

*City of Holly Hill  
Florida*



*Comprehensive Annual Financial Report  
Fiscal Year Ended  
September 30, 2002*



# CITY OF HOLLY HILL, FLORIDA

## *COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002*



### CITY COMMISSION

HONORABLE WILLIAM D. ARTHUR, MAYOR

DISTRICT 1 - ARTHUR J. BYRNES

DISTRICT 2 - PAUL E. LOCKEY

DISTRICT 3 - LOU SCHMITT

DISTRICT 4 - ROLAND VIA

### CITY MANAGER

JOSEPH A. FORTE

### CITY ATTORNEY

EDWARD F. SIMPSON, JR.

### DIRECTOR OF FINANCE

BRENDA GUBERNATOR

### INDEPENDENT AUDITORS

BRENT MILLIKAN & COMPANY, P.A.

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



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September 30, 2002  
CITY OF HOLLY HILL, FLORIDA

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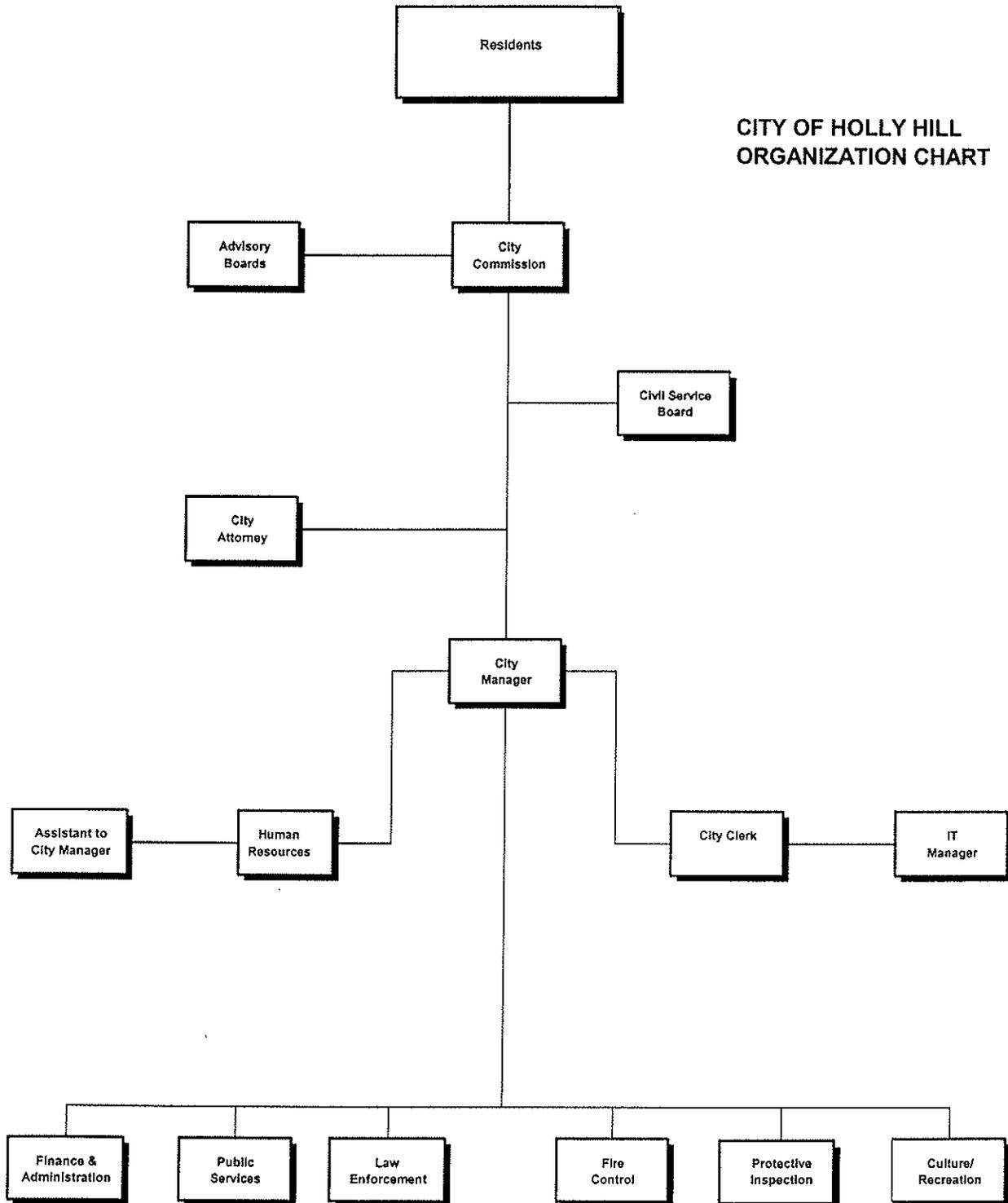
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# ***ORGANIZATION CHART***



**CITY OF HOLLY HILL  
ORGANIZATION CHART**





**CITY OF HOLLY HILL, FLORIDA**

**CERTIFICATE OF ACHIEVEMENT AWARDED**

*For the Year Ended September 30, 2001*

*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, 2001.*

*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, 2001

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.



*William Patrick Pate*  
President

*Jeffrey L. Essler*  
Executive Director



*LETTER OF TRANSMITTAL*





# CITY OF HOLLY HILL

The City with a Heart

1065 Ridgewood Avenue ♥ Holly Hill, Florida 32117

www.hollyhillfl.org

February 21, 2003

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Graphs etc in  
the section

**Building,  
Zoning,  
Licensing &  
Inspections**  
386-248-9442  
Fax 386-248-9498

**City  
Clerk**  
386-248-9441  
Fax 386-248-9448

**City  
Manager**  
386-248-9425  
Fax 386-248-9448

**Economic  
Development**  
386-248-9424  
Fax 386-248-9448

**Finance**  
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Fax 386-248-9448

**Human  
Resources**  
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**Information  
Technology**  
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**Public  
Works**  
386-248-9463  
Fax 386-248-9499

**Recreation**  
386-248-9460  
Fax 386-248-9446

**Utility  
Billing**  
386-248-9432  
Fax 386-248-9448

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, 2002, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapters 10.500 and 11.45, Rules of the Auditor General of the State of Florida. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City is required to make the determination whether the audit of the City's participation in federal awards and state financial assistance projects will be conducted as a single audit in conformity with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Based on the level of expenditures directly related to federal award programs and state financial assistance projects, the City was required to have its September 30, 2002 fiscal year end audit conducted as a single audit for federal program purposes only. 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 federal awards and are also presented in the last section of this report.

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

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 that 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 but is expected to slow because of current economic conditions affecting the state and the nation. However, opportunities for additional growth still exist in an already dynamic business and industrial community. Growth has remained steady at an average 2% per year for the last several years. Due to limited availability of vacant land parcels and other resources the City encourages new and expanded business development on a business-by-business basis and by assisting the owners wherever possible in overcoming obstacles. Property valuations increased during the past year by 3.5%. The population increased by 3% due to the completion of a new affordable housing complex in early 2002. The community currently has a 5.3% unemployment rate which is the same as the statewide rate of 5.3%.

Growth trends and their challenge to government are expected to continue. Maintaining service delivery to the residential and business community continues to require fresh approaches and examination of established practices to obtain and manage resources to meet those challenges.

### **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. Public Safety - To enhance public safety in the City, the Police Department has increased drug enforcement efforts by assigning an investigator to a county task force and four officers have been trained and quipped to serve as traffic specialists in conjunction with their regular duties. A Community Action Team has been created, using three positions funded by redevelopment monies. This effort has enhanced police presence and effort in the redevelopment area. Finally, greater use of technology has enhanced information flow and report writing quality.

In an effort to provide the highest possible level of fire protection, the City continues to maintain its first response agreement for structure fires with the City of Ormond Beach, Florida. This agreement, which serves as a model for all of Volusia County, allows for greater response, at

minimal cost to both cities. Further, the City has plans to expand the Fire Department and co-locate additional personnel and equipment in a County fire station, while at the same time increasing the level of fire protection to the northwest portion of the city, an area that has seen increased annexation.

2. Parks and Recreation - Phase III of the Recreation Complex neared completion in September 2002. New facilities include a wellness center, tennis courts and racquetball courts. The Daytona Beach Recreation and Racing district provided \$150,000 in grant funds toward the construction of these facilities and Florida Health Care, Inc. Donated the exercise equipment for the wellness center.

In addition, the cities of Holly Hill, Daytona Beach, Ormond Beach and the County of Volusia opened a 2.7 acre dog facility within the Riviera Oaks Stormwater Park on Alabama Avenue. Pets are enjoying this unique recreational facility where they can play without the constraint of a leash.

3. Water and Sewer - In late 2002, the City Commission awarded contracts to begin a four-year program to replace water meters throughout the city with electronic meters that provide greater accuracy in meter readings. This program, when completed, will reduce personnel expenses and is expected to increase revenues as well.
4. Public Works – In conjunction with the Florida Department of Transportation's widening of Nova Road from Flomich Street north, the City in 2001, entered into a joint project agreement to relocate and extend the city's water lines to provide water service to residents and businesses in that area. In 2002, as an option, the City decided to have FDOT also install an 8" reuse water main that will connect with the City of Ormond Beach's reuse water line for irrigation of the City's medians on Nova Road. The FDOT anticipates this project will be completed by November 2003.
5. Stormwater Management - A \$4.2 million Stormwater Improvement project funded by the State Revolving Fund loan program started in late 2001 with the purchase of several properties for stormwater retention areas. This project is expected to alleviate flooding conditions within several neighborhoods providing greater protection to lives and properties.

### **PROSPECTS FOR THE FUTURE**

The city adopted its first Long-Range Goals in February 1995. The goals have been revised and updated over the years. Goals #1 through #5 are carried over from 1998 and may be modified or contain new items derived from the 2001 session. The remainder of the goals is completely new or significantly different from the previous lists of goals. Several areas of progress are noted below.

1. To adopt and implement a plan to redevelop the Tax Increment Financing District – CC-1 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.
  - Revenues generated by the TIF District are being utilized in the form of grants for facade improvements, tree planting and signage. The community-policing program for the district is ongoing.
2. To develop a five-year capital improvements plan. Through the development of and commitment to the Goals process, the city will continue to support the Five-Year Capital Improvement Plan(s).
- Completed plans include stormwater drainage, street paving, sidewalks, median beautification, multi-purpose recreational facility and vehicle replacement. Additional plans for water and sewer renewals and replacements are in process.
3. To develop a recreation plan. The City Commission supports a strong recreation plan for all residents. Numerous goals addressing this issue have been accomplished since recreation was adopted as a major issue in 1995.
- Additional recreational facilities such as tennis and racquetball courts and a wellness center have been completed. A multi-purpose field, playground and a butterfly garden with a water feature has been planned with Phase II Centennial Park Improvements in the 2003 budget.
4. To maintain and improve the “people” environment for the city. The City has instituted policies and practices to create a better environment for all residents, business owners, staff and visitors in the City.
- The 4<sup>th</sup> annual awards dinner for the Employee of the Year, Citizen of the Year and Business of the Year was held in September 2002. Joint efforts between the city and its employees and board members, the Chamber of Commerce and the local businesses to promote communication and understanding is proving to be successful within the community.
  - Enhanced training for staff is being offered to provide quality services. Management staff is receiving leadership training conducted by the Human Resources Director. A training room in the police department has been equipped with eight computers allowing for classes and training to be planned and conducted for all city employees on various subjects as well as computer software applications.
  - Regular programs recognizing all city boards and committees for their efforts have been established.
5. To enhance the City’s code enforcement efforts. For the benefit of the residents and businesses, the Commission recognizes the need to enhance its code enforcement efforts.

- Combining the animal control and code enforcement officer positions into two community service officer positions to handle the duties of both have resulted in more cases being processed in 2002. A decision to appoint special masters to hear difficult cases and levy fines on those who will not comply should result in greater compliance within the community. The addition of a full-time housing inspector has been beneficial to the community since rental properties are being inspected annually and thus, are better maintained, improving the look of the City.
6. To maximize the land uses of the City. The City will maximize uses of land within the City's boundaries and encourage the annexation of lands adjacent to those boundaries.
- Annexations are encouraged on a parcel-by-parcel basis. Redevelopment of existing properties is encourage through a property-by-property process and adherence to existing and/or modified zoning and building regulations.
7. To upgrade and improve the city's water and wastewater systems. The Commission recognizes the necessity of maintaining and improving the water and wastewater infrastructure.
- A four-year plan to replace the City water meters with electronic meters started in late 2002 and is now well underway.
8. To recognize and promote the historical attributes of the City. Holly Hill has a rich and extensive history. The Commission is interested in developing a structured process to retain the historical elements of the City.
- During fiscal year 2001 a Historical Preservation Board was established to inventory the City's historical features and to begin developing the historical record for the City. In 2002, the City entered into a lease agreement with Volusia County for the use of two rooms at the Halifax Law Center located in Hilly Hill. The rooms will house historical items and will eventually be opened to the public as a museum.
9. To adopt and implement a plan to redevelop LPGA Boulevard. A long term, concerted effort has made great strides to improve the economic viability of Ridgewood Avenue. The Commission now recognizes the need to begin the same effort on LPGA Boulevard.
- Intersection improvements at LPGA Boulevard and U.S. Route No. 1 are underway. The City Commission intends to adopt a long-term plan to improve the look and economic viability of LPGA Boulevard.
10. To be good financial stewards of the City's funds. The Commission recognizes the need to be fiscally responsible to the City's residents, business and property owners, and visitors. This responsibility includes the need to acquire a reasonable level of funds to accomplish the projects and programs of the City while not placing too heavy a burden on the taxpayers.

- The Commission will strive to accomplish the projects and programs of the City within the property tax rolled-back rate each year.
- The City's Water and Sewer Revenue Bonds, Series 1992 were refunded in 2002 to obtain lower interest rates. Total savings achieved were \$998,613 or \$47,500 per year for the next 20 years.

**FINANCIAL INFORMATION**

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

Budgeting Controls In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of all the governmental and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department or division within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Any unencumbered balance of appropriations shall revert to the General Fund and be subject to future appropriations. Open encumbrances are reported as reservations of fund balance at year end. Budgetary 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, and Capital Projects funds) revenues for the fiscal year ended September 30, 2002, and the increases and decreases in relation to prior year revenues:

<u>Revenue Source</u>	<u>2002 Amount</u>	<u>Percent of Total</u>	<u>2002 Increase (Decrease)</u>
Taxes .....	\$ 3,669,565	60.1%	\$ (434,952)
Licenses and permits .....	247,330	4.0%	5,821

<u>Revenue Source</u>	<u>2002 Amount</u>	<u>Percent of Total</u>	<u>2002 Increase (Decrease)</u>
Intergovernmental revenue .....	1,243,035	20.4%	(116,459)
Charges for services .....	549,750	9.0%	32,946
Fines and forfeitures .....	86,939	1.4%	(29,065)
Miscellaneous revenue .....	<u>310,472</u>	5.1%	<u>70,715</u>
Totals .....	\$ <u>6,107,091</u>		\$ <u>(572,166)</u>

Revenues received from governmental fund sources totaled \$6,107,091 for the year ended September 30, 2002, which represents a 8.6% decrease of \$572,166 compared to the amount earned in the previous year, as adjusted for the accrual of non-exchange revenues under the provisions of GASB Statement No. 33. Actual revenues were slightly less than budgeted revenues by \$287,309. The City experienced a decrease in revenue primarily attributed to a decrease in franchise and utility taxes as a result of a decrease in consumption of the services providing such revenues from third parties.

Through the prior year the City has experienced steady revenue growth without raising ad-valorem taxes. In fiscal year 2002 the City adopted a millage rate below the rolled-back rate and below the prior year rate established for ad valorem taxes. Also, the City adopted an additional fifteen thousand dollar senior citizens property tax exemption, which became effective in 2002. These factors led to a slight decrease in the ad valorem taxes earned during the year.

Ad valorem taxes continue to be the City's most significant revenue source. The total non-exempt valuation of all real property, subsurface rights, personal property and centrally assessed property subject to ad valorem taxes amounted to \$473 million, an increase of \$16 million, or 3.4% over the last year's \$457 million. The taxable value for operating millages increased by more than \$13.9 million in 2002 at \$342.4 million compared to \$328.5 million the preceding year.

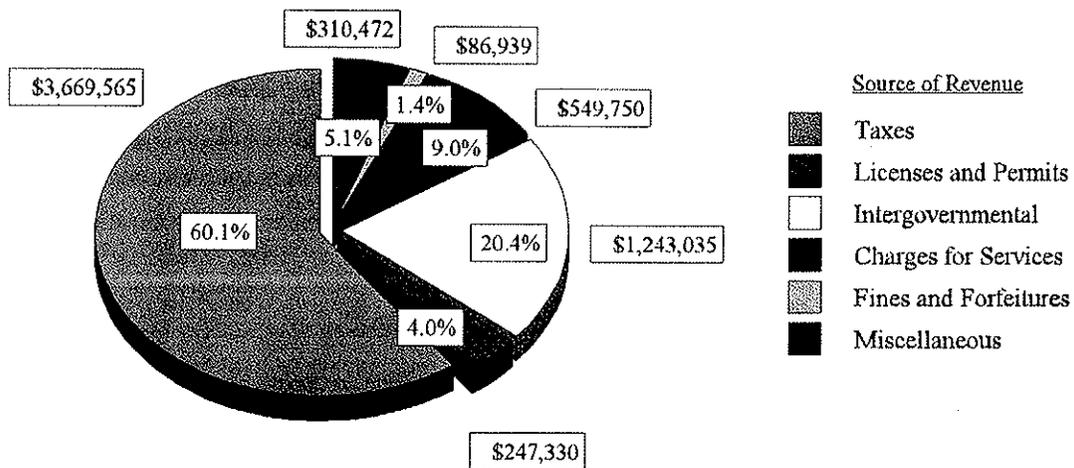
The decline in current year intergovernmental revenue of \$116,459 was due primarily to a decrease in the amount of federal awards and state financial assistance relating to various grant programs the City is administering.

