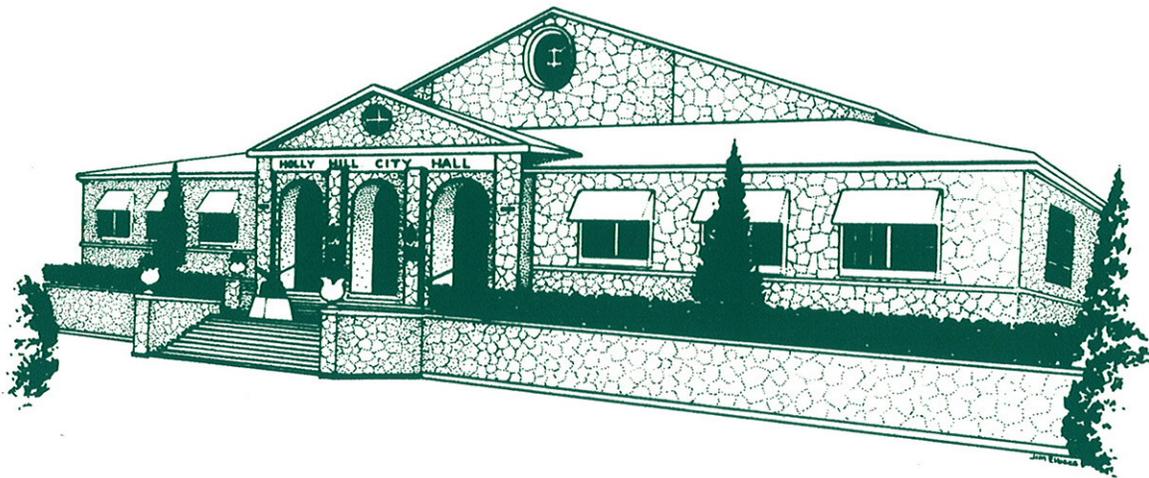


CITY OF HOLLY HILL, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED SEPTEMBER 30, 1999

City of Holly Hill, Florida

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 1999



City Commission

Honorable William D. Arthur, Mayor

Arthur J. Byrnes
Shirley Heyman
J.D. Mellette
Roland Via

Acting City Manager

Joseph A. Forte

City Attorney

Edward F. Simpson, Jr.

Director of Finance

Brenda Gubernator

Independent Auditors

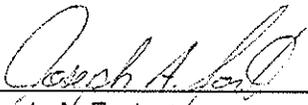
Brent Millikan & Company, P.A.

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



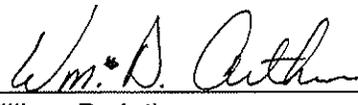
City of Holly Hill
Management Assertion Report
Year Ended September 30, 1999

We, Joseph A. Forte, Acting City Manager , and Honorable William D. Arthur, Mayor , hereby assert that, City of Holly Hill, Florida complied with the allowable cost requirements of the grants and aids appropriations identified on the attached Schedule of State Financial Assistance during the fiscal year ended September 30, 1999 .



Joseph A. Forte
Acting City Manager

March 24, 2000



William D. Arthur
Mayor

March 24, 2000

City of Holly Hill

Schedule of State Financial Assistance

Year Ended September 30, 1999

Grantor Agency/Program Title	State Contract Grant No.	State Receipts	Federal Through State Receipts	Total Receipts	Recognized Revenue and Receipts
<u>Florida Department of Agriculture and Consumer Services</u>					
Teen Center Restoration Grant Program (1) 11/11/98 Grant Award \$80,000	4630	\$ 80,000	\$ 0	\$ 80,000	\$ 80,000
<u>Florida Department of Business and Professional Regulation</u>					
Division of Alcoholic Beverages and Tobacco Agents Combating Tobacco Sales Enforcement Contract Program (1) 7/27/98 Grant Award \$38,220	98-00177-00	38,220	0	38,220	38,220
<u>Florida Department of Community Affairs</u>					
Holly Hill Youth Center III Anti Drug Abuse Act Grant Program (1) (2) 10/1/98 Grant Award \$22,733	99-CJ-9M-06-74-02-131	0	20,373	20,373	20,373
Police Athletic League (PAL) Anti Drug Abuse Act Grant Program (1) (2) 10/1/98 Grant Award \$42,750	99-CJ-9M-74-02-032	0	39,505	39,505	39,505
<u>Florida Department of Environmental Protection</u>					
Solid Waste Recycling and Education Program 7/1/98 Grant Award \$4,263	RE99-62	1,023	0	1,023	1,023
<u>Florida Department of Transportation</u>					
Highway and Community Safety Grant Program (1) (2) 4/12/99 Grant Award \$15,000	FS-99-27-13-01	0	14,990	14,990	14,990
State Road US 1 Median - Phase I Florida Highway Beautification Grant Program (1) 9/1/98 Grant Award \$90,174	AG156 403675-1-74-01	90,174	0	90,174	90,174
Totals		<u>\$ 209,417</u>	<u>74,868</u>	<u>284,285</u>	<u>284,285</u>

(1) State Grants and Aids Appropriation moneys. The grand total of State Grants and Aids Appropriations money received by the City for the year is \$283,262. Of this amount \$74,868 was received from programs funded with Federal Awards passed-through State of Florida grantor agencies.

(2) Amounts of expenditures also reported in Schedule of Federal Awards as passed-through from State of Florida grantor agencies is \$74,868.



TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

	<u>Reference</u>	<u>Pages</u>
Introductory Section		
Title Page		i
Table of Contents		ii-iv
Organization Chart		v
Certificate of Achievement for Excellence in Financial Reporting		vi
Letter of Transmittal		vii-xx
Financial Section		
Independent Auditors' Report		1-2
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups	Statement 1	3-6
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Funds	Statement 2	7-8
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types	Statement 3	9-11
Combined Statement of Revenue, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types	Statement 4	12
Combined Statement of Cash Flows - All Proprietary Fund Types	Statement 5	13
Statement of Changes in Plan Net Assets - All Pension Trust Funds	Statement 6	14-15
Notes to the Financial Statements		16-33
Required Supplementary Information:		
Schedules of Funding Progress - Municipal Firemen's Pension Trust Fund and Municipal Police Officers' Retirement Trust Fund	Schedule 1	34
Schedules of Employer Contributions - Municipal Firemen's Pension Trust Fund and Municipal Police Officers' Retirement Trust Fund	Schedule 2	35
Combining and Individual Fund and Account Group Financial Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	Exhibit A-1	36
Comparative Statements of Revenue, Expenditures, and Changes in Fund Balance	Exhibit A-2	37
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit A-3	38-41
Special Revenue Funds:		
Combining Balance Sheet	Exhibit B-1	42-43
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	Exhibit B-2	44-45
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	Exhibit B-3	46-49

TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

	<u>Reference</u>	<u>Pages</u>
Capital Projects Fund:		
Comparative Balance Sheets	Exhibit C-1	50
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	Exhibit C-2	51
Enterprise Funds:		
Combining Balance Sheet	Exhibit D-1	52-53
Combining Statement of Revenue, Expenses and Changes in Retained Earnings	Exhibit D-2	54
Combining Statement of Cash Flows	Exhibit D-3	55
Trust and Agency Funds:		
Combining Balance Sheet	Exhibit E-1	56-57
Comparative Statement of Revenue, Expenditures and Changes in Fund Balance - Law Enforcement Expendable Trust Fund	Exhibit E-2	58
General Fixed Assets Account Group:		
Schedules of General Fixed Assets - By Source	Exhibit F-1	59
Schedule of General Fixed Assets - By Function and Activity	Exhibit F-2	60-61
Schedule of Changes in General Fixed Assets - By Function and Activity ..	Exhibit F-3	62
General Long-Term Debt Account Group:		
Statement of General Long-Term Debt	Exhibit G-1	63

Statistical Section

Statistical Tables:		
General Fund Revenues - By Source	Table 1	64
General Fund Expenditures - By Function	Table 2	65
Assessed and Estimated Actual Value of Taxable Property: Property Tax Levies and Collections	Table 3	66
Property Tax Rates and Tax Levies - Direct and All Overlapping Governments	Table 4	67
Debt Service Requirements to Maturity - Water and Sewer Revenue Bonds, Series 1992	Table 5	68
Computation of Overlapping Debt	Table 6	69
Schedule if Insurance in Force	Table 7	70
Revenue Bond Coverage - Water and Sewer System Fund	Table 8	71
Demographic Statistics	Table 9	72
Property Value, Construction and Bank Deposits	Table 10	73
Salaries and Surety Bonds of Principal Officials	Table 11	74
Schedule of Major Taxpayers	Table 12	75
Miscellaneous Statistical Data	Table 13	76
Climatological Summary	Table 14	77

TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Reference Pages

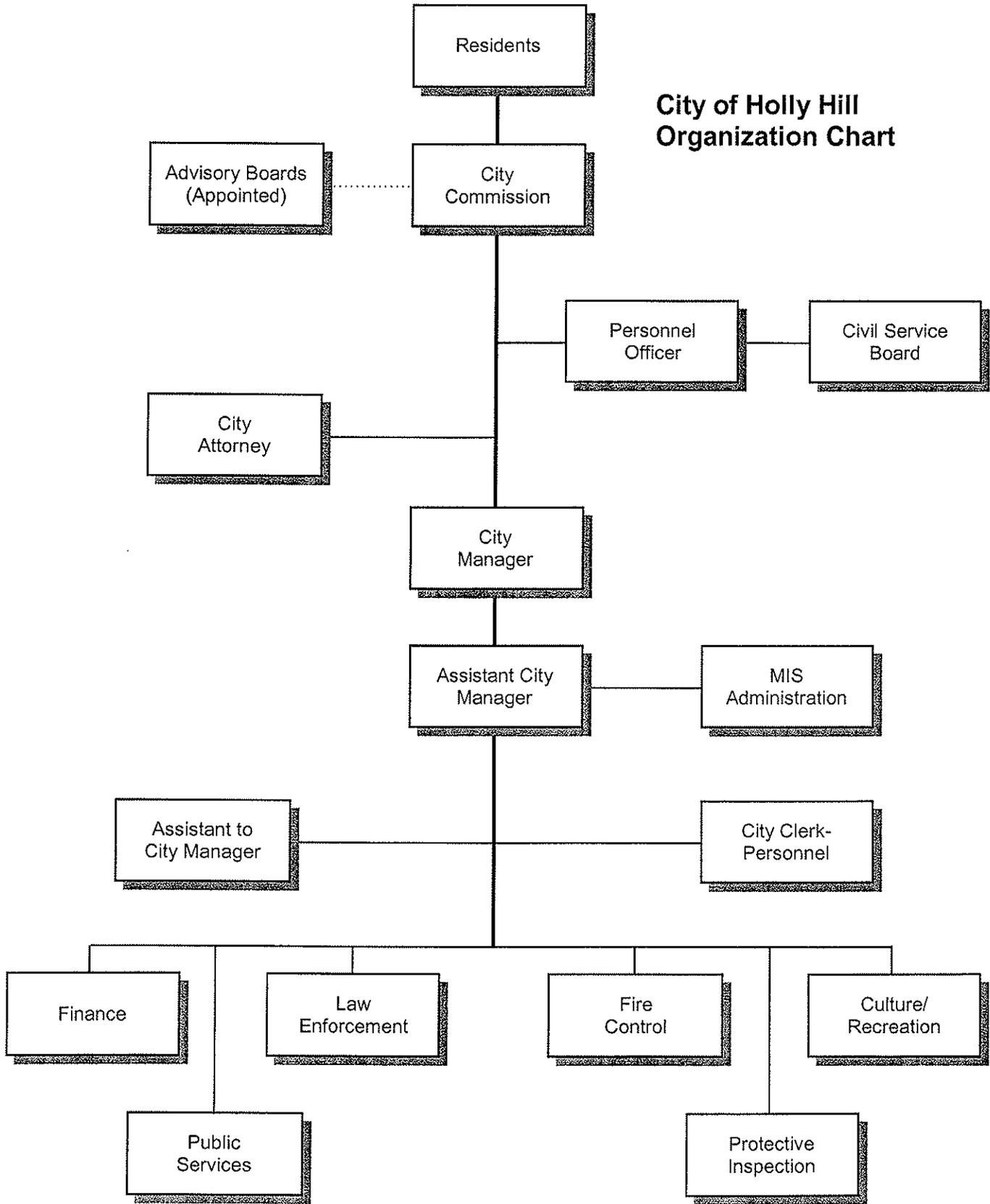
Compliance Section

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
Report on Compliance With Requirements Applicable to Each Major Program and Internal Controls Over Compliance in Accordance With OMB Circular A-133	79-80
Schedule of Expenditures of Federal Awards	81
Schedule of Findings and Questioned Costs	82
Report on Examination of Management's Assertion About Compliance With Specific Requirements	83
Management Assertion Report	84
Schedule of State Financial Assistance	85
Management Comments	86-89
Management Response	90



Organization Chart

City of Holly Hill Organization Chart





City of Holly Hill, Florida

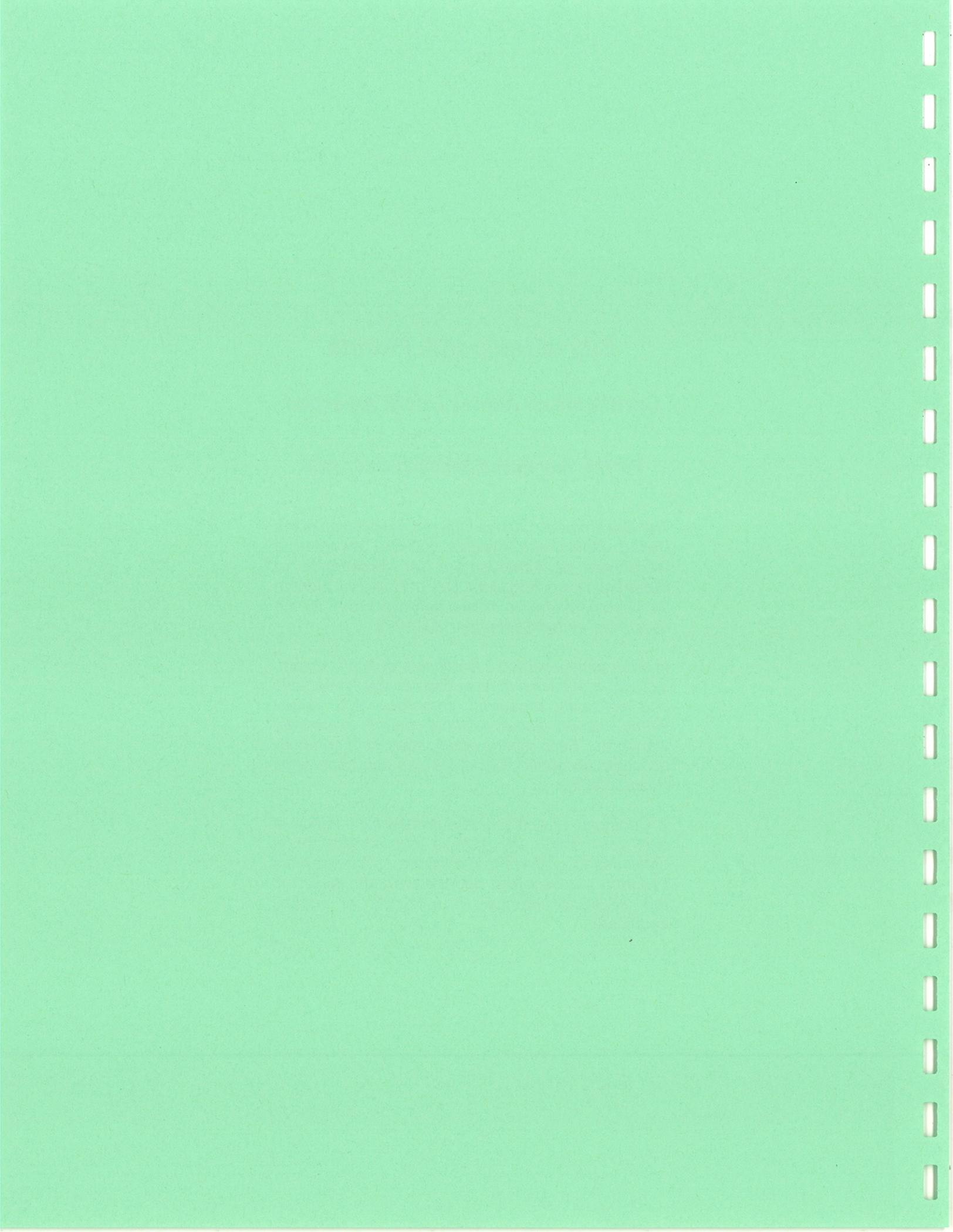
Certificate of Achievement Awarded

For the Year Ended September 30, 1998

*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Holly Hill, Florida, for its comprehensive annual financial report for the fiscal year ended September 30, 1998.*

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

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



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Holly Hill,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1998

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.

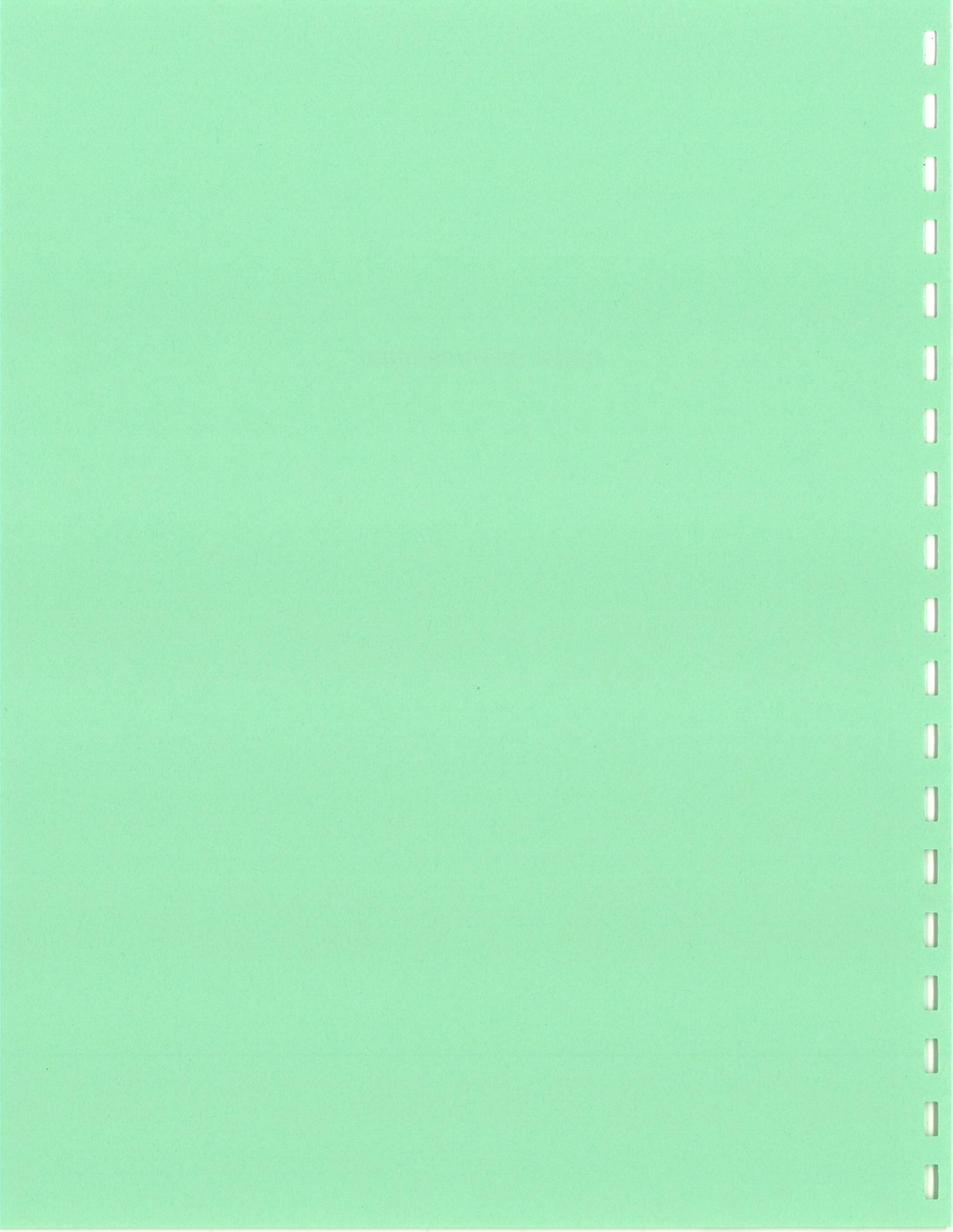


Cary Brubaker
President

Jeffrey L. Essler
Executive Director



Letter of Transmittal





CITY OF HOLLY HILL

TEN SIXTY-FIVE RIDGEWOOD AVENUE
HOLLY HILL, FLORIDA 32117-2898
(904) 947-4127
FAX: (904) 947-4148
SUNCOM: 380-4120

March 9, 2000

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

The comprehensive annual financial report of the City of Holly Hill, Florida, for the fiscal year ended September 30, 1999, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapters 10.500 and 11.45, Rules of the Auditor General of the State of Florida. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to make the determination whether the audit of the City's participation in federal awards will be conducted as single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Based on the level of expenditures directly related to federal awards the City was required to have its September 30, 1999 fiscal year end audit conducted as a single audit. Accordingly, there are supplementary reports and a schedule of expenditures of federal awards relative to a single audit presented in the last section of this report. In addition, supplementary information is provided in relation to the reporting requirements of the Rules of the Auditor General for state financial assistance and are also presented in the last section of this report.

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

Honorable Mayor Arthur, and
Members of the City Commission
City of Holly Hill, Florida
March 9, 2000
Page 2

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

ECONOMIC CONDITION AND OUTLOOK

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

Growth along the I-4 corridor has been exceptional and is expected to continue. Growth in the City has been favorable during the past year and is expected to continue during the coming year. However, due to limited vacant land parcels and other resources, growth is slow at about 2% per year. Property valuations increased during the past year by 4.8%. The City is encouraged by the number of voluntary annexation applications received and by the number of new and expanding businesses that have applied for permits and licenses. Opportunities for additional growth still exist in an already dynamic business and industrial community. The community currently has a 3.1% unemployment rate as compared to a statewide rate of 3.9%.

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

MAJOR INITIATIVES

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

1. Fire and Emergency Services—The City contracted fire and emergency dispatch services with Emergency Communications Services, Inc for a five-year term, as did many other cities in the area. The new agreement supports our fire service by providing dedicated, consistent fire and emergency dispatching services to the community.
2. Law Enforcement—The Police Department maintained its commitment to the local residents and businesses through the continuation of its community programs, such as the Bike Patrols, Police Explorers, and Neighborhood Watch. During the year, the department added its VIPS (Volunteers in Police Services) program, adding extra "eyes and ears" in the field. VIPS volunteers patrol in a specially marked vehicle, reporting suspicious activity and assisting patrol officers with traffic control and other duties as well as administrative assistance.

Honorable Mayor Arthur, and
Members of the City Commission
City of Holly Hill, Florida
March 9, 2000
Page 3

3. Stormwater Management—Replacing the old arch metal culvert bridge across the 11th Street Canal at LPGA Boulevard and Alta Street with a pre-stressed concrete bridge was a 50/50 cost shared project between the city and Volusia County. Replacement of the bridge and removal of sediment increased the carrying capacity by at least twice as much, allowing water to pass through to the river, and reducing flood stages in the Holly Hill area and throughout the Nova Canal Watershed.
4. Public Works—With the assistance of the Florida Department of Transportation and its Highway Beautification Grant the city completed Phase I of its Median Beautification on Ridgewood Avenue (U.S. #1). Medians in the north half of the city are scheduled to be planted with trees, bushes and flowers creating an eye pleasing entry to the community. The medians in the north half of the city will be complete July 2000.
5. Water and Sewer—A sewer system evaluation study which included smoke testing, manhole inspection, heavy cleaning of sewer lines, and an internal inspection of the collection lines to determine where and to what extent infiltration is occurring was completed. The State Revolving Loan Fund will provide funding to rehabilitate about a third of the system next year. The rehabilitation will begin April 2000.

