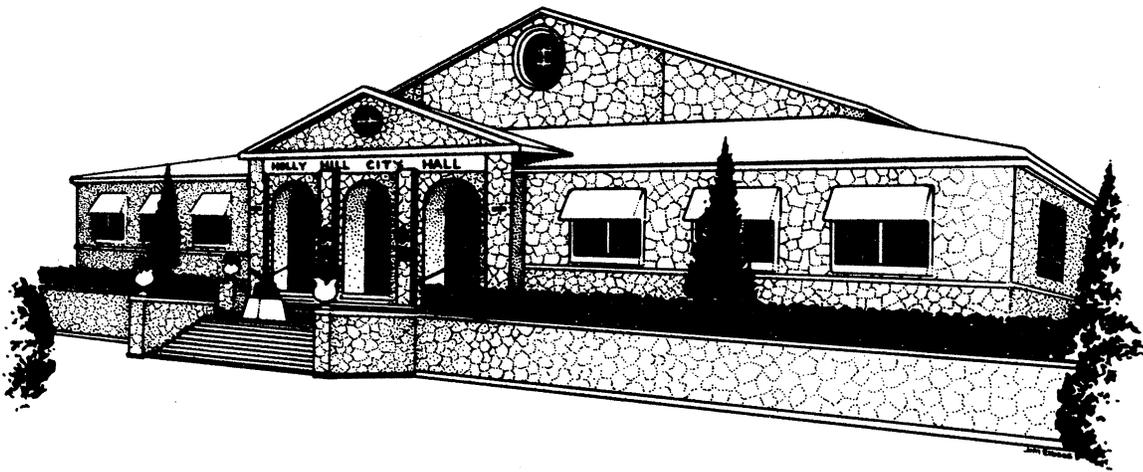


CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING SEPTEMBER 30, 1997

Comprehensive Annual Financial Report

City of Holly Hill, Florida

For the Fiscal Year Ended September 30, 1997

Prepared by:
Finance Department

Brenda Gubernator, Finance Director

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Introductory Section

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City of Holly Hill, Florida
Comprehensive Annual Financial Report

September 30, 1997

City Commission

William Arthur, Mayor

Shirley Heyman, Mayor Pro-Tem

Arthur J. Byrnes

J. D. Mellette

Jim Elliott

City Manager

Donald Lusk

City Attorney

Edward F. Simpson, Jr.

Finance Director

Brenda Gubernator

City Auditors

Ernst & Young LLP

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City of Holly Hill, Florida
Comprehensive Annual Financial Report

For the year ended September 30, 1997

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Letter of Transmittal

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CITY OF HOLLY HILL

TEN SIXTY--FIVE RIDGEWOOD AVENUE

HOLLY HILL, FLORIDA 32117-2898

904/947-4120

FAX# 904/947-4148

SUN COM 380-4120

April 9, 1998

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

The Comprehensive Annual Financial Report of the City of Holly Hill, Florida, (the City) for the year ended September 30, 1997, is submitted herewith pursuant to Article I, Section 52, of the City Charter, Florida Statutes, Chapter 11.45 and Chapter 10.500 of the Rules of the Auditor General of the State of Florida.

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

The Comprehensive Annual Financial Report is presented in five sections: introductory, financial, statistical, single audit and other reports. The introductory section includes a list of principal officials, this transmittal letter and the City's organizational chart. The financial section includes the general purpose financial statements and notes thereon and the combining and individual fund and account group financial statements and supporting schedules, as well as the report of independent auditors on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis. The Single Audit section includes reports and schedules required for proper accounting and reporting of grant receipts and expenditures. The other reports section includes the report on compliance and internal control based on an audit performed in accordance with *Government Auditing Standards* and the management letter and other required disclosures.

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

April 9, 1998

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

Economic Condition and Outlook

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

Growth along the I-4 corridor has been exceptional and is expected to continue through the 1990's. Growth in the City has been slowed due to the limited availability of vacant land parcels and sluggish economic conditions. Property valuations increased during the past year by only 1%, but the City is encouraged by the number of new and expanding businesses that applied for permits and licenses during the latter part of the year. Opportunities for additional growth exist in an already dynamic business and industrial community. The community currently has a 4% unemployment rate as compared to a statewide rate of 4.8%.

Growth trends and their challenge to government are expected to continue. Maintaining service delivery to the residential and business community continues to require innovations to obtain and manage resources.

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. **North Sunrise Park Pier Project**—An 8-foot wide, 340-foot long pier extending into the Halifax River was completed early in the fiscal year. The pier includes wooden benches along the way and an observation deck. The pier is thoroughly enjoyed by residents and visitors who use it for walking and fishing. This project was completed with grant funds from several sources.
2. **Information Systems**—A new computer system including both hardware and software was purchased during the year. To date, the City is online with its new accounting, cash receipts, purchasing, payroll and occupational license applications. During the next year, additional applications for utility billing, accounts receivable, permits and work orders will be completed.
3. **10th Street Railroad Crossing**—Paving and drainage work on 10th Street at the railroad crossing were completed during the year. Signalization at the railroad crossing will be completed soon and the street will be opened for vehicular traffic, relieving traffic congestion on LPGA Boulevard.

April 9, 1998

4. **Annexations**—Riviera Estates, a subdivision containing 44 parcels, voluntarily annexed into the City during the year. Several other voluntary annexations have occurred providing an increase in property valuations for the City and extending opportunities for increased or enhanced services to residents and businesses in the annexed areas.

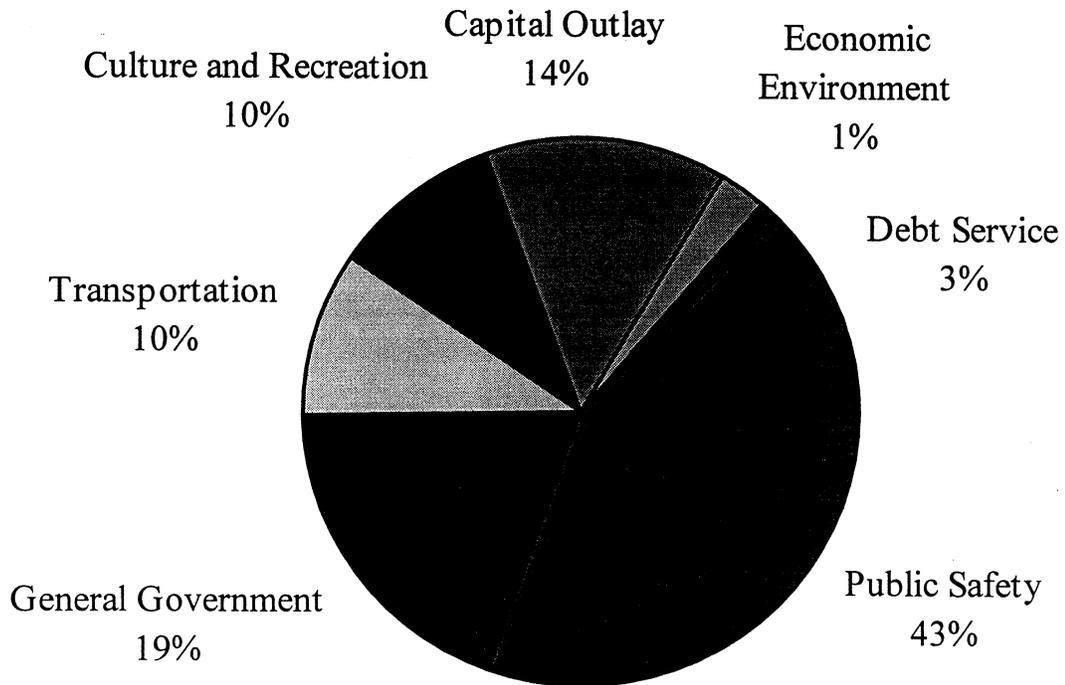
For the Future

In February of 1996, the City Commission reviewed the long-range goals that were developed and adopted in 1995. The first four goals were adopted in 1995. Two new goals were added in 1996. These goals were expected to be underway or accomplished within five years. Three of the goals remain on the list in 1997. A review of the progress made in 1997 toward accomplishing the remaining goals is shown below.

1. **To adopt and implement a plan to redevelop U.S. #1.** U.S. #1 is the main artery through the City and numerous areas along the road have been upgraded or redeveloped in recent years. It is the commitment of the City to continue this positive trend.
 - A. Businesses in the redevelopment area have been delighted with the City's decision to assign additional police officers funded by a federal grant to patrol on bicycles in the area. The police officers are meeting and talking to the people working and living in the district. At the same time, their presence is a deterrent to crime encouraging many of the business owners to assist with the promotion of positive trends.
2. **To develop a five year capital improvement plan.** The City Commission is committed to proceeding with a defined capital improvement plan.
 - A. Completed plans include stormwater drainage, street paving, and sidewalks. In process is the development of plans for water and sewer projects, a multi-purpose recreational facility and fleet replacement.
3. **To develop an annexation plan.** Unincorporated areas to the west of the City boundaries provide opportunities for annexation by the City. These opportunities include the ability for the City to supply uniform, high quality, cost efficient services and thereby benefit the residents and businesses in the area.
 - A. In the summer of 1998, a referendum vote to annex property in the unincorporated area west of Holly Hill will be held. This will be a major annexation of 9,000 people and about 3.5 square miles. The annexation, if successful, will provide benefits to both communities in the delivery of services with greater cost efficiency.

April 9, 1998

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



Expenditures for General Governmental functions amounted to \$5,299,000 for the year, an increase of \$126,000 over the preceding year.

Expenditures for General Government functions increased \$7,000 over the previous year and accounted for 19% of total expenditures.

Public Safety, which includes Police, Fire and Protective Inspection Departments, accounted for 43% of the General Fund expenditures, as compared to 46% for the preceding fiscal year.

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

Economic Environment, a new category in the current year, is attributable to the formation of the Redevelopment district within the City and the expenditure of funds related to a Community Development Block Grant.

April 9, 1998

The Culture and Recreation Department accounted for 10% of the General Fund expenditures, as compared to 12% for the previous fiscal year.

Expenditures for capital improvements amounted to \$728,000 for the fiscal year, an increase of 57% over the preceding fiscal year. Debt service requirement included principal retirement of \$135,000 and interest of \$38,000.

General Fund Balance:

The fund balance of the General Fund increased by 24% during the fiscal year ended September 30, 1997. The \$193,000 increase provided the City with a fund balance that is the equivalent of 21% of the actual expenditures for the fiscal year ended September 30, 1997. This indication of sound financial position will ensure the availability of resources needed to continue providing quality service to the City's citizens without imposing an undue tax burden.

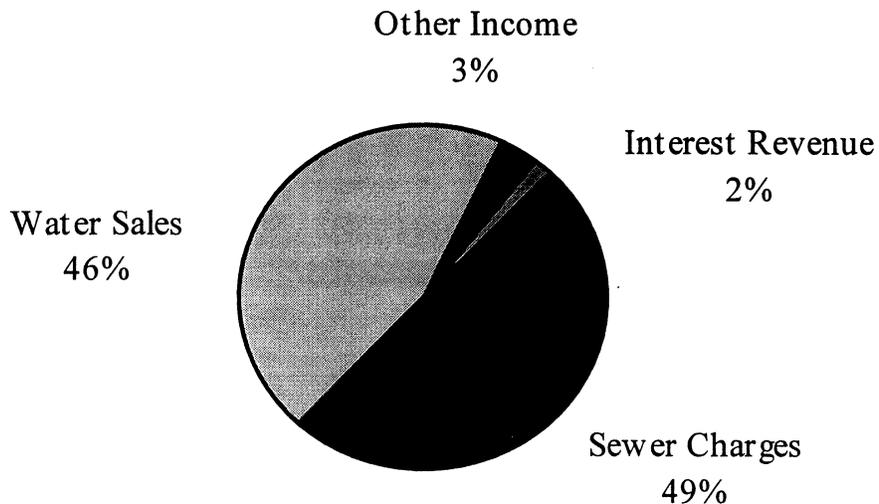
Enterprise Operations:

The following schedule presents a summary of Water and Sewer System Fund revenues for the fiscal year ended September 30, 1997 and the increases and decreases in relation to the prior year (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1996</u>
Water sales	\$1,550	46%	\$ 79
Sewer charges	1,660	49	120
Other income	102	3	56
Interest revenue	91	2	(34)
Totals	<u>\$3,403</u>	<u>100%</u>	<u>\$221</u>

The percentage of each component of revenue to total revenues is displayed in the graph on the following page.

April 9, 1998



The City's Water and Sewer System Fund experienced an increase in revenues of \$221,000 over the past year.