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 provisions of Chapter 192, Florida Statutes, controls the assessments and collections of ad valorem taxes.

The property tax levy during the current year decreased from 5.09007 mills to 4.75000 mills. No ad valorem tax millage increase has been implemented in any of the past five consecutive years. A summary of the City's millage rates and tax levies for each of the past ten years is presented in Table 4 of the Statistical Section of this Report.

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

**Governmental Fund Revenues**  
 Fiscal Year Ended September 30, 2002



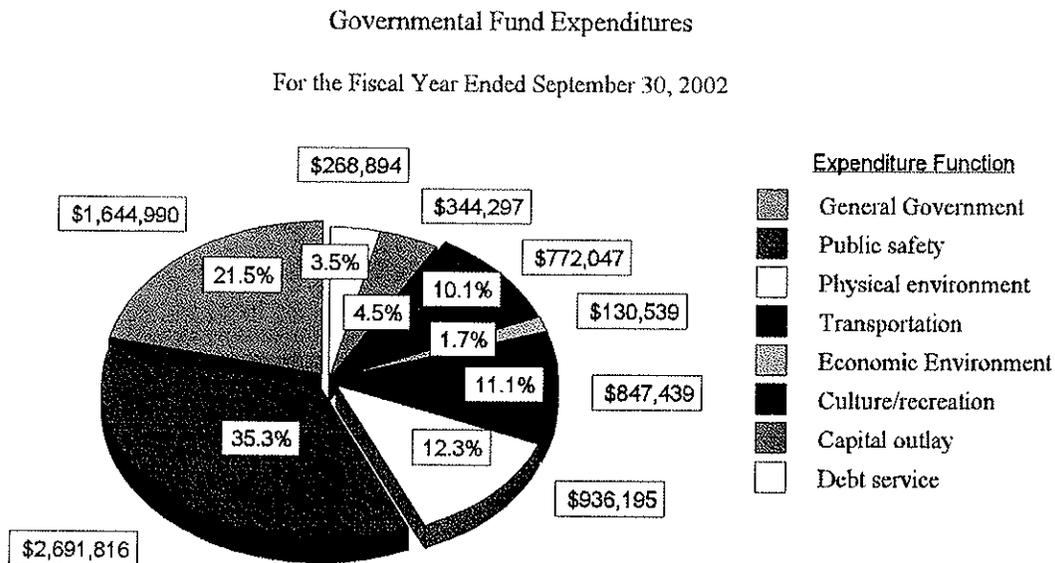
Expenditures for the City's general governmental functions totaled \$7,636,217 for 2002, which represents an increase of \$1,065,927 or 16.2% above total expenditures of \$6,570,290 last year. Overall, most program expenditures increased for all major governmental functions. The significant increases in governmental expenditures is attributed to the following:

- (1) an increase in general government expenditures of \$317,833 primarily attributed to the payment of \$451,418 in water and sewer impact fees in fiscal year 2002 on behalf of the new affordable housing development that was built in the City a year ago;
- (2) an increase in physical environment expenditures of \$325,923 is solely from an increase in the amount of expenditures for improvements to the Stormwater Drainage Fund projects being funded by proceeds borrowed from the Florida Department of Environmental Protection with loans from the State Revolving Fund program;
- (3) an increase of \$156,732 in transportation expenditures, the majority of which are from capital outlays improving roads and streets throughout the City; and
- (4) an increase in capital outlay from the Capital Projects Fund of \$222,235 for construction work-in-progress as of the end of the year for the wellness center and tennis and racquetball courts amounting to \$344,297. These projects were between 89% to 95% complete as of September 30, 2002.

The following schedule presents a summary of governmental fund expenditures for the fiscal year ended September 30, 2002, and the increases and decreases in relation to prior year expenditures:

<u>Expenditure Function</u>	<u>2002 Amount</u>	<u>Percent of Total</u>	<u>2002 Increase (Decrease)</u>
General government .....	\$ 1,644,990	24.0%	\$ 317,833
Public safety .....	2,691,816	35.3%	(56,297)
Physical environment .....	936,195	12.3%	325,923
Transportation .....	847,439	11.1%	156,732
Economic environment .....	130,539	1.7%	47,824
Culture/recreation .....	772,047	10.1%	46,376
Capital outlay .....	344,297	4.5%	222,235
Debt service .....	<u>268,894</u>	1.0%	<u>5,301</u>
Totals .....	\$ <u>6,570,290</u>		\$ <u>1,065,927</u>

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



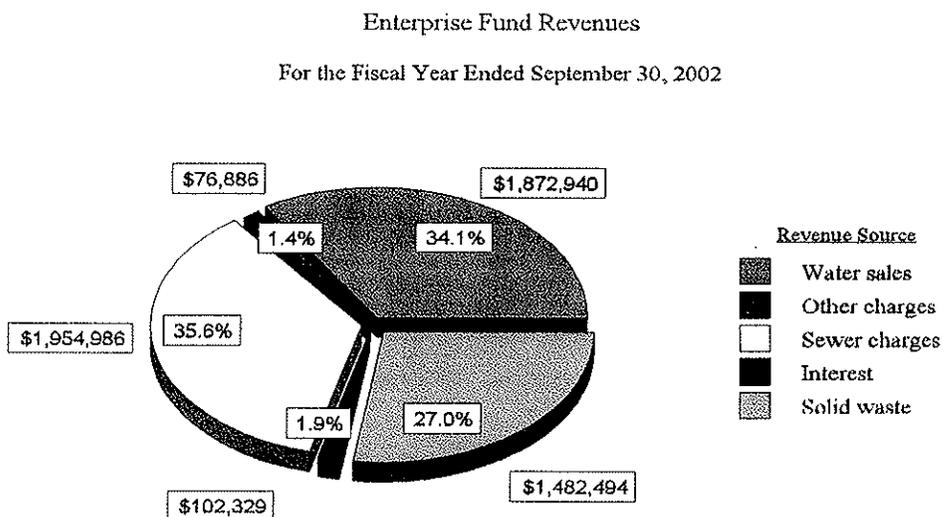
General Fund Equity Balance Unreserved fund equity in the General Fund decreased 13.5% in 2002 totaling \$2,578,006 compared to \$2,979,771 the preceding year. The unreserved (undesignated) portion of the fund balance decreased \$401,765 over the amount available at the end of 2001. This decrease is the result of a decrease in revenues with an increase in expenditures, as explained above. The balance of unreserved fund

balance in the General Fund is equivalent to 41.9% of the total expenditures of the prior year or an amount equal to internally fund from existing surplus funds of approximately 22 weeks of operating expenditures. This indication of sound financial position will ensure the availability of resources needed to continue providing quality services to the City's citizens without imposing an undue tax burden.

Enterprise Operations The City's primary government enterprise operations are comprised of two separate and distinct activities: the Water and Sewer Utility Fund, the Solid Waste Utility Fund. The following schedule presents a summary of enterprise fund revenues for the fiscal year ended September 30, 2002, and the increases and decreases in relation to prior year revenues:

<u>Operating Revenue Source</u>	<u>2002 Amount</u>	<u>Percent of Total</u>	<u>2002 Increase (Decrease)</u>
Water sales .....	\$ 1,872,940	34.1%	\$ 32,301
Sewer charges .....	1,954,986	35.6%	50,654
Waste disposal charges .....	1,482,494	27.0%	103,751
Other charges .....	76,886	1.4%	25,642
Interest earnings .....	102,329	1.9%	(122,847)
Other income .....	<u>0</u>	0.0%	<u>(97,250)</u>
Totals .....	\$ <u>5,489,635</u>		\$ <u>(7,749)</u>

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

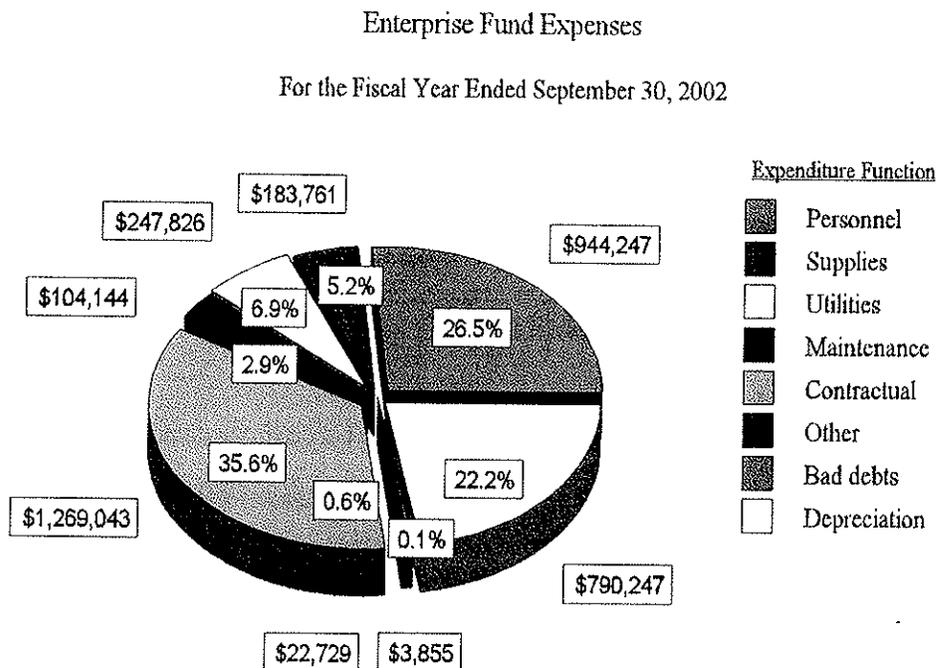


The City's combined enterprise fund revenues decreased slightly by \$7,749 during 2002. The decreases are primarily from a drop in consumer demand for utility services.

The following schedule presents a summary of enterprise fund expenses for the year ended September 30, 2002, and the increases and decreases in relation to prior year amounts:

<u>Operating Expenses</u>	<u>2002 Amount</u>	<u>Percent of Total</u>	<u>2002 Increase (Decrease)</u>
Personal services .....	\$ 944,247	26.5%	\$ 77,851
Materials and supplies .....	183,761	5.2%	1,998
Utilities .....	247,826	7.0%	2,934
Maintenance and repairs .....	104,144	2.9%	(1,031)
Contractual services .....	1,269,043	35.6%	216,429
Other expenses .....	22,729	0.5%	(22,286)
Bad debts .....	3,855	0.1%	(10,018)
Depreciation .....	<u>790,247</u>	22.2%	<u>12,417</u>
Totals .....	\$ <u>3,565,852</u>		\$ <u>278,294</u>

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



Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
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Utility operating expenses increased by \$188,486 in 2002 compared to 2001's operating results. An increase in personal service costs and contractual services are the primary reasons for the increase in the Water and Sewer Fund operating expenses. The City added two plant operator trainees positions and made adjustments to the salary and wage scale for utility workers to help maintain employees and reduce turnover in this department. An increase in fees paid for consultants, engineering services, and fees paid for a study for determining local limits relating to industrial treatment program accounts for the increase in contractual service expenses.

The Solid Waste Fund operating expenses increased as a result of an increase in the rates paid under the solid waste contract to a third party contractor to perform the refuse and sanitation services for the City.

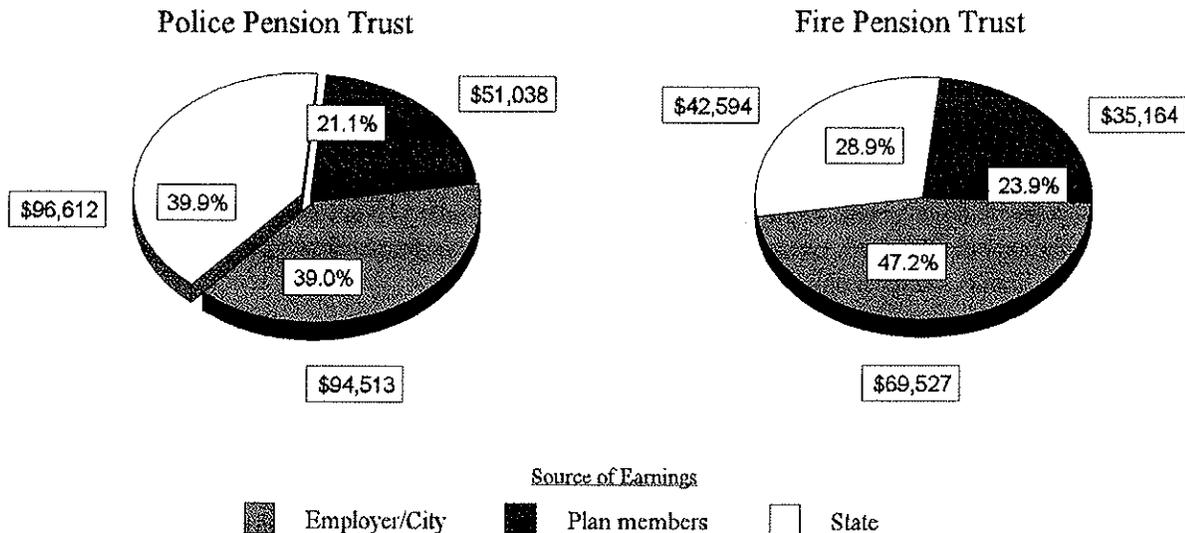
The City's net income before operating transfers from its Water and Sewer Fund and Solid Waste Fund continued to remain strong at \$841,113 and \$397,262, respectively, for 2002. Operating transfers from the Water and Sewer Fund to the General Fund totaled \$450,000 (as reimbursement for administrative expenses) and remained unchanged from 2001. Operating transfers from the Solid Waste Fund to the General Fund totaled \$250,000 for the year.

*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 \$94,513, State contributions of \$51,038, plan member contributions of \$96,612, and total interest and dividend earnings of \$147,419. The plan's investment portfolio experienced a net realized and unrealized loss (depreciation) in the fair value of the trust fund's investments of (\$427,372) for the fiscal year ended September 30, 2002, compared to a net depreciation in fair value of the trust's investments of (\$899,323) experienced in 2001. In addition, the plan's operating expenses (investment, administrative and benefit payments) totaled \$407,782 for the year. As of September 30, 2002, net plan assets held in trust for pension benefits totaled \$4,164,901, which was down 9.7% below last year's amount.

The Municipal Firefighters' Pension Trust Fund was created by the City under the provisions of Chapter 175, Florida Statutes. During the year, revenues were derived from City contributions of \$69,527, State contributions of \$35,164, plan member contributions of \$42,594, and total interest and dividend earnings of \$71,110. The plan's investment portfolio realized net realized and unrealized losses in the fair value of its investments of (\$160,162). By comparison, in 2001 the trust's investments declined in value by (\$144,512). The plan's operating expenses (investment, administrative and benefit payments) totaled \$187,089 for the year. At year end, net plan assets held in trust for pension benefits totaled \$1,781,745, which was down 6.7% below last year's amount.

The following page includes a graphic summary of the contributions to the City's defined benefit pension plans for the year ended September 30, 2002:

Source of Contributions to Defined Benefit Pension Plans  
 For the Fiscal Year Ended September 30, 2002



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 \$1,322,008 for the recent fiscal year. The City's contributions to the plan totaled \$85,244 during the year.

Pursuant to Chapter 95-338, Laws of Florida, and Ordinance No. 2450, all new employees hired by the City after December 31, 1995, do not participate in the Florida Retirement System. The City's alternative retirement plan is a defined contribution plan with an effective date of January 1, 1996. For the fiscal year ended September 30, 2002 covered wages for employees participating in this plan amounted to \$983,997; the City contributions to the plan accounts of the participants amounted to \$82,841 and employee contributions to the plan amounted to \$38,450. As of September 30, 2002, the City had an accumulated credit totaling \$67,338, from employee forfeitures which can be used to offset future contributions.

Debt Administration At September 30, 2002, the City had no general bonded debt obligations outstanding. The City's Water and Sewer Revenue Bonds, Series 1992 were refunded in 2002 to obtain lower interest rates. On August 6, 2002 the City issued the \$14,030,000 in Water and Sewer System Refunding Revenue Bonds, Series 2002, rated AAA by Moody's Investor Services and AAA by Standard and Poor's Corporation and are insured by MBIA Insurance Corporation to advance refund the Series 1992 bonds. Debt service payments

Honorable Mayor Arthur, and  
 Members of the City Commission  
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during the year consisted of \$330,000 in principal maturities on the Series 1992 debt before it was refunded and \$406,632 of related interest on the Series 1992 bonds. Debt service on the new Series 2002 bonds commences in fiscal year 2003.

The City is also indebted to the Florida Department of Environmental Protection for borrowings made under the State Revolving Fund Loan Program. Principal and interest of \$127,996 and \$99,784, respectively, were paid during the year on loans that provided the financing for a wastewater infiltration and inflow correction project that was completed at the beginning of the year. Total outstanding principal at year end amounted to \$2,288,733. The principal borrowed to date on the local drainage improvements project financed by loans through the State Revolving fund program totaled \$907,507 at year end. The loan agreement for this project was amended to provide a total anticipated amount to borrow of \$4,404,654 with debt service payments schedule to begin January 15, 2004. As of September 30, 2002 there were \$3,458,121 of funds left to disburse to the City to finance the costs to complete this project.

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, 2002 totaled \$17,633,791 as compared to \$16,140,014 for the preceding year, an increase of 8.5%.