PROSPECTS FOR THE FUTURE

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

1. To adopt and implement a plan to redevelop the Tax Increment Financing District—CC1 Corridor. U.S. #1 (also known as Ridgewood Avenue) is the main artery through the city. Numerous areas have been upgraded or redeveloped in recent years. The city is committed to continuing this trend.
 - Business owners are being encouraged to promote sprucing up the district and complying with codes to create a pleasing and stable environment. The city's median and other beautification projects are inspiring efforts to enhance the area.
 - Additional police officers originally funded with the aid of a federal COPS grant continue the Bike Patrol of this area. They are meeting and talking with the people living and working in the district and at the same time providing a deterrent to crime.
2. To develop a five-year capital improvements plan. The city is faced with limited funds to accomplish numerous capital projects. The City is committed to developing a defined capital improvement plan.
 - Completed plans include stormwater drainage, street paving, sidewalks, median beautification and a multi-purpose recreational facility. Additional plans for water and sewer facilities are in process.

Honorable Mayor Arthur, and
Members of the City Commission
City of Holly Hill, Florida
March 9, 2000
Page 4

3. To develop a five-year recreation plan. The city is committed to providing a variety of recreational programs for all age groups at a reasonable fee.
 - Construction on a multi-purpose recreational facility started in the fall of 1998 and was completed in September 1999. Programs being offered at this facility include basketball, aerobics, tumbling, crafts, and dance lessons. Additional programs are being developed from suggestions received from the Recreation Board, residents and the local schools.
 - During 1999, the city commissioners approved adding a municipal swimming pool to the new recreational facility with the aid of Community Development Block Grant funds.
4. To create a better "people" environment for the city. The City Commission will institute policies to create a better environment for all residents, business owners, staff, and visitors to the city.
 - The city and the Chamber of Commerce presented the first annual awards to the Employee of the Year and the Citizen of the Year at a banquet held in Sica Hall Community Center. Employees and board members as well as city, county, and state legislators attended the banquet, declared a success.
5. To enhance the city's code enforcement efforts. For the benefit of the residents and businesses, the city recognizes the need to enhance its enforcement efforts.
 - The next fiscal year budget provides for a part-time housing rehabilitation inspector who will be charged with enforcing codes in residential areas to improve the look of the city. This will enhance the efforts of the current staff to encourage people to meet code requirements.
6. To continue and expand economic development activities. Economic development is acknowledged as an important factor for the well being of the city.
 - In-house personnel created and designed the City's own web site with ready access to city codes and other information. There are also links to other local and state government operations. The Internet address is www.hollyhillfl.org.
 - The City successfully completed all requirements to establish itself as a leader in economic development and was recently designated the first Certified City in Volusia County by Enterprise Volusia.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of

Honorable Mayor Arthur, and
 Members of the City Commission
 City of Holly Hill, Florida
 March 9, 2000
 Page 5

financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

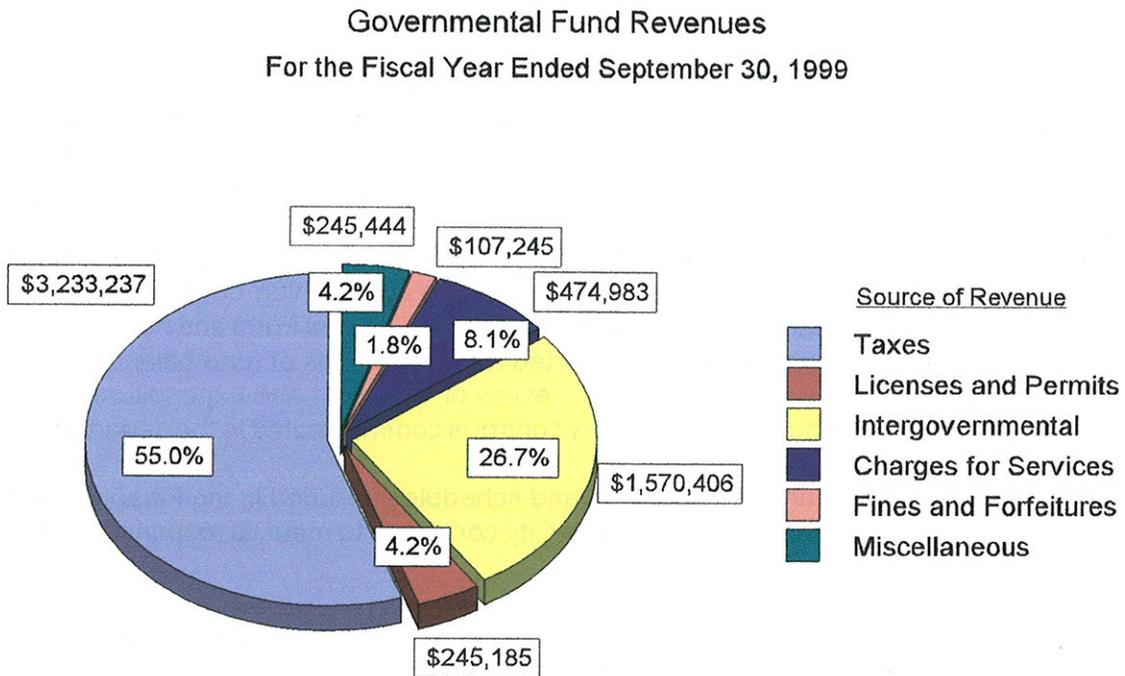
Budgeting Controls In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of all the governmental and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department or division within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Any unencumbered balance of appropriations shall revert to the General Fund and be subject to future appropriations. Open encumbrances are reported as reservations of fund balance at year end. Budgetary control is maintained by a constant review of revenues and expenditures by the City Manager and Finance Director. This budgetary control is communicated to the department heads.

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

General Government Functions The following schedule presents a summary of governmental fund (General, Special Revenue, Capital Projects, and Expendable Trust funds) revenues for the fiscal year ended September 30, 1999, and the increases and decreases in relation to prior year revenues:

<u>Revenue Source</u>	<u>1999 Amount</u>	<u>Percent of Total</u>	<u>1999 Increase (Decrease)</u>
Taxes	\$ 3,233,237	55.0%	\$ 73,491
Licenses and permits	245,185	4.2%	47,759
Intergovernmental revenue	1,570,406	26.7%	387,044
Charges for services	474,983	8.1%	13,654
Fines and forfeitures	107,245	1.8%	13,555
Miscellaneous revenue	<u>245,444</u>	<u>4.2%</u>	<u>28,105</u>
Totals	\$ <u>5,876,500</u>	<u>100.0%</u>	\$ <u>563,608</u>

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



Revenues received from governmental fund sources totaled \$5,876,500 for the year ended September 30, 1999, an increase of \$563,608 from the previous year. Actual revenues were greater than budgeted revenues by \$431,613.

Ad valorem taxes continue to be the most significant revenue source. The total non-exempt valuation for ad valorem taxes amounts to \$399 million, an increase of \$20 million, or 5.2% over the preceding year. Florida Statutes, Chapter 192, control the assessments and collections of ad valorem taxes. The County of Volusia, Florida, is responsible for assessing, billing and collecting the City's share of ad valorem taxes in accordance with Florida law.

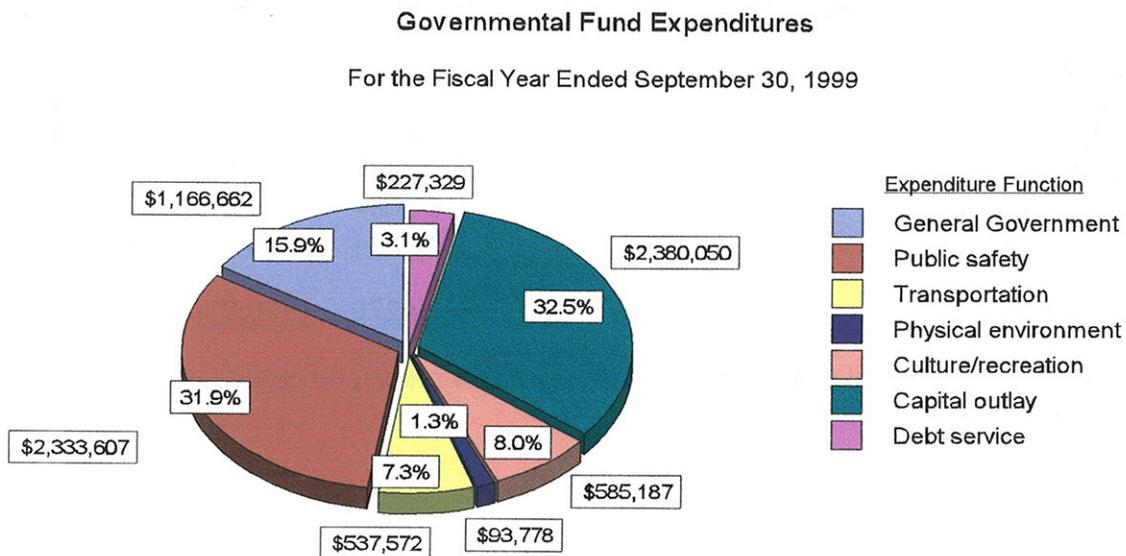
The property tax levy during the current year was 5.25000 mills, or 5.1% below last year's millage rate of 5.51831. A summary of the City's millage rates and tax levies for each of the past ten years is presented in Table IV of the Statistical Section of this Report.

Honorable Mayor Arthur, and
 Members of the City Commission
 City of Holly Hill, Florida
 March 9, 2000
 Page 7

The following schedule presents a summary of governmental fund expenditures for the fiscal year ended September 30, 1999, and the increases and decreases in relation to prior year expenditures:

<u>Expenditure Function</u>	<u>1999 Amount</u>	<u>Percent of Total</u>	<u>1999 Increase (Decrease)</u>
General government	\$ 1,166,662	15.9%	\$ 57,811
Public safety	2,333,607	31.9%	(44,281)
Transportation	537,572	7.3%	115,285
Physical environment	93,778	1.3%	(2,467)
Culture/recreation	585,187	8.0%	76,331
Capital outlay	2,380,050	32.5%	1,458,894
Debt service	<u>227,329</u>	<u>3.1%</u>	<u>(442,575)</u>
Totals	\$ <u>7,324,185</u>	<u>100.0%</u>	\$ <u>1,218,998</u>

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



Honorable Mayor Arthur, and
 Members of the City Commission
 City of Holly Hill, Florida
 March 9, 2000
 Page 8

Expenditures for the City's general governmental functions totaled \$7,324,185 for the year, an increase of \$1,218,998 over the preceding year. Current year capital outlay expenditures totaled \$2,380,050, which exceeded last year's capital spending of \$921,156. While overall departmental expenditures remained relatively stable in all functional areas, the increase of \$1.5 million in capital spending for the year was primarily related to the current year expenditure of prior year bond proceeds for the construction of a new recreation complex. Additionally, expenditures for debt service were reduced by more than \$440,000 in 1999.

General Fund Balance The fund balance of the General Fund increased by 28.5% during the fiscal year ended September 30, 1999. The increase of \$369,723 provided the City with a fund balance that is equivalent to 34.3% of the actual expenditures for the past year. This indication of sound financial position will ensure the availability of resources needed to continue providing quality services to the City's citizens without imposing an undue tax burden.

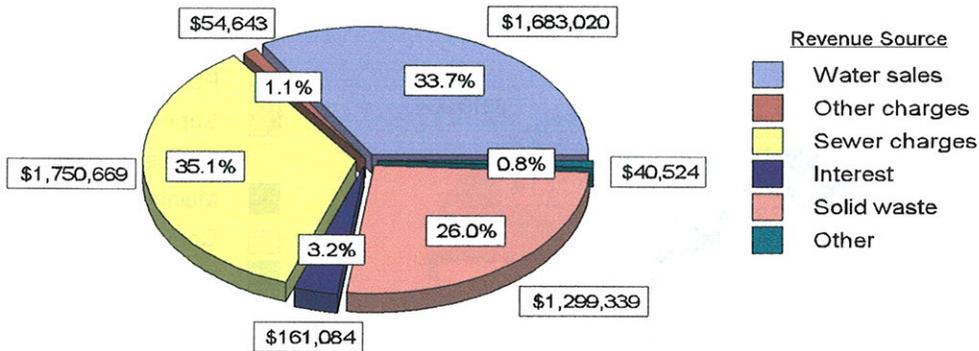
Enterprise Operations The City's primary government enterprise operations are comprised of two separate and distinct activities: the Water and Sewer Utility Fund, the Solid Waste Utility Fund. The following schedule presents a summary of enterprise fund revenues for the fiscal year ended September 30, 1999, and the increases and decreases in relation to prior year revenues:

<u>Operating Revenue Source</u>	<u>1999 Amount</u>	<u>Percent of Total</u>	<u>1999 Increase (Decrease)</u>
Water sales	\$ 1,683,020	33.7%	\$ 58,432
Sewer charges	1,750,669	35.1%	76,456
Waste disposal charges	1,299,339	26.1%	(15,873)
Other charges	54,643	1.1%	(817)
Interest earnings	161,084	3.2%	12,647
Other income	<u>40,524</u>	<u>0.8%</u>	<u>(269,373)</u>
Totals	\$ <u>4,989,279</u>	<u>100.0%</u>	\$ <u>(138,528)</u>

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

Enterprise Fund Revenues

For the Fiscal Year Ended September 30, 1999

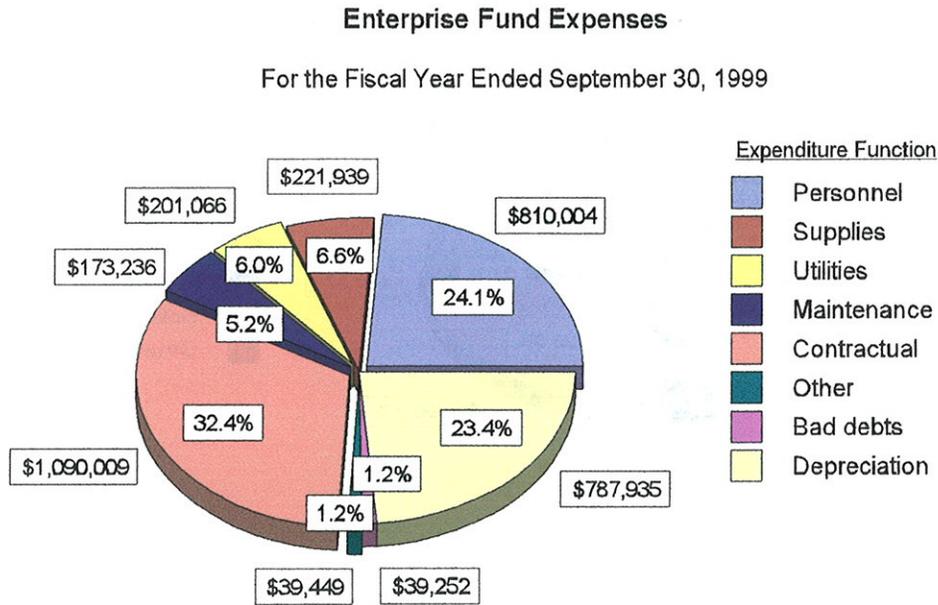


The City's combined enterprise fund revenues decreased by \$138,528 during 1999. This was primarily attributable to the one-time recognition of gains from the disposal of solid waste fund assets in the prior year of \$233,839 resulting from the privatization of this utility service in 1998.

The following schedule presents a summary of enterprise fund expenses for the year ended September 30, 1999, and the increases and decreases in relation to prior year amounts:

<u>Operating Expenses</u>	<u>1999 Amount</u>	<u>Percent of Total</u>	<u>1999 Increase (Decrease)</u>
Personal services	\$ 810,004	24.1%	\$ (207,721)
Materials and supplies	221,939	6.6%	(31,173)
Utilities	201,066	6.0%	(6,854)
Maintenance and repairs	173,236	5.1%	39,683
Contractual services	1,090,009	32.4%	584,469
Other expenses	39,449	1.2%	(216,791)
Bad debts	39,252	1.2%	12,520
Depreciation	<u>787,935</u>	<u>23.4%</u>	<u>(125,526)</u>
Totals	\$ <u>3,362,890</u>	<u>100.0%</u>	\$ <u>48,307</u>

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



The City's net income before operating transfers from its Water and Sewer Fund and Solid Waste Fund totaled \$495,223 and \$264,422, respectively, for the year ended September 30, 1999. Operating transfers from the Water and Sewer Fund to the General Fund totaled \$440,000 (as reimbursement for administrative expenses). Operating transfers from the Solid Waste Fund to the General Fund and Capital Projects Fund totaled \$225,300 and \$625,000, respectively.

Pension Trust Fund Operations The Municipal Police Officers' Retirement Trust Fund was created by the City under the provisions of Chapter 185, Florida Statutes. During the year, revenues were derived from City contributions of \$78,581, State contributions of \$48,760, plan member contributions of \$73,475, interest and dividend earnings of \$154,573, and net appreciation in fair value of investments of \$393,526. Investment expenses totaled \$47,188 for the year. As of September 30, 1999, the net plan assets held in trust for pension benefits totaled \$4,911,757 which was 10.6% over last year's amount.

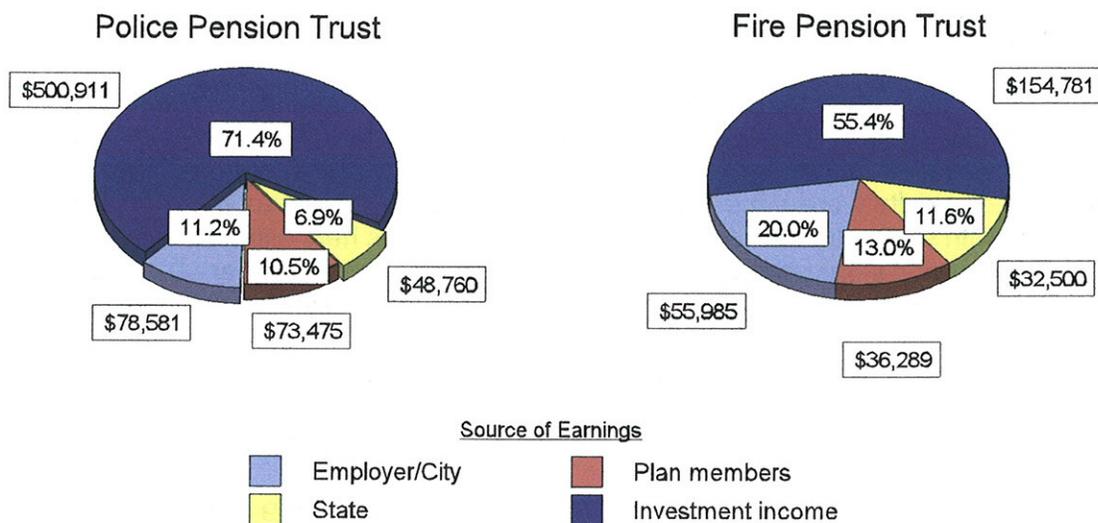
The Municipal Firefighter's Pension Trust Fund was created by the City under the provisions of Chapter 175, Florida Statutes. During the year, revenues were derived from City contributions of \$55,985, State contributions of \$32,500, plan member contributions of \$36,289, interest and dividend earnings of \$77,654, and net appreciation in fair value of investments of \$90,150.

Investment expenses totaled \$13,023 for the year. As of September 30, 1999, the net plan assets held in trust for pension benefits totaled \$1,973,254 which was 7.3% over last year's amount.

The most recent actuarial valuations for each pension fund continue to reflect a positive trend in the funding of both plans. The following is a summary of the contributions to the City's defined benefit pension plans for the year ended September 30, 1999:

Source of Contributions to Defined Benefit Pension Plans

For the Fiscal Year Ended September 30, 1999



The City's general employees, excluding police and firefighters, are provided pension benefits based upon their individual dates of employment with the City. All general employees hired before January 1, 1996 are included in the Florida Retirement System of the State of Florida. This plan is a cost-sharing, multiple-employer public employee retirement system created and administered by the State of Florida, Department of Administration, Division of Retirement. The City's payroll for employees covered under the plan totaled \$1,519,923 for the recent fiscal year. The City's contributions to the plan totaled \$209,393 during the recent fiscal year.

Pursuant to Chapter 95-338, Laws of Florida, and Ordinance No. 2450, all new employees hired by the City after December 31, 1995, do not participate in the Florida Retirement System. The City's alternative retirement plan is a defined contribution plan with an effective date of January 1, 1996. The plan year is for a twelve month period beginning October 1 and ending September 30. For the fiscal year ended September 30, 1999 covered wages for employees participating in this plan amounted to \$417,803; the City contributions to the plan accounts of the participants amounted to \$38,172 and employee contributions to the plan amounted to \$9,164.

Honorable Mayor Arthur, and
 Members of the City Commission
 City of Holly Hill, Florida
 March 9, 2000
 Page 12

Debt Administration At September 30, 1999, the City had no general bonded debt obligations outstanding.

Water and sewer revenue bonds issued in 1992 are rated AAA by Moody's Investor Services and AAA by Standard and Poor's Corporation and are insured by Municipal Bond Investors Corporation. Debt service payments during the year consisted of \$280,000 in principal maturities and \$840,589 of interest.

General Fixed Assets This group of accounts represents the fixed assets of the general government operations of the City. These assets have been recorded on the books at cost and carrying value bears no relation to the actual fair value of the assets. The total cost of general fixed assets at September 30, 1999 totaled \$14,017,760 as compared to \$11,901,162 for the preceding year, an increase of 17.8%.

Cash Management Cash temporarily idle during the year was invested in demand deposit and time deposit accounts ranging from 12 to 24 months to maturity. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with state statutes. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. At September 30, 1999, unrestricted cash was invested in interest bearing demand deposits and with the State Board of Administration.

Interest earned on unrestricted funds for the past two years was as follows:

		<u>1999</u>	<u>1998</u>
General Fund	\$	109,591	119,477
Special Revenue Funds		41,472	47,907
Capital Projects Fund		37,157	8,192
Water and Sewer System Fund		107,789	109,766
Solid Waste Fund		<u>53,294</u>	<u>38,671</u>
 Total interest earnings	 \$	 <u>349,303</u>	 <u>324,013</u>

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

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

Honorable Mayor Arthur, and
Members of the City Commission
City of Holly Hill, Florida
March 9, 2000
Page 13

employee complaints; (5) investigating hazardous conditions, material or equipment; and (6) recommending awards or penalties.

All insurance coverage is held by commercial carriers and settlements in excess of claims have been incurred during the past four fiscal years.

OTHER INFORMATION

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

Awards The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its comprehensive annual financial report for the fiscal year ended September 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 22 consecutive years. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 1998. This is the tenth 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.