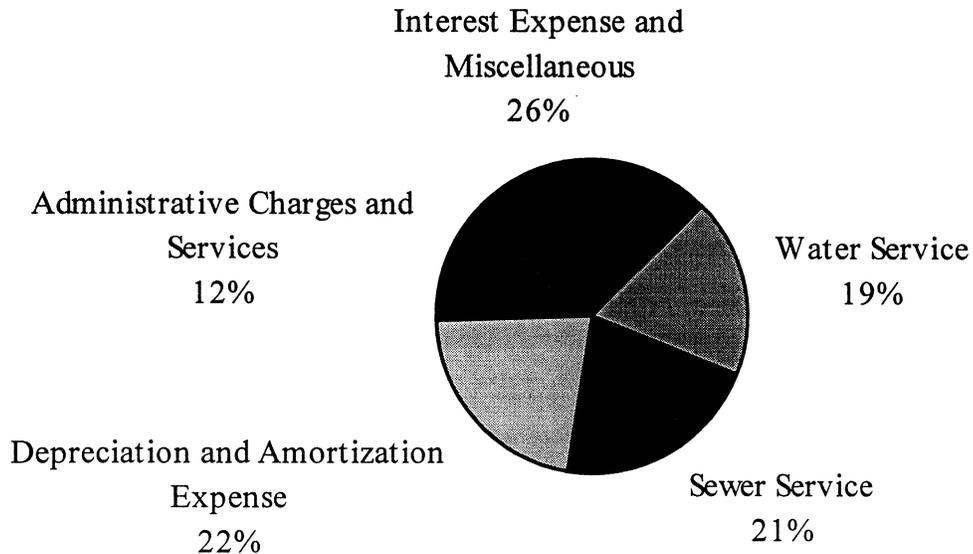
The City records connection charges and impact fees as contributed capital. During the year, connection charges and impact fees amounted to \$58,000, an increase of \$24,000 from the previous year.

The following schedule presents a summary of Water and Sewer System Fund expenses for the fiscal year ended September 30, 1997 and the amount of increases and decreases in relation to prior year amounts (*in thousands*).

<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1996</u>
Water service	\$ 639	19%	\$(20)
Sewer service	724	21	(35)
Administrative charges and services	409	12	12
Depreciation expense	741	22	42
Interest expenses and miscellaneous	877	26	(23)
Totals	\$3,390	100%	\$(24)

April 9, 1998

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



This year, the City had net income of \$13,000 in the Water and Sewer System Fund.

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

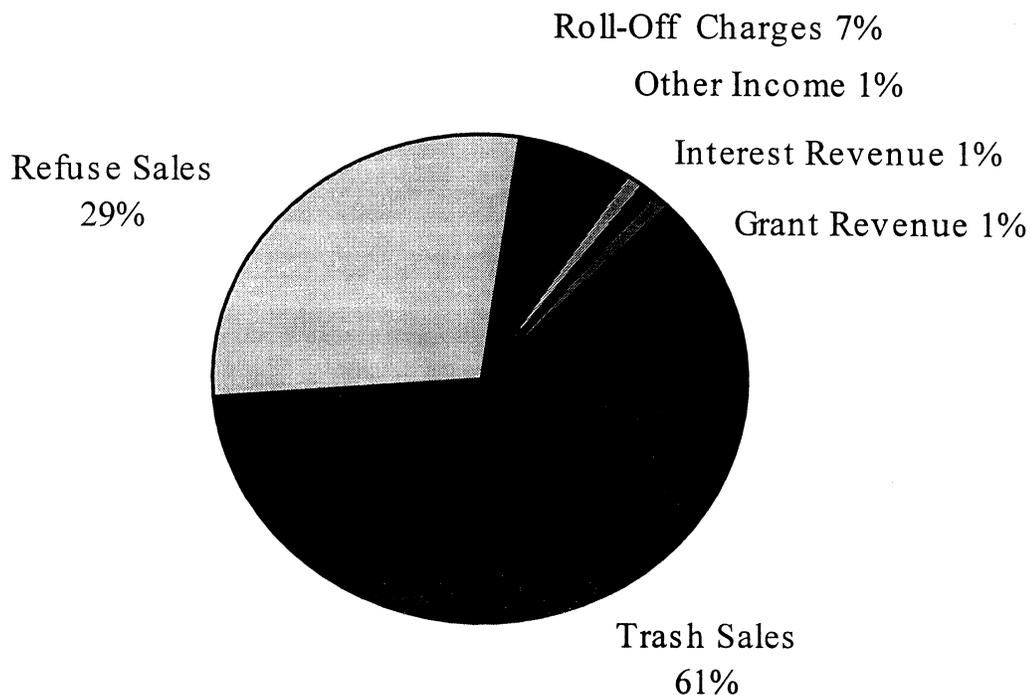
	<u>1997</u>
Gross revenue (includes connection charges)	\$3,461
Income available for debt service	2,098
Annual debt service requirement	1,120
Coverage (income available for debt service divided by annual debt service requirement)	1.87

April 9, 1998

The Solid Waste Fund is an enterprise fund that accounts for the City's Physical Environment/Sanitation Services. The following schedule presents a summary of Solid Waste Fund revenues and transfers for the fiscal year ended September 30, 1997 (*in thousands*).

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1996</u>
Trash sales	\$ 860	61%	\$56
Refuse sales	412	29	48
Roll-off charges	94	7	(25)
Other income	10	1	1
Grant revenue	14	1	(13)
Interest revenue	26	1	11
	<u>\$1,416</u>	<u>100%</u>	<u>\$78</u>

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

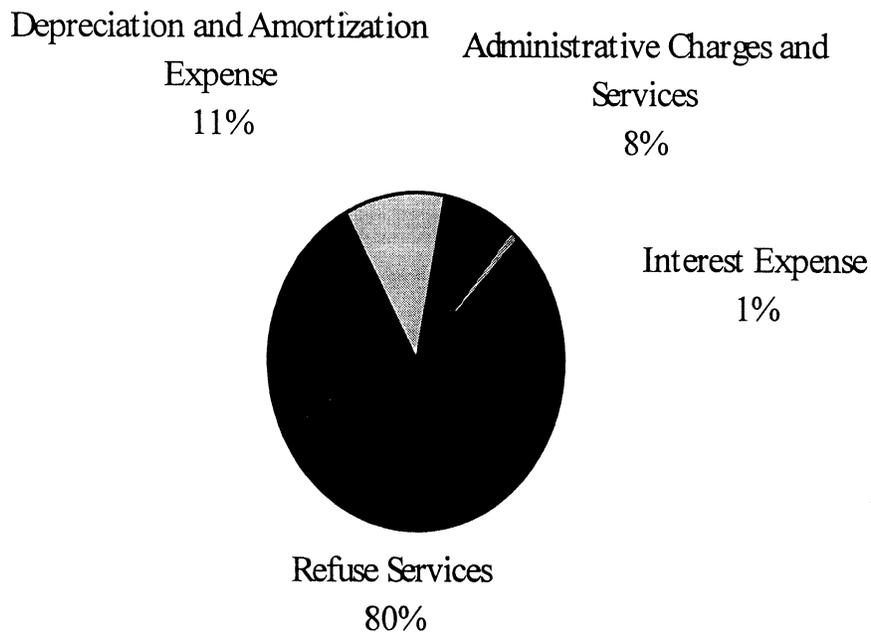


April 9, 1998

The following schedule presents a summary of Solid Waste Fund expenses for the fiscal year ended September 30, 1997 (*in thousands*).

<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) over 1996</u>
Refuse services	\$ 955	80%	\$(33)
Administrative charges and services	99	8	3
Depreciation and amortization expense	131	11	(14)
Interest expense	6	1	-
	<u>\$1,191</u>	<u>100%</u>	<u>\$(44)</u>

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



This year, the City has a net income of \$225,000 in the Solid Waste Fund.

April 9, 1998

Debt Administration:

At September 30, 1997, the City had no general bonded debt.

Water and sewer revenue bonds issued in 1992 are rated AAA by Moody's Investors Services and AAA by Standard and Poor's Corporation and are insured by Municipal Bond Investors Assurance Corporation. Debt service payments during the current year consisted of \$255,000 in principal maturities and \$865,000 of interest.

Pension Trust Fund Operations:

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

The Firefighters' Retirement System and the Police Officers' Retirement Trust Fund are governed by two separate Boards of Trustees appointed by the City Commission and are responsible for the administration of each fund. The City is responsible for funding any actuarial deficiency which may arise. At the dates of the most recent actuarial valuations the Police Officers' Retirement Trust had net assets held in trust for pension benefits of \$4,324,000 and the Firefighters' Retirement System had \$1,718,000. The two pension funds are included in the financial statements of the City.

During the year, the Firefighters' Retirement System revenues were derived from State of Florida contributions of \$20,000, employee contributions of \$29,000, City contributions of \$58,000, investment income of \$364,000, and other income of \$1,000. For the Police Officers' Retirement Trust Fund, the revenues were derived from State of Florida contributions of \$51,000, employee contributions of \$76,000, City contributions of \$80,000 and investment income of \$693,000.

General Fixed Assets:

This group of accounts represents the fixed assets of the General Government operations of the City. These assets have been recorded on the books at cost and carrying value bears no relation to the actual value of the assets. The total cost of general fixed assets at September 30, 1997 amounted to \$11,256,000 as compared to \$10,557,000 for the preceding year, an increase of 7%.

April 9, 1998

Cash Management:

Cash temporarily idle during the year was invested in demand deposits and in time deposits ranging from 12 to 24 months to maturity. The government's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the government, its agent or a financial institution's trust department in the government's name. At September 30, 1997, unrestricted cash was invested in interest bearing demand deposits and with the State Board of Administration. Interest earned on unrestricted funds for the past two fiscal years was as follows:

<u>Fund</u>	Interest Earned	
	1997	1996
	<i>(in thousands)</i>	
General Fund	\$ 74	\$ 85
Special Revenue Funds	35	-
Capital Projects Fund	3	-
Water and Sewer System Fund	70	86
Solid Waste Fund	26	15
Total interest earnings for the City	<u>\$208</u>	<u>\$186</u>

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

Other Information

Independent Audit:

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

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

Page 15

April 9, 1998

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 20 consecutive years. We believe our current report continues to conform with the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 1995. This is the ninth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments:

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

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

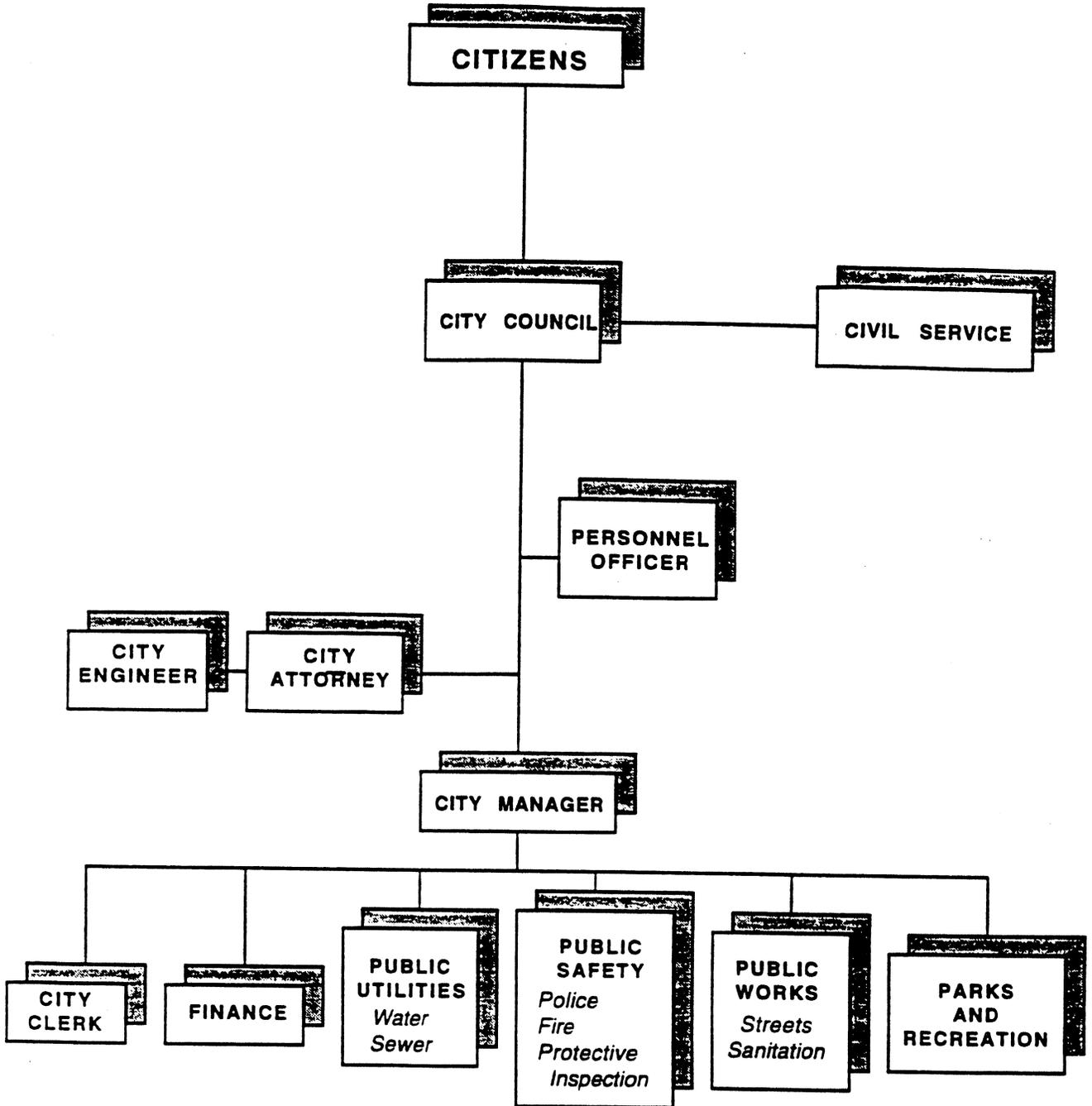
Sincerely,



Brenda Gubernator
Finance Director

City of Holly Hill, Florida

Organization Chart



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Certificate of Achievement for Excellence
In Financial Reporting

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Holly Hill,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1996

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.