Cash Management Cash temporarily idle during the year was invested in demand deposit and time deposit accounts and U.S. Treasury securities ranging from 12 to 24 months to maturity. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with state statutes. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. At September 30, 2002, unrestricted cash was invested primarily in interest bearing demand deposits, with the State Board of Administration, and in U.S. Treasury obligations.

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

		<u>2002</u>	<u>2001</u>
General Fund .....	\$	72,341	162,774
Special Revenue Funds .....		22,603	50,171
Capital Projects Fund .....		3,641	5,045
Water and Sewer System Fund .....		85,157	184,293
Solid Waste Fund .....		<u>17,172</u>	<u>40,883</u>
 Total interest earnings .....	 \$	 <u>200,914</u>	 <u>443,166</u>

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

Risk Management The City contracts for all known risk elements through the purchase of insurance from outside insurance companies. In addition, various risk control techniques are in place to minimize accident related losses. These include the establishment of safety rules and procedures, accident prevention training,

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
February 21, 2003  
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and the ongoing efforts of the safety committee, which is charged with (1) reviewing accident reports to identify and verify their causes; (2) recommending corrective actions; (3) reviewing employee safety suggestions; (4) hearing and investigating employee complaints; (5) investigating hazardous conditions, material or equipment; and (6) recommending awards or penalties. All insurance coverage is held by commercial carriers and no settlements in excess of claims have been incurred during the past three fiscal years.

### OTHER INFORMATION

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

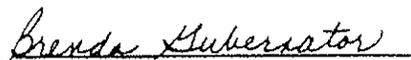
Awards The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its comprehensive annual financial report for the fiscal year ended September 30, 2001. The Certificate of Achievement is a prestigious national award 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 25 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.

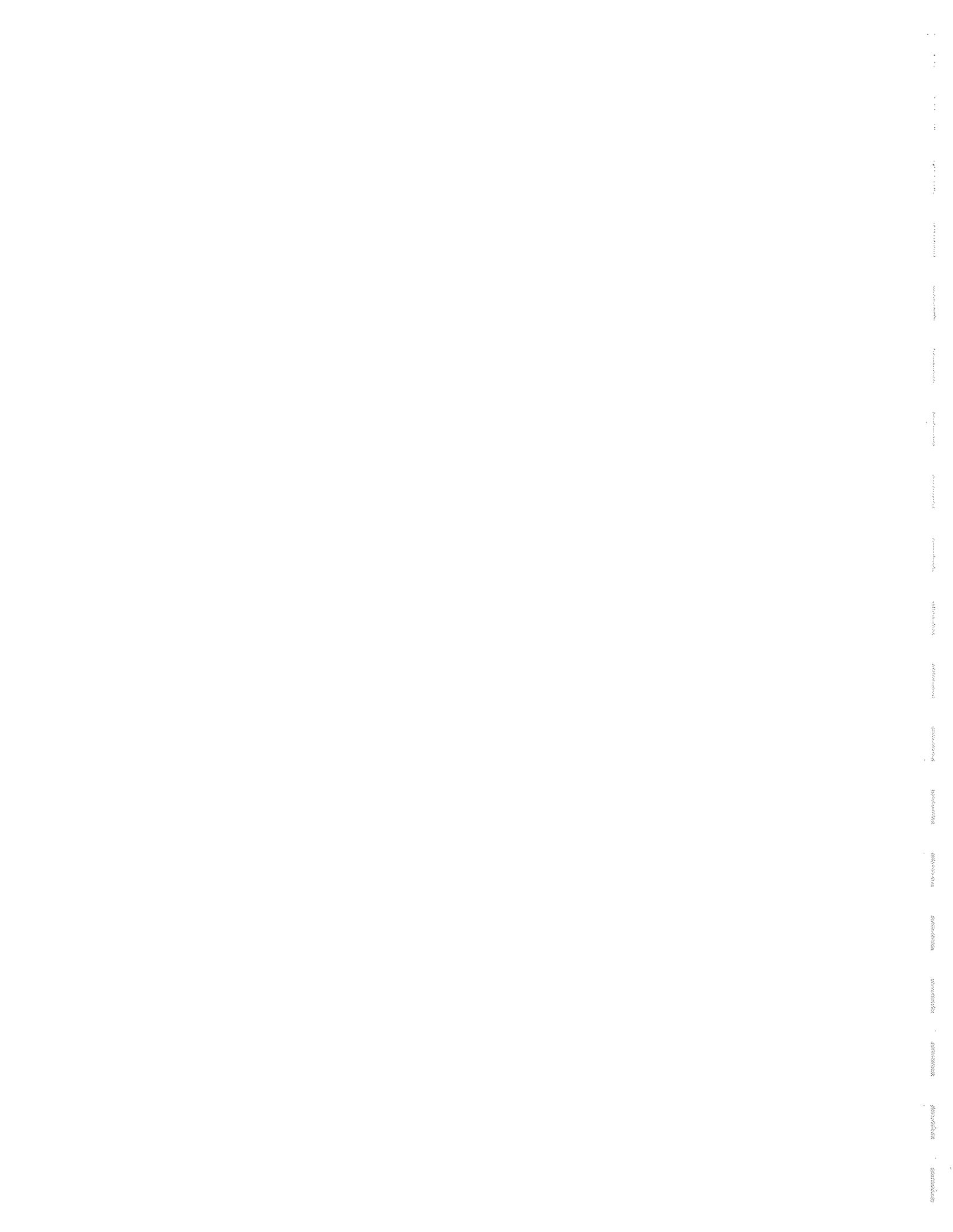
In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 2000. This is the thirteenth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Respectfully submitted,



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, 2002, 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 \$4,164,901 as of September 30, 2002 and changes (decrease) in net assets held in trust for pension benefits of (\$445,572) 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2003 on our consideration of City of Holly Hill, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

The information presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

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

February 21, 2003

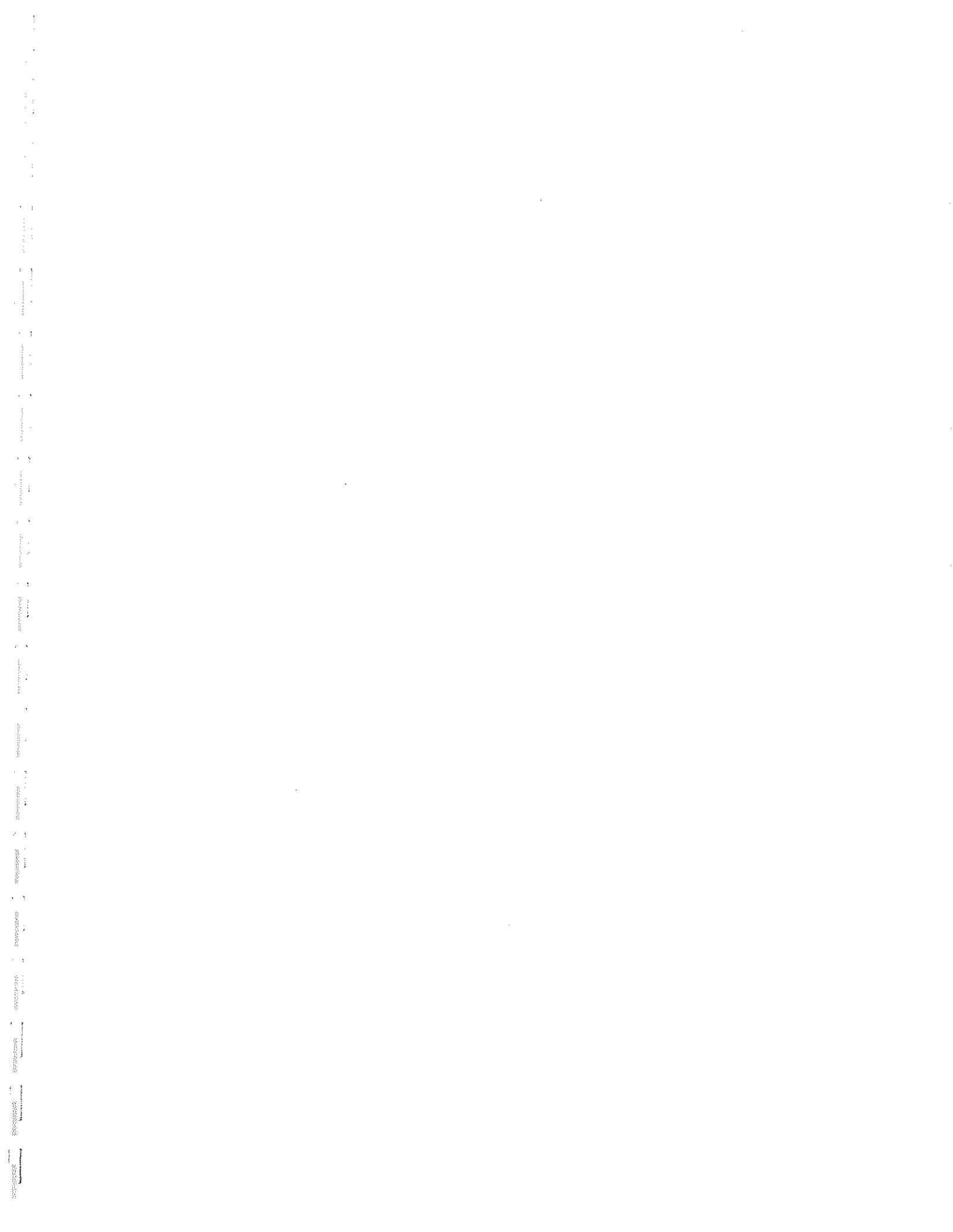
## **GENERAL-PURPOSE FINANCIAL STATEMENTS**

*(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, 2002  
With Comparative Totals for September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Assets and Other Debits:	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Cash and cash equivalents .....	\$ 2,244,684	1,418,838	284,322
Investments .....	296,663	0	0
Receivables - net:			
Delinquent taxes .....	44,363	0	0
Accounts .....	264,462	34,073	0
Accrued interest .....	1,375	0	0
Liens .....	54,308	0	0
Due from brokers .....	0	0	0
Due from other funds .....	7,641	766	0
Advances to other funds .....	59,700	0	0
Due from other governments .....	343,527	5,695	0
Prepaid items .....	0	0	0
Restricted assets:			
Cash and cash equivalents:			
Sinking and Reserve Funds .....	0	0	0
Renewal and Replacement Fund .....	0	0	0
Restricted Impact Fees .....	0	0	0
Customer deposits .....	0	0	0
Accounts and notes receivable .....	0	0	0
Land .....	0	0	0
Buildings .....	0	0	0
Improvements other than buildings .....	0	0	0
Machinery and equipment .....	0	0	0
Accumulated depreciation .....	0	0	0
Construction in progress .....	0	0	0
Unamortized debt expense .....	0	0	0
Other debits:			
Amount to be provided for retirement of general long-term debt .....	0	0	0
<b>Total assets and other debits.....</b>	<b>\$ 3,316,723</b>	<b>1,459,372</b>	<b>284,322</b>

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

Statement 1  
Page 1 of 2

	Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals- (Memorandum Only)	
			General Fixed Assets	General Long-Term Debt	2002	2001
	Enterprise	Pension Trusts				
\$	3,792,787	205,044	0	0	7,945,675	7,526,380
	0	5,704,767	0	0	6,001,430	6,868,185
	0	0	0	0	44,363	29,979
	342,657	0	0	0	641,192	774,761
	0	41,079	0	0	42,454	40,964
	0	0	0	0	54,308	44,347
	0	1,832	0	0	1,832	5,306
	3,729	0	0	0	12,136	238,161
	0	0	0	0	59,700	59,700
	0	0	0	0	349,222	246,020
	8,560	0	0	0	8,560	10,532
	168,469	0	0	0	168,469	209,769
	702,044	0	0	0	702,044	410,237
	754,519	0	0	0	754,519	236,827
	0	0	0	0	0	19,119
	394,051	0	0	0	394,051	10,757
	154,739	0	1,888,581	0	2,043,320	1,625,861
	10,855,040	0	3,655,497	0	14,510,537	14,503,897
	11,228,812	0	8,812,032	0	20,040,844	19,447,011
	7,071,543	0	2,933,384	0	10,004,927	9,648,076
	(11,505,335)	0	0	0	(11,505,335)	(10,750,394)
	232,786	0	344,297	0	577,083	318,770
	267,081	0	0	0	267,081	226,676
	0	0	0	2,334,170	2,334,170	1,871,897
\$	<u>24,471,482</u>	<u>5,952,722</u>	<u>17,633,791</u>	<u>2,334,170</u>	<u>55,452,582</u>	<u>53,622,838</u>

**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS - (Continued)**  
September 30, 2002  
With Comparative Totals for September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Liabilities, Equity and Other Credits:	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Liabilities:</b>			
Accounts payable .....	\$ 79,326	1,042	92,464
Accrued liabilities .....	188,785	8,385	0
Pension contribution payable .....	0	0	0
Refundable deposits .....	1,613	0	0
Due to other funds .....	4,495	7,641	0
Advance from other funds .....	0	59,700	0
Deferred revenues .....	176,747	3,106	0
<b>Restricted fund liabilities:</b>			
Accounts payable .....	0	0	0
Accrued liabilities .....	0	0	0
Customers' deposits .....	0	0	0
Current portion of long-term debt .....	0	0	0
Revenue bonds payable - net .....	0	0	0
Notes payable .....	0	0	0
Obligation for compensated absences .....	0	0	0
<b>Total liabilities .....</b>	<b>450,966</b>	<b>79,874</b>	<b>92,464</b>
<b>Equity and Other Credits:</b>			
Investment in general fixed assets .....	0	0	0
<b>Retained Earnings:</b>			
Invested in capital assets, net of related debt .....	0	0	0
Restricted for renewal and replacement .....	0	0	0
Restricted for debt service .....	0	0	0
Unrestricted .....	0	0	0
<b>Fund Balances:</b>			
Reserved for encumbrances .....	92,719	0	0
Reserved for transportation .....	113,832	0	0
Reserved for advances to other funds .....	59,700	0	0
Reserved for police education .....	21,500	0	0
Reserved for stormwater drainage .....	0	1,145,128	0
Reserved for capital projects .....	0	0	191,858
Reserved for law enforcement trust .....	0	33,820	0
Reserved for pension benefits .....	0	0	0
Unreserved - Undesignated .....	2,578,006	200,550	0
<b>Total equity and other credits.....</b>	<b>2,865,757</b>	<b>1,379,498</b>	<b>191,858</b>
<b>Total liabilities, equity and other credits .....</b>	<b>\$ 3,316,723</b>	<b>1,459,372</b>	<b>284,322</b>

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

Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals-	
		General Fixed Assets	General Long-Term Debt	Memorandum Only	
Enterprise	Pension Trusts			2002	2001
\$ 119,965	6,076	0	0	298,873	251,953
36,747	0	0	0	233,917	267,853
0	0	0	0	0	0
0	0	0	0	1,613	1,892
0	0	0	0	12,136	238,161
0	0	0	0	59,700	59,700
0	0	0	0	179,853	143,234
7,595	0	0	0	7,595	3,756
171,282	0	0	0	171,282	0
581,583	0	0	0	581,583	551,314
89,956	0	0	0	89,956	330,000
12,481,775	0	0	0	12,481,775	12,502,062
2,198,777	0	0	1,807,212	4,005,989	3,787,967
150,991	0	0	526,958	677,949	618,633
<u>15,838,671</u>	<u>6,076</u>	<u>0</u>	<u>2,334,170</u>	<u>18,802,221</u>	<u>18,756,525</u>
0	0	17,633,791	0	17,633,791	16,140,014
3,357,032				3,357,032	3,352,724
694,449	0	0	0	694,449	410,237
295,713	0	0	0	295,713	77,059
4,285,617	0	0	0	4,285,617	3,751,910
0	0	0	0	92,719	0
0	0	0	0	113,832	184,845
0	0	0	0	59,700	59,700
0	0	0	0	21,500	20,621
0	0	0	0	1,145,128	995,168
0	0	0	0	191,858	202,114
0	0	0	0	33,820	49,983
0	5,946,646	0	0	5,946,646	6,521,074
0	0	0	0	2,778,556	3,100,864
<u>8,632,811</u>	<u>5,946,646</u>	<u>17,633,791</u>	<u>0</u>	<u>36,650,361</u>	<u>34,866,313</u>
<u>\$ 24,471,482</u>	<u>5,952,722</u>	<u>17,633,791</u>	<u>2,334,170</u>	<u>55,452,582</u>	<u>53,622,838</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, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Revenue:</b>			
Taxes .....	\$ 3,597,639	71,926	0
Licenses and permits .....	247,330	0	0
Intergovernmental .....	1,071,285	171,750	0
Charges for services .....	133,964	415,786	0
Fines and forfeitures .....	77,199	9,740	0
Miscellaneous .....	131,704	25,127	153,641
<b>Total revenue .....</b>	<b>5,259,121</b>	<b>694,329</b>	<b>153,641</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,644,990	0	0
Public safety .....	2,633,784	58,032	0
Physical environment .....	0	936,195	0
Transportation .....	835,439	12,000	0
Economic environment .....	0	130,539	0
Culture/recreation .....	772,047	0	0
Capital outlay .....	0	0	344,297
<b>Debt Service:</b>			
Principal retirement .....	216,973	0	0
Interest and fiscal charges .....	51,921	0	0
<b>Total expenditures .....</b>	<b>6,155,154</b>	<b>1,136,766</b>	<b>344,297</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(896,033)</b>	<b>(442,437)</b>	<b>(190,656)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	0	652,945	0
Operating transfers in .....	700,000	2,747	180,400
Operating transfers (out) .....	(183,147)	0	0
<b>Total other financing sources (uses) .....</b>	<b>516,853</b>	<b>655,692</b>	<b>180,400</b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>(379,180)</b>	<b>213,255</b>	<b>(10,256)</b>
<b>Fund balances, beginning of year .....</b>	<b>3,244,937</b>	<b>1,166,243</b>	<b>202,114</b>
<b>Fund balances, end of year .....</b>	<b>\$ 2,865,757</b>	<b>1,379,498</b>	<b>191,858</b>