Honorable Mayor Arthur, and
Members of the City Commission
City of Holly Hill, Florida
March 9, 2000
Page 14

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

Respectfully submitted,

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

Brenda Gubernator
Director of Finance

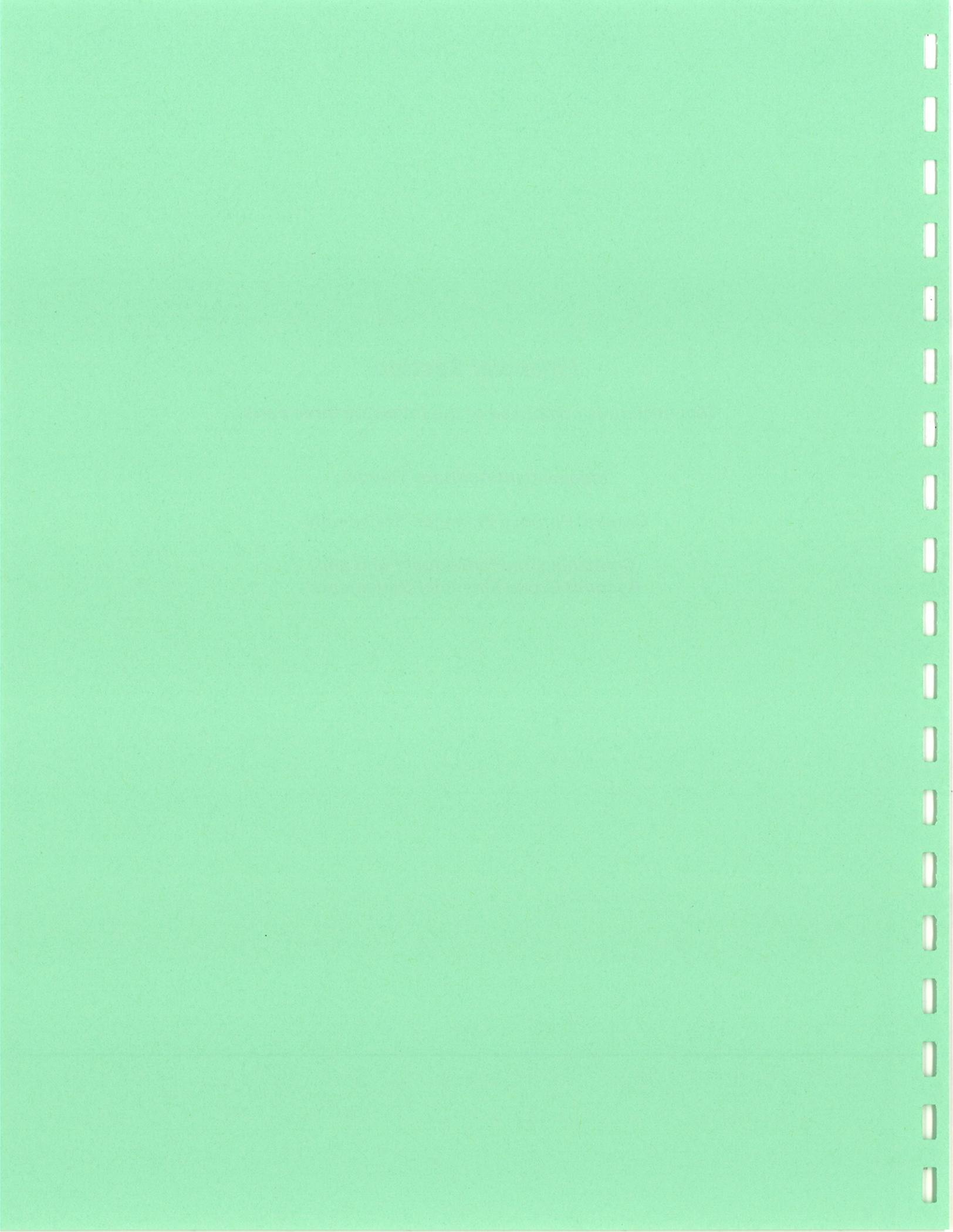
Financial Section

This section is composed of the following three parts:

Independent Auditors' Report

General Purpose Financial Statements

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



Independent Auditors' Report

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

Independent Auditor's Report

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

We have audited the accompanying general-purpose financial statements of City of Holly Hill, Florida, as of and for the year ended September 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of City of Holly Hill, Florida's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the Police Officers' Retirement Trust Fund, which statements reflect net assets held in trust for pension benefits of \$4,911,757 as of September 30, 1999 and changes in net assets held in trust for pension benefits of \$471,476 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to data included for the Police Officers' Retirement Trust Fund, is based solely upon the report of the other auditors.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Holly Hill, Florida, as of September 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2000 on our consideration of City of Holly Hill, Florida's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

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

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of City of Holly Hill, Florida, taken as a whole. The combining and individual fund and account group financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of City of Holly Hill, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole. The 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.



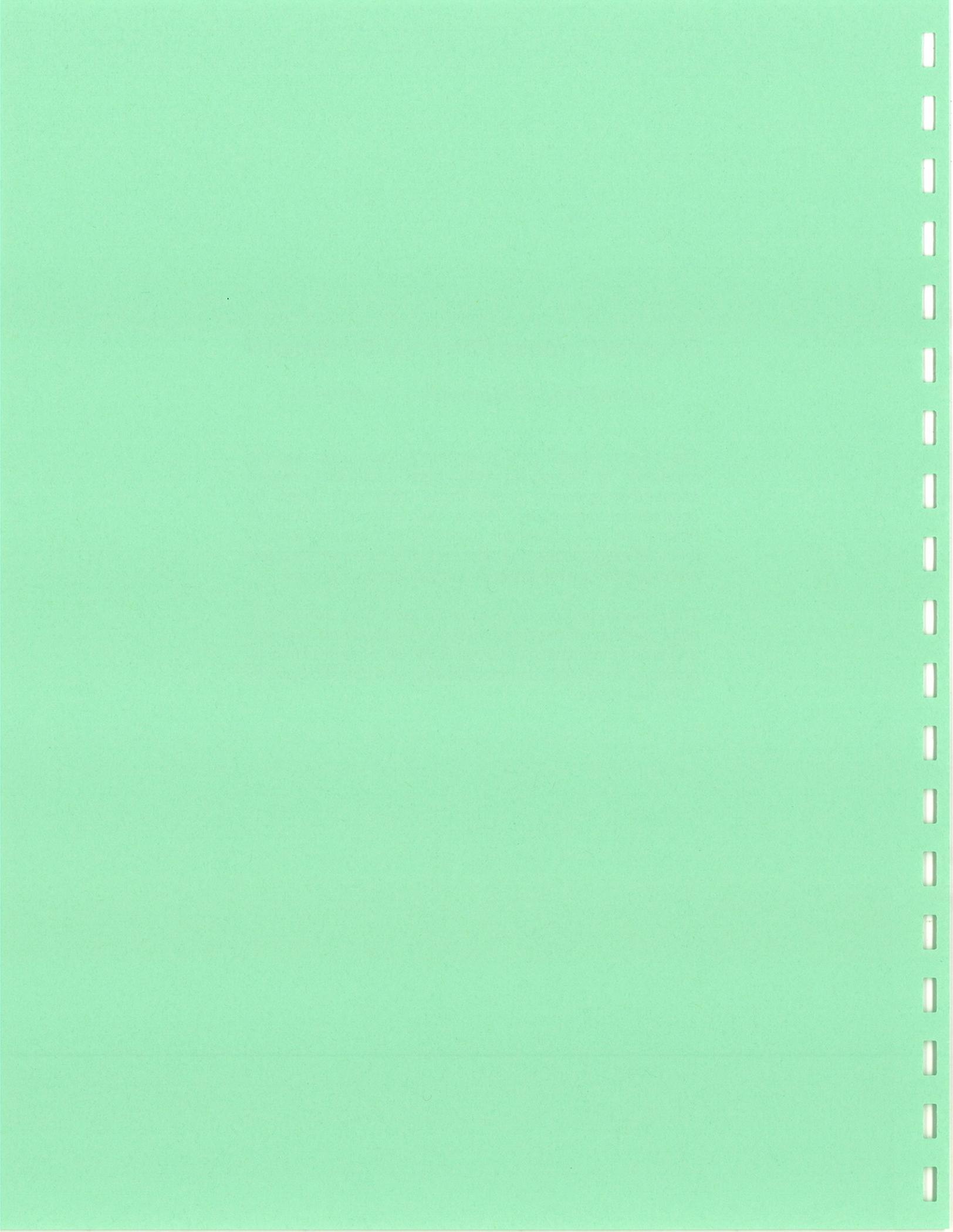
March 8, 2000

General-Purpose Financial Statements

(Combined Statements - Overview)

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

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



COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 1999
With Comparative Totals for September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Cash and cash equivalents	\$ 1,632,441	888,420	214,734
Investments	0	0	303,784
Receivables - net:			
Delinquent taxes	64,843	0	0
Accounts	10,643	31,324	0
Accrued interest	0	0	3,063
Liens	31,553	0	0
Due from other funds	52,775	20,983	0
Advances to other funds	59,700	0	0
Due from other governments	194,846	58,130	98,174
Prepaid items	0	0	0
Restricted assets:			
Cash and cash equivalents:			
Sinking Funds	0	0	0
Renewal and Replacement Fund	0	0	0
Customer deposits	0	0	0
Land	0	0	0
Buildings	0	0	0
Improvements other than buildings	0	0	0
Machinery and equipment	0	0	0
Accumulated depreciation	0	0	0
Construction in progress	0	0	0
Unamortized debt expense	0	0	0
Other debits:			
Amount to be provided for retirement of general long-term debt	0	0	0
Total assets and other debits.....	\$ 2,046,801	998,857	619,755

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

Statement 1

	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals- (Memorandum Only)	
			General Fixed Assets	General Long-Term Debt	1999	1998
	Enterprise	Trust				
\$	1,725,027	518,137	0	0	4,978,759	4,625,497
	246,027	6,414,779	0	0	6,964,590	7,126,063
	0	0	0	0	64,843	85,265
	336,013	0	0	0	377,980	350,063
	236	51,771	0	0	55,070	57,652
	0	0	0	0	31,553	30,332
	14,817	0	0	0	88,575	427,108
	0	0	0	0	59,700	59,700
	535	21,398	0	0	373,083	81,913
	9,239	0	0	0	9,239	31,658
	17,569	0	0	0	17,569	35,964
	313,862	0	0	0	313,862	266,511
	490,848	0	0	0	490,848	459,499
	154,739	0	1,367,000	0	1,521,739	1,486,465
	10,847,325	0	3,309,811	0	14,157,136	12,932,931
	8,799,053	0	6,911,452	0	15,710,505	15,054,574
	6,800,050	0	2,181,297	0	8,981,347	8,850,910
	(9,443,056)	0	0	0	(9,443,056)	(8,657,277)
	262,131	0	248,200	0	510,331	40,144
	200,112	0	0	0	200,112	208,747
	0	0	0	1,735,769	1,735,769	1,911,519
\$	<u>20,774,527</u>	<u>7,006,085</u>	<u>14,017,760</u>	<u>1,735,769</u>	<u>47,199,554</u>	<u>45,465,238</u>

(Continued)...

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 1999
With Comparative Totals for September 30, 1998
CITY OF HOLLY HILL, FLORIDA

Liabilities, Equity and Other Credits:	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities:			
Accounts payable	\$ 93,536	94,704	295,600
Contracts payable - retainage	0	0	115,974
Accrued liabilities	134,870	6,656	0
Refundable deposits	1,632	0	0
Due to other funds	11,184	63,372	13,435
Advance from other funds	0	59,700	0
Deferred revenues	139,494	0	0
Restricted fund liabilities:			
Accounts payable	0	0	0
Customers' deposits	0	0	0
Current portion of revenue bonds payable	0	0	0
Revenue bonds payable - net	0	0	0
Notes payable	0	0	0
Obligation for compensated absences	0	0	0
Total liabilities	380,716	224,432	425,009
Equity and Other Credits:			
Contributed capital	0	0	0
Investment in general fixed assets	0	0	0
Retained Earnings:			
Reserved for renewal and replacement	0	0	0
Unreserved	0	0	0
Fund Balances:			
Reserved for encumbrances	0	11,440	0
Reserved for community redevelopment.....	16,900	0	0
Reserved for advances to other funds	59,700	0	0
Reserved for police education	15,215	0	0
Reserved for stormwater drainage	0	781,582	0
Reserved for capital projects	0	0	194,746
Reserved for law enforcement trust	0	0	0
Reserved for pension benefits	0	0	0
Unreserved:			
Undesignated (deficit).....	1,574,270	(18,597)	0
Total equity and other credits	1,666,085	774,425	194,746
Total liabilities, equity and other credits	\$ 2,046,801	998,857	619,755

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

Statement 1
(Continued)

	Proprietary Fund Types	Fiduciary Fund Type Trust and Agency	Account Groups		Totals-	
			General Fixed Assets	General Long-Term Debt	Memorandum Only	
	Enterprise				1999	1998
\$	295,471	5,997	0	0	785,308	494,806
	0	0	0	0	115,974	18,868
	38,166	0	0	0	179,692	186,348
	0	0	0	0	1,632	1,500
	584	14,956	0	0	103,531	427,108
	0	0	0	0	59,700	59,700
	0	0	0	0	139,494	196,936
	13,758	0	0	0	13,758	30,304
	490,848	0	0	0	490,848	459,499
	295,000	0	0	0	295,000	280,000
	13,116,755	0	0	0	13,116,755	13,399,102
	39,325	0	0	1,284,822	1,324,147	1,484,432
	94,554	0	0	450,947	545,501	558,008
	<u>14,384,461</u>	<u>20,953</u>	<u>0</u>	<u>1,735,769</u>	<u>17,171,340</u>	<u>17,596,611</u>
	3,208,550	0	0	0	3,208,550	3,121,642
	0	0	14,017,760	0	14,017,760	11,901,162
	313,862	0	0	0	313,862	266,511
	2,867,654	0	0	0	2,867,654	3,445,661
	0	0	0	0	11,440	12,235
	0	0	0	0	16,900	16,900
	0	0	0	0	59,700	59,700
	0	0	0	0	15,215	12,692
	0	0	0	0	781,582	873,491
	0	0	0	0	194,746	643,225
	0	21,721	0	0	21,721	16,010
	0	6,963,411	0	0	6,963,411	6,318,543
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,555,673</u>	<u>1,180,855</u>
	<u>6,390,066</u>	<u>6,985,132</u>	<u>14,017,760</u>	<u>0</u>	<u>30,028,214</u>	<u>27,868,627</u>
\$	<u>20,774,527</u>	<u>7,006,085</u>	<u>14,017,760</u>	<u>1,735,769</u>	<u>47,199,554</u>	<u>45,465,238</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS**
For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenue:			
Taxes	\$ 3,202,707	30,530	0
Licenses and permits	245,185	0	0
Intergovernmental	1,135,902	264,330	170,174
Charges for services	116,708	358,275	0
Fines and forfeitures	77,588	0	0
Miscellaneous	156,067	41,990	47,157
Total revenue	4,934,157	695,125	217,331
Expenditures:			
Current:			
General government	1,166,662	0	0
Public safety	2,223,359	106,336	0
Transportation	537,572	0	0
Physical environment	0	93,778	0
Culture/recreation	584,969	218	0
Capital outlay	122,026	599,050	1,638,710
Debt Service:			
Principal retirement	161,610	0	0
Interest and fiscal charges	65,719	0	0
Total expenditures	4,861,917	799,382	1,638,710
Excess of revenue over (under) expenditures	72,240	(104,257)	(1,421,379)
Other Financing Sources (Uses):			
Proceeds of long-term debt	0	0	0
Operating transfers in	665,300	19,917	972,900
Operating transfers (out)	(367,817)	0	0
Total other financing sources (uses)	297,483	19,917	972,900
Excess of revenue and other sources over expenditures and other uses	369,723	(84,340)	(448,479)
Fund balances, beginning of year			
Prior period adjustment			
Fund balances, beginning of year, restated	1,296,362	858,766	643,225
Fund balances, end of year	\$ 1,666,085	774,426	194,746

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

Statement 2

Fiduciary Fund Type	Totals- (Memorandum Only)		
	Trust	1999	1998
\$	0	3,233,237	3,159,746
	0	245,185	197,426
	0	1,570,406	1,183,362
	0	474,983	461,329
	29,657	107,245	93,690
	230	245,444	217,339
	<u>29,887</u>	<u>5,876,500</u>	<u>5,312,892</u>
	0	1,166,662	1,108,851
	3,912	2,333,607	2,377,888
	0	537,572	422,287
	0	93,778	96,245
	0	585,187	508,856
	20,264	2,380,050	921,156
	0	161,610	616,667
	0	65,719	53,237
	<u>24,176</u>	<u>7,324,185</u>	<u>6,105,187</u>
	<u>5,711</u>	<u>(1,447,685)</u>	<u>(792,295)</u>
	0	0	1,233,920
	0	1,658,117	1,083,896
	0	(367,817)	(486,896)
	<u>0</u>	<u>1,290,300</u>	<u>1,830,920</u>
	5,711	(157,385)	1,038,625
			1,862,534
			<u>(86,797)</u>
	<u>16,010</u>	<u>2,814,363</u>	<u>1,775,737</u>
\$	<u>21,721</u>	<u>2,656,978</u>	<u>2,814,362</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES**
For the Fiscal Year Ended September 30, 1999
CITY OF HOLLY HILL, FLORIDA

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 3,192,000	3,202,707	10,707
Licenses and permits	211,500	245,185	33,685
Intergovernmental	929,800	1,135,902	206,102
Charges for services	106,900	116,708	9,808
Fines and forfeitures	80,900	77,588	(3,312)
Miscellaneous	145,100	156,067	10,967
Total revenue	4,666,200	4,934,157	267,957
Expenditures:			
Current:			
General government	1,295,100	1,166,662	128,438
Public safety	2,333,300	2,223,359	109,941
Transportation	598,000	537,572	60,428
Physical environment	0	0	0
Culture/recreation	664,200	584,969	79,231
Capital outlay	136,500	122,026	14,474
Debt Service:			
Principal retirement	171,800	161,610	10,190
Interest and fiscal charges	66,100	65,719	381
Total expenditures	5,265,000	4,861,917	403,083
Excess of revenue over (under) expenditures	(598,800)	72,240	671,040
Other Financing Sources (Uses):			
Operating transfers in	665,300	665,300	0
Operating transfers (out)	(367,900)	(367,817)	83
Appropriated fund balance	301,400	0	(301,400)
Total other financing sources (uses)	598,800	297,483	(301,317)
Excess of revenue and other sources over expenditures and other uses	0	369,723	369,723
Fund balances, beginning of year	1,296,362	1,296,362	0
Fund balances, end of year	\$ 1,296,362	1,666,085	369,723

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

Statement 3

Special Revenue Funds			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
30,000	30,530	530	0	0	0
0	0	0	0	0	0
137,900	264,330	126,430	170,000	170,174	174
350,000	358,275	8,275	0	0	0
0	0	0	0	0	0
40,900	41,990	1,090	20,000	47,157	27,157
<u>558,800</u>	<u>695,125</u>	<u>136,325</u>	<u>190,000</u>	<u>217,331</u>	<u>27,331</u>
0	0	0	0	0	0
115,100	106,336	8,764	0	0	0
0	0	0	0	0	0
115,000	93,778	21,222	0	0	0
600	218	382	0	0	0
488,200	599,050	(110,850)	1,805,900	1,638,710	167,190
0	0	0	0	0	0
0	0	0	0	0	0
<u>718,900</u>	<u>799,382</u>	<u>(80,482)</u>	<u>1,805,900</u>	<u>1,638,710</u>	<u>167,190</u>
<u>(160,100)</u>	<u>(104,257)</u>	<u>55,843</u>	<u>(1,615,900)</u>	<u>(1,421,379)</u>	<u>194,521</u>
19,900	19,917	17	1,615,900	972,900	(643,000)
0	0	0	0	0	0
140,200	0	(140,200)	0	0	0
<u>160,100</u>	<u>19,917</u>	<u>(140,183)</u>	<u>1,615,900</u>	<u>972,900</u>	<u>(643,000)</u>
0	(84,340)	(84,340)	0	(448,479)	(448,479)
<u>858,765</u>	<u>858,765</u>	<u>0</u>	<u>643,225</u>	<u>643,225</u>	<u>0</u>
<u>858,765</u>	<u>774,425</u>	<u>(84,340)</u>	<u>643,225</u>	<u>194,746</u>	<u>(448,479)</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS**
For the Fiscal Year Ended September 30, 1999
CITY OF HOLLY HILL, FLORIDA

Statement 3

	Totals - All Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 3,222,000	3,233,237	11,237
Licenses and permits	211,500	245,185	33,685
Intergovernmental	1,237,700	1,570,406	332,706
Charges for services	456,900	474,983	18,083
Fines and forfeitures	80,900	77,588	(3,312)
Miscellaneous	206,000	245,214	39,214
Total revenue	5,415,000	5,846,613	431,613
Expenditures:			
Current:			
General government	1,295,100	1,166,662	128,438
Public safety	2,448,400	2,329,695	118,705
Transportation	598,000	537,572	60,428
Physical environment	115,000	93,778	21,222
Culture/recreation	664,800	585,187	79,613
Capital outlay	2,430,600	2,359,786	70,814
Debt Service:			
Principal retirement	171,800	161,610	10,190
Interest and fiscal charges	66,100	65,719	381
Total expenditures	7,789,800	7,300,009	489,791
Excess of revenue over (under) expenditures	(2,374,800)	(1,453,396)	921,404
Other Financing Sources (Uses):			
Operating transfers in	2,301,100	1,658,117	(642,983)
Operating transfers (out)	(367,900)	(367,817)	83
Appropriated fund balance	441,600	0	(441,600)
Total other financing sources (uses)	2,374,800	1,290,300	(1,084,500)
Excess of revenue and other sources over expenditures and other uses	0	(163,096)	(163,096)
Fund balances, beginning of year	2,798,352	2,798,352	0
Fund balances, end of year	<u>\$ 2,798,352</u>	<u>2,635,256</u>	<u>(163,096)</u>

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

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

Statement 4

For the Fiscal Year Ended September 30, 1999

With Comparative Totals for the Fiscal Year Ended September 30, 1998

CITY OF HOLLY HILL, FLORIDA

	1999	1998
Operating Revenue:		
Charges for services	\$ 4,787,671	4,669,473
Operating Expenses:		
Personal services	810,004	1,017,725
Materials and supplies	221,939	253,112
Utilities	201,066	207,920
Maintenance and repairs	173,236	133,553
Contractual services	1,090,009	505,840
Other expenses	39,449	256,240
Bad debts	39,252	26,732
Depreciation	787,935	913,461
Total operating expenses	3,362,890	3,314,583
Total operating income	1,424,781	1,354,890
Nonoperating Revenue (Expenses):		
Interest earnings	161,084	148,437
Operating grant revenue	1,023	537
Other income (expenses)	39,501	75,521
Gain on sale of fixed assets	0	233,839
Interest expense	(866,744)	(878,755)
Total nonoperating revenue (expenses)	(665,136)	(420,421)
Net income before operating transfers	759,645	934,469
Operating transfers	(1,290,300)	(597,000)
Net income (loss)	(530,655)	337,469
Retained earnings, beginning of year	3,712,171	3,374,702
Retained earnings, end of year	\$ 3,181,516	3,712,171

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



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

Statement 5

For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	1999	1998
Operating Activities:		
Operating income (loss)	\$ 1,424,781	1,354,890
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	787,935	913,461
Bad debt expense	39,252	26,732
Gain on sale of fixed assets	0	233,839
Changes in assets and liabilities:		
Accounts receivable, net	(54,899)	(10,732)
Other receivables	9,137	(8,000)
Due from other funds	157,926	(138,000)
Prepaid expenses	22,420	0
Accounts payable	(57,255)	239,000
Accrued liabilities	2,855	(4,000)
Due to other funds	(151,649)	69,000
Customer deposits	31,349	17,000
Obligation for compensated absences	1,633	(65,000)
Net cash provided by operating activities	2,213,485	2,628,190
Noncapital and Related Financing Activities:		
Operating grants	1,023	537
Other nonoperating income	39,501	75,521
Operating transfers (out)	(1,290,300)	(597,000)
Net cash (used in) noncapital and related financing activities	(1,249,776)	(520,942)
Capital and Related Financing Activities:		
Capital contributions	86,908	68,000
Proceeds on note payable	0	38,000
Debt reduction outlays	(280,000)	(317,000)
Acquisition and construction of capital assets	(401,591)	(301,000)
Interest paid	(844,132)	(857,467)
Net cash (used in) capital and related financing activities:	(1,438,815)	(1,369,467)
Investing Activities:		
Proceeds from maturity of investments	493,743	0
Purchases of investments	(246,027)	(493,743)
Interest received	161,083	148,437
Net cash provided by (used in) investing activities	408,799	(345,306)
Net (decrease) increase in cash and cash equivalents ..	(66,307)	392,475
Cash and cash equivalents, beginning of year	2,613,613	2,221,138
Cash and cash equivalents, end of year	\$ 2,547,306	2,613,613