Linda K. Savitsky
President

Jeffrey L. Essler
Executive Director

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Financial Section

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Report of Independent Auditors

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 9, 1998 on our consideration of the City of Holly Hill, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Ernst + Young LLP

April 9, 1998

General Purpose Financial Statements
(Combined Statements—Overview)

City of Holly Hill, Florida

Combined Balance Sheet All Fund Types and Account Groups

September 30, 1997

(in thousands)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
		<i># 110, 120, 130, 140, 150</i>	
		<i>160</i>	
Assets			
Cash and cash equivalents	\$ 1,271 <i>X</i>	<i>Adjust 28,000</i> 808	\$ 28 <i>✓</i>
Investments	-	-	-
Accounts receivable—net	2 <i>+</i>	23 <i>22</i>	-
Taxes receivable	84 <i>+</i>	-	-
Interest receivable	-	-	-
Contribution receivable	-	-	-
Other receivables	30 <i>X</i>	-	-
Due from other funds	37 <i>X</i>	50 <i>49</i>	-
Due from other governments	7 <i>+</i>	50 <i>49</i>	-
Prepaid insurance	-	-	-
Restricted assets:			
Cash and cash equivalents:			
Sinking Funds	-	-	-
Construction Fund	-	-	-
Renewal and Replacement Fund	-	-	-
Customer deposits	-	-	-
Impact fee	-	-	-
Land	-	-	-
Buildings	-	-	-
Improvements other than buildings	-	-	-
Machinery and equipment	-	-	-
Accumulated depreciation	-	-	-
Construction in progress	-	-	-
Advance to other funds	17 <i>X</i>	-	-
Unamortized bond issue costs	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 1,448	\$ 931	\$ 28

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total (Memorandum Only)	
		Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	1997
\$ 1,494 ¹⁹³⁶	\$ 463	\$ -	\$ -	\$ 4,064	\$ 2,911	
-	5,565	-	-	5,565	4,703	
337 ³³³	-	-	-	362	272	
-	-	-	-	84	82	
-	37	-	-	37	-	
-	22	-	-	22	-	
2 [✓]	-	-	-	32	84	
#495 35 [✓]	-	-	-	122	603	
-	-	-	-	57	239	
#400 495 31 [✓]	-	-	-	31	31	
23 ^{✓ 24}	-	-	-	23	11	
38 [✓]	-	-	-	38	4	
122 [✓]	-	-	-	122	349	
442 [✓]	-	-	-	442	420	
101 [✓]	-	-	-	101	71	
155 [✓]	-	1,332	-	1,487	1,487	
10,817 [✓]	-	1,969	-	12,786	12,753	
8,486 [✓]	-	5,683	-	14,169	13,056	
7,686 [✓]	-	2,272	-	9,958	9,380	
(8,735) [✓]	-	-	-	(8,735)	(7,877)	
#480 11 [✓]	-	-	-	11	567	
-	-	-	-	17	-	
217 [✓]	-	-	-	217	226	
-	-	-	1,210	1,210	1,139	
\$ 21,262	\$ 6,087	\$ 11,256	\$ 1,210	\$ 42,222	\$ 40,511	

City of Holly Hill, Florida

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

September 30, 1997

(in thousands)

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Liabilities, fund equity and other credits			
Liabilities:			
Accounts payable	\$ 213	\$ 34	\$ 8
Accrued liabilities	148	4	-
Due to other funds	1	38	-
Current portion of notes payable	-	-	-
Other liabilities	2	-	-
Deferred revenues	84	-	-
Payable from restricted assets:			
Accounts payable	-	-	-
Customer deposits	-	-	-
Arbitrage rebate liability	-	-	-
Current portion of revenue bonds payable	-	-	-
Advance from other funds	-	17	-
Deferred compensation payable	-	-	-
Revenue bonds payable—net	-	-	-
Notes payable	-	-	-
Obligation for compensated absences	-	-	-
Total liabilities	<u>448</u>	<u>93</u>	<u>8</u>
Commitments and contingencies			
Fund equity and other credits:			
Contributed capital	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings:			
Reserved for renewal and replacement	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved for advances	17	-	-
Reserved for encumbrances	13	-	-
Reserved for law enforcement trust	-	-	-
Reserved for pensions	-	-	-
Reserved for police education	10	-	-
Reserved for stormwater drainage	-	831	-
Reserved for capital projects	-	-	20
Unreserved:			
Undesignated	960	7	-
Total fund equity and other credits	<u>1,000</u>	<u>838</u>	<u>20</u>
Total liabilities, fund equity and other credits	<u>\$ 1,448</u>	<u>\$ 931</u>	<u>\$ 28</u>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total (Memorandum Only)	
		Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	1997
\$ 116	\$ 2	\$ -	\$ -	\$ -	\$ 373	\$ 218
40	-	-	-	-	192	116
83	-	-	-	-	122	603
47	-	-	-	-	47	48
-	-	-	-	-	2	2
-	-	-	-	-	84	82
14	-	-	-	-	14	94
442	-	-	-	-	442	420
-	-	-	-	-	0	13
270	-	-	-	-	270	255
-	-	-	-	-	17	-
-	-	-	-	-	-	243
13,666	-	-	-	-	13,666	13,924
-	-	-	-	829	829	761
158	-	-	-	381	539	597
14,836	2	-	-	1,210	16,597	17,376
3,053	-	-	-	-	3,053	2,995
-	-	11,256	-	-	11,256	10,557
122	-	-	-	-	122	349
3,251	-	-	-	-	3,251	2,786
-	-	-	-	-	17	-
-	-	-	-	-	13	-
-	10	-	-	-	10	8
-	6,075	-	-	-	6,075	4,958
-	-	-	-	-	10	11
-	-	-	-	-	831	671
-	-	-	-	-	20	2
-	-	-	-	-	967	798
6,426	6,085	11,256	-	-	25,625	23,135
\$ 21,262	\$ 6,087	\$ 11,256	\$ 1,210	\$ -	\$ 42,222	\$ 40,511

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

Year ended September 30, 1997

(in thousands)

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects Fund	Expendable Trust	1997	1996
Revenues:						
Taxes	\$ 2,859	\$ 15	\$ -	\$ -	\$ 2,874	\$2,904
Licenses and permits	220	-	-	-	220	215
Intergovernmental revenues	1,061	74	-	-	1,135	1,143
Charges for services	594	337	-	-	931	845
Fines and forfeitures	58	-	-	9	67	58
Miscellaneous revenues	157	38	3	2	200	225
Total revenues	4,949	464	3	11	5,427	5,390
Expenditures:						
Current:						
General Government	1,031	-	-	-	1,031	1,024
Public Safety	2,252	-	-	7	2,259	2,252
Transportation	444	87	-	-	531	519
Economic Environment	-	55	-	-	55	-
Culture and Recreation	522	-	-	-	522	584
Capital outlay	334	157	235	2	728	651
Debt service:						
Principal retirement	135	-	-	-	135	109
Interest	38	-	-	-	38	34
Total expenditures	4,756	299	235	9	5,299	5,173
Excess (deficiency) of revenues over expenditures	193	165	(232)	2	128	217
Other financing sources:						
Proceeds from issuance of notes payable	-	-	250	-	250	-
Excess of revenues and other sources over expenditures	193	165	18	2	378	217
Fund balances at beginning of year	807	673	2	8	1,490	1,273
Fund balances at end of year	\$ 1,000	\$ 838	\$ 20	\$ 10	\$ 1,868	\$1,490

See accompanying notes.

City of Holly Hill, Florida
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances—Budget and Actual
 All Governmental Fund Types

Year ended September 30, 1997

(in thousands)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance (Unfavorable) Favorable	Budget	Actual	Variance (Unfavorable) Favorable
Revenues:						
Taxes	\$ 2,956	\$ 2,859	\$ (97)	\$ 15	\$ 15	\$ -
Licenses and permits	212	220	8	-	-	-
Intergovernmental revenues	1,034	1,061	27	175	74	(101)
Charges for services	599	594	(5)	272	337	65
Fines and forfeitures	55	58	3	-	-	-
Miscellaneous revenues	116	157	41	2	38	36
Total revenues	4,972	4,949	(23)	464	464	-
Expenditures:						
Current:						
General Government	1,073	1,031	42	-	-	-
Public Safety	2,327	2,252	75	-	-	-
Transportation	489	444	45	106	87	19
Economic Environment	-	-	-	65	55	10
Culture and Recreation	579	522	57	3	-	3
Capital outlay	312	334	(22)	452	157	295
Debt service:						
Principal retirement	140	135	5	-	-	-
Interest	40	38	2	-	-	-
Total expenditures	4,960	4,756	204	626	299	327
Excess (deficiency) of revenues over expenditures	12	193	181	(162)	165	327
Other financing sources (uses):						
Proceeds from issuance of note payable	-	-	-	-	-	-
Transfer (to) from other funds	(17)	-	17	17	-	(17)
Appropriated fund balance	5	-	(5)	145	-	(145)
Excess of revenues over expenditures and other uses	-	193	193	-	165	165
Fund balances at beginning of year	807	807	-	673	673	-
Fund balances at end of year	\$ 807	\$ 1,000	\$ 193	\$ 673	\$ 838	\$ 165

See accompanying notes.

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

Year ended September 30, 1997

(in thousands)

	Capital Projects Fund			Total (Memorandum Only)			
	Budget	Actual	Variance (Unfavorable) Favorable	Budget	Actual	Variance (Unfavorable) Favorable	1996 Actual
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ 2,971	\$ 2,874	\$ (97)	\$ 2,904
Licenses and permits	-	-	-	212	220	8	215
Intergovernmental revenues	-	-	-	1,209	1,135	(74)	1,143
Charges for services	-	-	-	871	931	60	845
Fines and forfeitures	-	-	-	55	58	3	50
Miscellaneous revenues	-	3	3	118	198	80	224
Total revenues	-	3	3	5,441	5,416	(20)	5,381
Expenditures:							
Current:							
General Government	-	-	-	1,073	1,031	42	1,024
Public Safety	-	-	-	2,327	2,252	75	2,241
Transportation	-	-	-	595	531	64	519
Economic Environment	-	-	-	65	55	10	-
Culture and Recreation	-	-	-	582	522	60	584
Capital outlay	250	235	15	1,014	726	288	630
Debt service:							
Principal retirement	-	-	-	140	135	5	109
Interest	-	-	-	40	38	2	34
Total expenditures	250	235	15	5,836	5,290	546	5,141
Excess (deficiency) of revenues over expenditures	(250)	(232)	18	(400)	126	526	240
Other financing sources (uses):							
Proceeds from issuance of note payable	250	250	-	250	250	-	-
Transfer from other funds	-	-	-	-	-	-	-
Appropriated fund balance	-	-	-	150	-	(150)	-
Excess of revenues over expenditures and other uses	-	18	18	-	376	376	240
Fund balances at beginning of year	2	2	-	1,482	1,482	-	1,242
Fund balances at end of year	\$ 2	\$ 20	\$ 18	\$ 1,482	\$ 1,858	\$ 376	\$ 1,482

See accompanying notes.

City of Holly Hill, Florida

Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Proprietary Fund Types

Year ended September 30, 1997

	<u>1997</u>	<u>1996</u>
Operating revenues:		
Charges for services	\$4,626	\$4,344
Total operating revenues	<u>4,626</u>	<u>4,344</u>
Operating expenses:		
Personal services	1,258	1,256
Contractual services	669	674
Materials and supplies	385	469
Other charges and services	508	493
Depreciation and amortization	872	844
Miscellaneous expenses	6	7
Total operating expenses	<u>3,698</u>	<u>3,743</u>
Operating income	928	601
Nonoperating revenues (expenses):		
Interest income	117	140
Grant revenue	14	27
Other income	62	2
Interest expense	(883)	(906)
Total nonoperating revenues (expenses)	<u>(690)</u>	<u>(737)</u>
Net Income (loss)	238	(136)
Retained earnings at beginning of year	3,135	3,271
Retained earnings at end of year	<u>\$3,373</u>	<u>\$3,135</u>

See accompanying notes.