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

Statement 2

Totals- (Memorandum Only)	
2002	2001
\$ 3,669,565	4,104,517
247,330	241,509
1,243,035	1,359,494
549,750	516,804
86,939	116,004
310,472	340,929
<u>6,107,091</u>	<u>6,679,257</u>
1,644,990	1,327,157
2,691,816	2,748,113
936,195	610,272
847,439	690,707
130,539	82,715
772,047	725,671
344,297	122,062
216,973	204,596
51,921	58,997
<u>7,636,217</u>	<u>6,570,290</u>
<u>(1,529,126)</u>	<u>(458,323)</u>
652,945	458,766
883,147	692,191
(183,147)	(2,191)
<u>1,352,945</u>	<u>1,148,766</u>
(176,181)	690,443
<u>4,613,294</u>	<u>3,922,851</u>
<u>\$ 4,437,113</u>	<u>4,613,294</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, 2002  
CITY OF HOLLY HILL, FLORIDA

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenue:</b>			
Taxes .....	\$ 3,664,900	3,597,639	(67,261)
Licenses and permits .....	292,500	247,330	(45,170)
Intergovernmental .....	990,400	1,071,284	80,884
Charges for services .....	149,000	133,964	(15,036)
Fines and forfeitures .....	73,700	77,199	3,499
Miscellaneous .....	177,500	131,705	(45,795)
<b>Total revenue .....</b>	<b>5,348,000</b>	<b>5,259,121</b>	<b>(88,879)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,763,300	1,644,990	118,310
Public safety .....	2,785,700	2,633,784	151,916
Physical environment .....	0	0	0
Transportation .....	1,108,900	835,439	273,461
Economic environment .....	0	0	0
Culture/recreation .....	916,200	772,047	144,153
Capital outlay .....	0	0	0
<b>Debt Service:</b>			
Principal retirement .....	197,000	216,973	(19,973)
Interest and fiscal charges .....	52,000	51,921	79
<b>Total expenditures .....</b>	<b>6,823,100</b>	<b>6,155,154</b>	<b>667,946</b>
Excess of revenue over (under) expenditures .....	(1,475,100)	(896,033)	579,067
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	0	0	0
Operating transfers in .....	700,000	700,000	0
Operating transfers (out) .....	(183,200)	(183,147)	53
Appropriated fund balance .....	958,300	0	(958,300)
<b>Total other financing sources (uses) .....</b>	<b>1,475,100</b>	<b>516,853</b>	<b>(958,247)</b>
Excess of revenue and other sources over expenditures and other uses .....	0	(379,180)	(379,180)
Fund balances, beginning of year .....	3,244,937	3,244,937	0
Fund balances, end of year .....	\$ 3,244,937	2,865,757	(379,180)

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

Special Revenue Funds			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
71,900	71,926	26	0	0	0
0	0	0	0	0	0
268,100	171,750	(96,350)	93,300	0	(93,300)
417,300	415,786	(1,514)	0	0	0
9,000	9,710	710	0	0	0
36,800	25,157	(11,643)	150,000	153,641	3,641
<u>803,100</u>	<u>694,329</u>	<u>(108,771)</u>	<u>243,300</u>	<u>153,641</u>	<u>(89,659)</u>
0	0	0	0	0	0
61,900	58,032	3,868	0	0	0
2,849,100	936,195	1,912,905	0	0	0
12,000	12,000	0	0	0	0
282,000	130,539	151,461	0	0	0
97,300	0	97,300	0	0	0
0	0	0	573,700	344,297	229,403
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,302,300</u>	<u>1,136,766</u>	<u>2,165,534</u>	<u>573,700</u>	<u>344,297</u>	<u>229,403</u>
<u>(2,499,200)</u>	<u>(442,437)</u>	<u>2,056,763</u>	<u>(330,400)</u>	<u>(190,656)</u>	<u>139,744</u>
2,402,100	652,945	(1,749,155)	0	0	0
2,800	2,747	(53)	180,400	180,400	0
0	0	0	0	0	0
94,300	0	(94,300)	150,000	0	(150,000)
<u>2,499,200</u>	<u>655,692</u>	<u>(1,843,508)</u>	<u>330,400</u>	<u>180,400</u>	<u>(150,000)</u>
0	213,255	213,255	0	(10,256)	(10,256)
<u>1,166,243</u>	<u>1,166,243</u>	<u>0</u>	<u>202,114</u>	<u>202,114</u>	<u>0</u>
<u>1,166,243</u>	<u>1,379,498</u>	<u>213,255</u>	<u>202,114</u>	<u>191,858</u>	<u>(10,256)</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**Statement 3  
Page 2 of 2**

**ALL SPECIAL REVENUE FUNDS - (Continued)** *ALL Gov. fd types*  
For the Fiscal Year Ended September 30, 2002  
CITY OF HOLLY HILL, FLORIDA

	Totals - All Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes .....	\$ 3,736,800	3,669,565	(67,235)
Licenses and permits .....	292,500	247,330	(45,170)
Intergovernmental .....	1,351,800	1,243,034	(108,766)
Charges for services .....	566,300	549,750	(16,550)
Fines and forfeitures .....	82,700	86,909	4,209
Miscellaneous .....	364,300	310,503	(53,797)
<b>Total revenue .....</b>	<b>6,394,400</b>	<b>6,107,091</b>	<b>(287,309)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,763,300	1,644,990	118,310
Public safety .....	2,847,600	2,691,816	155,784
Physical environment .....	2,849,100	936,195	1,912,905
Transportation .....	1,120,900	847,439	273,461
Economic environment .....	282,000	130,539	151,461
Culture/recreation .....	1,013,500	772,047	241,453
Capital outlay .....	573,700	344,297	229,403
<b>Debt Service:</b>			
Principal retirement .....	197,000	216,973	(19,973)
Interest and fiscal charges .....	52,000	51,921	79
<b>Total expenditures .....</b>	<b>10,699,100</b>	<b>7,636,217</b>	<b>3,062,883</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(4,304,700)</b>	<b>(1,529,126)</b>	<b>2,775,574</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	2,402,100	652,945	(1,749,155)
Operating transfers in .....	883,200	883,147	(53)
Operating transfers (out) .....	(183,200)	(183,147)	53
Appropriated fund balance .....	1,202,600	0	(1,202,600)
<b>Total other financing sources (uses) .....</b>	<b>4,304,700</b>	<b>1,352,945</b>	<b>(2,951,755)</b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>0</b>	<b>(176,181)</b>	<b>(176,181)</b>
<b>Fund balances, beginning of year .....</b>	<b>4,613,294</b>	<b>4,613,294</b>	<b>0</b>
<b>Fund balances, end of year .....</b>	<b>\$ 4,613,294</b>	<b>4,437,113</b>	<b>(176,181)</b>

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, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

	2002	2001
Operating Revenue:		
Charges for services .....	\$ 5,387,306	5,174,958
Operating Expenses:		
Personal services .....	944,247	866,396
Materials and supplies .....	183,761	181,763
Utilities .....	247,826	244,892
Maintenance and repairs .....	104,144	105,175
Contractual services .....	1,269,043	1,052,614
Other expenses .....	22,729	45,015
Bad debts .....	3,855	13,873
Depreciation .....	790,247	777,830
Total operating expenses .....	3,565,852	3,287,558
Total operating income .....	1,821,454	1,887,400
Nonoperating Revenue (Expenses):		
Interest earnings .....	102,329	225,176
Operating grant revenue .....	0	1,110
Other income (expenses) .....	4,281	96,140
Interest expense .....	(689,689)	(865,326)
Total nonoperating revenue (expenses) .....	(583,079)	(542,900)
Net income before operating transfers .....	1,238,375	1,344,500
Operating transfers .....	(700,000)	(690,000)
Net income (loss) .....	538,375	654,500
Capital contributions .....	502,506	105,665
Net increase in retained earnings .....	1,040,881	760,165
Retained earnings, beginning of year .....	7,591,930	6,831,765
Retained earnings, end of year .....	\$ 8,632,811	7,591,930

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

**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

**Statement 5**  
Page 1 of 2

	2002	2001
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers.....	\$ 5,048,873	5,141,484
Cash paid for personal services.....	(928,263)	(850,097)
Cash paid to suppliers.....	(2,083,116)	(1,424,388)
<b>Net cash provided by operating activities.....</b>	<b>2,037,494</b>	<b>2,866,999</b>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>		
Nonoperating revenue (expenses) .....	4,281	1,110
Operating transfers (out) .....	(700,000)	(690,000)
<b>Net cash provided by (used in) noncapital and related financing activities .....</b>	<b>(695,719)</b>	<b>(688,890)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital contributions .....	502,506	105,665
Proceeds received on issuance of debt .....	131,866	940,573
Debt reduction outlays .....	(457,995)	(310,000)
Deposit to escrow for advanced refunding .....	(258,988)	0
Acquisition and construction of capital assets .....	(174,625)	(1,325,257)
Proceeds from sale of assets.....	0	46,529
Interest paid .....	(451,977)	(812,742)
<b>Net cash provided by (used in) capital and related financing activities .....</b>	<b>(709,213)</b>	<b>(1,355,232)</b>
<b>Investing Activities:</b>		
Sales and (acquisitions) of investments .....	249,385	(238,161)
Interest received .....	102,329	213,950
<b>Net cash provided by investing activities.....</b>	<b>351,714</b>	<b>(24,211)</b>
<b>Net increase in cash and cash equivalents.....</b>	<b>984,276</b>	<b>798,666</b>
Cash and cash equivalents, beginning of year .....	4,433,543	3,634,877
Cash and cash equivalents, end of year .....	\$ <u>5,417,819</u>	<u>4,433,543</u>
<b>Reconciliation to Balance Sheet:</b>		
Unrestricted cash and cash equivalents.....	\$ 3,792,787	3,557,591
Restricted cash and cash equivalents.....	1,625,032	875,952
<b>Total cash and cash equivalents.....</b>	<b>\$ <u>5,417,819</u></b>	<b><u>4,433,543</u></b>

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

**COMBINED STATEMENT OF CASH FLOWS - (Continued)**  
**ALL PROPRIETARY FUND TYPES**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Statement 5  
Page 2 of 2

	2002	2001
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss) .....	\$ 1,821,454	1,887,400
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	790,247	777,830
Bad debt expense .....	4,135	13,873
Other income .....	0	54,184
Changes in assets and liabilities:		
Accounts receivable, net .....	(373,371)	15,013
Due from other governments .....	534	0
Due from other funds .....	(3,729)	6,107
Prepaid expenses .....	1,972	(1,075)
Accounts payable .....	(11,840)	(173,127)
Accrued liabilities .....	(16,010)	8,014
Due to other funds .....	(238,161)	238,161
Customer deposits .....	30,269	32,334
Obligation for compensated absences .....	31,994	8,285
Net cash provided by operating activities.....	<u>\$ 2,037,494</u>	<u>2,866,999</u>

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

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

**Statement 6**

For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

*Not  
next year  
Police  
&  
Fire*

	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	Totals - Memorandum Only	
			2002	2001
<b>Additions:</b>				
Contributions from:				
Employer .....	\$ 94,513	69,527	164,040	122,550
State .....	51,038	35,164	86,202	103,366
Plan members .....	96,612	42,594	139,206	127,495
Total contributions.....	<u>242,163</u>	<u>147,285</u>	<u>389,448</u>	<u>353,411</u>
<b>Investment income:</b>				
Net realized and unrealized appreciation (depreciation) in fair value of investments ..	(427,372)	(160,162)	(587,534)	(1,043,835)
Interest and dividend earnings .....	147,419	71,110	218,529	247,207
	<u>(279,953)</u>	<u>(89,052)</u>	<u>(369,005)</u>	<u>(796,628)</u>
Less: investment management fees .....	(46,179)	(19,243)	(65,422)	(81,328)
Total investment income .....	<u>(326,132)</u>	<u>(108,295)</u>	<u>(434,427)</u>	<u>(877,956)</u>
Total additions .....	<u>(83,969)</u>	<u>38,990</u>	<u>(44,979)</u>	<u>(524,545)</u>
<b>Deductions:</b>				
Benefit payments .....	285,674	150,365	436,039	415,463
Refunds/withdrawals .....	53,028	430	53,458	11,183
Administrative expenses .....	22,901	17,051	39,952	43,311
Total deductions.....	<u>361,603</u>	<u>167,846</u>	<u>529,449</u>	<u>469,957</u>
Net increase .....	(445,572)	(128,856)	(574,428)	(994,502)
<b>Net assets held in trust for pension benefits:</b>				
Beginning of year .....	4,610,473	1,910,601	6,521,074	7,515,576
End of year .....	<u>\$ 4,164,901</u>	<u>1,781,745</u>	<u>5,946,646</u>	<u>6,521,074</u>

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

*NOTES TO THE FINANCIAL STATEMENTS*



## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### **Reporting Entity**

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

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

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

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

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

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

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

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

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

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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

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

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

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

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

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

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

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

**Measurement Focus - Basis of Accounting**

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

*Governmental Funds Types*

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

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

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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

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:

- a. On or before August 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- b. Budget workshop sessions are scheduled by the City Commission, as needed.
- c. The general summary of the budget and notice of public hearing is published in a local newspaper.
- d. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- e. 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.
- f. 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.
- g. Every appropriation lapses at the close of the fiscal year.

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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

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

**Encumbrances**

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

**Cash and Cash Equivalents**

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

**Investments**

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

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

**Short-Term Interfund Receivables/Payables**

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

**Advances to Other Funds**

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

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA

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

**Receivables**

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

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

**Restricted Assets**

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

**Fixed Assets/Utility Plant In Service**

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

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

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

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

**Unamortized Debt Discount and Issue Costs**

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

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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

**Payroll and Compensated Absences**

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

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

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

**Deferred Revenue**

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

**Long-Term Debt Accounting**

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

**Fund Equity**

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

**Property Taxes**

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

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

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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

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.

**Memorandum Only - Total Columns**

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

**Comparative Data/Reclassifications**

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

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

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

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

**Deposits**

At September 30, 2002, the carrying amount of the City's deposits, including money market funds with financial institutions, was (\$451,077) and the financial institution balances totaled \$319,065. The bank balances are insured by federal depository insurance and secured in accordance with the statutory provisions of the Florida Security for Deposits Act for those amounts identified below as "insured." The money market funds held by trustees in the Municipal Police Officers' Retirement Trust and the Municipal Firefighters' Pension Trust are uninsured, uncollateralized funds. Included in the carrying amount of these funds is \$1,936 in petty cash, change funds, and undeposited receipts.