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS
ALL PENSION TRUST FUNDS**

For the Fiscal Year Ended September 30, 1999

With Comparative Totals for the Fiscal Year Ended September 30, 1998

CITY OF HOLLY HILL, FLORIDA

	Pension Trust Funds		
	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	General Employees' Retirement Trust
Additions:			
Contributions from:			
Employer	\$ 78,581	55,985	38,172
State	48,760	32,500	0
Plan members	73,475	36,289	9,164
Total contributions.....	200,816	124,774	47,336
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments	393,526	90,150	0
Interest and dividend earnings	154,573	77,654	7,178
	548,099	167,804	7,178
Less: investment management fees	(47,188)	(13,023)	0
Total investment income	500,911	154,781	7,178
Total additions	701,727	279,555	54,514
Deductions:			
Benefit payments	190,469	132,745	0
Refunds/withdrawals	22,130	655	4,324
Administrative expenses	17,652	11,442	11,510
Total deductions.....	230,251	144,842	15,834
Net increase	471,476	134,713	38,680
Net assets held in trust for pension benefits:			
Beginning of year	4,440,281	1,838,541	39,720
End of year	\$ 4,911,757	1,973,254	78,400

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

Statement 6

Totals -
Memorandum Only

<u>1999</u>	<u>1998</u>
172,738	185,985
81,260	97,067
<u>118,928</u>	<u>122,506</u>
<u>372,926</u>	<u>405,558</u>
483,676	37,372
<u>239,405</u>	<u>220,692</u>
<u>723,081</u>	<u>258,064</u>
<u>(60,211)</u>	<u>(62,273)</u>
<u>662,870</u>	<u>195,791</u>
<u>1,035,796</u>	<u>601,349</u>
323,214	291,837
27,109	30,397
<u>40,604</u>	<u>36,121</u>
<u>390,927</u>	<u>358,355</u>
644,869	242,994
<u>6,318,542</u>	<u>6,075,549</u>
<u><u>6,963,411</u></u>	<u><u>6,318,543</u></u>

Notes To The Financial Statements



NOTES TO THE FINANCIAL STATEMENTS

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 1: Summary of Significant 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 an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

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

Reporting Entity

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

Individual Component Unit Disclosures

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

Basis of Presentation - Fund Accounting

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

**Note 1:
Summary of
Significant
Accounting
Policies
(Continued)**

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

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

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

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

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

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

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

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

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

Measurement Focus - Basis of Accounting

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

Governmental Funds Types

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

**Note 1:
Summary of
Significant
Accounting
Policies
(Continued)**

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

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

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

Proprietary Fund Types

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

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

Budgets and Budgetary Accounting

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

1. On or before August 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
2. Budget workshop sessions are scheduled by the City Commission, as needed.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

- Note 1:** 3. The general summary of the budget and notice of public hearing is published in a local newspaper.
- Summary of Significant Accounting Policies (Continued)** 4. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
5. The City Manager is authorized to transfer part or all of an unencumbered appropriation balance among programs within a department and, upon written request by the City Manager, the City Commission may, by ordinance, transfer part or all of any unencumbered appropriation balance from one department to another.
6. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. The level of classification detail at which expenditures may not legally exceed appropriations is within a department or division by fund.
7. Every appropriation lapses at the close of the fiscal year.
8. The budgets for all governmental funds that were either adopted or amended during the year by the City Commission were prepared on the same basis of accounting utilized by those specific fund types. The General, Special Revenue and Capital Projects Funds are required to have legally adopted annual budgets.
9. Under current budget policy, the management can amend a budget within a particular department, at the division level only. Amendments from one department to another, must be approved by the City Commission, as the budget is adopted at the departmental level.

Encumbrances

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

Cash and Cash Equivalents

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

Investments

Investments are stated at cost or amortized cost, which approximates market, except in the Police, Fire, and General Employee Pension Trust Funds which are reported at fair value.

Short-Term Interfund Receivables/Payables

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

Advances to Other Funds

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 1: Receivables
Summary of Significant Accounting Policies (Continued)

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

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

Restricted Assets

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

Fixed Assets/Utility Plant In Service

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 1: *Unamortized Debt Discount and Issue Costs*
Summary of Significant Accounting Policies (Continued) Bond discounts and debt issuance costs for the proprietary fund type are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Unamortized bond discounts are presented in aggregate on the financial statements as a reduction of the carrying cost of the related long-term debt. Unamortized debt issuance costs are presented as other assets.

Payroll and Compensated Absences

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

Employee vacation leave is based upon the number of years of employment with the City and 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.

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

Deferred Revenue

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

Long-Term Debt Accounting

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

Fund Equity

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

Property Taxes

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 1: Summary of Significant Accounting Policies (Continued) Property taxes are levied November 1st of each year and payable from November through March, with a discount available for payment prior to March 1st (4% in November, 3% in December, 2% in January, and 1% in February). All unpaid taxes are delinquent as of April 1st of the following year. During April and May, a listing of parcels of property with unpaid taxes is compiled and advertised. On June 1st (the lien date) tax certificates are sold on all real estate parcels with unpaid real property taxes. A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes by June 1st. Delinquent unpaid tax collections may remain uncollected for several years. No allowance for uncollectible taxes is recognized since all unpaid amounts will eventually be recovered through tax certificate sales proceeds or from foreclosure on assessed property. All delinquent past due amounts (which are measurable but not available as of the end of the fiscal year) are recognized as deferred revenue until collected.

Interfund Transfers and Transactions

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

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

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

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

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

Risk Management

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

Use of Estimates

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 1: Memorandum Only - Total Columns

Summary of Significant Accounting Policies (Continued) Total columns on the Combined Financial Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data/Reclassifications

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

Note 2: The City maintains a cash and investment pool that is available for use by all funds, except the

Cash Deposits and Investments pension trust funds. Each fund type's portion of this pool is included on the combined balance sheet in "cash and cash equivalents." Earnings on pooled cash and investments are allocated to participating funds on a monthly basis based on each fund's investment in the pool. In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other City funds.

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

Deposits

At September 30, 1999, the carrying amount of the City's deposits, including money market funds with financial institutions, was (\$851,582) and the bank balance was \$51,125. The bank balance was both insured by federal depository insurance and secured in accordance with the statutory provisions of the Florida Security for Deposits Act. Included in the carrying amount of the these funds is \$2,019 in petty cash, change funds, and undeposited receipts.

Investments

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 2: under state supervision or in federal savings and loan associations located in this state and organized under federal law and federal supervision; money market accounts that invest in U.S. Government obligations; obligations of Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

**Cash
Deposits
and
Investments
(Continued)**

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

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

1. Category 1 includes investments that are insured, registered, or for which the securities are held by the City or its agent in the City's name.
2. Category 2 includes uninsured and unregistered investments for which the securities are held by the banks' trust departments or agents in the City's name.
3. Category 3 includes uninsured and unregistered investments for which the securities are held by the banks, or by their trust departments or agents but not in the City's name.

The City's investments are categorized as follows:

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase agreement	\$ 0	1,046,000	0	1,046,000	1,046,000
U.S. Government and agency obligations	<u>0</u>	<u>0</u>	<u>549,811</u>	<u>549,811</u>	<u>549,811</u>
	<u>0</u>	<u>1,046,000</u>	<u>549,811</u>	1,595,811	1,595,811
Pension Trust funds held with Trustee:					
Cash in money market accounts				496,417	496,417
Investments				6,414,777	6,414,777
State Board of Administration				<u>5,110,204</u>	<u>5,110,204</u>
Totals				<u>\$13,617,209</u>	<u>13,617,209</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 3: The accounts receivable-net at September 30, 1999, consists of the following:

Accounts follows:

**Receivable-
Net**

	<u>Governmental Funds</u>		<u>Enterprise Funds</u>	
	<u>General</u>	<u>Stormwater Drainage</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>
Accounts receivable	\$ 10,643	37,875	290,622	107,076
Less: allowance for doubtful accounts	<u>0</u>	<u>(6,551)</u>	<u>(40,559)</u>	<u>(21,126)</u>
Accounts receivable - net	\$ <u>10,643</u>	<u>31,324</u>	<u>146,452</u>	<u>85,950</u>

Note 4: Individual fund interfund receivables and payables at September 30, 1999, are as follows:

**Interfund
Receivables
and
Payables**

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due to/from other funds:		
General Fund	\$ 52,775	11,184
Special Revenue Funds:		
Stormwater Drainage	440	341
Community Redevelopment	726	0
Community Development Block Grant	19,817	63,031
Capital Projects Fund	0	13,435
Enterprise Funds:		
Water and Sewer	<u>14,817</u>	<u>584</u>
Totals	\$ <u>88,575</u>	<u>88,575</u>
Advance to/from other funds:		
General Fund	\$ 59,700	0
Special Revenue Funds:		
Community Redevelopment	<u>0</u>	<u>59,700</u>
Totals	\$ <u>59,700</u>	<u>59,700</u>

Note 5: A summary of changes in general fixed assets for the year is as follows:

**Property
Plant
and
Equipment**

	<u>Balances 09/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 09/30/99</u>
Land	\$ 1,331,726	35,274	0	1,367,000
Buildings	2,085,606	1,224,205	0	3,309,811
Improvements other than buildings	6,268,431	643,021		6,911,452
Machinery and equipment	2,215,399	235,201	269,303	2,181,297
Construction work in progress	<u>0</u>	<u>248,200</u>	<u>0</u>	<u>248,200</u>
Totals	\$ <u>11,901,162</u>	<u>2,385,901</u>	<u>269,303</u>	<u>14,017,760</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 6: General Long-Term Debt

Long-Term Debt The City's general long-term debt consists of the following as of September 30, 1999:

Notes Payable:

Noninterest bearing note payable to County of Volusia, Florida, dated January 24, 1995; \$8,002 due semi-annually through 2004, with interest imputed at 5%; unsecured	\$ 69,836
Sun Bank of Volusia County:	
4.55% promissory note payable dated December 11, 1996; \$28,281 due semi-annually through 2001; secured by the City's non-ad valorem tax revenues received by the City	132,078
4.84% Utility Service Tax Revenue Note, Series 1998A, dated April 14, 1998; \$78,687 due semi-annually through 2008; secured by utility service tax revenues	<u>1,082,908</u>
Total notes payable	1,284,822
Obligation for compensated absences	<u>450,947</u>
Total general long-term debt	<u>\$ 1,735,769</u>

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

	Balances 09/30/98	Additions	Deletions	Balances 09/30/99
Notes Payable:				
County of Volusia, Florida	\$ 82,148	0	12,312	69,836
Sun Bank of Volusia County:				
4.55% promissory note	180,853	0	48,775	132,078
4.84% Utility Service Tax Revenue Note, Series 1998A	1,183,431	0	100,523	1,082,908
Obligation for compensated absences	<u>465,087</u>	<u>0</u>	<u>14,140</u>	<u>450,947</u>
Totals	<u>\$ 1,911,519</u>	<u>0</u>	<u>175,750</u>	<u>1,735,769</u>

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

	Volusia County	Sun Trust	Series 1998A	Total
2000	\$ 16,003	56,561	157,374	229,938
2001	16,003	56,561	157,374	229,938
2002	16,003	28,280	157,374	201,657
2003	16,003	0	157,374	173,377
2004	16,003	0	157,374	173,377
Thereafter	<u>0</u>	<u>0</u>	<u>550,808</u>	<u>550,808</u>
Total requirements	80,015	141,402	1,337,678	1,559,095
Less: amounts representing interest	<u>(10,179)</u>	<u>(9,324)</u>	<u>(254,770)</u>	<u>(274,273)</u>
Net principal amount	<u>\$ 69,836</u>	<u>132,078</u>	<u>1,082,908</u>	<u>1,284,822</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999
CITY OF HOLLY HILL, FLORIDA

Note 6: Enterprise Fund Long-Term Debt

Long-Term Debt (Continued)

The City's enterprise fund (Water and Sewer Utility Fund) long-term debt consists of the following as of September 30, 1999:

Revenue Bonds Payable:

Water and sewer Improvement and Refunding Revenue Bonds, Series 1992 - - 5.00% to 6.00%, due serially to 2007, with \$2,605,000, \$1,280,000, and \$6,945,000 of 6.125% term bonds due in 2012, 2014, and 2022, respectively	\$13,705,000
Less: current maturities	<u>(295,000)</u>
Long-term revenue bonds payable	13,410,000
Less: unamortized debt discount	<u>(293,245)</u>
Net long-term bonded debt	13,116,755

Notes Payable:

State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-3.11% construction loan for wastewater infiltration and inflow correction project, dated July 28, 1998, in the amount of \$94,500, \$3,260 due semi-annually beginning June 2001 through December 2020; draws to date totaling	<u>39,325</u>
Total long-term debt-net	<u>\$13,156,080</u>

A summary of the annual debt service and mandatory term bond amortization requirements to maturity is as follows:

	Revenue Bonds	Note Payable	Total
Fiscal year ended September 30:			
2000	\$ 1,121,589	0	1,121,589
2001	1,121,544	3,260	1,124,804
2002	1,125,114	6,520	1,131,634
2003	1,121,964	6,520	1,128,484
2004	1,122,644	6,520	1,129,164
2005-2009	5,618,631	23,000	5,641,631
2010-2014	5,622,650	0	5,622,650
2015-2019	5,617,125	0	5,617,125
2020-2022	<u>3,374,850</u>	<u>0</u>	<u>3,374,850</u>
Total requirements	25,846,111	45,820	25,891,931
Less: amounts representing interest	<u>(12,141,111)</u>	<u>(6,495)</u>	<u>(12,147,606)</u>
Net principal amount	<u>\$ 13,705,000</u>	<u>39,325</u>	<u>13,744,325</u>

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 6: The authorization for the Series 1992 bonds provides that the City will not issue additional obligations unless they are payable on a parity with the Series 1992 bonds and only upon the conditions and within the limitations of the authorizing resolution. The bonds are payable from and secured by a first lien upon and pledge of the net revenues derived from the operation of the City's water and sewer system. The bonds do not constitute general indebtedness of the City, and the City is not obligated to levy any taxes for the payment thereof.

**Long-Term
Debt
(Continued)**

Under the terms of its bond resolution, the City has agreed to maintain certain restricted funds and to comply with the covenants contained in such agreements which require specific actions to be taken by the City. The resolution also 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.

Note 7: The following is a summary of changes in enterprise fund contributed capital for the year:

**Contributed
Capital**

	<u>Balances</u> <u>09/30/98</u>	<u>Meter</u> <u>Connections</u>	<u>Impact</u> <u>Fees</u>	<u>Balances</u> <u>09/30/99</u>
Water and Sewer Fund:				
Contributions from:				
Federal government	\$ 919,421	0	0	919,421
Customers	1,986,286	9,130	77,778	2,073,194
Solid Waste Fund:				
Contributions from:				
Other Funds	<u>215,935</u>	<u>0</u>	<u>0</u>	<u>215,935</u>
Totals	<u>\$ 3,121,642</u>	<u>9,130</u>	<u>77,778</u>	<u>3,208,550</u>

Note 8: The Community Redevelopment (special revenue) Fund and the Community Development Block Fund Grant (special revenue) Fund had deficit balances in unreserved fund equity as of September 30, 1999 of \$16,908 and \$5,290, respectively. It is anticipated by management that these deficits will be funded in their entirety from future period revenues.

**Fund
Equity
Deficit**

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 9: Segment Information For Enterprise Funds The City maintains two enterprise funds which provide water and sewer services and solid waste collection services to citizens of the community. Individual segment information for the year ended September 30, 1999, is as follows:

	Water and Sewer	Solid Waste	Total
Operating revenue	\$ 3,488,332	1,299,339	4,787,671
Operating expense:			
Depreciation	751,678	36,257	787,935
Other	1,512,596	1,062,359	2,574,955
Operating income	1,224,058	200,723	1,424,781
Nonoperating revenue (expenses)	(728,835)	63,699	(665,136)
Operating transfers	(440,000)	(850,300)	(1,290,300)
Net income (loss)	55,223	(585,878)	(530,655)
Current capital contributions	86,908	0	86,908
Net working capital	1,473,011	524,662	1,997,673
Fixed asset acquisitions	386,677	14,914	401,591
Fixed asset retirements	0	0	0
Total assets	19,870,957	903,570	20,774,527
Total liabilities	14,090,653	293,808	14,384,461
Fund equity	5,780,304	609,762	6,390,066

Note 10: General Employees:

Pension Plans

Defined Benefit Pension Plan

Plan Description. (Pre-01/01/96 general employees) The City contributes to the Florida Retirement System (the "FRS") of the State of Florida, a cost-sharing, multiple-employer public employee retirement system created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 121, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560, or calling 850-488-5706.

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Note 10: Pension Plans (Continued) The required contributions to the plan for the fiscal years ended September 30, 1999, 1998 and 1997 were \$209,393, \$292,000 and \$323,000, respectively. There were no employee contributions made during these years.

The contribution percentages for qualifying employee compensation were as follows:

	<u>Regular Members</u>	<u>Senior Management</u>
July 1, 1997 to June 30, 1998	17.43%	21.58%
July 1, 1998 to June 30, 1999	16.45%	24.04%
July 1, 1999 to June 30, 2000	10.15%	12.13%

Defined Contribution Plan

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

Participants become eligible the first day of the month following their date of employment. Employees are required to contribute 2% of their salary to the Plan and can voluntarily contribute up to an additional 8%. The City contributes 10% of the employees' salary to the Plan. Employer and employee contributions to the plan were \$38,172 and \$9,164, respectively, for the year ended September 30, 1999. The City has the power to amend plan provisions at any time.

Police Officers and Firefighters:

Defined Benefit Pension Plans

Plan Description. The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Municipal Police Officers' Retirement Trust Fund (the "Police Plan") and Municipal Firefighter's Pension Trust Fund (the "Fire Plan").

All certified police officers and firefighters are eligible to participate in the respective systems after a six-month probationary period. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Police Plan and the Fire Plan can be found in Chapters 185 and 175, Florida Statutes, respectively. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The act also provides that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff, local financial institutions, and third-party fund custodians.

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 10: Pension Plans (Continued) Full-time, uniformed police officers are eligible to participate in the Police Plan upon employment by the City. Full-time, uniformed firefighters are eligible to participate in the Fire Plan upon employment with the City. Employees vest with full benefits after 10 years of service. Normal retirement occurs for police officers at the earlier of age 55 and 10 years of credited service or 20 years of credited service regardless of age but no earlier than age 55 for vested terminations. Normal retirement for firefighters occurs at age 50. 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 composed of the following:

	<u>Police Plan</u>	<u>Fire Plan</u>
Participant data as of October 1, 1998, the date of the most recent actuarial valuation:		
Retirees and beneficiaries currently receiving benefits	9	7
Vested terminated employees	0	0
Active employees:		
Fully vested	6	1
Nonvested	19	9

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

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

Contribution Requirements and Contributions Made. The City provides contributions to the Police Plan and Fire Plan under the authority of Chapters 185 and 175, Florida Statutes, respectively and pursuant to City ordinances. Employees covered under the plans are required to make contributions of 9.2% [Police Plan] and 10% [Fire Plan] of their compensation. The City contributes 10.6% of the salary of participating police officers to the Police Plan in accordance with union contracts. City contributions to the Fire Plan (currently 16.2%) are made as needed to fund any actuarial deficiency.

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 10: The City's annual pension cost and net pension obligations to the Police and Fire Plans were as follows:
Pension Plans
(Continued)

Municipal Police Officers' Retirement Trust Fund

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

Municipal Firefighters' Retirement Trust Fund

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/99	\$ 49,568	145.0%	\$ (39,541)
09/30/98	59,009	100.0%	0
09/30/97	72,339	101.0%	0

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

	Police Plan	Fire Plan
Actuarial valuation dates	10/01/98	10/01/98
Actuarial cost method	Frozen Entry Age	Aggregate
Amortization method	Level percent, closed	N/A
Remaining amortization period	28	N/A
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	8.0%	7.5%
Projected salary increases *	7.5%	5.0%
*Includes inflation at	3.0%	2.5%
Cost of living adjustments	0.0%	0.0%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (continued)

September 30, 1999

CITY OF HOLLY HILL, FLORIDA

Note 11: The City is engaged in routine litigation incidental to the conduct of their respective business and municipal affairs. In the opinion of their Counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit their ability to perform their operations or materially affect their financial condition.

Legal Matters

Note 12: Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

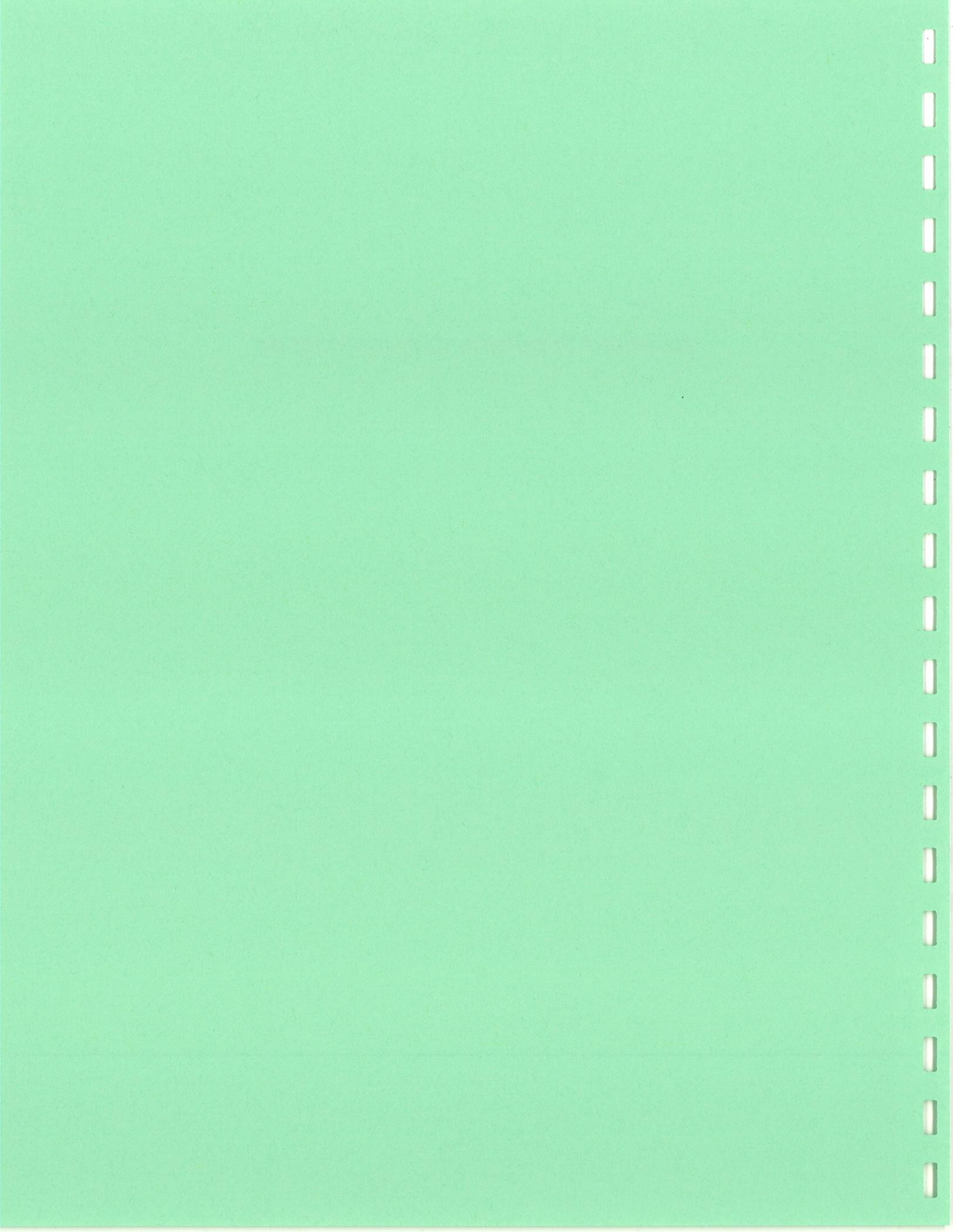
Commitments

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

Note 13: During the current year, the City changed its method of recognizing occupational license revenues to more appropriately allocate the financial resources to the accounting period in which the costs of providing the related services is borne by the City. In prior years, occupational license revenues were recognized as revenue as collected. As a result of the change, these revenues will be recognized in the year in which the licenses are effective. Likewise, all license fee prepayments will be appropriately recorded as deferred revenue until earned by the City. The effect of this change was to reduce 1998 occupational license revenue in the General Fund by \$86,797 and to recognize a corresponding deferred revenue (liability) in the amount of \$86,797.