City of Holly Hill, Florida
 Combined Statement of Cash Flows
 Proprietary Fund Type

Year ended September 30, 1997

(in thousands)

	1997	1996
Operating activities		
Operating income	\$ 928	\$ 601
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	872	844
Nonoperating income	76	29
Accounts receivable, net	(82)	54
Other receivables	4	(4)
Due from other funds	(6)	166
Accounts payable	(47)	41
Accrued liabilities	(5)	23
Due to other funds	5	(113)
Customer deposits	22	8
Obligation for compensated absences	(14)	12
Net cash provided by operating activities	1,753	1,661
Capital and related financing activities		
Acquisition and construction of capital assets	(483)	(1,216)
Principal paid on bond maturities	(255)	(245)
Principal paid on note payable	(48)	(48)
Interest paid on note payable	(6)	(6)
Interest paid on bonds	(856)	(878)
Capital contributions from customers	58	34
Net cash used in capital and related financing activities	(1,590)	(2,359)
Investing activities		
Interest on investments	117	140
Net cash provided by investing activities	117	140
Net increase (decrease) in cash and cash equivalents	280	(558)
Cash and cash equivalents at beginning of year	1,940	2,498
Cash and cash equivalents at end of year	\$2,220	\$1,940

See accompanying notes.

City of Holly Hill, Florida
 Combined Statement of Changes in Plan Net Assets
 All Pension Trust Funds
 For the year ended September 30, 1997
(In Thousands)

Additions

Contributions:

Employer	\$ 155
State	71
Plan members	109
Total contributions	335

Investment income:

Net appreciation in fair value of investments (realized and unrealized)	891
Interest and dividends	221
	1,112

Less investment expenses:

Investment management fees	51
Net investment income	1,061

Other income	1
Total additions	1,397

Deductions

Benefits	242
Administrative expense	38
Total deductions	280

Net increase	1,117
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Net assets held in trust for pension benefits

Beginning of year	4,958
End of year	\$6,075

City of Holly Hill, Florida
Notes to Financial Statements

September 30, 1997

1. Accounting Policies

The City of Holly Hill, Florida is a municipal corporation created by the Laws of Florida, Chapter 67-1274, located in Volusia County. The legislative branch of the City is composed of a five (5) member 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.

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

Reporting Entity

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

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

Fund Accounting

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

Governmental Fund Types:

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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

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

Proprietary Fund Type:

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

Fiduciary Fund Types:

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by a governmental unit in a trustee capacity. These include Pension Trust, Expendable Trust and Agency Funds.

Account Groups:

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

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

Measurement Focus

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are also capitalized along with other general fixed assets. Donated fixed assets are recorded in the General Fixed Assets Account Group at their fair market value at the time received. No depreciation has been provided on general fixed assets.

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

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

Capitalization of Interest

Net interest cost relating to construction has been capitalized during the current fiscal year.

Bond Discounts and Issuance Costs

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

Vacation and Sick Leave

It is the City's policy to grant employees vacation leave based upon the number of years of employment with the City. Vacation leave can be used as time off and/or accrued up to a maximum of 90 days, after which time the employee will be reimbursed for the time in excess of 90 days. Upon termination, the employee receives a cash benefit equal to the number of days accrued based on the employee's current wage rate.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

Sick leave is accumulated at a rate of one day per month per employee and can be accrued up to a maximum of 90 days. Upon retirement or death, employees are paid 100 percent of their accumulated sick leave. Upon resignation, employees with 15 years of service are paid 50 percent of their accumulated sick leave.

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

Reserves

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

Encumbrances

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

Contributed Capital

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

Long-Term Debt

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

1. Accounting Policies (continued)

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

Combined Statements "Memorandum Only" Total Columns

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

Reclassifications

Certain September 30, 1996 account balances have been reclassified in this report to conform with the financial statement presentation used in 1997.

2. Cash and Investments

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

Deposits

The carrying amount of the City's deposits, including money market funds with financial institutions, was \$481,000 and the bank balance was \$500,000. The bank balance was secured by the bank through participation in the Florida Security for Public Deposits Act. The City also had \$1,000 of petty cash on hand as of September 30, 1997.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required, if deemed necessary under the conditions set forth in the

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

Investments

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

The following schedule categorizes the level of risk assumed by the City relating to investments held at September 30, 1997:

Category 1

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

Category 2

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Category 3

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

Following is a summary of investments held by the City at September 30, 1997 (*in thousands*):

	<u>Carrying Amount</u>	<u>Market Value</u>
Pension Trust Fund Investments (excluding money market) (category 3):		
Common stock	\$2,113	\$2,927
U.S. government and agency obligations	1,813	1,831
Corporate bonds	754	752
City investments:		
Repurchase agreement (category 2)	107	107
	<u>4,787</u>	<u>5,617</u>
Money market—Pension Trust Funds	55	55
State Board of Administration—Local Government		
Surplus Funds Investment Pool	4,201	4,201
Total investments	<u>\$9,043</u>	<u>\$9,873</u>

3. Accounts Receivable—Net

The accounts receivable—net at September 30, 1997 consists of the following:

	<u>Governmental Funds</u>		<u>Enterprise Funds</u>	
	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>
	<i>(in thousands)</i>			
Accounts receivable	\$2	\$26	\$248	\$136
Less: Allowance for doubtful accounts	—	3	26	21
Accounts receivable—net	<u>\$2</u>	<u>\$23</u>	<u>\$222</u>	<u>\$115</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

4. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance September 30, 1996	Additions	Deletions	Balance September 30, 1997
	<i>(in thousands)</i>			
Land	\$ 1,332	\$ -	\$ -	\$ 1,332
Buildings	1,936	33	-	1,969
Improvements other than buildings	5,346	337	-	5,683
Machinery and equipment	1,943	393	64	2,272
Total general fixed assets	<u>\$10,557</u>	<u>\$763</u>	<u>\$64</u>	<u>\$11,256</u>

5. Changes in General Long-Term Debt Account Group

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

	Balance October 1, 1996	Notes Payable Issued	Retired	Net Decrease in Compensated Absences	Balance September 30, 1997
	<i>(in thousands)</i>				
Notes payable:					
Volusia County—800 MHZ radio system	\$ 104	\$ -	\$ 10	\$ -	\$ 94
Sun Bank of Volusia County:					
Fire truck	49	-	25	-	24
Fire station and City Hall	561	-	77	-	484
Computer System	-	250	23	-	227
	<u>714</u>	<u>250</u>	<u>135</u>	<u>-</u>	<u>829</u>
Obligation for compensated absences	425	-	-	44	381
Total general long-term debt	<u>\$1,139</u>	<u>\$250</u>	<u>\$135</u>	<u>\$44</u>	<u>\$1,210</u>

6. Legal Debt Margin

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

7. Notes Payable

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

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

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

7. Notes Payable (continued)

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

Fiscal year ending September 30	Series 1993A		Series 1993B	Volusia County	Sun Trust
	General Long- Term Debt Account Group	Solid Waste Fund	General Long-Term Debt Account Group	General Long-Term Debt Account Group	General Long-Term Debt Account Group
			<i>(in thousands)</i>		
1998	\$25	\$49	\$495	\$16	\$ 57
1999	—	—	—	16	57
2000	—	—	—	16	56
2001	—	—	—	16	56
2002	—	—	—	16	28
2003-2005	—	—	—	32	—
Total debt service	25	49	495	112	254
Less: interest	(1)	(2)	(11)	(18)	(27)
	\$24	\$47	\$484	\$94	\$227

8. Revenue Bonds Payable

Revenue bonds payable at September 30, 1997 are payable solely from the net revenues of the water and sewer system and are comprised of the following issue:

	Rates and Dates	Final Maturity	Annual Serial Payments	Amount Issued	Amount Outstanding
<i>(in thousands)</i>					
Water and Sewer:					
Improvement and Refunding	3.6 – 6.125%				
Revenue Bonds, Series 1992	(4/1, 10/1)	10/1/2022	\$270-\$1,060	\$15,390	\$14,255
Less: Unamortized discount					(319)
Current portion					(270)
Bonds payable—long-term portion					\$13,666

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable (continued)

The annual debt service requirements to amortize the above bonds outstanding at September 30, 1997 are as follows:

<u>Fiscal year ending September 30</u>	<u>(in thousands)</u>
1998	\$ 1,123
1999	1,121
2000	1,122
2001	1,122
2002	1,125
2003-2004	2,245
2005-2009	5,618
2010-2014	5,623
2015-2019	5,617
2020-2022	3,375
Total debt service	<u>28,091</u>
Less: Interest	<u>13,836</u>
Principal due	<u><u>\$14,255</u></u>

Water and Sewer System Revenue Bond Accounts

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

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

8. Revenue Bonds Payable (continued)

Early Redemption

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

Investment Restrictions

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

9. Refunded Bonds

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

At September 30, 1997, the following outstanding bonds are considered defeased:

	Balance at September 30, 1996	Principal Payments	Balance at September 30, 1997
	<i>(in thousands)</i>		
1964 Series A Water and Sewer Revenue Bonds	\$ 540	\$150	\$ 390
1972 Series B Water and Sewer Revenue Bonds	365	115	250
1989 Water and Sewer Revenue Bonds	13,125	225	12,900
	<u>\$14,030</u>	<u>\$490</u>	<u>\$13,540</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

10. Interfund Accounts

Individual fund interfund receivables and payables at September 30, 1997 consist of the following:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
	<i>(in thousands)</i>	
General Fund	\$ 37	\$ 1
Youth Center	1	-
Community Redevelopment	-	1
Stormwater	49	37
Water and Sewer System	-	83
Solid Waste	35	-
	<u>\$122</u>	<u>\$122</u>

During the current year, the General Fund advanced \$16,900 to the Community Redevelopment Fund to help fund additional law enforcement officers to patrol the City's redevelopment district. The advance is noninterest bearing and is expected to be repaid at the end of a five year period from revenues generated within the district.

11. Pension Plans

Police and Fire Pension Plans:

Plan Description

The Police Officers' Retirement Trust Fund and the Firefighters' Retirement System are single-employer defined benefit public employee retirement systems and contain the assets of the police and fire pension plans. The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. The statutes provide, in general, that funds are to be accumulated from employee contributions, city contributions, state appropriations and income from investment of accumulated funds. The act also provides that, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the fund by an appropriation from current funds, or from any revenues which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

administered, managed and operated by their respective Boards of Trustees using the services of third party fund custodians.

Full-time, uniformed police officers are eligible to participate in the Police Officers' Retirement Trust upon employment with the City. Full-time, uniformed firefighters are eligible to participate in the Firefighters' Retirement System upon employment with the City. Employees vest for full benefits after ten years of service. Normal retirement occurs for Police Officers at the earlier of age 55 and 10 years of credited service or 20 years of credited service regardless of age but no earlier than age 55 for vested terminations. Normal retirement for firefighters occurs at age 50. The Bureau of Police and Fire Pension, State of Florida, actuarially determines benefits to be paid to retirees. Current membership in the pension plans is comprised of the following:

	September 30, 1997	
	Police	
	Officers	Firefighters
	<hr/>	
Participant data as of October 1, 1996, the date of the most recent actuarial valuation:		
Retirees and beneficiaries currently receiving benefits	6	7
Vested terminated employees	-	-
Active employees:		
Fully vested	12	1
Nonvested	13	8

Significant Accounting Policies

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

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

Contribution Requirements and Contributions Made

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

In 1997, the City adopted GASB Statement No. 27 on pension accounting and reporting. This statement requires the computation of a net pension obligation (NPO) or asset which would result if the City's contributions to the pension funds did not equal the annual pension cost as computed by the plan actuaries. The City evaluated both plans and determined that no net pension obligation or assets existed for either plan at the end of 1997.

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

Police Officers' Retirement Fund

Year ended September 30	Annual Pension Cost	Percentage Contributed
1997	\$ 61	184.04 %
1996	82	105.52
1995	171	102.32

Firefighters' Retirement System

Year ended September 30	Annual Pension Cost	Percentage Contributed
1997	\$94	100.96%
1996	95	104.29
1995	59	104.53

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

Actuarial Methods and Significant Assumptions

	Police Officers' Retirement Fund	Firefighters' Retirement System
Valuation date	10/01/96	10/01/96
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 initiation at	3.0%	2.5%
Cost of living adjustments	0.0%	0.0%

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

Related Party Transactions

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

Plan Termination

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

General Employees

As permitted under GASB Statement No. 27, the City of Holly Hill elected to adopt the Statement during the current year. There was no effect of adopting this Statement.