The deposits are held in three financial institutions at September 30, 2002 as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Insured (FDIC) .....	\$ (740,446)	\$ 29,697	Pooled Cash
Insured (FDIC) .....	22,110	22,110	Law Enforcement
Insured (FDIC) .....	2,340	2,340	Fire Pension
Uninsured:			
Uncollateralized .....	202,654	202,654	Police Pension
Uncollateralized .....	60,328	60,328	Fire Pension
Cash funds .....	<u>1,936</u>	<u>1,936</u>	Various
Total deposits .....	<u>\$ (451,077)</u>	<u>\$ 319,065</u>	

**Investments**

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

NOTE 2 - CASH DEPOSITS AND INVESTMENTS - (CONTINUED)

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

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

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

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

The City's investments are categorized as follows:

Type of Investment	Category 1	Category 2	Category 3	Carrying Value	Fair Value
U.S. Government agency securities . . . .	\$ 0	296,663	0	296,663	296,663
Repurchase agreement . . . . .	0	0	1,685,000	1,685,000	1,685,000
Pension Fund investments with trustee:					
U.S. Government agency securities . . .	0	0	1,154,921	1,154,921	1,154,921
U.S. Corporate debt securities . . . . .	0	0	1,456,407	1,456,407	1,456,407
U.S. Corporate equity securities . . . . .	<u>0</u>	<u>0</u>	<u>3,033,110</u>	<u>3,033,110</u>	<u>3,033,110</u>
Sub-total . . . . .	<u>\$ 0</u>	<u>296,663</u>	<u>7,329,439</u>	7,626,101	7,626,101
Investments not subject to categorization:					
Local Government Surplus Funds					
Trust Fund Investment Pool:					
Restricted . . . . .				1,625,032	1,625,032
Unrestricted . . . . .				<u>6,772,081</u>	<u>6,772,081</u>
Total . . . . .				<u>\$16,023,214</u>	<u>16,023,214</u>

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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

A reconciliation of cash and investments to the financial statements is as follows:

Carrying value of deposits .....	\$ (451,077)
Carrying value of investments .....	<u>16,023,214</u>
Total per note detail .....	<u>\$15,572,137</u>
Combined cash and cash equivalents .....	7,945,675
Restricted cash and cash equivalents .....	1,625,032
Combined investments .....	<u>6,001,430</u>
Total per combined financial statements .....	<u>\$15,572,137</u>

A summary of cash and cash equivalents for purposes of the statements of cash flows is as follows at September 30:

	2002	2001
Enterprise Funds:		
Unrestricted cash and cash equivalents .....	\$ 3,792,787	3,557,591
Restricted cash and cash equivalents .....	<u>1,625,032</u>	<u>875,952</u>
Total cash and cash equivalents, end of year .....	<u>\$ 5,417,819</u>	<u>4,433,543</u>

**NOTE 3 - RECEIVABLES - NET**

The City's net receivable are composed of the following at September 30, 2002:

	Governmental Funds		Enterprise Funds	
	General	Stormwater Drainage	Water and Sewer	Solid Waste
Delinquent taxes receivable .....	\$ 44,363	0	0	0
Accounts receivable .....	264,462	43,543	308,996	132,241
Accrued interest .....	1,375	0	0	0
Liens .....	<u>54,308</u>	<u>0</u>	<u>0</u>	<u>0</u>
	364,508	43,543	322,036	132,241
Less: allowance for doubtful accounts .....	<u>0</u>	<u>(9,470)</u>	<u>(66,937)</u>	<u>(31,643)</u>
Net accounts receivable .....	<u>\$ 364,508</u>	<u>34,073</u>	<u>242,059</u>	<u>100,598</u>

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

The City's Individual fund interfund receivables and payables are composed of the following at September 30, 2002:

Fund	Interfund Due From	Interfund Due To
Due to/from other funds:		
General Fund .....	\$ 7,641	4,495
Special Revenue Fund — Stormwater Drainage .....	766	0
Special Revenue Fund — Local Law Enforcement Block Grant .....	0	1,395
Special Revenue Fund — Community Development Block Grant .....	0	6,246
Enterprise Fund - Solid Waste Utility Fund .....	<u>3,729</u>	<u>0</u>
Totals .....	\$ <u>12,136</u>	<u>12,136</u>
Advance to/from other funds:		
General Fund .....	\$ 59,700	0
Special Revenue Fund — Community Redevelopment .....	<u>0</u>	<u>59,700</u>
Totals .....	\$ <u>59,700</u>	<u>59,700</u>

**NOTE 5 - FIXED ASSETS**

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

	09/30/01	Additions	Deletions	09/30/02
Land .....	\$ 1,471,122	417,459	0	1,888,581
Buildings .....	3,648,857	6,640	0	3,655,497
Improvements other than buildings .....	8,275,824	536,208	0	8,812,032
Machinery and equipment .....	2,744,211	248,863	59,690	2,933,384
Construction work in progress .....	<u>0</u>	<u>344,297</u>	<u>0</u>	<u>344,297</u>
Totals .....	\$ <u>16,140,014</u>	<u>1,553,467</u>	<u>59,690</u>	<u>17,633,791</u>

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 6 - LONG-TERM DEBT**

**General Long-Term Debt**

The City's general long-term debt consists of the following as of September 30, 2001:

Notes Payable to:

County of Volusia, Florida:

Noninterest bearing note payable dated January 24, 1995; \$8,002 due semi-annually through 2004, with interest imputed at 5%; unsecured (anticipated to be paid with unencumbered General Fund revenue) . . . . . \$ 29,992

State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-3.27% construction loan (\$363,664); a 3.16% loan (\$926,500) for local stormwater pollution control and drainage improvements dated January 30, 2001 and September 10, 2001, respectively; and a 3.09% loan (\$1,579,330) for stormwater improvements; combined total payments of \$99,038 due semi-annually on January 15 and July 15 commencing on January 15, 2004 through 2024; secured with stormwater management service charges . . . . . 907,507

Sun Bank of Volusia County:

5.30% Non-Ad Valorem Revenue Note, Series 2001 dated February 20, 2001; \$23,692 due semi-annually through 2006; secured by all non-ad valorem revenues of the city . . . . 117,896

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 . . . . . 751,817

Total notes payable . . . . . 1,807,212  
Obligation for compensated absences . . . . . 526,958

Total general long-term debt . . . . . \$ 2,334,170

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

	Balances <u>09/30/01</u>	Additions	Deletions	Balances <u>09/30/02</u>
Notes Payable:				
County of Volusia, Florida . . . . .	\$ 43,937	0	13,945	29,992
Florida Department of Environmental Protection-Clean Water State Revolving Fund Loan . . . . .	254,562	652,945	0	907,507
Sun Bank of Volusia County:				
5.30% promissory note . . . . .	177,079	0	59,183	117,896
4.55% promissory note . . . . .	27,591	0	27,591	0
4.84% Utility Service Tax Revenue Note, Series 1998A . . . . .	868,070	0	116,253	751,817
Obligation for compensated absences . . . . .	<u>500,658</u>	<u>26,300</u>	<u>0</u>	<u>526,958</u>
Totals . . . . .	<u>\$ 1,871,897</u>	<u>679,245</u>	<u>216,972</u>	<u>2,334,170</u>

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 6 - LONG-TERM DEBT - (CONTINUED)**

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

Fiscal Year	Volusia County	FDEP SRF Loan	SunTrust 5.30%	SunTrust 4.84%	Total
09/30/03 .....	16,003	0	47,384	157,374	220,761
09/30/04 .....	16,003	198,076	47,384	157,374	418,837
09/30/05 .....	0	198,076	47,384	157,374	402,834
09/30/06 .....	0	198,076	10,485	157,374	365,935
09/30/07 .....	0	198,076	0	157,374	355,450
Thereafter .....	<u>0</u>	<u>219,155</u>	<u>0</u>	<u>79,961</u>	<u>299,116</u>
Total .....	32,006	1,011,459	152,637	866,831	2,062,933
Interest .....	<u>(2,014)</u>	<u>(103,952)</u>	<u>(34,741)</u>	<u>(115,014)</u>	<u>(255,721)</u>
Net amount .....	<u>29,992</u>	<u>907,507</u>	<u>117,896</u>	<u>751,817</u>	<u>1,807,212</u>

**Enterprise Fund Long-Term Debt**

The City's enterprise fund (Water and Sewer Utility Fund) long-term debt consists of the following as of September 30, 2002:

Water and Sewer System Refunding Revenue Bonds, Series 2002 -- 2.00% to 5.00%, due serially to 2022 .....	\$ 14,030,000
Less: current maturities .....	<u>(0)</u>
Long-term revenue bonds payable .....	14,030,000
Plus: unamortized debt premium .....	4,901
Less: deferred amount on advance refunding .....	<u>(1,553,126)</u>
Net long-term bonded debt .....	<u>12,481,775</u>
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 \$2,647,500, due semi-annually beginning June 2001 through December 2020 .....	2,288,733
Less: current maturities .....	<u>(89,956)</u>
Net long-term notes payable .....	<u>2,198,777</u>
Total long-term debt-net .....	<u>\$ 14,680,552</u>

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

	Bonds	Note	Total
Fiscal year ending September 30, 2003 .....	\$ 433,111	186,240	619,351
Fiscal year ending September 30, 2004 .....	1,067,532	186,240	1,253,772
Fiscal year ending September 30, 2005 .....	1,067,532	186,240	1,253,772
Fiscal year ending September 30, 2006 .....	1,066,044	186,240	1,252,284
Fiscal year ending September 30, 2007 .....	1,066,656	186,240	1,252,896
Thereafter .....	<u>16,964,014</u>	<u>2,001,484</u>	<u>18,965,498</u>
Total requirements .....	21,664,889	2,932,684	24,597,573
Less: amounts representing interest .....	<u>(7,634,889)</u>	<u>(643,951)</u>	<u>(8,278,840)</u>
Net principal amount .....	<u>\$ 14,030,000</u>	<u>2,288,733</u>	<u>16,318,733</u>

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 6 - LONG-TERM DEBT - (CONTINUED)**

The authorization for the Series 2002 bonds provides that the City will not issue additional obligations unless they are payable on a parity with the Series 2002 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.

Under the terms of its bond resolution and revenue note obligations, 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.

On August 6, 2002, the City issued \$14,030,000 in Water and Sewer System Refunding Revenue Bonds, Series 2002, with an average interest rate of 4.51% to advance refund all of the outstanding Series 1992 Revenue Bonds maturing on October 1, 2003 through October 1, 2022, which were called for redemption on October 1, 2002 in the principal amount of \$12,770,000 with an average interest rate of 6.12%. The net proceeds of \$13.1 million (after payment of \$914,198 in underwriting fees, insurance, and other issuance costs) plus \$258,988 of Series 1992 debt service fund monies were used to purchase \$13,379,806 in U.S. government securities at the date of closing. The U.S. government securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds through October 1, 2002, when the bonds were called for complete redemption. As a result, the Series 1992 bonds are considered to be defeased and the liability for those certificates has been removed at August 6, 2002.

Although the advance refunding resulted in the recognition of a deferred loss on advance refunding in the amount of \$1,589,322 (which will be amortized over the life of the refunding certificates) for the year ended September 30, 2002, the City in effect reduced its aggregate debt service payments by almost \$1.0 million over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments, adjusted for old and new sinking funds on hand) of \$645,235.

The note payable to the State of Florida, Department of Environmental Protection, State Revolving Fund Loan are secured by pledged revenues of the City; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Revenue Bonds, Series 2002.

**NOTE 7 - 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, 2002, is as follows:

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenue .....	\$ 3,904,812	1,482,494	5,387,306
Operating expense:			
Depreciation .....	780,725	9,522	790,247
Other .....	1,676,619	1,098,986	2,775,605
Operating income .....	1,447,468	373,986	1,821,454

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 7 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - (CONTINUED)**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Nonoperating revenue (expenses) .....	(606,355)	23,273	(583,079)
Operating transfers .....	(450,000)	(250,000)	(700,000)
Net income (loss) .....	391,113	147,262	538,375
Capital contributions .....	502,506	0	502,506
Net working capital .....	3,162,379	828,642	3,991,021
Capital asset acquisitions .....	173,496	1,129	174,625
Capital asset retirements .....	30,808	4,498	35,306
Total assets .....	23,509,959	961,523	24,471,482
Total liabilities .....	15,747,652	91,019	15,838,671
Fund equity .....	7,762,307	870,504	8,632,811

**NOTE 8 - PENSION PLANS**

**General Employees - Defined Benefit Pension Plan**

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

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

The required contributions to the plan for the fiscal years ended September 30, 2002, 2001, and 2000 were \$85,244, \$114,100, and \$136,782, respectively. The required contribution percentages for qualifying employee compensation were 5.76% for the period from July, 2002 through September, 2002, 7.30% for the plan year ended June 30, 2002, 9.15% for the plan year ended June 30, 2001, and 10.15% for the plan year ended June 30, 2000. There were no employee contributions made during these years.

**Defined Contribution Plan**

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

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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### NOTE 8 - PENSION PLANS - (CONTINUED)

The City, as the sponsoring employer, is responsible for amending pension provisions and contribution requirements for the plan. The plan was amended during the year to include recent income tax law provisions applicable to employee benefit plans that were applicable to the plan. The City has the power to amend plan provisions at any time.

All qualified employees at least 18 years of age become eligible to participate in the plan on the first date of the month following their date of employment. Employees are required to contribute 2% of their salary and can voluntarily contribute up to an additional 8% of their compensation on the date of employment. The City contributes 10% of the employees' salary to the Plan. To accommodate both employer and employee contributions the City utilizes a Section 457 deferred compensation plan to receive the mandatory 2% employee contribution and employee elective deferrals to the Plan. A Section 401(a) plan is used to account for the employer contributions.

Employees immediately vest in the required and elective deferral contributions made to the Plan. A graded vesting schedule for employer contributions provides for 100% vesting after 10 years of service. The vested portion of accounts or contributions to the plan is available to the participants immediately upon termination of service for those participants who terminate their employment prior to five years of service. Normal retirement benefits are available upon attaining age 60. The plan does not provide for an early retirement date prior to the normal retirement date of age 60.

The required employer contributions to the Plan for the fiscal years ended September 30, 2002, 2001, and 2000 were \$82,841, \$51,855, and \$41,330, respectively. Employee contributions to the Plan for the fiscal years ended September 30, 2002, 2001, and 2000 were \$38,450, \$14,397, and \$11,244, respectively.

As a part of the plan, account forfeitures are accumulated to offset the cost of future City contribution requirements. As of September 30, 2002, cumulative plan forfeitures totaled \$67,338, all of which may be used to reduce the City's portion of its subsequent years' contribution requirements.

#### Police Officers and Firefighters:

##### *Defined Benefit Pension Plans*

*Plan Description.* The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Municipal Police Officers' Retirement Trust Fund (the "Police Plan") and Municipal Firefighters' Pension Trust Fund (the "Fire Plan"). Both Plans issue publicly available stand-alone financial reports that include financial statements and required supplementary information for the plans. The Police Plan report may be obtained by writing to City of Holly Hill, Florida Police Officers' Retirement Trust Fund, Post Office Box 251485, Holly Hill, FL 32125 or calling (386) 248-9475. The Fire Plan report may be obtained by writing to City of Holly Hill, Florida Firefighters' Retirement System Pension Trust Fund, 1065 Ridgewood Avenue, Holly Hill, FL 32117-2898 or calling (386) 248-9473.

All certified police officers and firefighters are eligible to participate in the respective systems after employment. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Police Plan and the Fire Plan can be found in Chapters 185 and 175, Florida Statutes, respectively. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from 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, 2002

CITY OF HOLLY HILL, FLORIDA

NOTE 8 - 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. An independent actuary appointed by the Board of Trustees actuarially determines benefits to be paid to retirees. Current membership in the pension plans is composed of the following:

	<u>Police Plan</u>	<u>Fire Plan</u>
Participant data as of October 1, 2001, the date of the most recent actuarial valuation:		
Retirees and beneficiaries currently receiving benefits . . . . .	11	7
Vested terminated employees . . . . .	0	1
Active employees:		
Fully vested . . . . .	9	1
Nonvested . . . . .	<u>16</u>	<u>11</u>
Total participants . . . . .	<u>36</u>	<u>20</u>

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

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

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

The City has adopted GASB Statement No. 27 on pension accounting and reporting. This statement requires the computation of a net pension obligation (NPO) or asset which would result if the City's contributions to the pension funds did not equal the annual pension cost as computed by the plan actuaries. During the current year, the City evaluated both plans to determine the net pension obligation or assets at the end of 2002.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

NOTE 8 - PENSION PLANS - (CONTINUED)

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

Municipal Police Officers' Retirement Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/01 .....	0	100.0%	\$ 0
09/30/00 .....	0	100.0%	0
09/30/99 .....	0	100.0%	0

The Annual Pension Cost (APC) is based on the Annual Required Contribution (ARC) as determined by the actuarial valuation each year. The APC is reduced by funds received from the State of Florida that go directly into the Plan as stipulated by Ch. 185, F.S. For the past three years the City has not had to contribute to the Municipal Police Officers' Retirement Trust Fund above the amount covered by the State of Florida Casualty Insurance Premium Tax monies. Accordingly, the City's APC is zero, as indicated above.

Municipal Firefighters' Pension Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/01 .....	\$ 42,883	125%	\$ (56,682)
09/30/00 .....	41,977	100%	(39,318)
09/30/99 .....	54,940	101%	(39,956)

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

The development of the Net Pension Obligation (NPO) in the Fire Plan through October 1, 2001 is as follows:

	<u>09/30/98</u>	<u>09/30/99</u>	<u>09/30/00</u>	<u>09/30/01</u>
Actuarially determined contribution ..	\$ 49,568	54,940	41,977	42,883
Interest on NPO .....	0	(2,966)	(2,977)	(2,949)
Adjustment .....	0	3,597	3,635	3,577
Annual Pension Cost .....	49,568	55,571	42,615	43,511
Contributions made .....	89,109	55,986	41,977	60,875
Increase in NPO .....	(39,541)	(415)	638	(17,364)
NPO - beginning of year .....	0	(39,541)	(39,956)	(39,318)
NPO - end of year .....	\$ <u>(39,541)</u>	<u>(39,956)</u>	<u>(39,318)</u>	<u>(56,682)</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**NOTE 8 - PENSION PLANS - (CONTINUED)**

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

	Police <u>Plan</u>	Fire <u>Plan</u>
Contribution rates as of 09/30/01:		
City and State Contributions .....	8.2%	24.2%
City for Members .....	8.0%	0.0%
Plan Members .....	11.2%	10.0%
Actuarial valuation dates .....	10/01/01	10/01/01
Actuarial cost method .....	Aggregate	Aggregate
Amortization method .....	N/A	N/A
Remaining amortization period .....	N/A	N/A
Asset valuation method .....	Investments return over last four years	Investments return over last four years
Actuarial assumptions:		
Investment rate of return .....	8.0%	7.5%
Projected salary increases * .....	6.0%	5.0%
*Includes inflation at .....	3.0%	2.5%
Cost of living adjustments .....	0.0%	0.0%

N/A - The amortization method and period are not applicable for this plan since the Aggregate Actuarial Cost Method does not identify or separately amortize unfunded actuarial liabilities.

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

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

**NOTE 9 - DEFERRED EMPLOYEE BENEFITS**

The City offers its City Manager participation in a Money Purchase Plan and Trust, created in accordance with Section 401(a) of the Internal Revenue Code. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 59½ (normal retirement age) the participant may elect to commence receiving benefits which equal accumulated employers' contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. The City contributes 14.26% of the participant's salary to the Plan. For the year ended September 30, 2002, the City's covered payroll was \$73,369 and contributions were \$10,462.

**NOTE 10 - ACCOUNTING CHANGES**

The City has restated its prior year balances by removing the accounting for plan assets (\$202,833), net assets (\$161,645) and changes in net assets (\$22,628) relating to the General Employees' Retirement Trust Fund, since the City has no fiduciary or managerial control over the plan that are held in trust for the exclusive benefit of participants. The net assets invested in the plan are excluded from the financial reporting under the provisions of GASB Statements No. 25 and 32. Note disclosures pertaining to the defined contribution plan established as the General Employees' Retirement Trust for those employees hired on or after January 1, 1996 are contained in Note 8.