Prior Period Adjustment

Required Supplementary Information



REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Schedule 1

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

Source: Foster & Foster, Inc., Actuaries
 Valuation dated 10/01/98

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
September 30, 1999
CITY OF HOLLY HILL, FLORIDA

Schedule 2

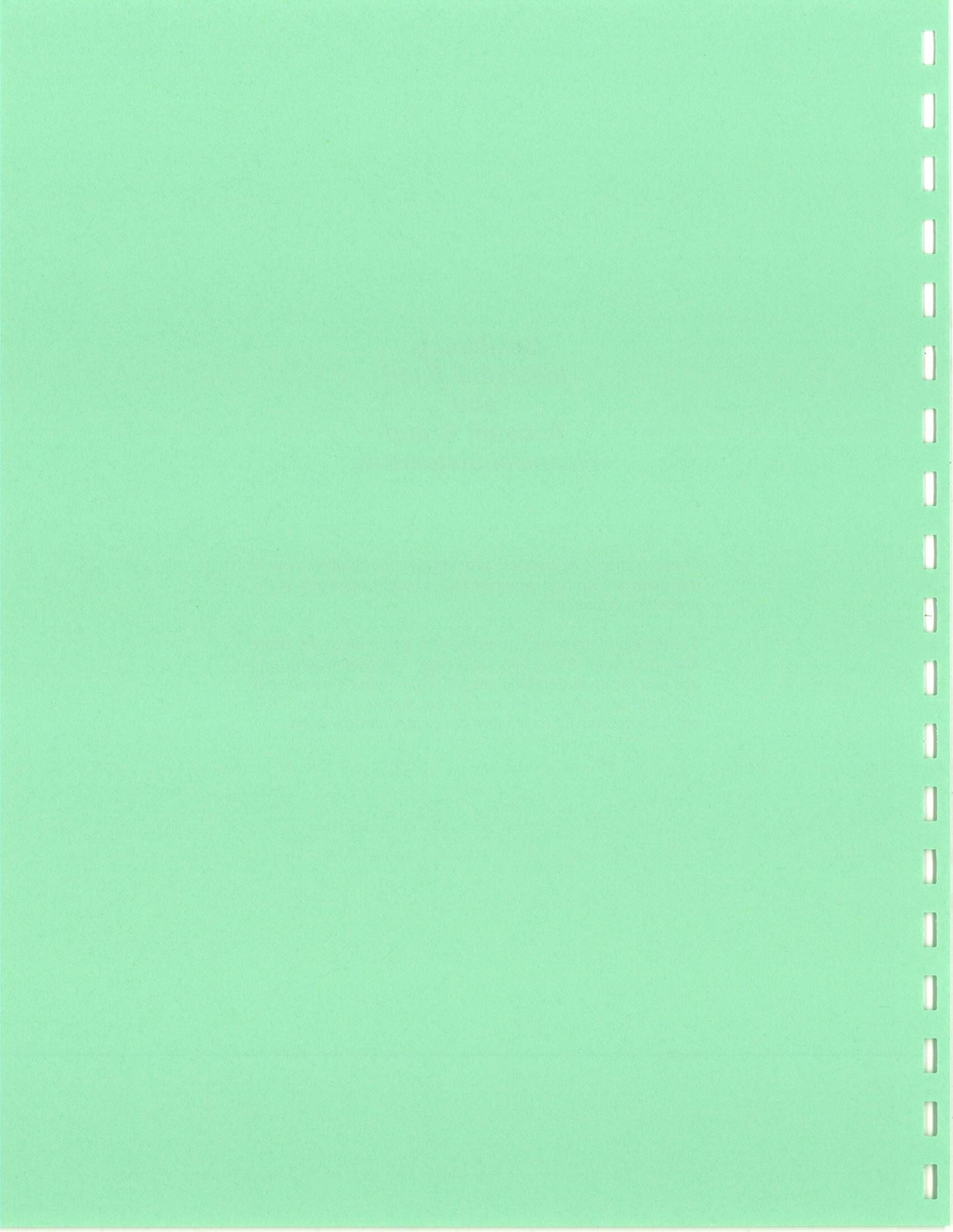
Fiscal Year Ended	Annual Required Contribution	Employer Contributions	State Contributions	Total Contributions	Percentage Contributed
Municipal Firemens' Pension Trust Fund					
09/30/1993	\$61,768	\$47,267	\$16,540	\$63,807	103.30%
09/30/1994	61,159	47,114	16,815	63,929	104.53%
09/30/1995	99,442	85,580	18,124	103,704	104.29%
09/30/1996	95,129	73,256	22,790	96,046	100.96%
09/30/1997	80,281	59,009	21,272	80,281	100.00%
09/30/1998	87,446	89,109	37,878	126,987	145.22%
09/30/1999	83,017	55,985	32,500	88,485	106.59%
Municipal Police Officers' Retirement Trust Fund					
09/30/1993	\$151,419	\$109,458	\$42,045	\$151,503	100.06%
09/30/1994	167,570	127,555	43,894	171,449	102.31%
09/30/1995	78,152	34,258	48,205	82,463	105.52%
09/30/1996	32,913	12,890	47,683	60,573	184.04%
09/30/1997	0	0	51,190	51,190	100.00%
09/30/1998	0	0	51,839	51,839	100.00%
09/30/1999	75,710	78,581	48,760	127,341	168.20%

Source: Foster & Foster, Inc., Actuaries
Valuation dated 10/01/98

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

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

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



General Fund

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

**COMPARATIVE BALANCE SHEETS
GENERAL FUND**

September 30, 1999 and 1998
CITY OF HOLLY HILL, FLORIDA

Exhibit A-1

	1999	1998
Assets:		
Cash and cash equivalents	\$ 1,632,441	1,418,409
Receivables (net of allowance for uncollectible accounts):		
Delinquent taxes	64,843	85,265
Accounts	10,643	1,585
Accrued interest	0	9,496
Liens	31,553	30,332
Due from other funds	52,775	128,923
Advances to other funds	59,700	59,700
Due from other governments	194,846	49,712
	<u>\$ 2,046,801</u>	<u>1,783,422</u>
 Liabilities and Fund Equity:		
Liabilities:		
Accounts payable	\$ 93,536	97,526
Accrued liabilities	134,870	136,695
Due to other funds	11,184	54,403
Refundable deposits	1,632	1,500
Deferred revenue	139,494	196,936
	<u>380,716</u>	<u>487,060</u>
 Fund Equity:		
Fund balance:		
Reserved for:		
Encumbrances	0	12,235
Community redevelopment	16,900	16,900
Advances to other funds	59,700	59,700
Police education	15,215	12,692
Unreserved:		
Undesignated	1,574,270	1,194,835
	<u>1,666,085</u>	<u>1,296,362</u>
Total fund equity	<u>1,666,085</u>	<u>1,296,362</u>
Total liabilities and fund equity	<u>\$ 2,046,801</u>	<u>1,783,422</u>

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

Exhibit A-2

For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	<u>1999</u>	<u>1998</u>
Revenue:		
Taxes	\$ 3,202,707	3,159,746
Licenses and permits	245,185	197,426
Intergovernmental	1,135,902	921,033
Charges for services	116,708	113,272
Fines and forfeitures	77,588	81,317
Miscellaneous	156,067	160,790
	<u>4,934,157</u>	<u>4,633,584</u>
Expenditures:		
Current:		
General government	1,166,662	1,105,351
Public safety	2,223,359	2,285,159
Transportation	537,572	422,287
Culture/recreation	584,969	507,662
Capital outlay	122,026	338,030
Debt Service:		
Principal retirement	161,610	616,667
Interest and fiscal charges	65,719	53,237
	<u>4,861,917</u>	<u>5,328,393</u>
Excess of revenue over (under) expenditures	<u>72,240</u>	<u>(694,809)</u>
Other Financing Sources (Uses):		
Operating transfers in	665,300	1,081,693
Operating transfers (out)	(367,817)	(2,203)
	<u>297,483</u>	<u>1,079,490</u>
Excess of revenue and other sources over expenditures and other uses	<u>369,723</u>	<u>384,681</u>
Fund balance, beginning of year, as previously reported.....		998,478
Prior period adjustment for recognition of deferred occupational license revenue.....		<u>(86,797)</u>
Fund balance, beginning of year, as restated.....	<u>1,296,362</u>	<u>911,681</u>
Fund balance, end of year	<u>\$ 1,666,085</u>	<u>1,296,362</u>

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

Exhibit A-3

For the Fiscal Year Ended September 30, 1999
With Comparative Actual Amounts for the Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Revenue:				
Taxes:				
General property taxes:				
Current ad valorem taxes	\$ 1,405,200	1,407,231	2,031	1,404,816
Delinquent ad valorem taxes	50,000	104,746	54,746	19,984
Local option gas tax	165,000	159,311	(5,689)	183,861
Local alternative fuel user fee	0	107	107	0
Franchise taxes	602,800	591,963	(10,837)	588,514
Utility service taxes	969,000	939,349	(29,651)	962,571
Total taxes	<u>3,192,000</u>	<u>3,202,707</u>	<u>10,707</u>	<u>3,159,746</u>
Licenses and permits:				
Business	153,000	179,622	26,622	127,935
Nonbusiness	58,500	65,563	7,063	69,491
Total licenses and permits	<u>211,500</u>	<u>245,185</u>	<u>33,685</u>	<u>197,426</u>
Intergovernmental Revenue:				
Federal Grants:				
Department of Justice	60,000	59,879	(121)	16,553
Department of Transportation	0	14,990	14,990	0
FEMA Reimbursements	0	167,921	167,921	1,279
State Grants:				
Department of Community Affairs	0	205	205	0
Department of Business and Professional Regulation.....	48,000	48,633	633	60,645
State Shared Revenues:				
Municipal two-cent cigarette tax	32,000	30,921	(1,079)	33,245
State revenue sharing proceeds	279,000	267,785	(11,215)	281,376
Mobile home licenses	15,000	13,628	(1,372)	14,151
Alcoholic beverage licenses	7,000	6,603	(397)	7,294
Local government half-cent sales tax	470,000	495,711	25,711	466,440
Motor fuel tax rebate	3,000	10,996	7,996	13,170
Firefighters' supplemental revenue	1,800	1,550	(250)	1,500
Other Shared Revenues:				
County grants	1,500	4,300	2,800	12,905
County shared revenues	12,500	12,780	280	12,475
Total intergovernmental revenue	<u>929,800</u>	<u>1,135,902</u>	<u>206,102</u>	<u>921,033</u>

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

Exhibit A-3

For the Fiscal Year Ended September 30, 1999
With Comparative Actual Amounts for the Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Charges for services:				
General government	\$ 6,900	9,572	2,672	8,044
Public safety	2,500	2,701	201	2,112
Transportation	26,000	27,751	1,751	24,748
Culture/recreation	71,500	76,684	5,184	78,368
Total charges for services	106,900	116,708	9,808	113,272
Fines and forfeitures:				
Court cases	79,000	76,092	(2,908)	80,012
Local ordinance violations	1,900	1,496	(404)	1,305
Total fines and forfeitures	80,900	77,588	(3,312)	81,317
Miscellaneous Revenues:				
Interest earnings	107,000	109,591	2,591	119,477
Sale of fixed assets	7,100	7,895	795	12,833
Contributions and donations	0	5,470	5,470	740
Miscellaneous revenues	31,000	33,111	2,111	27,740
Total miscellaneous revenue	145,100	156,067	10,967	160,790
Total revenue	4,666,200	4,934,157	267,957	4,633,584
Expenditures:				
General Government:				
Legislative:				
Personal services	17,300	16,111	1,189	17,381
Operating expenditures	44,800	44,408	392	37,063
	62,100	60,519	1,581	54,444
Executive:				
Personal services	410,800	389,361	21,439	272,666
Operating expenditures	25,600	22,655	2,945	24,971
	436,400	412,016	24,384	297,637
Financial and Administrative:				
Personal services	413,200	392,424	20,776	400,585
Operating expenditures	261,100	216,911	44,189	257,739
	674,300	609,335	64,965	658,324
Other General Government:				
Personal services	31,600	11,485	20,115	4,330
Operating expenditures	90,700	73,307	17,393	90,616
Capital outlay	10,000	3,760	6,240	21,946
	132,300	88,552	43,748	116,892
Total general government	1,305,100	1,170,422	134,678	1,127,297

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

Exhibit A-3

For the Fiscal Year Ended September 30, 1999

With Comparative Actual Amounts for the Year Ended September 30, 1998

CITY OF HOLLY HILL, FLORIDA

	1999		Variance	1998
	Budget	Actual	Favorable (Unfavorable)	Actual
Public Safety:				
Law Enforcement:				
Personal services	\$ 1,308,700	1,260,193	48,507	1,335,982
Operating expenditures	153,000	132,794	20,206	138,483
Capital outlay	52,400	49,198	3,202	83,692
	<u>1,514,100</u>	<u>1,442,185</u>	<u>71,915</u>	<u>1,558,157</u>
Fire Protection:				
Personal services	572,400	551,134	21,266	546,007
Operating expenditures	84,700	74,260	10,440	68,682
Capital outlay	7,000	6,685	315	28,597
	<u>664,100</u>	<u>632,079</u>	<u>32,021</u>	<u>643,286</u>
Building Inspection:				
Personal services	148,200	142,814	5,386	137,717
Operating expenditures	66,300	62,164	4,136	58,288
Capital outlay	0	0	0	3,735
	<u>214,500</u>	<u>204,978</u>	<u>9,522</u>	<u>199,740</u>
Total public safety	<u>2,392,700</u>	<u>2,279,242</u>	<u>113,458</u>	<u>2,401,183</u>
Transportation:				
Road and Street Facilities:				
Personal services	362,300	329,706	32,594	231,734
Operating expenditures	235,700	207,866	27,834	190,553
Capital outlay	16,800	15,470	1,330	161,214
	<u>614,800</u>	<u>553,042</u>	<u>61,758</u>	<u>583,501</u>
Total transportation	<u>614,800</u>	<u>553,042</u>	<u>61,758</u>	<u>583,501</u>
Culture/Recreation:				
Parks:				
Personal services	248,400	223,853	24,547	218,186
Operating expenditures	135,900	125,080	10,820	76,658
Capital outlay	44,300	40,945	3,355	16,626
	<u>428,600</u>	<u>389,878</u>	<u>38,722</u>	<u>311,470</u>
Recreation:				
Personal services	180,300	164,997	15,303	149,678
Operating expenditures	99,600	71,039	28,561	63,140
Capital outlay	6,000	5,968	32	22,220
	<u>285,900</u>	<u>242,004</u>	<u>43,896</u>	<u>235,038</u>
Total culture/recreation	<u>714,500</u>	<u>631,882</u>	<u>82,618</u>	<u>546,508</u>

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

Exhibit A-3

For the Fiscal Year Ended September 30, 1999
With Comparative Actual Amounts for the Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Debt Service:				
Principal retirement:				
General government	\$ 159,400	149,298	10,102	581,022
Public safety.....	12,400	12,312	88	35,645
	<u>171,800</u>	<u>161,610</u>	<u>10,190</u>	<u>616,667</u>
Interest and fiscal charges:				
General government	62,100	62,062	38	48,196
Public safety.....	4,000	3,657	343	5,041
	<u>66,100</u>	<u>65,719</u>	<u>381</u>	<u>53,237</u>
Total debt service	<u>237,900</u>	<u>227,329</u>	<u>10,571</u>	<u>669,904</u>
Total expenditures	<u>5,265,000</u>	<u>4,861,917</u>	<u>403,083</u>	<u>5,328,393</u>
Excess of revenue over (under) expenditures	<u>(598,800)</u>	<u>72,240</u>	<u>671,040</u>	<u>(694,809)</u>
Other Financing Sources (Uses):				
Operating transfers from:				
Capital Projects Fund	0	0	0	484,693
Water and Sewer Fund	440,000	440,000	0	400,000
Solid Waste Fund	225,300	225,300	0	197,000
Appropriated fund balance.....	301,400	0	(301,400)	0
Operating transfers to:				
Community Redevelopment Fund	(18,300)	(18,300)	0	0
Law Enforcement Block Grant Fund	(1,700)	(1,617)	83	0
Capital Projects Fund	(347,900)	(347,900)	0	(2,203)
Total financing sources (uses)	<u>598,800</u>	<u>297,483</u>	<u>(301,317)</u>	<u>1,079,490</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>0</u>	<u>369,723</u>	<u>369,723</u>	<u>384,681</u>
Fund balance, beginning of year, as previously reported.....				998,478
Prior period adjustment for recognition of deferred occupational license revenue.....				<u>(86,797)</u>
Fund balance, beginning of year, as restated.....	<u>1,296,362</u>	<u>1,296,362</u>	<u>0</u>	<u>911,681</u>
Fund balance, end of year	<u><u>1,296,362</u></u>	<u><u>1,666,085</u></u>	<u><u>369,723</u></u>	<u><u>1,296,362</u></u>

Special Revenue Funds

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

Stormwater Drainage - to account for stormwater fee revenue and the expenditures of those revenues for the operation, maintenance and improvement of the stormwater system.

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

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

Community Development Block Grant - to account for the receipt and expenditure of grant funds from the Community Development Block Grant Program.

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



**COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS**

September 30, 1999

With Comparative Totals for September 30, 1998

CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage	Youth Center	Community Redevelopment
Assets:			
Cash	\$ 846,901	3,173	37,918
Accounts receivable - net	31,324	0	0
Due from other funds	440	0	726
Due from other governments	0	0	14,916
Total assets	\$ 878,665	3,173	53,560
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	\$ 93,904	0	800
Contracts payable - retainage	0	0	0
Accrued liabilities	2,838	0	3,818
Due to other funds	341	0	0
Advance from General Fund	0	0	59,700
Total liabilities	97,083	0	64,318
Fund Equity:			
Fund balances:			
Reserved for:			
Encumbrances	0	0	6,150
Stormwater drainage.....	781,582	0	0
Unreserved:			
Designated for:			
Undesignated (deficit)	0	3,173	(16,908)
Total fund equity	781,582	3,173	(10,758)
Total liabilities and fund equity	\$ 878,665	3,173	53,560

Exhibit B-1

Community Development Block Grant	Local Law Enforcement Block Grant	Totals	
		1999	1998
0	428	888,420	969,672
0	0	31,324	28,109
19,817	0	20,983	118,093
43,214	0	58,130	31,664
<u>63,031</u>	<u>428</u>	<u>998,857</u>	<u>1,147,538</u>
0	0	94,704	5,557
0	0	0	18,868
0	0	6,656	6,071
63,031	0	63,372	197,831
0	0	59,700	59,700
<u>63,031</u>	<u>0</u>	<u>224,432</u>	<u>288,027</u>
5,290	0	11,440	0
0	0	781,582	873,491
<u>(5,290)</u>	<u>428</u>	<u>(18,597)</u>	<u>(13,980)</u>
<u>0</u>	<u>428</u>	<u>774,425</u>	<u>859,511</u>
<u>63,031</u>	<u>428</u>	<u>998,857</u>	<u>1,147,538</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS**
September 30, 1999
With Comparative Totals for September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	<u>Stormwater Drainage</u>	<u>Youth Center</u>	<u>Community Redevelopment</u>
Revenue:			
Taxes	\$ 0	0	30,530
Intergovernmental	65,000	0	59,863
Charges for services	358,184	91	0
Miscellaneous	41,612	200	0
Total revenue	464,796	291	90,393
Expenditures:			
Current:			
Public safety	0	0	90,418
Physical environment	93,778	0	0
Culture/recreation	0	218	0
Capital outlay.....	462,181	0	11,953
Total expenditures	555,959	218	102,371
Excess of revenue over (under) expenditures	(91,163)	73	(11,978)
Other Financing Sources (Uses):			
Operating transfers from:			
General fund.....	0	0	18,300
Excess of revenue and other sources over (under) expenditures and other uses	(91,163)	73	6,322
Fund balances, beginning of year	872,745	3,100	(17,080)
Fund balances, end of year	\$ 781,582	3,173	(10,758)

Exhibit B-2

Community Development Block Grant	Local Law Enforcement Block Grant	Totals	
		1999	1998
0	0	30,530	0
124,916	14,551	264,330	262,329
0	0	358,275	348,057
0	178	41,990	48,357
<u>124,916</u>	<u>14,729</u>	<u>695,125</u>	<u>658,743</u>
0	15,918	106,336	86,632
0	0	93,778	96,245
0	0	218	1,194
124,916	0	599,050	453,052
<u>124,916</u>	<u>15,918</u>	<u>799,382</u>	<u>637,123</u>
0	(1,189)	(104,257)	21,620
0	1,617	19,917	2,203
0	428	(84,340)	23,823
0	0	858,765	834,942
<u>0</u>	<u>428</u>	<u>774,425</u>	<u>858,765</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS**
For the Fiscal Year Ended September 30, 1999
CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 0	0	0
Intergovernmental	65,000	65,000	0
Charges for services	350,000	358,184	8,184
Miscellaneous	40,000	41,612	1,612
Total revenue	455,000	464,796	9,796
Expenditures:			
Current:			
Public safety	0	0	0
Physical environment	115,000	93,778	21,222
Culture/recreation	0	0	0
Capital outlay.....	463,200	462,181	1,019
Total expenditures	578,200	555,959	22,241
Excess of revenue over (under) expenditures	(123,200)	(91,163)	32,037
Other Financing Sources (Uses):			
Operating transfers from:			
General fund.....	0	0	0
Appropriated fund balance.....	123,200	0	(123,200)
Total other financing sources (uses)	123,200	0	(123,200)
Excess of revenue and other sources over (under) expenditures and other uses	0	(91,163)	(91,163)
Fund balances, beginning of year	872,745	872,745	0
Fund balances, end of year	\$ 872,745	781,582	(91,163)