All nonuniformed City of Holly Hill full-time employees hired or taking office prior to January 1, 1996 participate in the Florida Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS) administered by the State of Florida Department of Administration.

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

Membership Category	Benefit	Vesting	Employer Contribution Rate 7/1/96
Regular members	1.60% times average compensation (five highest years) if age 62 or 30 years of service at any age.	After 10 years of creditable service. Early retirement is available if vested.	17.43%
Senior management	2% times average compensation (five highest years) if age 62 or 30 years of service at any age.	After 7 years of creditable service.	21.58%

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

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

The contributions required for the years ended September 30, 1997, 1996 and 1995 were \$323,000, \$358,000 and \$394,000, respectively, which is equal to the required contribution for each year.

City of Holly Hill, Florida

Notes to Financial Statements (continued)

11. Pension Plans (continued)

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

12. Investment Portfolio

During 1997 and 1996, the Police Officers' Retirement Trust Fund cash and cash equivalents and investments (including cash and cash equivalents and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows:

	Net Appreciation (Depreciation) in Fair Value During the Year	Fair Value at End of Year
	<i>(in thousands)</i>	
Year ended September 30, 1997		
Cash and cash equivalents	\$ -	\$ 453
U.S. government and agency obligations	23	1,296
U.S. corporate obligations	15	552
U.S. corporate equities	540	1,998
	<u>\$578</u>	<u>\$4,299</u>
Year ended September 30, 1996		
Cash and cash equivalents	\$ -	\$ 456
U.S. government and agency obligations	(4)	1,055
U.S. corporate obligations	(20)	520
U.S. corporate equities	220	1,498
	<u>\$196</u>	<u>\$3,529</u>

City of Holly Hill, Florida

Notes to Financial Statements (continued)

12. Investment Portfolio (continued)

During 1997 and 1996, the Firefighters' Retirement System's cash and investments (including cash and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as follows:

	Net Appreciation (Depreciation) in Fair Value During the Year	Fair Value at End of Year
	<i>(in thousands)</i>	
Year ended September 30, 1997		
Money market	\$ 11	\$ 53
U.S. government and agency obligations	14	520
U.S. corporate obligations	3	199
U.S. corporate equities	285	914
	<u>\$313</u>	<u>\$1,686</u>
Year ended September 30, 1996		
Cash deposits	\$ -	\$ 1
Money market	-	53
U.S. government and agency obligations	(13)	563
U.S. corporate obligations	(1)	96
U.S. corporate equities	105	659
	<u>\$ 91</u>	<u>\$1,372</u>

13. Defined Contribution Plan

Through adoption of Resolution No. 61 and Ordinance No. 2417, as amended, the City elected to opt out of the Florida Retirement System for all employees hired or taking office on or after January 1, 1996 through the formation of a new plan, the City of Holly Hill's General Employees Defined Contribution Plan (the Plan). The Plan had 10 active participants at September 30, 1997.

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

13. Defined Contribution Plan (continued)

Contributions to the Plan for fiscal year 1997 were \$4,000 and \$17,000 for employees and the City, respectively.

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

Plan assets are reported at fair value.

14. Contributed Capital

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

	Water and Sewer Fund	Solid Waste Fund	Total
	<i>(in thousands)</i>		
Contributed capital at beginning of year	\$2,779	\$216	\$2,995
Meter connection charges	5	-	5
Sewer connection charges	2	-	2
Impact fees	51	-	51
Contributed capital at end of year	<u>\$2,837</u>	<u>\$216</u>	<u>\$3,053</u>

15. Commitments and Contingencies

Litigation

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

City of Holly Hill, Florida

Notes to Financial Statements (continued)

15. Commitments and Contingencies (continued)

Year 2000 (unaudited)

The City is assessing the modifications or replacements of its software that may be necessary for its computer systems to function properly with respect to the dates in the year 2000 and thereafter. The City does not believe that the cost of either modifying existing software or converting to new software will be significant or that the year 2000 issue will pose significant operational problems for its computer systems.

16. Segment Information for Enterprise Funds

The City maintains two enterprise funds which provide water and sewer services and solid waste collection services. Segment information for the year ended September 30, 1997 is as follows:

	Water and Sewer	Solid Waste	Total Enterprise Funds
	<i>(in thousands)</i>		
Operating revenues	\$ 3,260	\$1,366	\$ 4,626
Depreciation expense	741	131	872
Operating income	747	181	928
Operating grants	-	14	14
Net income	13	225	238
Current capital contributions	58	-	58
Fixed assets:			
Additions	314	181	495
Disposals	12	13	25
Net working capital	1,037	576	1,613
Total assets	20,086	1,176	21,262
Long-term liabilities	14,625	211	14,836
Total equity	5,461	965	6,426

City of Holly Hill, Florida

Notes to Financial Statements (continued)

17. Accounting Change

During the current year, the City of Holly Hill, Florida adopted Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. In accordance with the provisions of the Statement, the assets of the plan have been placed in trust for the exclusive benefit of the plan participants. As a result of adopting this Statement, the assets of the plan are no longer subject to the claims of the general creditors of the City of Holly Hill and therefore are not included in the accompanying financial statements. Adoption of this Statement is accounted for as a cumulative effect of a change in accounting principle. There was no cumulative effect of applying this accounting change.

18. Subsequent Events

Effective April 1, 1998, the City's solid waste operations were contracted out to a private company at an estimated cost of \$835,000 per year.

On April 14, 1998, the City executed a note payable in the amount of \$1,200,000. The proceeds of the note are to be used to retire the outstanding balance of the Series 1993B note payable, build a multi-purpose recreational facility and fund a median beautification project in the redevelopment district.

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Required Supplementary Information

City of Holly Hill, Florida
 Required Supplementary Information
 Schedules of Funding Progress
 September 30, 1997
(In Thousands)

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

Source: Foster & Foster, Inc., Actuaries

City of Holly Hill, Florida
 Required Supplementary Information
 Schedules of Employer Contributions
 September 30, 1997
(In Thousands)

Firefighters Retirement System

Year ended September 30,	Annual Required Contribution	Percentage Contribution
1992	\$18	109.26%
1993	21	105.95
1994	62	103.30
1995	61	104.53
1996	99	104.29
1997	95	100.96

Police Officers Retirement Trust

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

Source: Foster & Foster, Inc., Actuaries

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Combining Statements—By Fund Type

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Special Revenue Funds

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

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

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

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

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

City of Holly Hill, Florida

Combining Balance Sheet
All Special Revenue Funds

September 30, 1997

	<u>Stormwater</u>	<u>Youth Center</u>	<u>Community Redevelopment</u>	<u>Community Development Block Grant</u>	<u>Total</u>
Assets					
Pooled cash and investments	\$ 804	\$ 4	\$ -	\$ -	\$ 808
Accounts receivable	23	-	-	-	23
Due from other funds	49	1	-	-	50
Due from other governments	-	-	42	8	50
Total assets	\$ 876	\$ 5	\$ 42	\$ 8	\$ 931
Liabilities and fund equity					
Liabilities:					
Accounts Payable	\$ 6	\$ -	\$ 20	\$ 8	\$ 34
Accrued liabilities	2	-	2	-	4
Due to other funds	37	-	1	-	38
Advance from other funds	-	-	17	-	17
Total liabilities	45	-	40	8	93
Fund equity:					
Fund balances:					
Reserved:					
Reserved for stormwater drainage	831	-	-	-	831
Unreserved:					
Undesignated	-	5	2	-	7
Total fund equity	831	5	2	-	838
Total liabilities and fund equity	\$ 876	\$ 5	\$ 42	\$ 8	\$ 931

City of Holly Hill, Florida

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

Year ended September 30, 1997

	<u>Stormwater</u>	<u>Youth Center</u>	<u>Community Redevelopment</u>	<u>Community Development Block Grant</u>	<u>Total</u>
Revenues					
Charges for services	\$ 336	\$ 1	\$ -	\$ -	\$ 337
Taxes	-	-	15	-	15
Intergovernmental	20	-	42	12	74
Other	35	2	1	-	38
Total revenues	<u>391</u>	<u>3</u>	<u>58</u>	<u>12</u>	<u>464</u>
Expenditures					
Current:					
Personal services	55	-	53	-	108
Operating expenses	32	-	1	-	33
Other	-	-	-	1	1
Capital outlay	144	-	2	11	157
Total expenditures	<u>231</u>	<u>-</u>	<u>56</u>	<u>12</u>	<u>299</u>
Excess of revenues over expenditures	<u>160</u>	<u>3</u>	<u>2</u>	<u>-</u>	<u>165</u>
Fund balances at beginning of year	671	2	-	-	673
Fund balances at end of year	<u>\$ 831</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 838</u>

City of Holly Hill, Florida

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

Year ended September 30, 1997

	Stormwater		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for services	\$ 271	\$ 336	\$ 65
Taxes	-	-	-
Intergovernmental	-	20	20
Other	-	35	35
Total revenues	<u>271</u>	<u>391</u>	<u>120</u>
Expenditures			
Current:			
Personal services	56	55	1
Operating expenses	50	32	18
Other	-	-	-
Capital outlay	310	144	166
Total expenditures	<u>416</u>	<u>231</u>	<u>185</u>
Excess of revenues over (under) expenditures	(145)	160	305
Operating transfers:			
Operating transfer in	-	-	-
Appropriated fund balance	145	-	(145)
Fund balances at beginning of year	671	671	-
Fund balances at end of year	<u>\$ 671</u>	<u>\$ 831</u>	<u>\$ 160</u>

12 ⁰ Youth Center			13 ⁰ Community Redevelopment			CDBG 14 ⁰ Community Development Block Grant		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	15	15	-	-	-	-
-	-	-	49	42 ✓	(7)	126	12	(114)
2	2	-	-	1	1	-	-	-
<u>3</u>	<u>3 ✓</u>	<u>-</u>	<u>64</u>	<u>58</u>	<u>(6)</u>	<u>126</u>	<u>12</u>	<u>(114)</u>
-	-	-	58	53	5	-	-	-
3	-	3	5	1	4	-	-	-
-	-	-	-	-	-	2	1	1
-	-	-	18	2	16	124	11	113
<u>3</u>	<u>-</u>	<u>3</u>	<u>81</u>	<u>56</u>	<u>25</u>	<u>126</u>	<u>12</u>	<u>114</u>
-	3	3	(17)	2	19	-	-	-
-	-	-	17	-	(17)	-	-	-
-	-	-	-	-	-	-	-	-
2	2	-	-	-	-	-	-	-
<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Holly Hill, Florida

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

Year ended September 30, 1997

Page 2 of 2

	Totals		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Charges for services	\$ 272	\$ 337	\$ 65
Taxes	15	15	-
Intergovernmental	175	74	(101)
Other	2	38	36
Total revenues	<u>464</u>	<u>464</u>	<u>-</u>
Expenditures			
Current:			
Personal services	114	108	6
Operating expenses	58	33	25
Other	2	1	1
Capital outlay	452	157	295
Total expenditures	<u>626</u>	<u>299</u>	<u>327</u>
Excess of revenues over (under) expenditures	(162)	165	327
Operating transfers:			
Operating transfer in	17	-	(17)
Appropriated fund balance	145	-	(145)
Fund balances at beginning of year	673	673	-
Fund balances at end of year	<u>\$ 673</u>	<u>\$ 838</u>	<u>\$ 165</u>

Proprietary Fund Type

Enterprise Funds

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

Water and Sewer System Fund

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

Solid Waste Fund

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

City of Holly Hill, Florida
Combining Balance Sheet
All Enterprise Funds

September 30, 1997

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1997	1996
Assets				
Current assets:				
Cash and cash equivalents	\$ 933	\$ 561	\$ 1,494	\$ 1,085
Accounts receivable—net	222	115	337	255
Other receivables	2	-	2	6
Due from other funds	-	35	35	29
Prepaid insurance	22	9	31	31
Total current assets	1,179	720	1,899	1,406
Restricted assets:				
Sinking Funds	23	-	23	11
Construction Fund	38	-	38	4
Renewal and Replacement Fund	122	-	122	349
Customer deposits	422	20	442	420
Impact fee	101	-	101	71
Total restricted assets	706	20	726	855
Property, plant and equipment:				
Land	155	-	155	155
Buildings	10,779	38	10,817	10,817
Improvements other than buildings	8,486	-	8,486	7,710
Machinery and equipment	5,795	1,891	7,686	7,437
	25,215	1,929	27,144	26,119
Less: accumulated depreciation	7,242	1,493	8,735	7,877
	17,973	436	18,409	18,242
Construction in progress	11	-	11	567
	17,984	436	18,420	18,809
Other assets:				
Unamortized bond issue costs	217	-	217	226
Total assets	\$ 20,086	\$ 1,176	\$ 21,262	\$21,296