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

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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**NOTE 11 - DEFICIT FUND BALANCE**

The Local Law Enforcement Trust Fund has a deficit fund balance as of September 30, 2002 in the amount of \$1,700 as a result of a deferral of revenue reported under the provisions of the U.S. Department of Justice Local Law Enforcement Block Grant, wherein the City is granted a two year period in which to spend the funds advanced by the grantor agency. It is anticipated that in the next year the City will report the remainder of the income when the expenditures are incurred and due to the provisions of this award, allowing for spending of interest income earned on the funds advance, it is expected this will relieve the fund deficit.

**NOTE 12 - LEGAL MATTERS**

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

**NOTE 13 - COMMITMENTS**

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

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

***REQUIRED SUPPLEMENTARY INFORMATION***



**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**  
September 30, 2002  
CITY OF HOLLY HILL, FLORIDA

Schedule 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c)
<b>Municipal Firefighters' Pension Trust Fund</b>						
10/01/1994	\$1,080,566	\$1,080,566	\$0	100.00%	\$305,913	0.00%
10/01/1996	\$1,399,697	\$1,399,697	\$0	100.00%	\$266,576	0.00%
10/01/1997	\$1,719,631	\$1,719,631	\$0	100.00%	\$306,325	0.00%
10/01/1998	\$1,831,190	\$1,831,190	\$0	100.00%	\$326,669	0.00%
10/01/1999	\$1,964,236	\$1,964,236	\$0	100.00%	\$381,325	0.00%
10/01/2000	\$2,044,098	\$2,044,098	\$0	100.00%	\$339,489	0.00%
10/02/2001	\$2,089,520	\$2,089,520	\$0	100.00%	\$402,803	0.00%
<b>Municipal Police Officers' Retirement Trust Fund</b>						
10/01/1995	\$3,113,805	\$3,465,000	\$351,195	89.86%	\$780,593	44.99%
10/01/1996	\$3,555,970	\$3,874,578	\$318,608	91.78%	\$851,576	37.41%
10/01/1997	\$4,335,919	\$4,696,323	\$360,404	92.33%	\$889,439	40.52%
10/01/1998	\$4,440,281	\$4,654,807	\$214,526	95.39%	\$796,342	26.94%
10/01/1999	\$4,911,757	\$5,060,316	\$148,559	97.06%	\$870,214	17.07%
10/01/2000	\$5,500,526	\$6,064,771	\$564,245	90.70%	\$744,912	75.75%
10/02/2001	\$5,532,568	\$5,532,568	\$0	100.00%	\$871,152	0.00%

Source: Foster & Foster, Inc., Actuaries  
Valuations dated 10/01/2001

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule 2**

**SCHEDULES OF CONTRIBUTIONS OF EMPLOYER AND OTHER CONTRIBUTING ENTITIES**

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

Fiscal Year Ended	Annual Required Contribution	Employer Contributions	State Contributions	Total Contributions	Percentage Contributed
<b>Municipal Firefighters' Pension Trust Fund</b>					
09/30/1995	\$99,442	\$85,580	\$18,124	\$103,704	104.29%
09/30/1996	\$95,129	\$73,256	\$22,790	\$96,046	100.96%
09/30/1997	\$80,281	\$59,009	\$21,272	\$80,281	100.00%
09/30/1998	\$87,446	\$89,109	\$37,878	\$126,987	145.22%
09/30/1999	\$83,017	\$55,985	\$28,077 *	\$84,062	101.26%
09/30/2000	\$70,054	\$41,977	\$28,077 *	\$70,054	100.00%
09/30/2001	\$70,960	\$60,875	\$28,077 *	\$88,952	125.36%

\* "Frozen" per Chapter 175, Florida Statutes, as amended

<b>Municipal Police Officers' Retirement Trust Fund</b>					
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	\$12,003	\$0	\$48,760	\$48,760	100.00%
09/30/2000	\$26,549	\$0	\$45,177	\$45,177	100.00%
09/30/2001	\$5,651	\$0	\$45,613	\$45,613	100.00%

Source: Foster & Foster, Inc., Actuaries  
Valuations dated 10/01/2001

**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, 2002 and 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-1

	2002	2001
<b>Assets:</b>		
Cash and cash equivalents .....	\$ 2,244,684	2,378,296
Investments .....	296,663	296,542
Receivables (net of allowance for uncollectible accounts):		
Delinquent taxes.....	44,363	29,979
Accounts .....	264,462	385,170
Accrued interest .....	1,375	247
Liens .....	54,308	44,347
Due from other funds .....	7,641	238,161
Advances to other funds .....	59,700	59,700
Due from other governments .....	343,527	238,708
	<u>343,527</u>	<u>238,708</u>
Total assets .....	\$ <u>3,316,723</u>	<u>3,671,150</u>
 <b>Liabilities and Fund Equity:</b>		
<b>Liabilities:</b>		
Accounts payable .....	\$ 79,326	79,295
Accrued liabilities .....	188,785	204,107
Due to other funds .....	4,495	0
Refundable deposits .....	1,613	1,892
Deferred revenue .....	176,747	140,919
	<u>176,747</u>	<u>140,919</u>
Total liabilities .....	450,966	426,213
 <b>Fund Equity:</b>		
<b>Fund balance:</b>		
<b>Reserved for:</b>		
Encumbrances.....	92,719	0
Transportation (local option gas tax funds) .....	113,832	184,845
Advances to other funds .....	59,700	59,700
Police education .....	21,500	20,621
	<u>21,500</u>	<u>20,621</u>
<b>Unreserved:</b>		
Undesignated .....	2,578,006	2,979,771
	<u>2,578,006</u>	<u>2,979,771</u>
Total fund equity .....	2,865,757	3,244,937
	<u>2,865,757</u>	<u>3,244,937</u>
Total liabilities and fund equity .....	\$ <u>3,316,723</u>	<u>3,671,150</u>
	<u>3,316,723</u>	<u>3,671,150</u>

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

**Exhibit A-2**

For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

	2002	2001
<b>Revenue:</b>		
Taxes .....	\$ 3,597,639	4,032,557
Licenses and permits .....	247,330	241,509
Intergovernmental .....	1,071,285	1,115,166
Charges for services .....	133,964	140,734
Fines and forfeitures .....	77,199	96,481
Miscellaneous .....	131,704	285,042
<b>Total revenue .....</b>	<b><u>5,259,121</u></b>	<b><u>5,911,489</u></b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government .....	1,644,990	1,327,157
Public safety .....	2,633,784	2,726,312
Transportation .....	835,439	690,707
Culture/recreation .....	772,047	725,538
<b>Debt Service:</b>		
Principal retirement .....	216,973	204,596
Interest and fiscal charges .....	51,921	58,997
<b>Total expenditures .....</b>	<b><u>6,155,154</u></b>	<b><u>5,733,307</u></b>
<b>Excess of revenue over (under) expenditures .....</b>	<b><u>(896,033)</u></b>	<b><u>178,182</u></b>
<b>Other Financing Sources (Uses):</b>		
Proceeds of long-term debt.....	0	204,204
Operating transfers in .....	700,000	690,000
Operating transfers (out) .....	(183,147)	(2,191)
<b>Total other financing sources (uses) .....</b>	<b><u>516,853</u></b>	<b><u>892,013</u></b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b><u>(379,180)</u></b>	<b><u>1,070,195</u></b>
<b>Fund balance, beginning of year .....</b>	<b><u>3,244,937</u></b>	<b><u>2,174,742</u></b>
<b>Fund balance, end of year .....</b> \$	<b><u><u>2,865,757</u></u></b>	<b><u><u>3,244,937</u></u></b>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND - (Continued)**  
 For the Fiscal Year Ended September 30, 2002  
 With Comparative Actual Amounts for the Year Ended September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA

**Exhibit A-3**

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
<b>Revenue:</b>				
<b>Taxes:</b>				
General property taxes:				
Current ad valorem taxes .....	\$ 1,480,000	1,496,507	16,507	1,546,488
Delinquent ad valorem taxes .....	45,000	3,113	(41,887)	44,827
Local option gas tax .....	154,000	152,638	(1,362)	179,049
2nd Local option gas tax .....	115,000	113,754	(1,246)	135,112
Franchise taxes .....	668,000	576,380	(91,620)	852,863
Utility service taxes .....	1,202,900	1,255,247	52,347	1,265,733
<b>Total taxes .....</b>	<b>3,664,900</b>	<b>3,597,639</b>	<b>(67,261)</b>	<b>4,024,072</b>
<b>Licenses and permits:</b>				
Business .....	258,000	159,021	(98,979)	155,213
Nonbusiness .....	34,500	88,309	53,809	86,296
<b>Total licenses and permits .....</b>	<b>292,500</b>	<b>247,330</b>	<b>(45,170)</b>	<b>241,509</b>
<b>Intergovernmental Revenue:</b>				
Federal Grants:				
Department of Justice .....	79,500	85,830	6,330	85,807
Department of Transportation .....	0	0	0	3,660
State Grants:				
Department of Business and Professional Regulation.....	0	0	0	6,160
State Shared Revenues:				
Municipal two-cent cigarette tax .....	4,800	0	(4,800)	0
State revenue sharing proceeds .....	289,700	305,529	15,829	342,590
Mobile home licenses .....	17,000	18,073	1,073	18,230
Alcoholic beverage licenses .....	7,000	7,198	198	6,420
Local government half-cent sales tax .....	573,000	635,249	62,249	633,216
Motor fuel tax rebate .....	5,200	5,201	1	5,121
Firefighters' supplemental revenue .....	1,200	600	(600)	1,095
Other Shared Revenues:				
County grants .....	0	0	0	0
County shared revenues .....	13,000	13,604	604	12,867
<b>Total intergovernmental revenue .....</b>	<b>990,400</b>	<b>1,071,284</b>	<b>80,884</b>	<b>1,115,166</b>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Actual Amounts for the Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
<b>Charges for services:</b>				
General government .....	\$ 8,600	9,032	432	7,874
Public safety .....	3,000	2,700	(300)	3,180
Transportation .....	30,400	31,566	1,166	29,776
Culture/recreation .....	107,000	90,666	(16,334)	99,904
<b>Total charges for services .....</b>	<b>149,000</b>	<b>133,964</b>	<b>(15,036)</b>	<b>140,734</b>
<b>Fines and forfeitures:</b>				
Court cases .....	73,200	74,924	1,724	102,599
Local ordinance violations .....	500	2,275	1,775	2,367
<b>Total fines and forfeitures .....</b>	<b>73,700</b>	<b>77,199</b>	<b>3,499</b>	<b>104,966</b>
<b>Miscellaneous Revenues:</b>				
Interest earnings .....	130,000	72,341	(57,659)	162,774
Sale of fixed assets .....	5,000	20,200	15,200	31,743
Contributions and donations .....	0	3,638	3,638	2,371
Miscellaneous revenues .....	42,500	35,526	(6,974)	88,154
<b>Total miscellaneous revenue .....</b>	<b>177,500</b>	<b>131,705</b>	<b>(45,795)</b>	<b>285,042</b>
<b>Total revenue .....</b>	<b>5,348,000</b>	<b>5,259,121</b>	<b>(88,879)</b>	<b>5,911,489</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Legislative:</b>				
Personal services .....	29,400	29,127	273	33,663
Operating expenditures .....	51,000	50,426	574	44,584
	80,400	79,553	847	78,247
<b>Executive:</b>				
Personal services .....	275,600	268,982	6,618	264,218
Operating expenditures .....	36,200	33,392	2,808	31,684
	311,800	302,374	9,426	295,902
<b>Financial and Administrative:</b>				
Personal services .....	478,800	463,730	15,070	431,522
Operating expenditures .....	272,800	208,649	64,151	255,824
	751,600	672,379	79,221	687,346

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Actual Amounts for the Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2002		Variance	2001
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Other General Government:</b>				
Personal services .....	\$ 16,500	12,708	3,792	7,746
Operating expenditures .....	555,700	538,752	16,948	105,832
Capital outlay .....	32,000	23,995	8,005	136,884
Grants and aids .....	15,300	15,229	71	15,200
	<u>619,500</u>	<u>590,684</u>	<u>28,816</u>	<u>265,662</u>
Total general government .....	<u>1,763,300</u>	<u>1,644,990</u>	<u>118,310</u>	<u>1,327,157</u>
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Personal services .....	1,415,400	1,392,237	23,163	1,309,866
Operating expenditures .....	162,300	136,913	25,387	193,862
Capital outlay .....	75,800	40,046	35,754	68,757
	<u>1,653,500</u>	<u>1,569,196</u>	<u>84,304</u>	<u>1,572,485</u>
<b>Fire Protection:</b>				
Personal services .....	684,000	676,723	7,277	611,732
Operating expenditures .....	115,400	97,324	18,076	93,932
Capital outlay .....	3,100	3,087	13	213,377
	<u>802,500</u>	<u>777,134</u>	<u>25,366</u>	<u>919,041</u>
<b>Building Inspection:</b>				
Personal services .....	194,900	188,228	6,672	156,633
Operating expenditures .....	133,700	98,143	35,557	63,181
Capital outlay .....	1,100	1,083	17	14,972
	<u>329,700</u>	<u>287,454</u>	<u>42,246</u>	<u>234,786</u>
Total public safety .....	<u>2,785,700</u>	<u>2,633,784</u>	<u>151,916</u>	<u>2,726,312</u>
<b>Transportation:</b>				
<b>Road and Street Facilities:</b>				
Personal services .....	324,800	308,005	16,795	298,064
Operating expenditures .....	296,100	243,757	52,343	257,989
Capital outlay .....	488,000	283,677	204,323	134,654
	<u>1,108,900</u>	<u>835,439</u>	<u>273,461</u>	<u>690,707</u>
<b>Culture/Recreation:</b>				
<b>Parks:</b>				
Personal services .....	277,600	262,801	14,799	257,887
Operating expenditures .....	142,200	125,838	16,362	102,775
Capital outlay .....	112,700	67,730	44,970	36,655
	<u>532,500</u>	<u>456,369</u>	<u>76,131</u>	<u>397,317</u>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Actual Amounts for the Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
<b>Recreation:</b>				
Personal services .....	\$ 233,000	217,162	15,838	207,368
Operating expenditures .....	142,500	98,516	43,984	119,891
Capital outlay .....	8,200	0	8,200	962
	<u>383,700</u>	<u>315,678</u>	<u>68,022</u>	<u>328,221</u>
Total culture/recreation .....	<u>916,200</u>	<u>772,047</u>	<u>144,153</u>	<u>725,538</u>
<b>Debt Service:</b>				
Principal retirement:				
General government .....	143,900	143,844	56	164,197
Public safety.....	53,100	73,129	(20,029)	40,399
	<u>197,000</u>	<u>216,973</u>	<u>(19,973)</u>	<u>204,596</u>
Interest and fiscal charges:				
General government .....	41,700	41,697	3	49,735
Public safety.....	10,300	10,224	76	9,262
	<u>52,000</u>	<u>51,921</u>	<u>79</u>	<u>58,997</u>
Total debt service .....	<u>249,000</u>	<u>268,894</u>	<u>(19,894)</u>	<u>263,593</u>
Total expenditures .....	<u>6,823,100</u>	<u>6,155,154</u>	<u>667,946</u>	<u>5,733,307</u>
Excess of revenue over (under) expenditures .....	<u>(1,475,100)</u>	<u>(896,033)</u>	<u>579,067</u>	<u>178,182</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of long-term debt.....	0	0	0	204,204
Operating transfers from:				
Water and Sewer Fund .....	450,000	450,000	0	450,000
Solid Waste Fund .....	250,000	250,000	0	240,000
Appropriated fund balance.....	958,300	0	(958,300)	0
Operating transfers to:				
Law Enforcement Block Grant Fund .....	(2,800)	(2,747)	53	(2,191)
Capital Projects Fund .....	(180,400)	(180,400)	0	0
Total financing sources (uses) .....	<u>1,475,100</u>	<u>516,853</u>	<u>(958,247)</u>	<u>892,013</u>
Excess of revenue and other sources over (under) expenditures and other uses .....	0	(379,180)	(379,180)	1,070,195
Fund balance, beginning of year .....	<u>3,244,937</u>	<u>3,244,937</u>	<u>0</u>	<u>2,174,742</u>
Fund balance, end of year .....	<u><u>3,244,937</u></u>	<u><u>2,865,757</u></u>	<u><u>(379,180)</u></u>	<u><u>3,244,937</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.