Youth Center			Community Redevelopment		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	30,000	30,530	530
0	0	0	58,400	59,863	1,463
0	91	91	0	0	0
600	200	(400)	0	0	0
600	291	(309)	88,400	90,393	1,993
0	0	0	98,700	90,418	8,282
0	0	0	0	0	0
600	218	382	0	0	0
0	0	0	25,000	11,953	13,047
600	218	382	123,700	102,371	21,329
0	73	73	(35,300)	(11,978)	23,322
0	0	0	18,300	18,300	0
0	0	0	17,000	0	(17,000)
0	0	0	35,300	18,300	(17,000)
0	73	73	0	6,322	6,322
3,100	3,100	0	(17,080)	(17,080)	0
3,100	3,173	73	(17,080)	(10,758)	6,322

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS**
For the Fiscal Year Ended September 30, 1999
CITY OF HOLLY HILL, FLORIDA

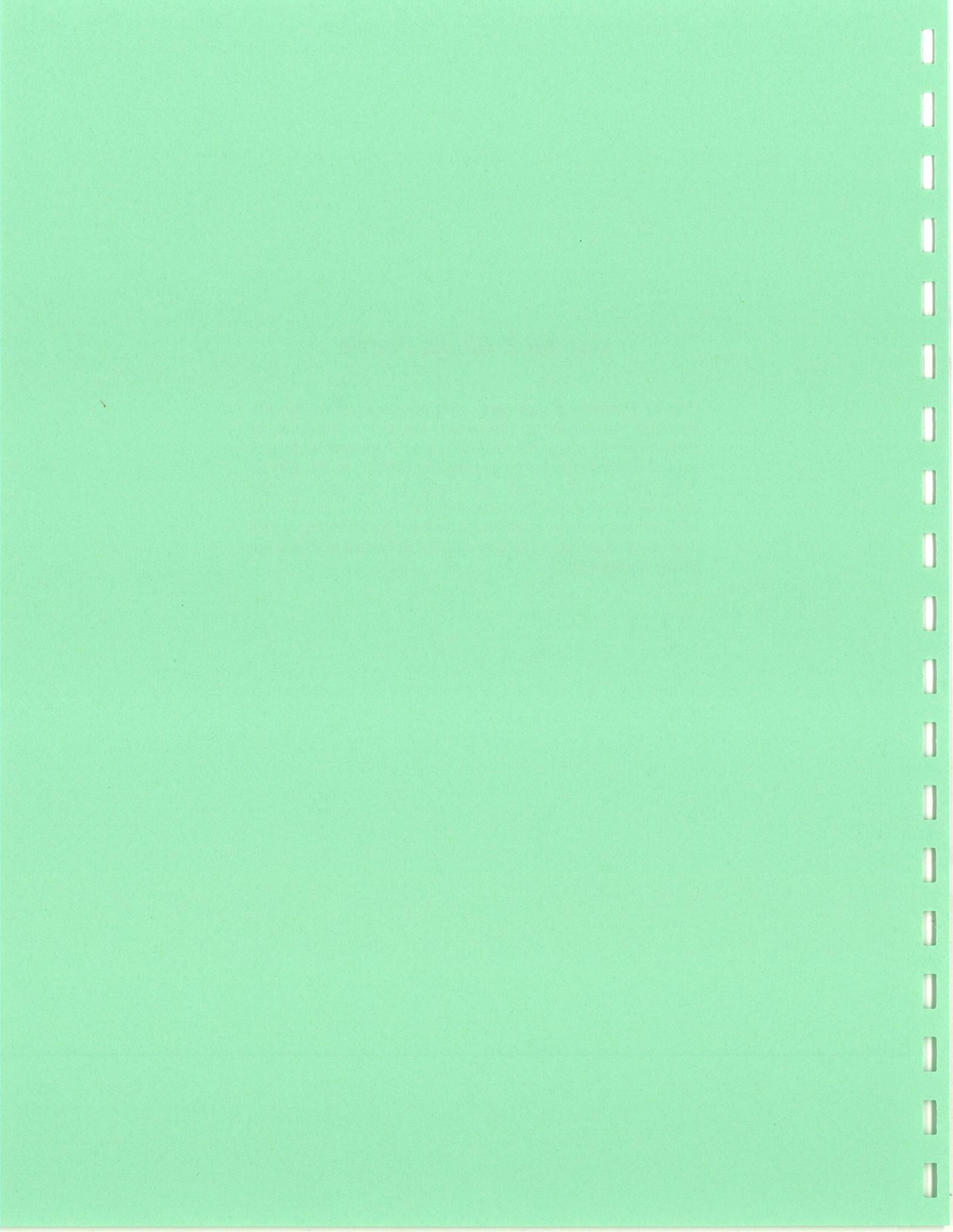
	Community Development Block Grant		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 0	0	0
Intergovernmental	221,900	124,916	(96,984)
Charges for services	0	0	0
Miscellaneous	0	0	0
Total revenue	221,900	124,916	(96,984)
Expenditures:			
Current:			
Public safety	0	0	0
Physical environment	0	0	0
Culture/recreation	0	0	0
Capital outlay.....	221,900	124,916	96,984
Total expenditures	221,900	124,916	96,984
Excess of revenue over (under) expenditures	0	0	0
Other Financing Sources (Uses):			
Operating transfers from:			
General fund.....	0	0	0
Appropriated fund balance.....	0	0	0
Total other financing sources (uses)	0	0	0
Excess of revenue and other sources over (under) expenditures and other uses	0	0	0
Fund balances, beginning of year	0	0	0
Fund balances, end of year	\$ 0	0	0

Exhibit B-3

Local Law Enforcement Block Grant			Totals - All Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	30,000	30,530	530
14,500	14,551	51	137,900	264,330	126,430
0	0	0	350,000	358,275	8,275
300	178	(122)	40,900	41,990	1,090
<u>14,800</u>	<u>14,729</u>	<u>(71)</u>	<u>558,800</u>	<u>695,125</u>	<u>136,325</u>
16,400	15,918	482	115,100	106,336	8,764
0	0	0	115,000	93,778	21,222
0	0	0	600	218	382
0	0	0	488,200	599,050	(110,850)
<u>16,400</u>	<u>15,918</u>	<u>482</u>	<u>718,900</u>	<u>799,382</u>	<u>(80,482)</u>
<u>(1,600)</u>	<u>(1,189)</u>	<u>411</u>	<u>(160,100)</u>	<u>(104,257)</u>	<u>55,843</u>
1,600	1,617	17	19,900	19,917	17
0	0	0	140,200	0	(140,200)
<u>1,600</u>	<u>1,617</u>	<u>17</u>	<u>160,100</u>	<u>19,917</u>	<u>(140,183)</u>
0	428	428	0	(84,340)	(84,340)
0	0	0	858,765	858,765	0
<u>0</u>	<u>428</u>	<u>428</u>	<u>858,765</u>	<u>774,425</u>	<u>(84,340)</u>

Capital Projects Funds

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



COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
September 30, 1999 and 1998
CITY OF HOLLY HILL, FLORIDA

Exhibit C-1

	<u>1999</u>	<u>1998</u>
Assets:		
Cash and cash equivalents	\$ 214,734	4,392
Investments	303,784	681,653
Accrued interest receivable	3,063	0
Due from other governments	<u>98,174</u>	<u>0</u>
Total assets	\$ <u>619,755</u>	<u>686,045</u>
 Liabilities and Fund Equity:		
Liabilities:		
Accounts payable	\$ 295,600	42,820
Contract retainage payable	115,974	0
Due to other funds	<u>13,435</u>	<u>0</u>
Total liabilities	<u>425,009</u>	<u>42,820</u>
 Fund Equity:		
Fund balance:		
Reserved for:		
Capital projects	194,746	643,225
Unreserved:		
Undesignated	<u>0</u>	<u>0</u>
Total fund equity	<u>194,746</u>	<u>643,225</u>
Total liabilities and fund equity	\$ <u>619,755</u>	<u>686,045</u>

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

Exhibit C-2

For the Fiscal Year Ended September 30, 1999
With Comparative Actual Amounts for the Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Revenue:				
Intergovernmental	\$ 170,000	170,174	174	0
Miscellaneous	20,000	47,157	27,157	8,192
Total revenue	190,000	217,331	27,331	8,192
Expenditures:				
Current:				
General government	0	0	0	3,500
Capital outlay:				
General government	0	0	0	21,377
Transportation	200,000	196,603	3,397	0
Culture/recreation	1,605,900	1,442,107	163,793	108,697
Total expenditures	1,805,900	1,638,710	167,190	130,074
Excess of revenue over (under) expenditures	(1,615,900)	(1,421,379)	194,521	(125,382)
Other Financing Sources (Uses):				
Proceeds of long-term debt	0	0	0	1,233,920
Operating transfers from:				
General Fund	347,900	347,900	0	0
Solid Waste Fund	625,000	625,000	0	0
Appropriated fund balance	643,000	0	(643,000)	0
Operating transfers to:				
General Fund	0	0	0	(484,693)
Total financing sources (uses)	1,615,900	972,900	(643,000)	749,227
Excess of revenue and other sources over (under) expenditures and other uses	0	(448,479)	(448,479)	623,845
Fund balance, beginning of year.....	643,225	643,225	0	19,380
Fund balance, end of year	\$ 643,225	194,746	(448,479)	643,225

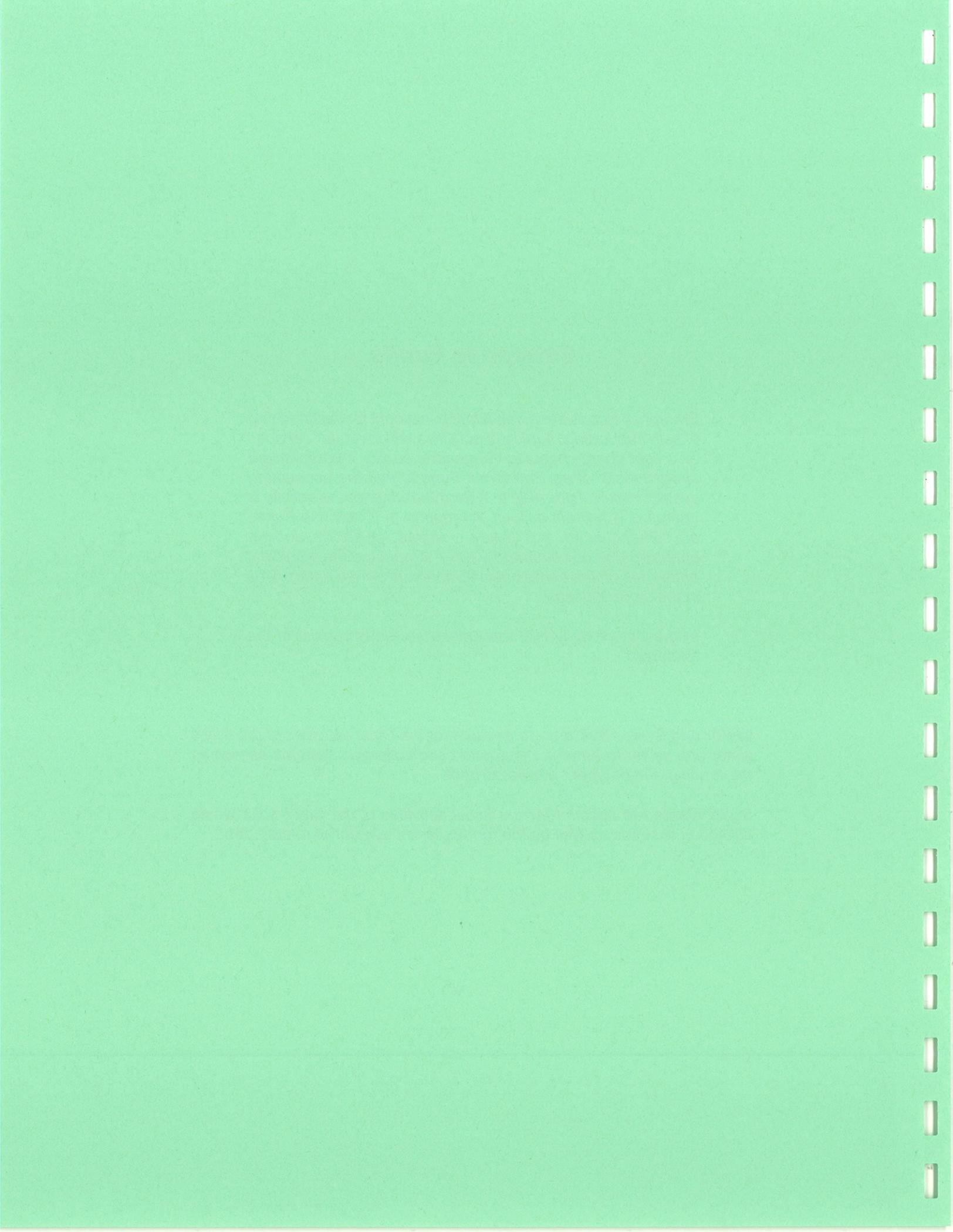
Enterprise Funds

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

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

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

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



**COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS**

September 30, 1999

With Comparative Totals for September 30, 1998

CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			1999	1998
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,261,325	463,702	1,725,027	1,851,639
Investments	0	246,027	246,027	493,743
Accounts receivable-net.....	250,063	85,950	336,013	320,369
Other receivables	0	236	236	9,369
Due from other funds	14,817	0	14,817	172,742
Due from other governments	0	535	535	537
Prepaid expenses	8,153	1,086	9,239	31,658
Total current assets	1,534,358	797,536	2,331,894	2,880,057
Restricted Assets:				
Sinking Funds	17,569	0	17,569	35,964
Renewal and Replacement Fund	313,862	0	313,862	266,511
Customer deposits	471,729	19,119	490,848	459,499
Total restricted assets	803,160	19,119	822,279	761,974
Property, Plant and Equipment:				
Land	154,739	0	154,739	154,739
Buildings	10,792,674	54,651	10,847,325	10,847,325
Improvements other than buildings	8,799,053	0	8,799,053	8,786,143
Machinery and equipment	5,999,373	800,677	6,800,050	6,635,511
	25,745,839	855,328	26,601,167	26,423,718
Less: accumulated depreciation	(8,674,643)	(768,413)	(9,443,056)	(8,657,277)
	17,071,196	86,915	17,158,111	17,766,441
Construction in progress	262,131	0	262,131	40,144
Net property, plant and equipment.....	17,333,327	86,915	17,420,242	17,806,585
Other Assets:				
Unamortized bond issuance costs	200,112	0	200,112	208,747
Total assets	\$ 19,870,957	903,570	20,774,527	21,657,363

	Water and Sewer Utility	Solid Waste	Totals	
			1999	1998
Liabilities and Fund Equity:				
Current Liabilities (payable from current assets):				
Accounts payable	\$ 23,947	271,524	295,471	336,179
Accrued liabilities	36,816	1,350	38,166	35,312
Due to other funds	584	0	584	152,232
Total current liabilities (payable from current assets)	61,347	272,874	334,221	523,723
Current Liabilities (payable from restricted assets):				
Accounts payable	13,758	0	13,758	30,304
Customer deposits	471,729	19,119	490,848	459,499
Current portion of revenue bonds payable	295,000	0	295,000	280,000
Total current liabilities (payable from restricted assets)	780,487	19,119	799,606	769,803
Long-Term Debt:				
Revenue bonds payable-net	13,116,755	0	13,116,755	13,399,102
Notes payable	39,325	0	39,325	38,000
Total long-term debt	13,156,080	0	13,156,080	13,437,102
Other Liabilities:				
Obligation for compensated absences	92,739	1,815	94,554	92,921
Total liabilities	14,090,653	293,808	14,384,461	14,823,549
Fund Equity:				
Contributed Capital:				
Contributed from federal government	919,421	0	919,421	919,421
Contributed from customers	2,073,194	0	2,073,194	1,986,286
Contributed from other funds	0	215,935	215,935	215,935
Retained Earnings:				
Reserved for renewal and replacement	313,862	0	313,862	266,511
Unreserved	2,473,827	393,827	2,867,654	3,445,661
Total fund equity	5,780,304	609,762	6,390,066	6,833,814
Total liabilities and fund equity	\$ 19,870,957	903,570	20,774,527	21,657,363

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

Exhibit D-2

For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

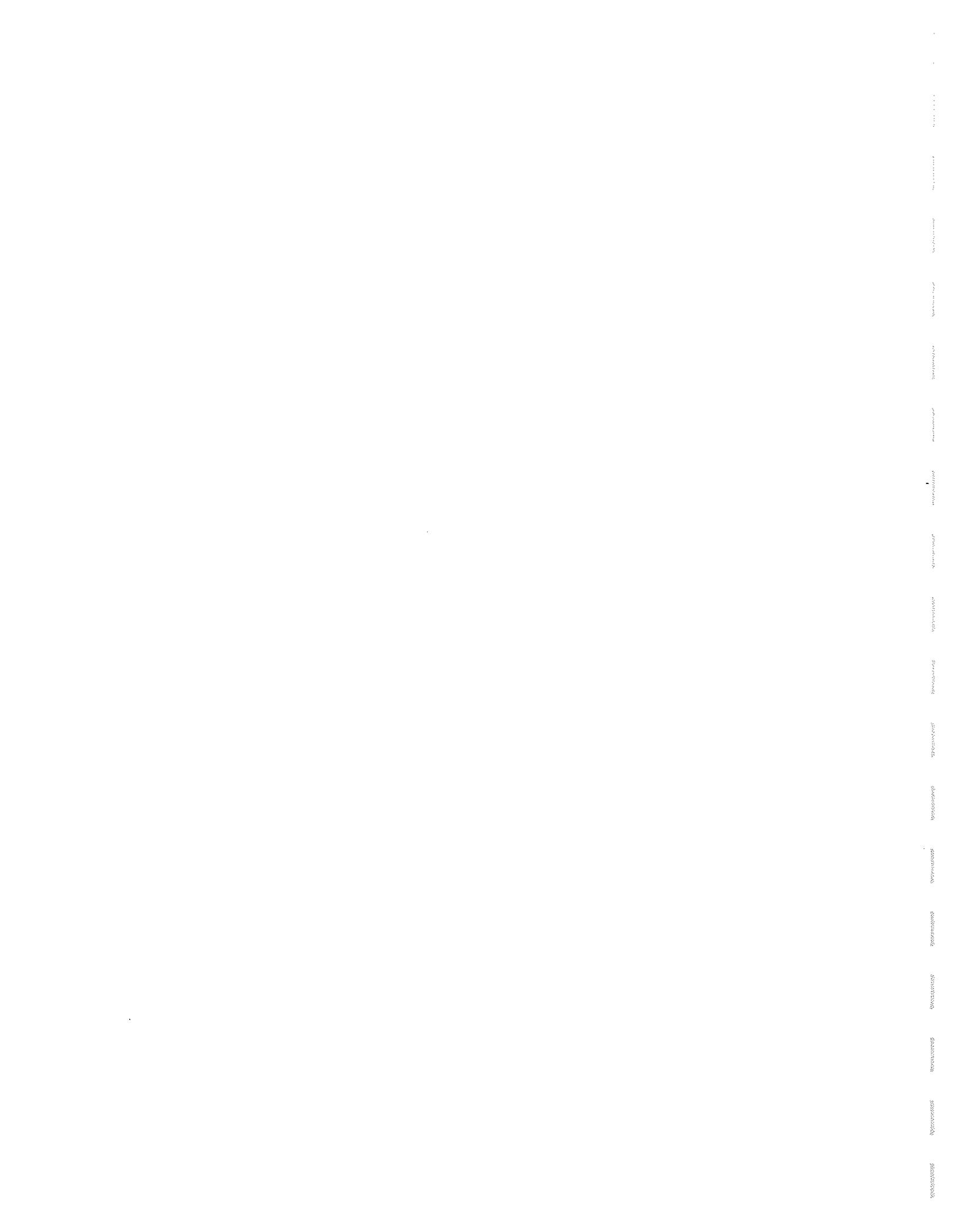
	Water and Sewer Utility	Solid Waste	Totals	
			1999	1998
Operating Revenue:				
Charges for Services:				
Water sales	\$ 1,683,020	0	1,683,020	1,624,588
Sewer charges	1,750,669	0	1,750,669	1,674,213
Service charges	11,668	0	11,668	15,988
Cut-off charges	25,898	0	25,898	27,159
Fire hydrant rental	10,107	0	10,107	10,083
Reclaimed water charges	2,400	0	2,400	2,230
Inspections	4,570	0	4,570	0
Waste disposal charges	0	1,299,339	1,299,339	1,315,212
Total operating revenue	3,488,332	1,299,339	4,787,671	4,669,473
Operating Expenses:				
Personal services	779,367	30,637	810,004	1,017,725
Materials and supplies	218,997	2,942	221,939	253,112
Utilities	199,923	1,143	201,066	207,920
Maintenance and repairs	166,156	7,080	173,236	133,553
Contractual services	75,573	1,014,436	1,090,009	505,840
Other expenses	33,328	6,121	39,449	256,240
Bad debts	39,252	0	39,252	26,732
Depreciation	751,678	36,257	787,935	913,461
Total operating expenses	2,264,274	1,098,616	3,362,890	3,314,583
Total operating income	1,224,058	200,723	1,424,781	1,354,890
Nonoperating Revenue (Expenses):				
Interest earnings	107,790	53,294	161,084	148,437
Operating grant revenue	0	1,023	1,023	537
Other income (expenses)	30,119	9,382	39,501	75,521
Gain on sale of fixed assets	0	0	0	233,839
Interest expense	(866,744)	0	(866,744)	(878,755)
Total nonoperating revenue (expenses)	(728,835)	63,699	(665,136)	(420,421)
Net income before operating transfers	495,223	264,422	759,645	934,469
Operating Transfers:				
Transfer to General Fund	(440,000)	(225,300)	(665,300)	(597,000)
Transfer to Capital Projects Fund	0	(625,000)	(625,000)	0
Total operating transfers	(440,000)	(850,300)	(1,290,300)	(597,000)
Net income (loss)	55,223	(585,878)	(530,655)	337,469
Retained earnings, beginning of year	2,732,466	979,705	3,712,171	3,374,702
Retained earnings, end of year	\$ 2,787,689	393,827	3,181,516	3,712,171

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

Exhibit D-3

For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			1999	1998
Operating Activities:				
Operating income (loss)	\$ 1,224,058	200,723	1,424,781	1,354,890
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	751,678	36,257	787,935	913,461
Bad debt expense	39,252	0	39,252	26,732
Gain on sale of fixed assets	0	0	0	233,839
Changes in assets and liabilities:				
Accounts receivable, net	(42,419)	(12,480)	(54,899)	(10,732)
Other receivables	0	9,137	9,137	(8,000)
Due from other funds	4,229	153,697	157,926	(138,000)
Prepaid expenses	14,192	8,228	22,420	0
Accounts payable	(42,205)	(15,050)	(57,255)	239,000
Accrued liabilities	6,553	(3,698)	2,855	(4,000)
Due to other funds	(151,611)	(38)	(151,649)	69,000
Customer deposits	31,489	(140)	31,349	17,000
Obligation for compensated absences	2,616	(983)	1,633	(65,000)
Net cash provided by operating activities.....	1,837,832	375,653	2,213,485	2,628,190
Noncapital and Related Financing Activities:				
Operating grants	0	1,023	1,023	537
Other nonoperating income	30,119	9,382	39,501	75,521
Operating transfers (out)	(440,000)	(850,300)	(1,290,300)	(597,000)
Net cash provided by (used in) noncapital and related financing activities	(409,881)	(839,895)	(1,249,776)	(520,942)
Capital and Related Financing Activities:				
Capital contributions	86,908	0	86,908	68,000
Proceeds on note payable	0	0	0	38,000
Debt reduction outlays	(280,000)	0	(280,000)	(317,000)
Acquisition and construction of capital assets	(386,677)	(14,914)	(401,591)	(301,000)
Interest paid	(844,132)	0	(844,132)	(857,467)
Net cash provided by (used in) capital and related financing activities	(1,423,901)	(14,914)	(1,438,815)	(1,369,467)
Investing Activities:				
Proceeds from maturity of investments	0	493,743	493,743	0
Purchases of investments	0	(246,027)	(246,027)	(493,743)
Interest received	107,789	53,294	161,083	148,437
Net cash provided by (used in) investing activities	107,789	301,010	408,799	(345,306)
Net increase (decrease) in cash and cash equivalents	111,839	(178,146)	(66,307)	392,475
Cash and cash equivalents, beginning of year	1,952,646	660,967	2,613,613	2,221,138
Cash and cash equivalents, end of year	\$ 2,064,485	482,821	2,547,306	2,613,613