	Water and Sewer System	Solid Waste	Totals	
			1997	1996
Liabilities and fund equity				
Current liabilities (payable from current assets):				
Accounts payable	\$ 33 ✓	\$ 83 ✓	\$ 116	\$ 83
Accrued liabilities	26 ✓	14 ✓	40	32
Due to other funds	83 ✓	-	83	78
Current portion of notes payable	-	47 ✓	47	48
Total current liabilities (payable from current assets)	142	144	286	241
Current liabilities (payable from restricted assets):				
Accounts payable	14 ✓	-	14	94
Customer deposits	422 ✓	20 ✓	442	420
Arbitrage rebate liability	-	-	-	13
Current portion of revenue bonds payable	270 ✓	-	270	255
(Total current liabilities payable from restricted assets)	706	20	726	782
Long-term debt:				
Revenue bonds payable—net	13,666 ✓	-	13,666	13,924
Notes payable	-	-	-	47
Other liabilities				
Obligation for compensated absences	111 ✓	47 ✓	158	172
Total liabilities	14,625	211	14,836	15,166
Fund equity:				
Contributed capital:				
Contribution from federal government	920 ✓	-	920	920
Contribution from customers	1,917 ^{3/21/92}	1,883,078	1,917	1,859 ^{out here}
Contribution from other funds and account groups	-	216 ✓	216	216
Retained earnings				
Reserved for Renewal and Replacement	122	-	122	349
Unreserved	2,502	749	3,251	2,786
Total fund equity	5,461	965	6,426	6,130
Total liability and fund equity	\$ 20,086	\$ 1,176	\$ 21,262	\$21,296

City of Holly Hill, Florida

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

For the year ended September 30, 1997

(in thousands)

	Water and Sewer System	Solid Waste	Totals 1997	1996
Operating revenues:				
Water sales	\$ 1,550	\$ -	\$ 1,550	\$ 1,471
Sewer charges	1,660	-	1,660	1,540
Service charges	16	-	16	17
Cut-off charges	21	-	21	19
Hydrant rental	10	-	10	10
Reclaimed water charges	3	-	3	-
Trash sales	-	860	860	804
Refuse sales	-	412	412	364
Roll-off charges	-	94	94	119
Total operating revenues	<i>Fd 400-3,259,707.93</i> 3,260 ✓	1,366	4,626	4,344
Operating expenses:				
Water service	639	-	639	659
Sewer service	724	-	724	759
Refuse service	-	955	955	988
Administrative charges and services	409	99	508	493
Depreciation expense	741 ✓	131	872	844
Total operating expenses	2,513	1,185	3,698	3,743
Operating income	747	181	928	601
Nonoperating revenues (expenses):				
Interest revenue	91	26	117	140
Grant revenue		14	14	27
Other income, net of expenses		10	62	2
Interest expense - <i>865,144.73593 (12884) + 21918</i>		(6)	(883)	(906)
Total nonoperating revenues (expenses)	(734)	44	(690)	(737)
Net income (loss)	13	225	238	(136)
Retained earnings at beginning of year	2,611	524	3,135	3,271
Retained earnings at end of year	\$ 2,624 ✓	\$ 749 ✓	\$ 3,373	\$ 3,135

Other Inc
400 = 27,446
480 = 11,585
491 = 33,983
400 = (21,288)
51,726

misc rev
DOT
DOT
Amount EXP
400 = 70,167
471 = 16,404
480 = 4,108
491 = 679
91,358
Board Trustees
on 10/1/98
on 10/1/98
on 10/1/98

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

For the year ended September 30, 1997

(in thousands)

	Water and Sewer System	Solid Waste	Totals	
			1997	1996
Operating activities				
Operating income	\$ 747	\$ 181	\$ 928	\$ 601
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	741	131	872	844
Nonoperating income	52	24	76	29
Accounts receivable, net	(66)	(16)	(82)	54
Other receivables	-	4	4	(4)
Due from other funds	-	(6)	(6)	166
Accounts payable	(87)	40	(47)	41
Accrued liabilities	(9)	4	(5)	23
Due to other funds	23	(18)	5	(113)
Customer deposits	22	-	22	8
Obligation for compensated absences	15	(29)	(14)	12
Net cash provided by operating activities	1,438	315	1,753	1,661
Capital and related financing activities				
Acquisition and construction of capital assets	(303)	(180)	(483)	(1,216)
Principal paid on bond maturities	(255)	-	(255)	(245)
Principal paid on note payable	-	(48)	(48)	(48)
Interest paid on note payable	-	(6)	(6)	(6)
Interest paid on bonds	(856)	-	(856)	(878)
Capital contributions from customers	58	-	58	34
Net cash used by capital and related financing activities	(1,356)	(234)	(1,590)	(2,359)
Investing activities				
Interest on investments	91	26	117	140
Net cash provided by investing activities	91	26	117	140
Net increase (decrease) in cash and cash equivalents	173	107	280	(558)
Cash and cash equivalents at beginning of year	1,466	474	1,940	2,498
Cash and cash equivalents at end of year	\$ 1,639	\$ 581	\$ 2,220	\$ 1,940

City of Holly Hill, Florida

Combining Balance Sheet
All Fiduciary Funds

September 30, 1997

(in thousands)

	Pension Trust Funds		
	Police Officers' Retirement Trust	Fire Fighters' Retirement System	General Employees' Retirement Trust
Assets			
Current assets:			
Cash and cash equivalents	\$ 453 ✓	\$ -	\$ -
Investments:			
Money market	-	53 52,697.72 ✓	2
U.S. government and agency	1,296 ✓	520 520,228.25	15
U.S. corporate obligations	552 ✓	199 199,276.95	1
U.S. corporate equities	1,998 ✓	914	15
Deferred Compensation	-	-	-
Pooled investments	-	-	-
Interest receivable	25 ✓	12 ✓ 1,722.61	-
Contribution receivable	-	22	-
Total current assets	4,324	1,720	33
Total assets	\$ 4,324	\$ 1,720	\$ 33
Liabilities and fund equity			
Current liabilities:			
Accounts payable	\$ -	\$ 2 ✓	\$ -
Deferred compensation payable	-	-	-
Total current liabilities	-	2	-
Fund equity:			
Fund balances:			
Reserved:			
Reserved for law enforcement	-	-	-
Reserved for pensions	4,324	1,718	33
Total fund equity	4,324	1,718	33
Total liabilities and fund equity	\$ 4,324	\$ 1,720	\$ 33

**Expendable
Trust Fund**

Law Enforcement Trust	1997	Totals 1996
\$ 10	\$ 463	\$ 457
-	55	53
-	1,831	2,157
-	752	1,618
-	2,927	616
-	-	243
-	-	16
-	37	33
-	22	18
10	6,087	5,211
\$ 10	\$ 6,087	\$5,211
\$ -	\$ 2	\$ 2
-	-	243
-	2	245
10	10	8
-	6,075	4,958
10	6,085	4,966
\$ 10	\$ 6,087	\$5,211

City of Holly Hill, Florida
Combining Statement of Changes in Plan Net Assets
All Pension Trust Funds
For the year ended September 30, 1997
(In Thousands)

	Firefighters Retirement System	Police Officers Retirement Trust	General Employees Retirement Trust	Total
Additions				
Contributions:				
Employer	\$ 58	\$ 80	\$ 17	\$ 155
State	20	51	-	71
Plan members	29	76	4	109
Total contributions	107	207	21	335
Investment income:				
Net appreciation in fair value of investments (realized and unrealized)	313	578	-	891
Interest and dividends	64	153	4	221
	377	731	4	1,112
Less investment expenses:				
Investment management fees	13	38	-	51
Net investment income	364	693	4	1,061
Other income	1	-	-	1
Total additions	472	900	25	1,397
Deductions				
Benefits	133	109	-	242
Administrative expenses	21	17	-	38
Total deductions	154	126	-	280
Net increase	318	774	25	1,117
Net assets held in trust for pension benefits				
Beginning of year	1,400	3,550	8	4,958
End of year	\$ 1,718	\$ 4,324	\$ 33	\$ 6,075

City of Holly Hill, Florida

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

For the year ended September 30, 1997

(in thousands)

	Totals	
	1997	1996
Revenues:		
Fines and forfeitures	\$ 9	\$ 8
Miscellaneous revenues—interest	2	1
Total revenues	<u>11</u>	<u>9</u>
Expenditures:		
Current:		
Public Safety	7	11
Capital outlay	2	21
Total expenditures	<u>9</u>	<u>32</u>
Excess of revenues over (under) expenditures	2	(23)
Fund balance at beginning of year	8	31
Fund balance at end of year	<u>\$ 10</u>	<u>\$ 8</u>

City of Holly Hill, Florida
Statement of Changes in Assets and Liabilities
Agency Fund
Deferred Compensation Fund

For the year ended September 30, 1997

(in thousands)

	Balance October 1, 1996	Additions	Deletions	Balance September 30, 1997
Assets:				
Investments	\$243	\$ -	\$ 243	\$ -
Liabilities:				
Deferred compensation payable	\$243	\$ -	\$ 243	\$ -

Supporting Schedules

City of Holly Hill, Florida

General Fund
Schedule of Expenditures—Budget and Actual

Year ended September 30, 1997

(in thousands)

	Budget (Revised)	1997 Actual	Variance Favorable (Unfavorable)	1996 Actual
General Government:				
Legislative:				
Personal services	\$ 15	\$ 15	\$ -	\$ 14
Operating expenses	36	36	-	36
Total City Council	51	51	-	50
Executive:				
Personal services	299	293	6	296
Operating expenses	26	22	4	23
Total City Manager	325	315	10	319
Finance:				
Personal services	373	369	4	305
Operating expenses	191	177	14	215
Total Finance and Administration	564	546	18	520
Civil Services:				
Personal services	-	-	-	1
Operating expenses	-	-	-	5
Total Civil Services	-	-	-	6
Other Services:				
Personal services	34	25	9	40
Operating expenses	99	94	5	89
Capital outlay	29	25	4	9
Debt service	138	131	7	100
Transfer out	17	-	17	-
Total other services	317	275	42	238
Total General Government	1,257	1,187	70	1,133
Public Safety:				
Law Enforcement:				
Personal services	1,333	1,318	15	1,339
Operating expenses	165	151	14	142
Capital outlay	41	41	-	19
Debt service	16	16	-	16
Total Law Enforcement	1,555	1,526	29	1,516

City of Holly Hill, Florida

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

Year ended September 30, 1997

(in thousands)

	Budget (Revised)	1997 Actual	Variance Favorable (Unfavorable)	1996 Actual
Public Safety (continued):				
Fire Control:				
Personal services	547	519	28	468
Operating expenses	81	69	12	64
Capital outlay	11	11	-	37
Debt service	26	26	-	27
Total Fire Control	665	625	40	596
Protective Inspection:				
Personal services	139	138	1	183
Operating expenses	62	57	5	45
Capital outlay	3	3	-	13
Total Protective Inspection	204	198	6	241
Total Public Safety	2,424	2,349	75	2,353
Transportation:				
Road and Street Facilities:				
Personal services	277	270	7	243
Operating expenses	212	174	38	193
Capital outlay	165	197	(32)	82
Total Road and Street Facilities	654	641	13	518
Total Transportation	654	641	13	518
Culture and Recreation:				
Buildings and Grounds:				
Personal services	234	223	11	277
Operating expenses	89	83	6	81
Capital outlay	53	52	1	285
Total Parks	376	358	18	643
Recreation Facilities:				
Personal services	156	139	17	147
Operating expenses	100	77	23	78
Capital outlay	10	5	5	18
Total Recreation Facilities	266	221	45	243
Total Culture and Recreation	642	579	63	886
Total expenditures and transfers	\$ 4,977	\$ 4,756	\$ 221	\$4,890

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**General Fixed Assets
Account Group**

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

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

As of September 30, 1997

(in thousands)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General Government	\$ 1,907	\$ 191	\$ 1,127	\$ 62✓	\$ 527
Public Safety:					
Police	612	-	46	2✓	564
Fire	635	30	199	2✓	404
Total Public Safety	1,247	30	245	4	968
Public Works:					
Streets	5,737	28	70	5,027	612
Total Public Works	5,737	28	70	5,027	612
Culture and Recreation:					
Parks	1,909	1,083	165	568	93
Recreation Facilities	266	-	214	22	30
Library	190	-	148	-	42
Total Culture and Recreation	2,365	1,083	527	590	165
Total general fixed assets allocated to functions	\$ 11,256	\$ 1,332	\$ 1,969	\$ 5,683	\$ 2,272

City of Holly Hill, Florida

Schedule of Changes in General Fixed Assets
by Function and Activity

For the Year ended September 30, 1997

(in thousands)

Function and Activity	General Fixed Assets October 1, 1996	Additions	Deletions	General Fixed Assets September 30, 1997
General Government	\$ 1,653	\$ 260	\$ 6	\$ 1,907
Public Safety:				
Police	570	56	14	612
Fire	625	25	15	635
Total Public Safety	1,195	81	29	1,247
Public Works:				
Streets	5,402	364	29	5,737
Total Public Works	5,402	364	29	5,737 x
Culture and Recreation:				
Parks	1,851	58	-	1,909 x
Recreation Facilities	266	-	-	266
Library	190	-	-	190 ✓
Total Culture and Recreation	2,307	58	-	2,365
Total general fixed assets	\$10,557	\$ 763	\$ 64	\$ 11,256

Note: Additions and deletions include transfers between classifications.