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

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

***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 SPECIAL REVENUE FUNDS**  
 September 30, 2002  
 With Comparative Totals for September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage	Youth Center	Community Redevelopment
<b>Assets:</b>			
Cash .....	\$ 1,115,388	7,569	258,257
Accounts receivable - net .....	34,073	0	0
Due from other funds .....	766	0	0
Due from other governments .....	0	0	0
<b>Total assets .....</b>	<b><u>\$ 1,150,227</u></b>	<b><u>7,569</u></b>	<b><u>258,257</u></b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Accounts payable .....	\$ 20	0	570
Accrued liabilities .....	5,079	0	3,306
Deferred revenue .....	0	0	0
Due to other funds .....	0	0	0
Advance from General Fund .....	0	0	59,700
<b>Total liabilities .....</b>	<b><u>5,099</u></b>	<b><u>0</u></b>	<b><u>63,576</u></b>
<b>Fund Equity:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Law Enforcement .....	0	0	0
Stormwater drainage.....	1,145,128	0	0
<b>Unreserved:</b>			
<b>Designated for:</b>			
Undesignated (deficit) .....	0	7,569	194,681
<b>Total fund equity .....</b>	<b><u>1,145,128</u></b>	<b><u>7,569</u></b>	<b><u>194,681</u></b>
<b>Total liabilities and fund equity .....</b>	<b><u>\$ 1,150,227</u></b>	<b><u>7,569</u></b>	<b><u>258,257</u></b>

Exhibit B-1

Local Law Enforcement Block Grant	Community Development Block Grant	Law Enforcement Trust Fund	Totals	
			2002	2001
3,092	4,361	30,171	1,418,838	1,215,447
0	0	0	34,073	32,876
0	0	0	766	0
0	1,885	3,810	5,695	0
<u>3,092</u>	<u>6,246</u>	<u>33,981</u>	<u>1,459,372</u>	<u>1,248,323</u>
291	0	161	1,042	10,098
0	0	0	8,385	9,967
3,106	0	0	3,106	2,315
1,395	6,246	0	7,641	0
0	0	0	59,700	59,700
<u>4,792</u>	<u>6,246</u>	<u>161</u>	<u>79,874</u>	<u>82,080</u>
0	0	33,820	33,820	49,982
0	0	0	1,145,128	995,168
<u>(1,700)</u>	<u>0</u>	<u>0</u>	<u>200,550</u>	<u>121,093</u>
<u>(1,700)</u>	<u>0</u>	<u>33,820</u>	<u>1,379,498</u>	<u>1,166,243</u>
<u>3,092</u>	<u>6,246</u>	<u>33,981</u>	<u>1,459,372</u>	<u>1,248,323</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage	Youth Center	Community Redevelopment
<b>Revenue:</b>			
Taxes .....	\$ 0	0	71,926
Intergovernmental .....	0	0	132,006
Charges for services .....	415,546	240	0
Miscellaneous .....	17,664	3,824	3,214
<b>Total revenue .....</b>	<b>433,210</b>	<b>4,064</b>	<b>207,146</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety .....	0	0	0
Physical environment .....	936,195	0	0
Economic environment .....	0	0	130,539
Transportation .....	0	0	0
Culture/recreation .....	0	0	0
<b>Total expenditures .....</b>	<b>936,195</b>	<b>0</b>	<b>130,539</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(502,985)</b>	<b>4,064</b>	<b>76,607</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	652,945	0	0
Operating transfers from General fund .....	0	0	0
<b>Total other financing sources (uses) .....</b>	<b>652,945</b>	<b>0</b>	<b>0</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>149,960</b>	<b>4,064</b>	<b>76,607</b>
<b>Fund balances, beginning of year .....</b>	<b>995,168</b>	<b>3,505</b>	<b>118,074</b>
<b>Fund balances, end of year .....</b>	<b>\$ 1,145,128</b>	<b>7,569</b>	<b>194,681</b>

Exhibit B-2

Local Law Enforcement Block Grant	Community Development Block Grant	Law Enforcement Trust Fund	Totals	
			2002	2001
0	0	0	71,926	71,960
23,934	12,000	3,810	171,750	176,550
0	0	0	415,786	376,070
197	0	9,968	34,867	70,365
<u>24,131</u>	<u>12,000</u>	<u>13,778</u>	<u>694,329</u>	<u>694,945</u>
28,092	0	29,940	58,032	21,801
0	0	0	936,195	610,272
0	0	0	130,539	82,715
0	12,000	0	12,000	0
0	0	0	0	133
<u>28,092</u>	<u>12,000</u>	<u>29,940</u>	<u>1,136,766</u>	<u>714,921</u>
<u>(3,961)</u>	<u>0</u>	<u>(16,162)</u>	<u>(442,437)</u>	<u>(19,976)</u>
0	0	0	652,945	254,562
2,747	0	0	2,747	2,191
<u>2,747</u>	<u>0</u>	<u>0</u>	<u>655,692</u>	<u>256,753</u>
(1,214)	0	(16,162)	213,255	236,777
(486)	0	49,982	1,166,243	929,466
<u>(1,700)</u>	<u>0</u>	<u>33,820</u>	<u>1,379,498</u>	<u>1,166,243</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, 2002  
CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes:			
Current ad valorem taxes .....	\$ 0	0	0
Intergovernmental Revenue:			
Federal grants .....	0	0	0
Shared revenues from other local units .....	0	0	0
Charges for Services:			
Physical environment .....	417,000	415,546	(1,454)
Culture/recreation.....	0	0	0
Miscellaneous:			
Interest earnings .....	30,000	17,664	(12,336)
Fines and forfeitures .....	0	0	0
Contributions and donations .....	0	0	0
<b>Total revenue .....</b>	<b>447,000</b>	<b>433,210</b>	<b>(13,790)</b>
<b>Expenditures:</b>			
Current:			
Public Safety:			
Operating expenditures .....	0	0	0
Capital outlay.....	0	0	0
Physical Environment:			
Personal services .....	138,900	133,572	5,328
Operating expenditures .....	109,200	19,035	90,165
Capital outlay.....	2,601,000	783,588	1,817,412
Economic Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Transportation:			
Capital outlay .....	0	0	0
Culture/Recreation:			
Capital outlay .....	0	0	0
<b>Total expenditures .....</b>	<b>2,849,100</b>	<b>936,195</b>	<b>1,912,905</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(2,402,100)</b>	<b>(502,985)</b>	<b>1,899,115</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	2,402,100	652,945	(1,749,155)
Operating transfers from General fund.....	0	0	0
Appropriated fund balance.....	0	0	0
<b>Total other financing sources (uses) .....</b>	<b>2,402,100</b>	<b>652,945</b>	<b>(1,749,155)</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>0</b>	<b>149,960</b>	<b>149,960</b>
<b>Fund balances, beginning of year .....</b>	<b>995,168</b>	<b>995,168</b>	<b>0</b>
<b>Fund balances, end of year .....</b>	<b>\$ 995,168</b>	<b>1,145,128</b>	<b>149,960</b>

Youth Center			Community Redevelopment		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	71,900	71,926	26
0	0	0	0	0	0
0	0	0	132,000	132,006	6
0	0	0	0	0	0
300	240	(60)	0	0	0
0	0	0	3,000	4,485	1,485
0	0	0	0	0	0
3,300	3,824	524	100	(1,271)	(1,371)
3,600	4,064	464	207,000	207,146	146
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	104,000	81,939	22,061
0	0	0	178,000	48,600	129,400
0	0	0	0	0	0
3,600	0	3,600	0	0	0
3,600	0	3,600	282,000	130,539	151,461
0	4,064	4,064	(75,000)	76,607	151,607
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	75,000	0	(75,000)
0	0	0	75,000	0	(75,000)
0	4,064	4,064	0	76,607	76,607
3,505	3,505	0	118,074	118,074	0
3,505	7,569	4,064	118,074	194,681	76,607

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS - (Continued)  
For the Fiscal Year Ended September 30, 2002  
CITY OF HOLLY HILL, FLORIDA**

	Local Law Enforcement Block Grant		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes:			
Current ad valorem taxes .....	\$ 0	0	0
Intergovernmental Revenue:			
Federal grants .....	26,900	23,934	(2,966)
Shared revenues from other local units .....	0	0	0
Charges for Services:			
Physical environment .....	0	0	0
Culture/recreation.....	0	0	0
Miscellaneous:			
Interest earnings .....	200	197	(3)
Fines and forfeitures .....	0	0	0
Contributions and donations .....	0	0	0
<b>Total revenue .....</b>	<b>27,100</b>	<b>24,131</b>	<b>(2,969)</b>
<b>Expenditures:</b>			
Current:			
Public Safety:			
Operating expenditures .....	14,900	15,641	(741)
Capital outlay.....	15,000	12,451	2,549
Physical Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Capital outlay.....	0	0	0
Economic Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Transportation:			
Capital outlay .....	0	0	0
Culture/Recreation:			
Capital outlay .....	0	0	0
<b>Total expenditures .....</b>	<b>29,900</b>	<b>28,092</b>	<b>1,808</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(2,800)</b>	<b>(3,961)</b>	<b>(1,161)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	0	0	0
Operating transfers from General fund.....	2,800	2,747	(53)
Appropriated fund balance.....	0	0	0
<b>Total other financing sources (uses) .....</b>	<b>2,800</b>	<b>2,747</b>	<b>(53)</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>0</b>	<b>(1,214)</b>	<b>(1,214)</b>
Fund balances, beginning of year .....	(486)	(486)	0
<b>Fund balances, end of year .....</b>	<b>(486)</b>	<b>(1,700)</b>	<b>(1,214)</b>

Community Development Block Grant			Law Enforcement Trust Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	0	0	0
105,700	12,000	(93,700)	3,500	3,810	310
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	200	258	58
0	0	0	9,000	9,710	710
0	0	0	0	0	0
<u>105,700</u>	<u>12,000</u>	<u>(93,700)</u>	<u>12,700</u>	<u>13,778</u>	<u>1,078</u>
0	0	0	30,400	28,340	(2,060)
0	0	0	1,600	1,600	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
12,000	12,000	0	0	0	0
<u>93,700</u>	<u>0</u>	<u>(93,700)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>105,700</u>	<u>12,000</u>	<u>(93,700)</u>	<u>32,000</u>	<u>29,940</u>	<u>(2,060)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(19,300)</u>	<u>(16,162)</u>	<u>3,138</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	19,300	0	(19,300)
<u>0</u>	<u>0</u>	<u>0</u>	<u>19,300</u>	<u>0</u>	<u>(19,300)</u>
0	0	0	0	(16,162)	(16,162)
0	0	0	49,982	49,982	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>49,982</u>	<u>33,820</u>	<u>(16,162)</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS - (Continued)**  
For the Fiscal Year Ended September 30, 2002  
CITY OF HOLLY HILL, FLORIDA

Exhibit B-3  
Page 3 of 3

	Totals - All Funds		
	Budget	Actual	Variance Favorable Unfavorable)
<b>Revenue:</b>			
<b>Taxes:</b>			
Current ad valorem taxes .....	\$ 71,900	71,926	26
<b>Intergovernmental Revenue:</b>			
Federal grants .....	136,100	39,744	(96,356)
Shared revenues from other local units .....	132,000	132,006	6
<b>Charges for Services:</b>			
Physical environment .....	417,000	415,546	(1,454)
Culture/recreation.....	300	240	(60)
<b>Miscellaneous:</b>			
Interest earnings .....	33,400	22,604	(10,796)
Fines and forfeitures .....	9,000	9,710	710
Contributions and donations .....	3,400	2,553	(847)
<b>Total revenue .....</b>	<b>803,100</b>	<b>694,329</b>	<b>(108,771)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Public Safety:</b>			
Operating expenditures .....	45,300	43,981	(1,319)
Capital outlay.....	16,600	14,051	(2,549)
<b>Physical Environment:</b>			
Personal services .....	138,900	133,572	(5,328)
Operating expenditures .....	109,200	19,035	(90,165)
Capital outlay.....	2,601,000	783,588	(1,817,412)
<b>Economic Environment:</b>			
Personal services .....	104,000	81,939	(22,061)
Operating expenditures .....	178,000	48,600	(129,400)
<b>Transportation:</b>			
Capital outlay .....	12,000	12,000	0
<b>Culture/Recreation:</b>			
Capital outlay .....	97,300	0	(97,300)
<b>Total expenditures .....</b>	<b>3,302,300</b>	<b>1,136,766</b>	<b>(2,165,534)</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(2,499,200)</b>	<b>(442,437)</b>	<b>2,056,763</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	2,402,100	652,945	(1,749,155)
Operating transfers from General fund.....	2,800	2,747	(53)
Appropriated fund balance.....	94,300	0	(94,300)
<b>Total other financing sources (uses) .....</b>	<b>2,499,200</b>	<b>655,692</b>	<b>(1,843,508)</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>0</b>	<b>213,255</b>	<b>213,255</b>
<b>Fund balances, beginning of year .....</b>	<b>1,166,243</b>	<b>1,166,243</b>	<b>0</b>
<b>Fund balances, end of year .....</b>	<b>\$ 1,166,243</b>	<b>1,379,498</b>	<b>213,255</b>

## ***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, 2002 and 2001  
 CITY OF HOLLY HILL, FLORIDA

Exhibit C-1

	2002	2001
<b>Assets:</b>		
Cash and cash equivalents .....	\$ 284,322	195,336
Due from other governments .....	0	6,778
<b>Total assets .....</b>	<b>\$ 284,322</b>	<b>202,114</b>
<b>Liabilities and Fund Equity:</b>		
Accounts payable .....	\$ 92,464	0
<b>Fund Equity:</b>		
Fund balance:		
Reserved for capital projects .....	191,858	202,114
Unreserved:		
Undesignated .....	0	0
<b>Total fund equity .....</b>	<b>191,858</b>	<b>202,114</b>
<b>Total liabilities and fund equity .....</b>	<b>\$ 284,322</b>	<b>202,114</b>

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

**Exhibit C-2**

For the Fiscal Year Ended September 30, 2002  
With Comparative Actual Amounts for the Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
<b>Revenue:</b>				
Intergovernmental:				
State grants .....	\$ 93,300	0	(93,300)	67,778
Miscellaneous:				
Contributions and donations .....	150,000	150,000	0	0
Interest earnings .....	0	3,641	3,641	5,045
<b>Total revenue .....</b>	<b>243,300</b>	<b>153,641</b>	<b>(89,659)</b>	<b>72,823</b>
<b>Expenditures:</b>				
Capital outlay:				
Other General Government .....	186,600	0	186,600	0
Culture/recreation .....	387,100	344,297	42,803	122,062
<b>Total expenditures .....</b>	<b>573,700</b>	<b>344,297</b>	<b>229,403</b>	<b>122,062</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(330,400)</b>	<b>(190,656)</b>	<b>139,744</b>	<b>(49,239)</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers from:				
General Fund .....	180,400	180,400	0	0
Community Development Block Grant Fund ..	0	0	0	0
Solid Waste Fund .....	0	0	0	0
Appropriated fund balance .....	150,000	0	(150,000)	0
<b>Total financing sources (uses) .....</b>	<b>330,400</b>	<b>180,400</b>	<b>(150,000)</b>	<b>0</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>0</b>	<b>(10,256)</b>	<b>(10,256)</b>	<b>(49,239)</b>
Fund balance, beginning of year.....	202,114	202,114	0	251,353
Fund balance, end of year .....	\$ 202,114	191,858	(10,256)	202,114

## ***ENTERPRISE FUNDS***

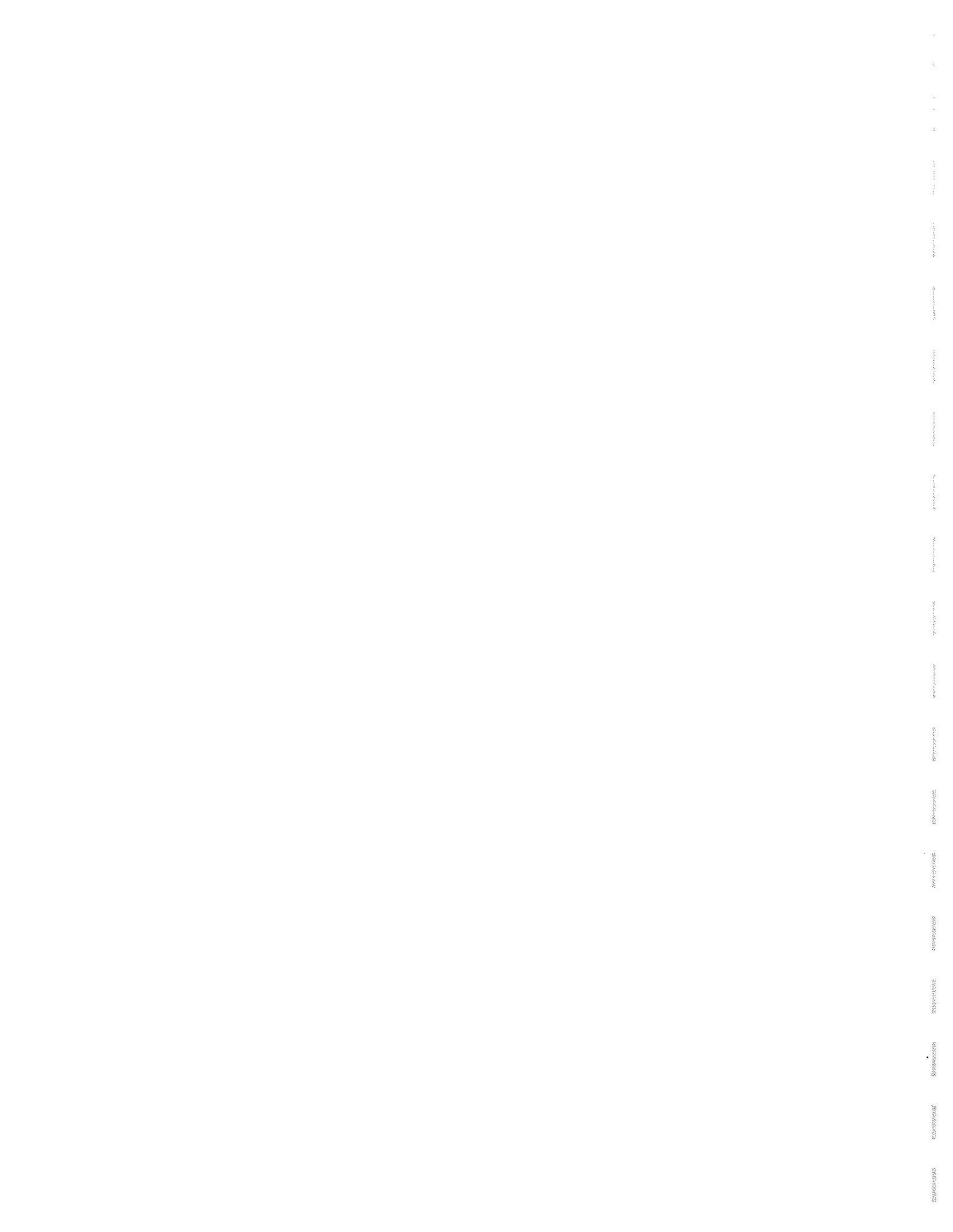
*Enterprise Funds are established to account for the financing of self-supporting municipal activities which render services on a user charge basis to the general public.*