Trust and Agency Funds

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

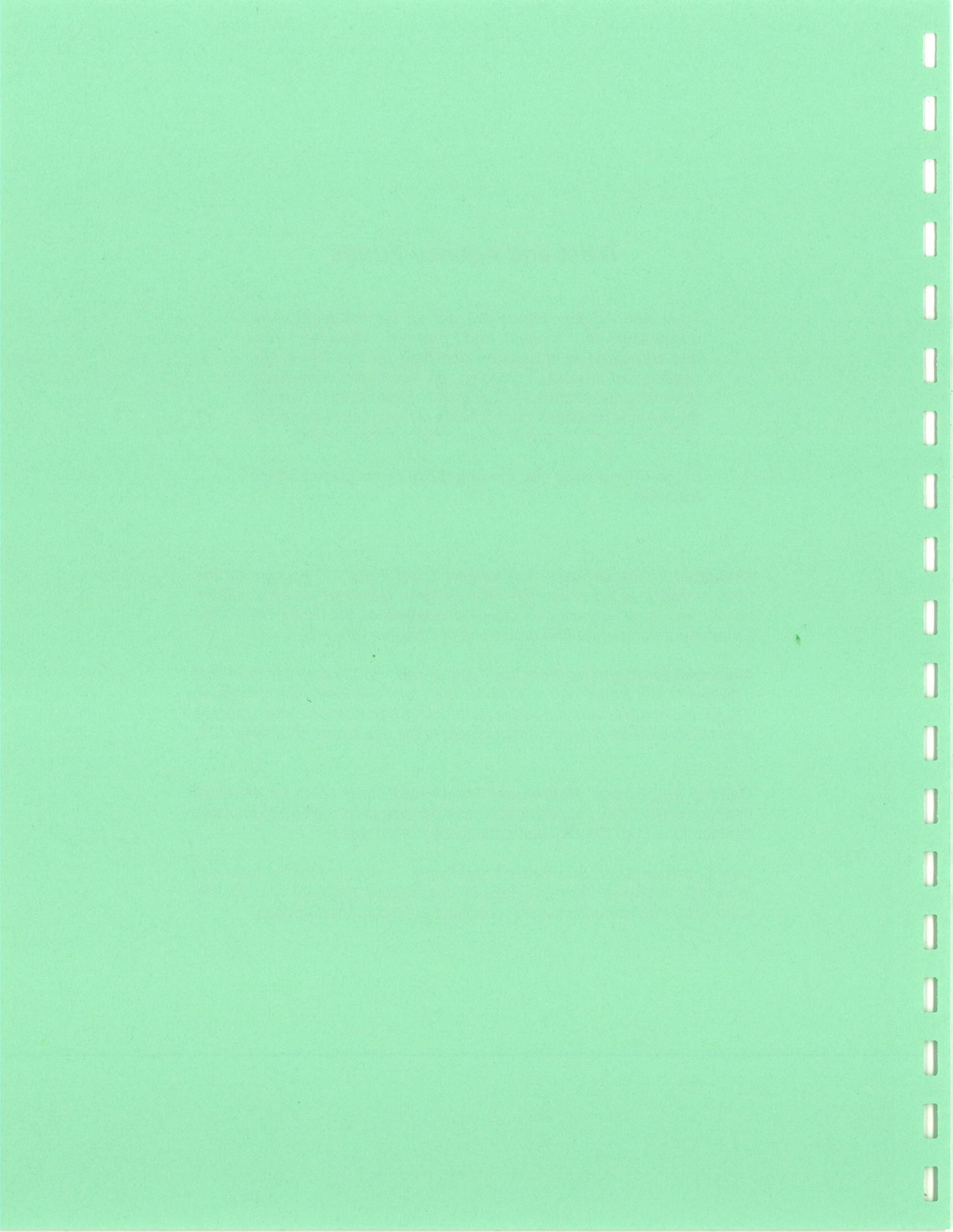
In the City of Holly Hill, the enterprise funds consist of the following:

Municipal Police Officers' Retirement Trust Fund - to account for the fiscal activities of the Holly Hill Police Pension Board which accumulates assets and pays benefits to qualified retirees of the Holly Hill Police Department pursuant to the provisions of Chapter 185, F.S.

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

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

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



**COMBINING BALANCE SHEET
ALL FIDUCIARY FUNDS**

September 30, 1999

With Comparative Totals for September 30, 1998

CITY OF HOLLY HILL, FLORIDA

	Pension Trust Funds		
	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	General Employees' Retirement Trust
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 496,072	344	0
Investments:			
Money market funds	0	63,228	1,120
U.S. government and agency	821,940	524,689	31,657
U.S. corporate debt obligations	941,457	408,551	12,314
U.S. corporate equities	2,609,641	951,917	48,265
Accrued interest receivable	30,265	21,506	0
Due from other governments	12,382	9,016	0
Total current assets	4,911,757	1,979,251	93,356
Total assets	\$ 4,911,757	1,979,251	93,356
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	\$ 0	5,997	0
Accrued liabilities	0	0	0
Due to other funds	0	0	14,956
Total liabilities	0	5,997	14,956
Fund Equity:			
Fund balances:			
Reserved for:			
Law enforcement	0	0	0
Employee pensions	4,911,757	1,973,254	78,400
Total fund equity	4,911,757	1,973,254	78,400
Total liabilities and fund equity	\$ 4,911,757	1,979,251	93,356

Exhibit E-1

Expendable Trust Fund		
Law Enforcement Trust	Totals	
	1999	1998
21,721	518,137	381,385
0	64,348	96,994
0	1,378,286	1,580,246
0	1,362,322	991,100
0	3,609,823	3,282,327
0	51,771	38,787
0	21,398	7,350
<u>21,721</u>	<u>7,006,085</u>	<u>6,378,189</u>
<u>21,721</u>	<u>7,006,085</u>	<u>6,378,189</u>
0	5,997	12,724
0	0	8,270
0	14,956	22,642
<u>0</u>	<u>20,953</u>	<u>43,636</u>
21,721	21,721	16,010
0	6,963,411	6,318,543
<u>21,721</u>	<u>6,985,132</u>	<u>6,334,553</u>
<u>21,721</u>	<u>7,006,085</u>	<u>6,378,189</u>

**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
LAW ENFORCEMENT EXPENDABLE TRUST FUND**
For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

Exhibit E-2

	<u>1999</u>	<u>1998</u>
Revenue:		
Fines and forfeitures	\$ 29,657	12,373
Miscellaneous	230	0
Total revenue	<u>29,887</u>	<u>12,373</u>
Expenditures:		
Current:		
Public safety	3,912	6,097
Capital outlay	20,264	0
Total expenditures	<u>24,176</u>	<u>6,097</u>
Excess of revenue over (under) expenditures	5,711	6,276
Fund balance, beginning of year	<u>16,010</u>	<u>9,734</u>
Fund balance, end of year	<u>\$ 21,721</u>	<u>16,010</u>

General Fixed Assets Account Group

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

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

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
GENERAL FIXED ASSETS ACCOUNT GROUP

Exhibit F-1

For the Fiscal Year Ended September 30, 1999
 With Comparative Totals for the Fiscal Year Ended September 30, 1998
 CITY OF HOLLY HILL, FLORIDA

	<u>1999</u>	<u>1998</u>
General Fixed Assets:		
Land	\$ 1,367,000	1,331,726
Buildings	3,309,811	2,085,606
Improvements other than buildings	6,911,452	6,268,431
Machinery and equipment	2,181,297	2,215,399
Construction work in progress	<u>248,200</u>	<u>0</u>
 Total general fixed assets	 \$ <u>14,017,760</u>	 <u>11,901,162</u>
 Investment in General Fixed Assets From:		
General Fund	\$ 9,674,984	9,529,263
Special Revenue Fund	694,897	775,955
Capital Projects Fund	3,155,747	1,528,108
Expendable Trust Fund	<u>492,132</u>	<u>67,836</u>
 Total general fixed assets	 \$ <u>14,017,760</u>	 <u>11,901,162</u>

**SCHEDULE OF GENERAL FIXED ASSETS
 BY FUNCTION AND ACTIVITY
 GENERAL FIXED ASSETS ACCOUNT GROUP
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA**

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General Government	\$ 190,970	1,134,383	73,671
Public Safety:			
Police protection	0	45,852	2,350
Fire protection	29,493	200,292	2,266
	<u>29,493</u>	<u>246,144</u>	<u>4,616</u>
Public Works	63,692	74,472	6,253,314
Parks, Recreation and Sica Hall	1,082,845	1,706,363	579,851
Libraries	0	148,449	0
Total general fixed assets - allocated to functions	<u>\$ 1,367,000</u>	<u>3,309,811</u>	<u>6,911,452</u>

Exhibit F-2

<u>Machinery and Equipment</u>	<u>Construction Work in Progress</u>	<u>Total</u>
<u>393,424</u>	<u>0</u>	<u>1,792,448</u>
<u>572,581</u>	<u>0</u>	<u>620,783</u>
<u>403,147</u>	<u>0</u>	<u>635,198</u>
<u>975,728</u>	<u>0</u>	<u>1,255,981</u>
<u>665,191</u>	<u>8,667</u>	<u>7,065,336</u>
<u>105,504</u>	<u>239,533</u>	<u>3,714,096</u>
<u>41,450</u>	<u>0</u>	<u>189,899</u>
<u>2,181,297</u>	<u>248,200</u>	<u>14,017,760</u>

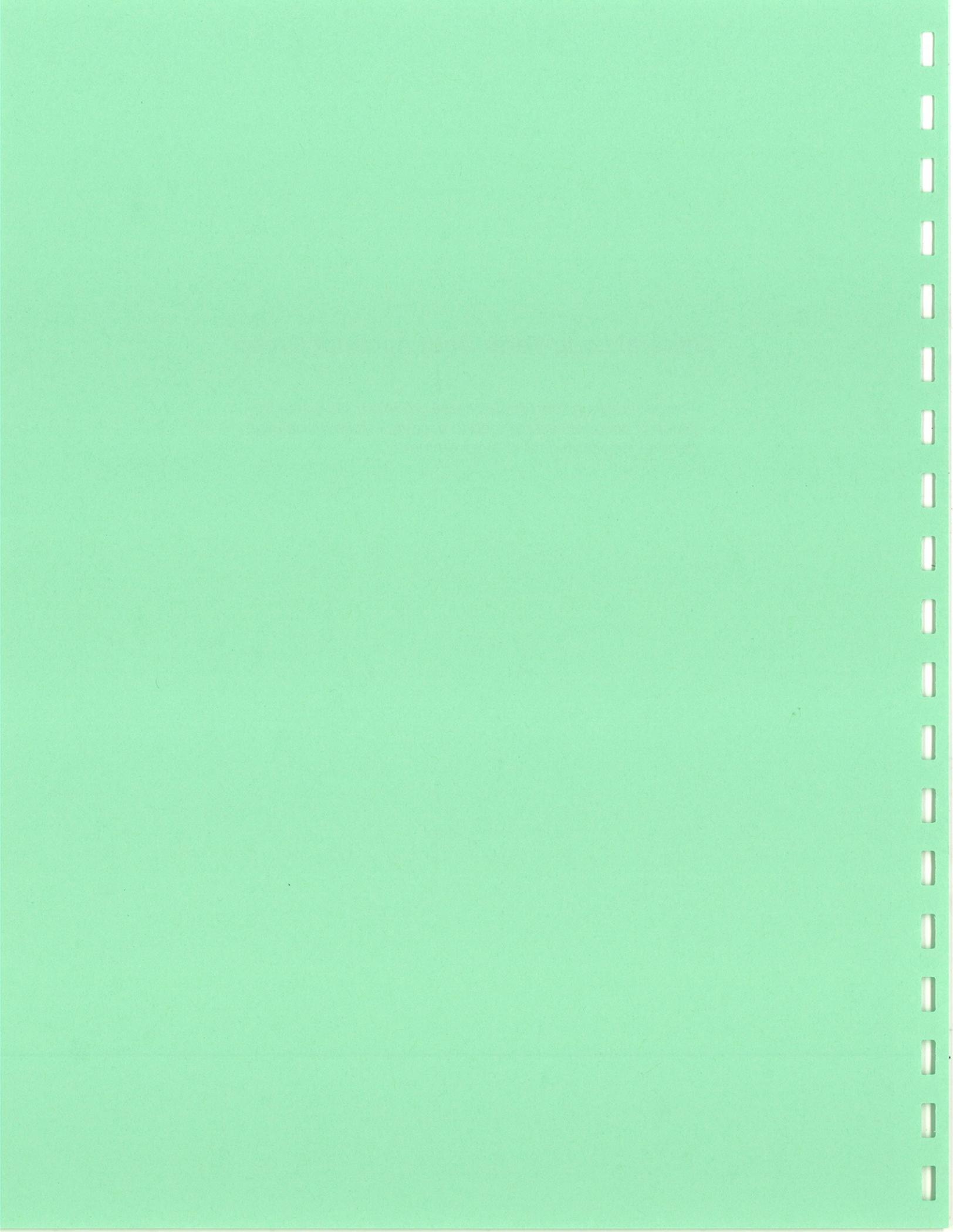
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
GENERAL FIXED ASSETS ACCOUNT GROUP
September 30, 1999
CITY OF HOLLY HILL, FLORIDA**

Exhibit F-3

Function and Activity	General Fixed Assets 10/01/98	Additions	Deletions	General Fixed Assets 09/30/99
General Government	\$ 1,832,881	15,713	56,146	1,792,448
Public Safety:				
Police protection	637,223	73,462	89,902	620,783
Fire protection	640,177	24,705	29,684	635,198
	<u>1,277,400</u>	<u>98,167</u>	<u>119,586</u>	<u>1,255,981</u>
Public Works	6,364,770	826,720	126,154	7,065,336
Parks, Recreation and Sica Hall	2,236,212	1,489,856	11,972	3,714,096
Libraries	189,899	0	0	189,899
Total general fixed assets.....	\$ <u>11,901,162</u>	<u>2,430,456</u>	<u>313,858</u>	<u>14,017,760</u>

General Long-Term Debt Account Group

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



**COMPARATIVE STATEMENTS OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP**

Exhibit G-1

For the Fiscal Year Ended September 30, 1999
With Comparative Totals for the Fiscal Year Ended September 30, 1998
CITY OF HOLLY HILL, FLORIDA

	<u>1999</u>	<u>1998</u>
Amount to be Provided for Payment of General Long-Term Debt	\$ <u>1,735,769</u>	<u>1,911,519</u>
 General Long-term Debt:		
Notes Payable:		
Sun Bank of Volusia County - Utility Service Tax Revenue		
Note, Series 1998A	1,082,908	1,183,431
Sun Bank of Volusia County - computer systems	132,078	180,853
County of Volusia - 800 MHZ radio system	<u>69,836</u>	<u>82,148</u>
Total notes payable	1,284,822	1,446,432
Obligation for compensated absences payable	<u>450,947</u>	<u>465,087</u>
Total general long-term debt	\$ <u>1,735,769</u>	<u>1,911,519</u>



Statistical Section

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

GENERAL FUND REVENUES - BY SOURCE
LAST TEN FISCAL YEARS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Table 1

Fiscal Year	Total	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous
1990 \$	5,463,399	2,364,090	152,500	1,087,785	1,568,924	86,251	203,849
1991 \$	5,424,529	2,412,088	162,013	969,513	1,669,189	65,862	145,864
1992 \$	4,489,036	2,460,486	182,537	946,091	700,084	87,325	112,513
1993 \$	4,966,324	2,805,954	174,719	973,354	847,432	80,263	84,602
1994 \$	5,144,110	2,836,184	179,654	1,034,801	851,951	61,720	179,800
1995 \$	5,161,162	2,825,642	188,062	1,147,940	854,831	46,859	97,828
1996 \$	5,100,361	2,903,615	215,032	1,145,089	568,051	49,605	218,969
1997 \$	4,949,140	2,859,618	219,428	1,060,025	595,622	57,484	156,963
1998 \$	4,633,584	3,159,746	197,426	921,033	113,272	81,317	160,790
1999 \$	4,934,157	3,202,707	245,185	1,135,902	116,708	77,588	156,067

GENERAL FUND EXPENDITURES - BY FUNCTION
LAST TEN FISCAL YEARS
September 30, 1999
CITY OF HOLLY HILL, FLORIDA

Table 2

Fiscal Year	Total	General Government	Public Safety	Physical Environment	Transportation	Culture/ Recreation	Debt Service
1990 \$	5,325,243	1,267,856	1,802,250	1,063,054	780,784	411,299	0
1991 \$	5,628,971	1,370,059	1,859,666	1,005,292	821,012	572,942	0
1992 \$	4,583,104	1,375,415	2,014,405	0	714,072	479,212	0
1993 \$	5,018,070	1,111,577	2,400,339	0	862,075	644,079	0
1994 \$	5,068,613	1,176,392	2,319,543	0	922,001	650,677	0
1995 \$	5,477,498	1,256,993	2,459,806	0	960,144	800,555	0
1996 \$	4,890,722	1,134,574	2,352,963	0	517,567	885,618	0
1997 \$	4,758,054	1,187,115	2,350,099	0	642,129	578,711	0
1998 \$	5,328,393	1,127,297	2,401,183	0	583,501	546,508	669,904
1999 \$	4,861,917	1,170,422	2,279,242	0	553,042	631,882	227,329

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY:
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS**
September 30, 1999
CITY OF HOLLY HILL, FLORIDA
(\$ in thousands)

Table 3

Fiscal Year	Assessed Value (1)	Estimated Actual Value (2)		Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Outstanding Delinquent Taxes Receivable	Percent of Levy Outstanding
1990	\$341,900	\$341,900	100%	\$1,125	\$1,083	96.3%	\$38	3.4%
1991	352,542	352,549	100%	1,162	1,105	95.1%	42	3.6%
1992	359,264	359,264	100%	1,167	1,116	95.6%	50	4.3%
1993	359,923	371,055	97%	1,439	1,373	95.4%	52	3.6%
1994	359,277	378,187	95%	1,425	1,372	96.3%	59	4.1%
1995	364,891	384,096	95%	1,444	1,383	95.8%	66	4.6%
1996	368,068	383,404	96%	1,438	1,343	93.4%	82	5.7%
1997	374,322	381,961	98%	1,474	1,378	93.5%	84	5.7%
1998	379,373	387,115	98%	1,505	1,405	93.4%	85	5.6%
1999	398,980	403,010	99%	1,498	1,419	94.7%	65	4.3%

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

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

PROPERTY TAX RATES AND TAX LEVIES (1)
DIRECT AND ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Table 4

Fiscal Year	Holly Hill	Volusia County School District	Volusia County	Southeast Volusia Mosquito Control	Ponce Inlet and Port Authority	East Volusia Transit	Halifax Hospital	St. Johns Water Management District	Florida Inland Navigation District	Endangered and Recreation Lands
TAX RATES										
<i>(per \$1,000 of assessed value)</i>										
1990	4.4630	9.1850	4.9340	0.3390	0.0990	0.2590	3.0000	0.3460	0.0370	0.2500
1991	4.4630	9.5480	4.9410	0.3240	0.0950	0.2590	2.8740	0.3580	0.0550	0.2500
1992	4.4340	9.5480	0.4820	0.3160	0.0930	0.3100	2.8180	0.3580	0.0530	0.2500
1993	5.4695	9.5480	4.8960	0.3150	0.0930	0.3140	2.8210	0.3580	0.0520	0.1670
1994	5.4695	9.8690	5.4430	0.3180	0.0940	-	2.7500	0.4700	0.0510	0.1840
1995	5.4695	10.2770	5.5320	0.2870	0.0940	-	2.2640	0.4820	0.0490	0.1840
1996	5.5538	10.8870	5.9890	0.2620	0.0940	-	2.2550	0.4820	0.0400	0.1830
1997	5.5359	10.8210	6.0360	0.2380	0.0930	-	2.2310	0.4820	0.0380	0.1810
1998	5.5183	10.4870	6.2010	0.2380	0.0900	-	2.1890	0.4820	0.0500	0.1770
1999	5.2500	10.3760	6.2040	0.2380	0.0900	-	2.1520	0.4820	0.0480	0.1740
TAX LEVIES										
<i>(\$ in thousands)</i>										
1990	\$ 1,125	2,315	1,244	85	25	65	756	87	9	63
1991	\$ 1,162	2,485	1,286	84	25	67	748	93	14	65
1992	\$ 1,167	2,514	1,269	83	24	82	742	94	14	66
1993	\$ 1,439	2,511	1,288	83	24	83	742	94	14	44
1994	\$ 1,425	2,572	1,418	83	24	-	717	122	13	48
1995	\$ 1,444	2,714	1,461	76	25	-	598	127	13	49
1996	\$ 1,466	2,875	1,581	69	25	-	595	127	11	48
1997	\$ 1,434	2,803	1,563	62	24	-	578	125	10	47
1998	\$ 1,495	2,841	1,680	64	24	-	593	130	14	48
1999	\$ 1,491	2,946	1,762	68	26	-	611	137	13	49

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

DEBT SERVICE REQUIREMENTS TO MATURITY
WATER AND SEWER REVENUE BONDS, SERIES 1992
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Table 5

Due October 1,	Principal	Mandatory Amortization Installment	Interest	Total
2000	\$295,000		\$826,589	\$1,121,589
2001	310,000		811,544	1,121,544
2002	330,000		795,114	1,125,114
2003	345,000		776,964	1,121,964
2004	365,000		757,644	1,122,644
2005	385,000		736,656	1,121,656
2006	410,000		714,038	1,124,038
2007	435,000		689,438	1,124,438
2008		\$460,000	663,337	1,123,337
2009		490,000	635,162	1,125,162
2010		520,000	605,150	1,125,150
2011		550,000	573,300	1,123,300
2012		585,000	539,612	1,124,612
2013		620,000	503,781	1,123,781
2014		660,000	465,806	1,125,806
2015		700,000	425,381	1,125,381
2016		740,000	382,506	1,122,506
2017		785,000	337,181	1,122,181
2018		835,000	289,100	1,124,100
2019		885,000	237,956	1,122,956
2020		940,000	183,750	1,123,750
2021		1,000,000	126,175	1,126,175
2022		1,060,000	64,925	1,124,925
Total	<u>\$2,875,000</u>	<u>\$10,830,000</u>	<u>\$12,141,109</u>	<u>\$25,846,109</u>

COMPUTATION OF OVERLAPPING DEBT
END OF FISCAL YEAR
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA
 (\$ in thousands)

Table 6

Name of Governmental Unit	Net Debt Outstanding	Percent Applicable to the Governmental Unit	City of Holly Hill Share of Debt
Volusia County School District	\$188,573	1.98%	\$3,734
County of Volusia, Florida	6,233	1.98%	<u>124</u>
Total overlapping debt			<u><u>\$3,858</u></u>

