these are monumental changes, additional training to enhance understanding is currently scheduled.

*Brenda Gubernator*

Brenda Gubernator  
Finance Director