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

September 30, 1997 and 1996

(in thousands)

	1997	1996
General Fixed Assets		
Land	\$ 1,332	\$ 1,332
Buildings	1,969	1,936
Improvements other than buildings	5,683	5,346
Machinery and equipment	2,272	1,943
Total General Fixed Assets	\$11,256	\$10,557
 Investment in General Fixed Assets from		
General Fund	\$ 9,471	\$ 9,166
Special Revenue Funds	323	166
Capital Projects Fund	1,394	1,159
Expendable Trust Fund	68	66
Total Investment in General Fixed Assets	\$11,256	\$10,557

Statistical Section

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City of Holly Hill, Florida
Comments Relative to Statistical Section

September 30, 1997

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

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

Table I

City of Holly Hill, Florida

General Fund Revenues and Other Sources by Function

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended September 30	Total	Taxes			Licenses and Permits		Inter- Governmental	
1988	\$4,801	\$1,895	39%	\$146	3%	\$1,333	28%	
1989	5,657	2,130	38	134	2	995	18	
1990	5,463	2,364	43	152	3	1,088	20	
1991	5,425	2,412	44	162	3	970	18	
1992	4,489	2,460	54	183	4	946	21	
1993	5,090	2,806	55	175	3	973	19	
1994	5,145	2,836	55	180	3	1,035	20	
1995	5,161	2,825	55	186	3	1,148	22	
1996	5,101	2,904	57	215	4	1,143	23	
1997	4,949	2,859	58	220	5	1,061	21	

Charges for Services		Fines and Forfeitures		Miscellaneous Revenue		Operating Transfers In		Loan Proceeds	
\$1,239	26%	\$92	2%	\$ 96	2%	\$ -	-%	\$ -	-%
1,258	22	86	2	167	3	455	8%	432	7
1,569	29	86	1	204	4	-	-	-	-
1,669	31	66	1	146	3	-	-	-	-
700	16	87	2	113	3	-	-	-	-
847	17	80	2	85	2	2	-	122	2
852	17	62	1	180	4	-	-	-	-
855	17	47	1	100	2	-	-	-	-
567	11	50	1	222	5	-	-	-	-
594	12	58	1	157	3	-	-	-	-

Table II

City of Holly Hill, Florida

General Fund Expenditures and Other Uses by Function

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended September 30	Total	General Government		Public Safety	
1988	\$4,422	\$ 952	21%	\$1,555	35%
1989	5,008	1,052	21	1,629	32
1990	5,325	1,268	23	1,802	34
1991	5,629	1,370	24	1,860	33
1992	4,650	1,375	30	2,014	43
1993	5,018	1,112	22	2,400	48
1994	5,070	1,177	23	2,320	46
1995	5,639	1,258	23	2,619	45
1996	4,890	1,133	23	2,353	48
1997	4,756	1,187	25	2,349	49

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

Physical Environment		Transportation		Culture and Recreation		Operating Transfers Out	
\$ 754	17%	\$613	14%	\$ 513	12%	\$35	1%
1,156	23	766	15	370	8	35	1
1,063	20	781	15	411	8	-	-
1,005	18	821	15	573	10	-	-
-	-	714	15	479	10	68	2
-	-	862	17	644	13	-	-
-	-	922	18	651	13	-	-
-	-	961	17	801	15	-	-
-	-	518	11	886	18	-	-
-	-	641	14	579	12	-	-

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Table III

City of Holly Hill, Florida

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

September 30, 1997

(in thousands)

Fiscal Year Ended	Assessed Value (1)	Estimated Actual Value (2)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Outstanding Delinquent Taxes Receivable (1)	Percent of Levy Outstanding	
1988	\$315,792	\$315,792	100%	\$ 959	\$ 924	96.3%	\$23	2.4%
1989	330,040	330,040	100	966	923	95.6	31	3.2
1990	341,900	341,900	100	1,125	1,083	96.3	88	3.4
1991	352,549	352,549	100	1,162	1,105	95.1	42	3.6
1992	359,264	359,264	100	1,167	1,116	95.6	50	4.3
1993	359,923	371,055	97	1,439	1,373	95.4	52	3.6
1994	359,277	378,187	95	1,425	1,372	96.3	59	4.1
1995	364,891	384,096	95	1,444	1,383	95.8	66	4.6
1996	368,068	383,404	96	1,438	1,343	93.4	82	5.7
1997	374,322	381,961	98	1,474	1,378	93.5	84	5.7

N/A Information not available.

(1) Obtained from the Volusia County Revenue Office.

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

Source: Volusia County Revenue Office

Table V

City of Holly Hill, Florida

Debt Service Requirements to Maturity
Water and Sewer Revenue Bonds

September 30, 1997

(in thousands)

Due October 1	Series 1992		Total Debt Service
	Principal	Interest	
1998	\$ 270	\$ 853	\$ 1,123
1999	280	841	1,121
2000	295	827	1,122
2001	310	812	1,122
2002	330	795	1,125
2003	345	777	1,122
2004	365	758	1,123
2005	385	737	1,122
2006	410	714	1,124
2007	435	689	1,124
2008	460	663	1,123
2009	490	635	1,125
2010	520	605	1,125
2011	550	573	1,123
2012	585	540	1,125
2013	620	504	1,124
2014	660	466	1,126
2015	700	425	1,125
2016	740	383	1,123
2017	785	337	1,122
2018	835	289	1,124
2019	885	238	1,123
2020	940	184	1,124
2021	1,000	126	1,126
2022	1,060	65	1,125
Total	\$14,255	\$13,836	\$28,091

Table VI

City of Holly Hill, Florida

Computation of Overlapping Debt
End of Fiscal Year

September 30, 1997

(in thousands)

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable To The Governmental Unit	City of Holly Hill—Share of Debt
School District	\$152,208	1.97%	\$2,998
County of Volusia	10,176	1.97	200
Total overlapping debt			<u>\$3,198</u>

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

September 30, 1997

Type of Coverage Name of Company and Policy Number	Policy Period From-To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<u>Police and Firefighters Accidental Death and Dismemberment</u> AIG Life Insurance Co. SRG80435349A	4/15/97-4/15/98	Accidental Death Police and Firefighters Unlawful & Intentional Death & Dismemberment Principle Sum	\$25,000 \$25,000 \$75,000	\$991
<u>Contractors' Equipment Policy</u> The Travelers Indemnity Co. 035IZ256005871FCA	4/15/97-4/15/98	Off-road equipment	\$298,475	\$1,857 \$500 deductible
<u>Business Automobile Policy</u> Titan Indemnity Co. 90-HP-01857	12/1/96-12/1/97	Automobile liability	\$200,000 Liability \$25,000 physical damage \$10,000 personal injury protection	\$75,100 \$1,000 deductible
<u>Public Officials and Employees Liability</u> Titan Indemnity Co. 90-HP-01857	4/15/97-12/1/97	Wrongful acts	\$1,000,000	\$9,486 \$2,500 deductible each claim
<u>Law Enforcement Professional Liability</u> Titan Ins. Co. 90-HP-01857	12/1/96-12/1/97	Police officers bodily injury, property damage and personal injury	\$1,000,000 each person \$1,000,000 each occurrence	\$15,520 \$2,500 deductible
<u>Boiler & Machinery</u> Hartford Steam Boiler Ins. Co. FBP-AT-9497065-078	4/15/97-4/15/98	Mechanical breakdowns Lightning damages City Hall equipment Leased equipment	\$3,900,000	\$1,131 \$1,000 deductible
<u>Volunteer Firefighter Accidental Death & Disability</u> Hartford Life Ins. Co. 21VP482553	4/15/97-4/15/99	Medical expense disability Partial Disability Accidental death Fresh pursuit	\$5,000 \$100 weekly \$50 weekly \$25,000 \$25,000	\$1,105

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

September 30, 1997

Type of Coverage Name of Company and Policy Number	Policy Period From-To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<u>Municipal Liability</u> Titan Indemnity 90-HP-01857	12/1/96-12/1/97	General liability	\$300,000 \$300,000 each occurrence	\$34,900
<u>Workers' Compensation</u> Governmental Risk Insurance Trust 00053	12/1/96-12/1/97	Statutory	Statutory, employer's liability \$1,000,000	\$105,493
<u>Public Employees Honesty</u> <u>Bond</u> Continental Insurance Co.—#BNP 002-47-79	4/15/95-4/15/98	Blanket bond	\$50,000 blanket on all positions	\$1,336 \$500 deductible
#BNP 132-23-02	6/29/92-indefinitely		\$100,000 Finance Director	\$500
<u>Motor Truck Cargo</u> The Travelers Indemnity Co. QT660282X9133-TIL-97	4/15/97-4/14/98	Roll-off bins liability	\$50,000 each bin \$50,000 disaster	\$643 \$500 deductible
<u>Package Policy</u> Crum & Forster Ins. Co. Policy #503-523014-4	4/15/97-4/15/98			\$21,397
Property—Basic Coverage		\$12,116,306 building limits \$7,602,491 contents limits	\$1,000 deductible \$10,000 deductible— wind and hail	
Property—Special Coverage		\$39,200 contents limit (City Hall)	\$1,000 deductible \$10,000 deductible— fire and hail	

Table VII (continued)
City of Holly Hill, Florida
Schedule of Insurance in Force
September 30, 1997

Type of Coverage Name of Company and Policy Number	Policy Period From-To	Details of Coverage	Liability Limits	Annual Premium (Gross)
Computer (EDP) Coverage		\$200,000 Hardware City Hall and Police \$24,170 Hardware Public Works \$16,000 Hardware Fire Station \$3,900 Hardware Youth Center \$110,467 Data City Hall and Police \$4,307 Data Public Works \$40,000 Extra Expense—City Hall \$20,000 Extra Expense—Public Works \$20,000 Transit Expense \$75,000 New Equipment \$75,000 New Location \$15,000 Fire System \$20,000 Debris Removal \$10,000 Pollutant Removal	\$1,000 deductible	
Crime Coverage		\$5,000 theft inside \$5,000 theft outside	\$1,000 deductible	
<u>Environmental Protection</u> Commerce & Industry Petroleum Liability Insurance FPL5878648	6/25/97-6/25/98	Fuel storage tank \$1,000,000 each incident	\$500 deductible	\$895

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

September 30, 1997

(in thousands)

Fiscal Year Ended	Gross Revenues (1)		Operating Expense (7)	Net Revenues	Debt Service Requirements			Debt Service Coverage
					Principal	Interest	Total	
1988	\$2,224	(2)	\$1,109	\$1,115	\$355	\$287	\$ 642 (3)	1.74
1989	2,589	(2)	1,102	1,487	389	304	693 (4)	2.15
1990	2,830		1,150	1,680	-	996	996 (5)	1.69
1991	2,986		1,302	1,684	165	996	1,161 (5)	1.45
1992	3,276		1,500	1,776	175	985	1,160 (5)	1.53
1993	3,317		1,475	1,842	165	743	908 (6)	2.03
1994	3,440		1,541	1,899	230	893	1,123 (6)	1.69
1995	3,088		1,469	1,619	240	885	1,125 (6)	1.44
1996	3,216		1,418	1,798	245	876	1,121 (6)	1.60
1997	3,461		1,363	2,098	255	865	1,120 (6)	1.87

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

Table IX

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

September 30, 1997

(in thousands)

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment (3)
1988		11	2		4.7 %
1989		12	2		5.0 %
1990		12	2		6.0 %
1991	(4)	11	2	(6)	7.3 %
1992	(5)	11	2	(6)	7.9 %
1993	(5)	11	2	(6)	6.3 %
1994	(5)	11	2	(6)	6.4 %
1995	(5)	11	2	(6)	4.9 %
1996	(5)	12	2	(6)	4.2 %
1997	(5)	11	2	(6)	4.0 %

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

Table X

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

September 30, 1997

(in thousands)