SCHEDULE OF INSURANCE IN FORCE

September 30, 1999
CITY OF HOLLY HILL, FLORIDA

Table 7

Type of Coverage Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
Coregis Insurance Group Policy #651-006986				
General Liability Law Enforcement Professional Liability	12/1/98 - 12/1/99	General Liability Law Enforcement Liability	\$1,000,000 Total Occurrence Limit \$1,000,000 Total Occurrence Limit Aggregate \$5,000,000	38,484
Auto Coverage	12/1/98 - 12/1/99	Automobile Liability \$1,000 deductible	\$500,000 Liability \$10,000 Personal Injury Protection	33,941
Public Officials Liability	12/1/98 - 12/1/99	Wrongful Acts \$2,500 Retention	\$1,000,000 each loss and in aggregate	5,818
Property	4/15/99 - 12/1/99	\$1,000 deductible \$5,000 deductible per occurrence for any windstorm \$500,000 deductible per occurrence for flood	\$20,531,250 blanket for building and contents - Flood \$5,000,000	
Inland Marine (Cont. Equip)	4/15/99 - 12/1/99	Off-road Equipment Deductible \$500 Computer equipment & media Deductible \$1,000	\$417,673 listed property \$400,000 listed property	
Crime/Employee Dishonesty	4/15/99 - 12/1/99	Honesty Blanket Bond Theft, Disappearance & Destruction Forgery or Alteration Cumputer Fraud Deductible \$1,000	\$100,000 per loss \$5,000 Inside & Outside Premises \$50,000 \$100,000	12,763
Hunt Insurance Group Policy # SRG8045349B Police & Firefighters Accidental Death & Dismemberment	4/15/99 - 4/15/00	Accidental Death Police & Firefighters Unlawful and Intentional Death and Dismem- berment Principle Sum	\$25,000 \$25,000 \$75,000	987
The Hartford Steam Boiler Inspection & Insurance Co. Policy #FBP9497065 Boiler & Machinery	4/15/99 - 4/15/00	Mechanical Breakdowns Lightning Damages, City Hall Equipment & Leased Equip. \$1,000 deductible	\$3,900,000	1,196
Governmental Risk Insurance Trust Policy #53 Workers' Compensation	12/01/98 - 12/1/99	Statutory	Statutory, employers' liability \$1,000,000	101,283
Commerce & Industry Petroleum Liability Insurance Policy #FPL8072644 Environmental Protection	6/25/99 - 6/25/00	Fuel Storage Tank \$10,000 deductible	\$1,000,000 Each Incident \$1,000,000 Each Aggregate	1,657

**REVENUE BOND COVERAGE
WATER AND SEWER SYSTEM FUND
LAST TEN FISCAL YEARS**

Table 8

September 30, 1999
CITY OF HOLLY HILL, FLORIDA
(\$ in thousands)

Fiscal Year	Gross Revenue (1)	Operating Expenses (4)	Net Revenues	Debt Service Requirements			Debt Service Coverage
				Principal	Interest	Total	
1990	\$2,830	\$1,150	\$1,680	\$0	\$996	\$996 (2)	1.69
1991	2,986	1,302	1,684	165	985	1,150 (2)	1.46
1992	3,276	1,500	1,776	175	985	1,160 (2)	1.53
1993	3,317	1,475	1,842	165	743	908 (3)	2.03
1994	3,440	1,541	1,899	230	893	1,123 (3)	1.69
1995	3,088	1,469	1,619	240	885	1,125 (3)	1.44
1996	3,216	1,418	1,798	245	876	1,121 (3)	1.60
1997	3,461	1,363	2,098	255	865	1,120 (3)	1.87
1998	3,553	1,350	2,203	270	853	1,123 (3)	1.96
1999	3,708	1,513	2,195	280	841	1,121 (3)	1.96

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

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Table 9

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment Rate (3)
1990		11,830	1,955		6.0%
1991	(4)	11,141	1,814	(6)	7.3%
1992	(5)	11,198	1,876	(6)	7.9%
1993	(5)	11,258	1,894	(6)	6.3%
1994	(5)	11,455	1,891	(6)	6.4%
1995	(5)	11,539	1,894	(6)	4.9%
1996	(5)	11,370	1,887	(6)	4.2%
1997	(5)	11,310	1,872	(6)	4.0%
1998	(5)	11,325	2,066	(6)	3.4%
1999	(5)	11,383	2,289	(6)	3.0%

(1) County of Volusia, Florida, Planning Department

(2) Volusia County School District

(3) Florida Department of Labor

(4) U. S. Bureau of Census

(5) Bureau of Economic and Business Research

(6) Volusia County unemployment rate

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA
 (in thousands)

Table 10

Fiscal Year	(1)				(2) Bank Deposits	(3)		
	Commercial Construction		Residential Construction			Commercial	Property Values	
	Units	Value	Units	Value			Residential	Nontaxable
1990	5	\$430	16	\$671	\$68,450	\$2,668,861	\$6,560,125	\$3,577,220
1991	4	994	20	910	72,893	2,715,075	6,638,319	3,742,663
1992	7	413	68	1,910	N/A	2,682,243	6,900,287	3,836,512
1993	8	924	49	841	N/A	2,586,129	7,107,641	3,915,520
1994	10	1,102	47	1,060	N/A	2,673,336	7,278,177	4,026,670
1995	10	1,312	61	692	N/A	2,679,990	7,512,145	4,109,968
1996	16	1,735	55	1,582	N/A	2,708,437	7,922,818	4,509,253
1997	16	3,777	41	739	N/A	2,836,488	8,334,733	4,660,708
1998	40	4,657	84	1,322	N/A	2,984,058	8,714,059	4,892,427
1999	50	2,997	96	1,031	115,258	3,132,391	9,211,462	5,165,689

- (1) City of Holly Hill, Building and Inspection Department
- (2) Florida Bankers Association
- (3) County of Volusia, Property Appraiser

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Table 11

Title of City Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$9,840	5 years, 9 months	\$100,000 blanket amount on all positions.
Mayor Pro-Tem	6,600	9 years, 9 months	
City Commissioners (3)	6,600	1 year, 9 months to 11 years, 8 months	
City Attorney (retainer)	7,500	Over 23 years	
City Manager	-	Vacant	
Deputy Clerk	34,505	3 months	
Finance Director	54,989	8 years, 7 months	
Police Chief	55,316	2 years	
Public Services Director	60,786	4 years, 9 months	
Fire Chief	49,287	4 years, 7 months	
Building Official	47,627	19 years	

SCHEDULE OF MAJOR TAXPAYERS
 September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Table 12

Taxpayer Name	Type of Business	Assessed Values	Percent of Assessed Value
Holly Hill R.H.F. Housing, Inc.	Bishops Glen Retirement Center	\$6,968	1.75%
Florida Power & Light	Electric power utility	5,816	1.46%
BellSouth Telecommunications, Inc.	Communications utility	4,938	1.24%
William H. Jones, Metra Electronics	Electronics Manufacturer	4,287	1.08%
Sun Communities Operating: Holly Forest Mobile Home Park	Mobile Home Park	4,269	1.07%
EIG Holly Hill, LLC	Winn Dixie Shopping Center	3,267	0.82%
Holly Point Apartments, Inc.	Apartment Complex	2,724	0.69%
Polyvers, Ltd.	Apartment Complex	2,552	0.64%
Life Insurance Company of Georgia/ Publix Supermarkets, Inc.	Publix Shopping Center	2,209	0.55%
United Rentals, Inc.	Construction Equipment Rentals	1,954	0.49%
		<u>\$38,984</u>	<u>9.79%</u>

Source: Volusia County Property Appraiser

MISCELLANEOUS STATISTICAL DATA

Table 13

September 30, 1999
 CITY OF HOLLY HILL, FLORIDA

Date of Incorporation: July 1, 1901

Date First Charter Adopted: 1901

Date Present Charter Adopted: 1941

Form of Government: Commission/Manager

Area - Square Miles: 4.5

Miles of Streets and Sidewalks:
 Paved Streets 56.0 miles
 Unpaved Streets 1.0 miles
 Sidewalks 25.2 miles

Miles of Storm Sewers:
 Storm sewers 31 miles
 Sanitary sewers 72 miles

Fire Protection:
 Number of stations: 1
 Number of Firefighters 11
 Number of fire hydrants 277

Police Protection:
 Number of stations: 1
 Number of Police officers 31
 Number of Reserve officers 10
 Animal Control officers 1

Recreation:
 Parks (51.2 acres): 8
 Playgrounds 3
 Recreation buildings 5
 Tennis courts 1
 Shuffleboard courts 9
 Baseball/softball fields 5
 Community centers 2
 Public fishing piers 3
 Boat ramps 1
 Tot lots 3
 Wooden pier overlook 3
 Municipal gymnasium 1
 Concrete bike paths (miles) 1.5

Employees as of September 30, 1999:
 Civil service 107
 Exempt 3

Education: Volusia County School District
 Elementary schools 1
 Secondary schools 1
 Students:
 Kindergarten to grade 5 785
 Grades 6 to 8 1,103
Total 1,888

Education personnel:
 Instructional 137
 Noninstructional 80
 Administrative 6

Street Lights:
 High pressure Sodium Vapor:
 6300 lumern 667
 9500 lumern 77
 16000 lumern 35
 22000 lumern 134
 50000 lumern 2
 White Way underground 1000 lumen 6

Water Treatment Plant:
 Design capacity 2.3 MGD
 Current production rate 1.2 MGD
 Users 5,802

Water Pollution Control Plant:
 Design capacity 2.4 MGD
 Current production rate 1.5 MGD
 Users 4,860

CLIMATOLOGICAL SUMMARY

September 30, 1999
City of Holly Hill, Florida

Table 14

Holly Hill is approximately 4 square miles, located on the Halifax River, north of Daytona Beach. Terrain in the area is rolling; soil is mostly sandy, and elevations in the area range to 22 feet above sea level.

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

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

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

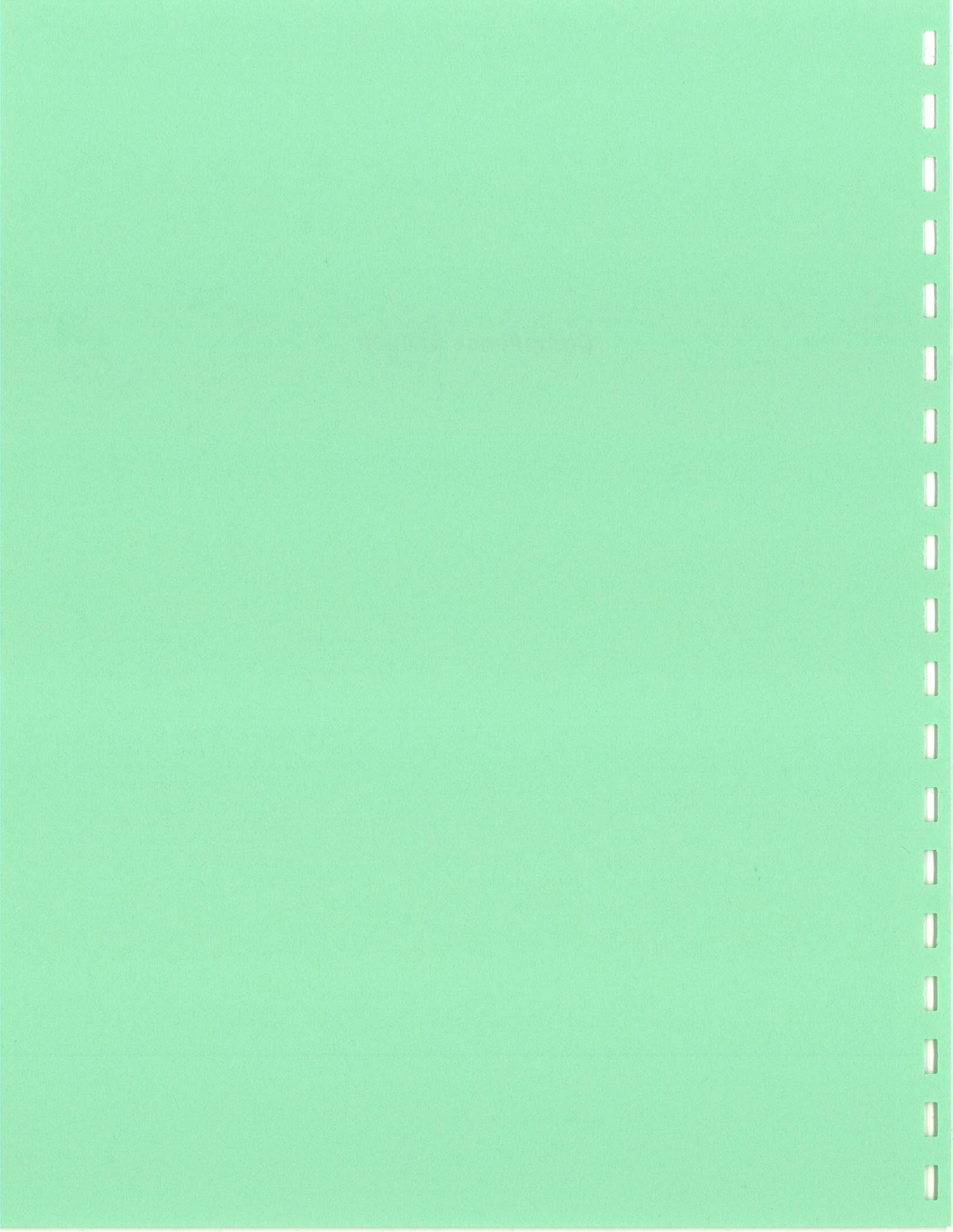
Tropical disturbances or hurricanes are not considered a great threat to this area of the state. While not outside the hurricane belt, past history indicates the chance of having hurricane force winds in any given year to be about one in thirty. Generally, hurricanes in this latitude tend to pass well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

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

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

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

Compliance Section



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

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

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

We have audited the general-purpose financial statements of City of Holly Hill, Florida, as of and for the year ended September 30, 1999, and have issued our report thereon dated March 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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



March 8, 2000

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

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

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

Compliance

We have audited the compliance of City of Holly Hill, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1999. The City of Holly Hill, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Holly Hill, Florida's management. Our responsibility is to express an opinion on City of Holly Hill, Florida's compliance based on our audit.

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

In our opinion, City of Holly Hill, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of City of Holly Hill, Florida as of and for the year ended September 30, 1999, and have issued our report thereon dated March 8, 2000. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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



March 8, 2000

City of Holly Hill, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 1999

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>US Department of Housing and</u>			
<u>Urban Development:</u>			
Community Development Block Grant Passed-through County of Volusia, Florida Department of Community Services Entitlement Grants Urban County Block Grant 10/96 to 9/98	14.218		\$ <u>124,916</u>
<u>US Department of Justice:</u>			
Substance Abuse Program Passed-through State of Florida Department of Community Affairs and Anti-Drug Abuse Act	16.579	98CJ9M067402131	20,373
Police Athletic League (PAL) PAL		98CJ9M067402131	39,506
Local Law Enforcement Block Grant(LLEBG) LLEBG		98LBVX4583	14,551
Community Oriented Police Services (COPS) Universal Hiring Program	16.580		<u>59,863</u>
Total US. Department of Justice			<u>134,293</u>
<u>Federal Emergency Management Agency</u>			
Disaster Relief Activity Grant Passed-through Florida Department of Community Affairs Disaster Relief - Hurricane Floyd	83.516	98RMM9067402217	<u>138,699</u>
<u>US Department of Transportation</u>			
State and Community Highway Safety Grant Passed-through Florida Department of Transportation Community Safety Grant	20.600	FS99271301	<u>14,990</u>
Total Expenditures of Federal Awards			\$ <u><u>412,898</u></u>

City of Holly Hill, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 1999

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____ yes	_____ X _____	no	
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ X _____	none reported	
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	_____ X _____	no	

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
US Department of Housing and Urban Development Community Development Block Grant Urban County Block Grant	14.218
Federal Emergency Management Agency Disaster Relief Activity Grant	80.516

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

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

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

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

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

We have examined management's assertion about City of Holly Hill, Florida's compliance with the allowable cost requirements established in the grant agreements applicable to State grants and aids appropriations identified on Schedule of State Financial Assistance for the year ended September 30, 1999, included in the accompanying Management Assertion Report. Management is responsible for City of Holly Hill, Florida's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about City of Holly Hill, Florida's compliance based on our examination.

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

In our opinion, management's assertion that City of Holly Hill, Florida complied with the aforementioned requirements for the fiscal year ended September 30, 1999, is fairly stated, in all material respects.

Brent Millikan & Co., P.A.

March 8, 2000



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

MANAGEMENT COMMENTS

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

We have audited the general-purpose financial statements of City of Holly Hill, Florida, as of and for the year ended September 30, 1999 and have issued our report thereon dated March 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

In planning and performing our audit of the general-purpose financial statements of City of Holly Hill, Florida, for the year ended September 30, 1999, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. As a result, no weaknesses in procedures or controls came to our attention which are required to be reported.

We have tested your operations for compliance with applicable laws and have included all comments required by reason of the Rules of the Auditor General of the State of Florida. We noted that the previous management letter comments have been resolved to our satisfaction except as noted in the attached schedule. We also determined that City of Holly Hill, Florida was not in a state of financial emergency at September 30, 1999 as a consequence of conditions described in Section 218.503(1), Florida Statutes. We also reviewed the City's September 30, 1999 Annual Financial Report required to be filed with the Florida Department of Banking and Finance pursuant to Section 218.32 (1)(b), Florida Statutes. This report was compared with the City's general-purpose financial statements for the same period. No exceptions were noted during our review.

We are submitting for your consideration the accompanying recommendations designed to help City of Holly Hill, Florida, improve the internal control structure, achieve operational efficiencies and to notify management of significant impending accounting and reporting changes.

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



March 8, 2000

Summary Schedule of Prior Audit Findings

All prior year items were appropriately and satisfactorily resolved, except as follows:.

Business Continuity Planning

The historical value of a successfully developed formal disaster recovery and business continuity plan can only be measured if, and when, a full scale recovery is encountered as the result of the occurrence of a disastrous event. However, much can be done in advance to limit your exposure to potential losses which will develop if such a disaster occurs.

As was documented in last year's management letter, we agree that in all organizations where computer systems are critical to operations, it is important for disaster planning to be addressed globally as an organizational issue. While the potential losses from the inability to recover financial information are typically the first to come to mind, it should be inherently understood that these are only one part of the many valuable information systems you manage which need to be included in your formal disaster recovery plans. To appropriately address this risk area, three specific recommendations were made to the City. They included the following:

1. Development of a formal Business Resumption Plan which includes all-encompassing instructions for continuing business operations in the event of a disruption, regardless of the cause. The objective is to recover business unit processing services either manually or on personal computers while normal business operations are being resumed;
2. Development of a formal IT Disaster Recovery Plan which requires assessments to define critical applications, to identify personnel needed to recover the critical applications, and to evaluate the risk of various types of disasters occurring. With this information, detailed recovery procedures can be developed; and
3. Development of required data backup procedures which must be performed effectively and completely each day because of the uncertainty associated with disasters.

We continue to recommend that you consider the complete development and maintenance of a formal business continuity plan for the resumption of City operations (including the recovery of information systems) in the event of disasters.

Fixed Assets

We can clearly concur that "significant" progress was made in the development and maintenance of the City's fixed assets systems during the past year. However, we noted several instances where the underlying supporting documentation (required by Chapter 10.400, Rules of the Auditor General of the State of Florida, Chapter 274, F.S.), for some asset acquisitions was not readily available. Most occurrences were directly related to older assets which were purchased by the City in prior years. Nevertheless, steps must be considered to investigate these purchases to obtain the documentation necessary to support the acquisition costs for previously qualifying fixed asset purchases which are required to be in complete compliance with these statutory provisions.

We recommend that you should consider the establishment of formal set of procedures which provide adequate assurance that the required property record system is established and maintained in accordance with Chapter 274, Florida Statutes. In an effort to assist you in the maintenance of

such a system, we suggest that you consider the following property control system maintenance procedures:

1. Assign one individual to be responsible for maintaining the property control system and for performing periodic surprise fixed asset observation audits.
2. Update all department subsidiaries and establish related control totals in the general ledger on a timely basis (monthly).
3. After control totals have been established, a department lead schedule should be produced to account for all individual additions, deletions, and interdepartmental transfers of qualifying general fixed assets.
4. Reconcile departmental ending balances of subsidiaries with departmental control lead schedules and the general ledger control account on a monthly basis.

Current Year Comments

Inventories of Consumable Material and Supplies

During the course of our audit, we found that the City does not make any provision to monitor the purchase, storage, and distribution of its inventories of consumable material, supplies and chemicals in the water and sewer system. Similarly, we also noted that no inventory control procedures are maintained over the consumable material and supplies held by the City's governmental type funds. To the extent that the inventories held are financially significant, failure to record the inventory levels at the beginning and end of each accounting period can create a significant distortion in the reported income or loss from your utility operations resulting from the corresponding changes in the levels of such inventories. In addition, the lack of internal control resulting from the failure to maintain perpetual inventories of your consumable material and supplies in both proprietary and governmental fund operations creates the ability and opportunity for a financial loss to occur without detection.

Since governmental accounting and financial reporting standards require the use of the accrual basis of accounting in your enterprise funds and the inventory amounts can, at times, be significant, we recommend that you should consider the establishment of a perpetual inventory system to properly account for the inventories in the water and sewer utility fund. We also recommend that similar consideration be given to establishing an inventory system to control the major consumable materials and supplies held by your governmental type funds.

Florida Municipal Pension Trust Fund - Earnings Allocations

In 1996, the City established a defined contribution pension plan for all City employees who were hired after 1995. During our audit of the plan, we noted instances where the annual investment earnings of the plan were not allocated on a pro-rata basis to all plan participants throughout the year. Specifically, we noted that all employees who had not attained six months of employment service as participants in the plan at the end of any given plan year did not receive any allocation of earnings (or forfeitures) for their contributions to the plan during the period. Furthermore, we noted that no distinction was made between employee and employer contribution components for purposes of not making an earnings allocation for the year. This treatment is not consistent with

the terms and conditions of the Plan Adoption Agreement (Sections B3 and B4, as amended by Ordinance No. 2450, dated January 28, 1997 and Ordinance No. 2508, dated April 28, 1998).

We recommend that you should consider contacting the Plan Trustee to obtain assurance that the allocation of Plan earnings is consistent with the Adoption Agreement, as amended.

Required Implementation of GASB Statement No. 34 Financial Statement Changes

In June, 1999, the Governmental Accounting Standards Board (the "GASB") issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* which establishes new financial reporting requirements for all state and local governments throughout the United States the first phase of which must be implemented by the City by October 1, 2001. In addition to the significant financial reporting requirements, your financial managers will be required to share their insights in your financial operations by providing a management's discussion and analysis (referred to as MD&A) by giving financial statements readers what is expected to be an objective and easily readable analysis of the City's financial performance for the year. This analysis should provide your citizens and financial statement users with the information they need to help them assess whether the City's financial position has improved or deteriorated as a result of the year's operations.

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

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

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

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



CITY OF HOLLY HILL

TEN SIXTY-FIVE RIDGEWOOD AVENUE
HOLLY HILL, FLORIDA 32117-2898
(904) 947-4127
FAX: (904) 947-4148
SUNCOM: 380-4120

March 27, 2000

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

RESPONSE TO MANAGEMENT COMMENTS FYE 9/30/99

Business Continuity Planning

Management is continuing work on completing a formal business continuity plan for the resumption of operations that will include the recovery of information systems in the event of a disaster.

Fixed Assets

The Finance Department is establishing procedures for improved property control maintenance.

Inventories of Consumable Material and Supplies

Consideration will be given by management to this recommendation to establish an inventory system for both the proprietary and governmental fund operations.

Florida Municipal Pension Trust Fund – Earnings Allocations

The Finance Department is contacting the Plan Trustee to obtain assurance that the allocation of Plan earnings is consistent with the Adoption Agreement, as amended.

Required Implementation of GASB Statement No. 34 Financial Changes

Management is taking steps to understand and assess these major changes in order to plan for the implementation of the new requirements by their due dates.



Brenda Gubernator
Finance Director