Fiscal Year	(1) Commercial Construction		Residential Construction		(2) Bank Deposits (In Thousands)	Commercial	(3) Property Value	
	Units	Value	Units	Value			Residential	Nontaxable
1988	14	\$2,406	46	\$1,610	\$61,220	\$2,342,595	\$5,421,679	\$3,121,777
1989	12	2,137	23	957	63,072	2,476,048	5,958,835	3,395,221
1990	5	430	16	671	68,450	2,668,861	6,560,125	3,577,220
1991	4	994	20	910	72,893	2,715,075	6,638,319	3,742,663
1992	7	413	68	1,910	N/A	2,682,243	6,900,287	3,836,512
1993	8	924	49	841	N/A	2,586,129	7,107,641	3,915,520
1994	10	1,102	47	1,060	N/A	2,673,336	7,278,177	4,026,670
1995	10	1,312	61	692	N/A	2,679,990	7,512,145	4,109,968
1996	16	1,735	55	1,582	N/A	2,708,437	7,922,818	4,509,253
1997	16	3,777	41	739	N/A	2,836,488	8,334,733	4,660,708

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

(2) Florida Bankers Association

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

N/A Not available

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

September 30, 1997

Title of Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$ 8,640	3 years 9 months	\$50,000 blanket amount on all positions \$100,000 on Finance Director
Mayor Pro-Tem	5,400	3 years 9 months	
City Commissioners (3)	5,400	3 years 9 months to 7 years 9 months	
City Attorney (retainer)	7,500	21 1/2 years	
City Manager	65,339	2 years 2 months	
Deputy Clerk	46,550	18-1/2 years	
Finance Director	49,836	6 years 7 months	
Police Chief	58,739	14 years 7 months	
Public Services Director	57,665	2 years 3 months	
Fire Chief	42,962	2 years 7 months	
Building Official	45,885	17 years	

Table XII

City of Holly Hill, Florida
Schedule of Major Taxpayers

September 30, 1997

(in thousands)

Name	Type of Business	Assessed Values	Percent of Total Assessed Value
Holly Hill R.H.F. Housing, Inc.	Bishop Glen Retirement Center	\$18,416	4.92%
BellSouth Telecommunications, Inc.	Communications	5,763	1.54
Florida Power & Light	Electrical utility	5,720	1.53
Sun Communities Operating (Holly Forest)	Mobile Home Park	4,269	1.14
William H. Jones	Metra Electronics Manufacturer	3,622	.97
John Hancock Mutual Life Ins.	Winn Dixie	3,281	.88
Holly Point Apartments, Inc.	Apartment Complex	2,724	.73
Polyvers, Ltd.	Apartment Complex	2,552	.69
Modernage Kitchens, Inc.	Cabinet Manufacturer	2,300	.62
Life Insurance Co. of Georgia			
Publix Super Markets, Inc.	Shopping Center	2,173	.58
		<u>\$50,823</u>	<u>13.60%</u>

Source: Volusia County Property Appraiser

Table XIII
City of Holly Hill, Florida
Climatological Summary

September 30, 1997

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

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

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

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

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

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

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

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

Table XIV

City of Holly Hill, Florida

Miscellaneous Statistical Data

September 30, 1997

Date of Incorporation:

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

Present Charter incorporating the City
of Holly Hill adopted—1941

Form of Government:

Council/Manager

Area: ~~3.75~~^{4.88} square miles

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

273 fire hydrants

Fire Protection:

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

Police Protection:

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

Recreation:

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

Education: Volusia County Schools—

Elementary 1
Secondary 1

Students:

Kindergarten—Grade 5 = 818
Grades 6-8 = 1,054
1,872

Personnel:

Instructional 132
Noninstructional 85
Administrative 6

Street Lights:

High Pressure Sodium Vapor
6,300 lumen—667
9,500 lumen—77
16,000 lumen—35
22,000 lumen—96
50,000 lumen—2

White Way Underground
1,000 lumen—6

Employees as of September 30, 1997:

109 Civil Service
1 Exempt

110 Total

Water Treatment Plant:

Design capacity—2.3 MGD
Current production rate—1.215 MGD
Users—5,755

Water Pollution Control Plant:

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

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Single Audit Reports

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Report of Independent Auditors on Schedule of State Financial Assistance

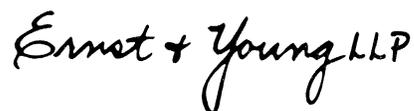
Honorable Mayor, City Commission and City Manager
City of Holly Hill, Florida

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida (the City) as of September 30, 1997, and for the year then ended, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis 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 respective State of Florida program officials. However, this report is a matter of public record and its distribution is not limited.



April 9, 1998

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

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

We have examined management's assertion, included in its representation letter date April 9, 1997, that the City of Holly Hill, Florida (the City) complied with the allowable cost requirements established in the grant agreement applicable to State grants and aids appropriations identified in the Schedule of State Financial Assistance for the year ended September 30, 1997. As discussed in that representation letter, management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City'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 the City'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 the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the allowable cost requirements established in the grant agreement applicable to State grants and aids appropriations identified in the Schedule of State Financial Assistance for the year ended September 30, 1997, is fairly stated, in all material respects.

This report is intended solely for the information of the City Commission, management and State grants and aids appropriation grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Ernst & Young LLP

April 9, 1998

City of Holly Hill, Florida

Schedule of State Financial Assistance

Year ended September 30, 1997

Federal Grantor/ Program Title	Contract Number	Identification Number	Program or Award Amount	Receipts	Expenditures
State of Florida Department of Environmental Protection Florida Recreation Development Assistance Grant (Sunrise Park) *	C-8430	F94020	\$100,000	\$100,000	\$17,000
State of Florida Department of Environmental Protection Recycling and Education Grant		RE97-62	13,524	13,524	18,000
Total State Financial Assistance			\$113,524	\$113,524	\$35,000

* Funded by a State Grants and Aids Appropriation.

**Report of Independent Auditors
on Compliance with Requirements
of State Award Programs**

Honorable Mayor and City Commissioners
City of Holly Hill, Florida

We have audited the general purpose financial statements of City of Holly Hill, Florida (the City), as of and for the year ended September 30, 1997, and have issued our report thereon dated April 9, 1998.

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.

Compliance with laws and regulations related to state award programs of the City is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with state grants and aids appropriations and other awards identified in the Schedule of State Financial Assistance, pursuant to Section 216.349, Florida Statutes, and Chapter 10.600, Rules of the Auditor General. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

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

Ernst & Young LLP

April 9, 1998

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Other Reports

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

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

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida (the City), as of September 30, 1997, and have issued our report thereon dated April 9, 1998, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective for our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

Internal Control over Financial Reporting

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

We noted other matters involving internal control and its operation that we have reported to the management of the City in a separate letter dated April 9, 1998.

This report is intended for the information of the City Commission, management, and respective State of Florida and federal program officials. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Ernst + Young LLP

April 9, 1998

Management Letter

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

We have audited the accompanying general purpose financial statements of the City of Holly Hill, Florida (the City) as of September 30, 1997, and have issued our report thereon dated April 9, 1998.

We have issued our Report of Independent Auditors on Compliance and Internal Control Based on an Audit Performed in Accordance with Government Auditing Standards, dated April 9, 1998.

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

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

Comments Reported in Prior Year's Management Letter

We noted, during the course of our audit of the financial statements of the City, that appropriate action had been taken upon recommendations and suggested accounting procedures as outlined in the Management Letter for the year ended September 30, 1996.

Current Year Findings

Information Systems

General

As part of planning our audit of the City for the year ended September 30, 1997, we performed a general controls review of the Information Systems function. Our review focused on whether sufficient controls were present over the following objective areas:

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

Information Systems (continued)

General (continued)

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

Year 2000

With the upcoming arrival of the year 2000, a significant business issue has been created that may directly impact the information systems, environmental systems, and certain operational procedures at the City. The problem relates to the manner in which many organizations handle dates in their information systems programs and data files. Most organization's software does not incorporate specific logic for addressing dates after December 31, 1999. In most cases, these dates will be treated as having a zero year, since only two year's digits are allocated and edited in these systems.

With the year 2000 less than three years away, we suggest that management make themselves aware of this issue, provide systems management with adequate support in addressing the challenge and develop an approach to monitor the problem to a final resolution. Significant issues management should address are as follows:

- Formalized Year 2000 Plan
- Year 2000 Awareness Program
- Plan Sponsorship
- Documentation Standards
- Year 2000 Inventory
- Vendor Compliance

Management's Response

With the City's purchase of a new information system came a guarantee that the year 2000 problem would be addressed appropriately. Most of the applications have the problem solved. We will continue monitoring additional applications as they are implemented.

Implementation of New Computer System

With the purchase and implementation of a new computer system, including related accounting software package, the City has taken a major step forward in providing the best services to its citizenry as well as enabling management to have access to information in a more timely fashion. We commend the City for this action.

We included in our prior year Management Letter a list of items that we felt were important for management to consider when making the transition to the new system. We are repeating them here to restate our position with regard to these matters. The following areas should be

Information Systems (continued)

Implementation of New Computer System (continued)

considered during the implementation process and when developing or revising policies and procedures for the new system:

- Physical security over computer hardware, including fire detection equipment
- Segregation of duties
- Computer data security, including passwords, terminal deactivation, use of unauthorized software, virus detection, inter/intranet access

Management's Response

The City is reviewing all of these areas to determine what else may be needed to strengthen our policies and procedures.

Other Information Systems Issues

In addition to the Year 2000 issue, the following issues were discussed with management regarding Information Systems:

- Business continuity planning
- Information Systems strategic planning
- User Access Procedures
- Program Changes
- Physical Security
- Backup Storage Procedures
- Virus Scanning Software

Management's Response

The City is establishing policies and procedures regarding the above issues as we continue to implement various facets of the information systems.

Pending Accounting Literature

The following Governmental Accounting Standards Board (GASB) pronouncement will become effective for the 1998 fiscal year. We recommend that management familiarize themselves with this literature and make the necessary preparations and policy changes for their adoption.

GASB Statement No. 31—Accounting and Financial Reporting for Certain Investments and for External Investment Pools

Establishes accounting and financial reporting standards for all investments held by governments and governmental external investment pools.

Other Required Disclosures

Annual Financial Report

The City has filed its annual report for the fiscal year ended September 30, 1997 as required by Section 218.32 of the Florida Statutes, with the Department of Banking and Finance. We reviewed the financial information contained in this report and compared it to that of the City's audited financial statements noting it agreed in all material respects.

Financial Emergency Act

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

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

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

Ernst & Young LLP

April 9, 1998

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

Pursuant to our letter dated August 4, 1997, you have engaged us to conduct an audit of the City of Holly Hill's general purpose financial statements for the year ended September 30, 1997 in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities for testing and reporting on internal control and on compliance with applicable laws and regulations under those standards are described in the table below. In addition, the table contrasts our responsibilities in this engagement with other procedures that could be performed in other financial-related audits.

Service That We Could Provide	Our Responsibility Regarding Internal Control	Our Responsibility Regarding Compliance with Laws and Regulations
Financial statement audit—GAAS	We consider internal control to plan the nature, timing and extent of audit procedures for the purpose of expressing our opinion on the general purpose financial statements. We report, orally or in writing, any reportable conditions, including material weaknesses, that we identify as a result of our audit procedures. Our report does not provide assurance on internal control over financial reporting.	We design our audit to provide reasonable assurance of detecting fraud that is material to the financial statements and illegal acts that have a direct and material effect on the financial statement amounts.
Financial statement audit—Government Auditing Standards	In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal control and identify reportable conditions, including material weaknesses, if any. Our reports do not provide assurance on internal control over financial reporting.	In addition to the GAAS responsibilities, we design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the general purpose financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.
OMB Circular A-133	We consider internal control over federal award program compliance. Our tests of controls include the controls over all major federal programs (aggregate expenditures of all major programs are to encompass at least 50% of total federal program expenditures). We report on such consideration and testing, and disclose reportable conditions including material weaknesses we identify. Our report does not provide assurance on the internal control over compliance.	We perform procedures for the purpose of expressing an opinion whether major federal programs (aggregate expenditures of all major programs are to encompass at least 50% of total federal program expenditures) have been administered in compliance with applicable laws and regulations.

Service That We Could Provide	Our Responsibility Regarding Internal Control	Our Responsibility Regarding Compliance with Laws and Regulations
Examination-level attestation	<p>We could be engaged to examine and report on management’s written assertion as to the design and operating effectiveness of internal control. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include an evaluation of the design of the entity’s internal control, and performing tests of relevant internal control policies and procedures to evaluate their operating effectiveness.</p>	<p>We could be engaged to examine and report on management’s written assertion regarding compliance. The engagement could be conducted at the financial statement level, or could result in a determination as to whether all federal programs have been administered in accordance with applicable laws and regulations. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include obtaining an understanding of the specific compliance requirements, obtaining an understanding of the design of the entity’s internal control over compliance, and testing compliance with specified requirements.</p>
Agreed-upon procedures level attestation	<p>We could be engaged to perform agreed-upon procedures related to management’s written assertions as to the design and operating effectiveness of internal control. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management’s assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.</p>	<p>We could be engaged to perform agreed-upon procedures related to management’s written assertions regarding compliance. The objective of the agreed-upon procedure is to present specific findings to assist users in evaluating management’s assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.</p>