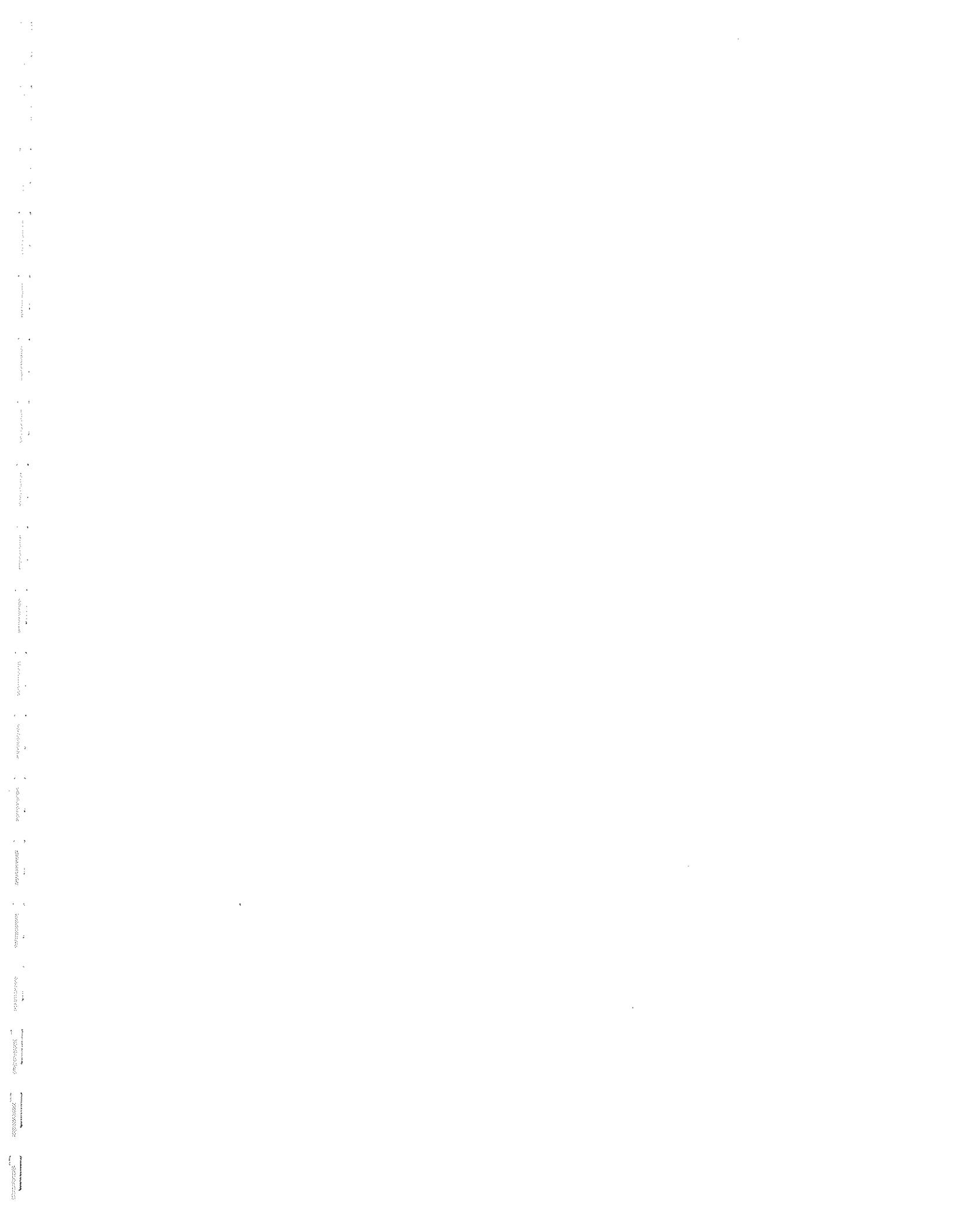
*The significant characteristic of an Enterprise Fund is that the accounting system makes it possible to determine whether the activity is operated at a profit or loss. All reports of Enterprise Funds are self-contained. In this way, creditors, legislators, and the general public can evaluate the performance 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, 2002

With Comparative Totals for September 30, 2001

CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2002	2001
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents .....	\$ 2,976,327	816,460	3,792,787	3,557,591
Investments .....	0	0	0	245,513
Accounts receivable-net.....	242,059	100,598	342,657	356,715
Accrued interest receivable .....	0	0	0	3,872
Due from other funds .....	3,729	0	3,729	0
Due from other governments .....	0	0	0	534
Prepaid expenses .....	7,395	1,165	8,560	10,532
<b>Total current assets .....</b>	<b>3,229,510</b>	<b>918,223</b>	<b>4,147,733</b>	<b>4,174,757</b>
<b>Restricted Assets:</b>				
<b>Cash and cash equivalents:</b>				
Sinking and Reserve Funds .....	168,469	0	168,469	209,769
Renewal and Replacement Fund .....	702,044	0	702,044	410,237
Restricted Impact Fees .....	754,519	0	754,519	236,827
Customer deposits .....	0	0	0	19,119
	1,625,032	0	1,625,032	875,952
Accounts and notes receivable .....	394,051	0	394,051	10,757
<b>Total restricted assets .....</b>	<b>2,019,083</b>	<b>0</b>	<b>2,019,083</b>	<b>886,709</b>
<b>Property, Plant and Equipment:</b>				
Land .....	154,739	0	154,739	154,739
Buildings .....	10,800,389	54,651	10,855,040	10,855,040
Improvements other than buildings .....	11,228,812	0	11,228,812	11,171,187
Machinery and equipment .....	6,354,805	716,738	7,071,543	6,903,865
	28,538,745	771,389	29,310,134	29,084,831
Less: accumulated depreciation .....	(10,777,246)	(728,089)	(11,505,335)	(10,750,394)
	17,761,499	43,300	17,804,799	18,334,437
Construction in progress .....	232,786	0	232,786	318,770
<b>Net property, plant and equipment.....</b>	<b>17,994,285</b>	<b>43,300</b>	<b>18,037,585</b>	<b>18,653,207</b>
<b>Other Assets:</b>				
Unamortized bond issuance costs .....	267,081	0	267,081	226,676
<b>Total assets .....</b>	<b>\$ 23,509,959</b>	<b>961,523</b>	<b>24,471,482</b>	<b>23,941,349</b>

	Water and Sewer Utility	Solid Waste	Totals	
			2002	2001
<b>Liabilities and Fund Equity:</b>				
<b>Current Liabilities (payable from current assets):</b>				
Accounts payable .....	\$ 31,892	88,073	119,965	135,644
Accrued liabilities .....	35,239	1,508	36,747	53,779
Due to other funds .....	0	0	0	238,161
<b>Total current liabilities (payable from current assets) .....</b>	<b>67,131</b>	<b>89,581</b>	<b>156,712</b>	<b>427,584</b>
<b>Current Liabilities (payable from restricted assets):</b>				
Accounts payable .....	7,595	0	7,595	3,756
Accrued liabilities .....	171,282	0	171,282	0
Customer deposits .....	581,583	0	581,583	551,314
Revenue bonds payable .....	0	0	0	330,000
Notes payable .....	89,956	0	89,956	0
<b>Total current liabilities (payable from restricted assets) .....</b>	<b>850,416</b>	<b>0</b>	<b>850,416</b>	<b>885,070</b>
<b>Long-Term Debt:</b>				
Revenue bonds payable-net .....	12,481,775	0	12,481,775	12,502,062
Notes payable .....	2,198,777	0	2,198,777	2,416,728
<b>Total long-term debt .....</b>	<b>14,680,552</b>	<b>0</b>	<b>14,680,552</b>	<b>14,918,790</b>
<b>Other Liabilities:</b>				
Obligation for compensated absences .....	149,553	1,438	150,991	117,975
<b>Total liabilities .....</b>	<b>15,747,652</b>	<b>91,019</b>	<b>15,838,671</b>	<b>16,349,419</b>
<b>Fund Equity:</b>				
<b>Retained Earnings:</b>				
Invested in capital assets, net of related debt .....	3,313,732	43,300	3,357,032	3,352,724
Restricted for renewal and replacement .....	694,449	0	694,449	410,237
Restricted for debt service .....	295,713	0	295,713	77,059
Unrestricted .....	3,458,413	827,204	4,285,617	3,751,910
<b>Total fund equity .....</b>	<b>7,762,307</b>	<b>870,504</b>	<b>8,632,811</b>	<b>7,591,930</b>
<b>Total liabilities and fund equity .....</b>	<b>\$ 23,509,959</b>	<b>961,523</b>	<b>24,471,482</b>	<b>23,941,349</b>

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

**Exhibit D-2**

**ALL ENTERPRISE FUNDS**

For the Fiscal Year Ended September 30, 2002

With Comparative Totals for the Fiscal Year Ended September 30, 2001

CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2002	2001
<b>Operating Revenue:</b>				
<b>Charges for Services:</b>				
Water sales .....	\$ 1,872,940	0	1,872,940	1,840,639
Sewer charges .....	1,954,986	0	1,954,986	1,904,332
Connections, service, and cut-off charges .....	57,697	0	57,697	33,270
Fire hydrant rental .....	8,340	0	8,340	10,107
Other charges .....	10,849	0	10,849	7,867
Waste disposal charges .....	0	1,482,494	1,482,494	1,378,743
<b>Total operating revenue .....</b>	<b>3,904,812</b>	<b>1,482,494</b>	<b>5,387,306</b>	<b>5,174,958</b>
<b>Operating Expenses:</b>				
Personal services .....	904,700	39,547	944,247	866,396
Materials and supplies .....	182,993	768	183,761	181,763
Utilities .....	247,671	155	247,826	244,892
Maintenance and repairs .....	103,670	474	104,144	105,175
Contractual services .....	212,624	1,056,419	1,269,043	1,052,614
Other expenses .....	22,284	445	22,729	45,015
Bad debts .....	2,677	1,178	3,855	13,873
Depreciation .....	780,725	9,522	790,247	777,830
<b>Total operating expenses .....</b>	<b>2,457,344</b>	<b>1,108,508</b>	<b>3,565,852</b>	<b>3,287,558</b>
<b>Total operating income .....</b>	<b>1,447,468</b>	<b>373,986</b>	<b>1,821,454</b>	<b>1,887,400</b>
<b>Nonoperating Revenue (Expenses):</b>				
Interest earnings .....	85,157	17,172	102,329	225,176
Operating grant - federal .....	0	0	0	1,110
Other income (expenses) .....	(1,823)	6,104	4,281	96,140
Interest expense .....	(689,689)	0	(689,689)	(865,326)
<b>Total nonoperating revenue (expenses) .</b>	<b>(606,355)</b>	<b>23,276</b>	<b>(583,079)</b>	<b>(542,900)</b>
<b>Net income before operating transfers ...</b>	<b>841,113</b>	<b>397,262</b>	<b>1,238,375</b>	<b>1,344,500</b>
<b>Operating Transfers:</b>				
Transfer to General Fund .....	(450,000)	(250,000)	(700,000)	(690,000)
<b>Total operating transfers .....</b>	<b>(450,000)</b>	<b>(250,000)</b>	<b>(700,000)</b>	<b>(690,000)</b>
<b>Net income (loss) .....</b>	<b>391,113</b>	<b>147,262</b>	<b>538,375</b>	<b>654,500</b>
<b>Capital contributions.....</b>	<b>502,506</b>	<b>0</b>	<b>502,506</b>	<b>105,665</b>
<b>Net increase in retained earnings.....</b>	<b>893,619</b>	<b>147,262</b>	<b>1,040,881</b>	<b>760,165</b>
<b>Retained earnings, beginning of year .....</b>	<b>6,868,688</b>	<b>723,242</b>	<b>7,591,930</b>	<b>6,831,765</b>
<b>Retained earnings, end of year .....</b>	<b>\$ 7,762,307</b>	<b>870,504</b>	<b>8,632,811</b>	<b>7,591,930</b>

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

**Exhibit D-3  
Page 1 of 2**

For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2002	2001
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers.....	\$ 3,586,904	1,461,969	5,048,873	5,141,484
Cash paid for personal services.....	(888,944)	(39,319)	(928,263)	(850,097)
Cash paid to suppliers.....	(786,511)	(1,296,605)	(2,083,116)	(1,424,388)
Net cash provided by operating activities..	<u>1,911,449</u>	<u>126,045</u>	<u>2,037,494</u>	<u>2,866,999</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Nonoperating revenue (expenses) .....	(1,823)	6,104	4,281	1,110
Operating transfers (out) .....	(450,000)	(250,000)	(700,000)	(690,000)
Net cash provided by (used in) noncapital and related financing activities .....	<u>(451,823)</u>	<u>(243,896)</u>	<u>(695,719)</u>	<u>(688,890)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Capital contributions .....	502,506	0	502,506	105,665
Proceeds received on issuance of debt .....	131,866	0	131,866	940,573
Debt reduction outlays .....	(457,995)	0	(457,995)	(310,000)
Deposit to escrow for advanced refunding .....	(258,988)		(258,988)	0
Acquisition and construction of capital assets ..	(173,496)	(1,129)	(174,625)	(1,325,257)
Proceeds from sale of assets.....	0	0	0	46,529
Interest paid .....	(451,977)	0	(451,977)	(812,742)
Net cash provided by (used in) capital and related financing activities .....	<u>(708,084)</u>	<u>(1,129)</u>	<u>(709,213)</u>	<u>(1,355,232)</u>
<b>Investing Activities:</b>				
Sales and (acquisitions) of investments .....	0	249,385	249,385	(238,161)
Interest received .....	85,157	17,172	102,329	213,950
Net cash provided by investing activities..	<u>85,157</u>	<u>266,557</u>	<u>351,714</u>	<u>(24,211)</u>
Net increase in cash and cash equivalents.	836,699	147,577	984,276	798,666
Cash and cash equivalents, beginning of year .....	3,764,660	668,883	4,433,543	3,634,877
Cash and cash equivalents, end of year .....	<u>\$ 4,601,359</u>	<u>816,460</u>	<u>5,417,819</u>	<u>4,433,543</u>
<b>Reconciliation to Balance Sheet:</b>				
Unrestricted cash and cash equivalents.....	\$ 2,976,327	816,460	3,792,787	3,557,591
Restricted cash and cash equivalents.....	1,625,032	0	1,625,032	875,952
Total cash and cash equivalents.....	<u>\$ 4,601,359</u>	<u>816,460</u>	<u>5,417,819</u>	<u>4,433,543</u>

**COMBINING STATEMENT OF CASH FLOWS - (Continued)**  
**ALL ENTERPRISE FUNDS**  
For the Fiscal Year Ended September 30, 2002  
With Comparative Totals for the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

**Exhibit D-3**  
Page 2 of 2

	Water and Sewer Utility	Solid Waste	Totals	
			2002	2001
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss) .....	\$ 1,447,468	373,986	1,821,454	1,887,400
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation .....	780,725	9,522	790,247	777,830
Bad debt expense .....	2,958	1,177	4,135	13,873
Other income .....	0	0	0	54,184
Changes in assets and liabilities:				
Accounts receivable, net .....	(370,254)	(3,117)	(373,371)	15,013
Due from other governments .....	0	534	534	0
Due from other funds .....	(3,729)	0	(3,729)	6,107
Prepaid expenses .....	2,020	(48)	1,972	(1,075)
Accounts payable .....	(12,883)	1,043	(11,840)	(173,127)
Accrued liabilities .....	(15,822)	(188)	(16,010)	8,014
Due to other funds .....	0	(238,161)	(238,161)	238,161
Customer deposits .....	49,388	(19,119)	30,269	32,334
Obligation for compensated absences .....	31,578	416	31,994	8,285
Net cash provided by operating activities..	\$ <u>1,911,449</u>	<u>126,045</u>	<u>2,037,494</u>	<u>2,866,999</u>

## ***TRUST AND AGENCY FUNDS***

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

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

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

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



**COMBINING STATEMENT OF PLAN NET ASSETS**  
**ALL PENSION TRUST FUNDS**  
September 30, 2002  
With Comparative Totals for September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit E-1

	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	Totals	
			2002	2001
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents .....	\$ 202,704	2,340	205,044	179,710
<b>Investments:</b>				
Money market funds .....	0	60,328	60,328	51,882
U.S. government and agency .....	508,567	646,354	1,154,921	1,261,304
U.S. corporate debt obligations .....	1,173,836	282,571	1,456,407	1,599,968
U.S. corporate equities .....	2,255,594	777,517	3,033,111	3,412,976
	<u>3,937,997</u>	<u>1,766,770</u>	<u>5,704,767</u>	<u>6,326,130</u>
Accrued interest receivable .....	26,942	14,137	41,079	36,845
Due from brokers .....	0	1,832	1,832	5,306
Total current assets .....	<u>4,167,643</u>	<u>1,785,079</u>	<u>5,952,722</u>	<u>6,547,991</u>
Total assets .....	<u>\$ 4,167,643</u>	<u>1,785,079</u>	<u>5,952,722</u>	<u>6,547,991</u>
<b>Liabilities:</b>				
Accounts payable .....	\$ 2,742	3,334	6,076	26,917
<b>Net Assets:</b>				
Net assets held in trust for pension benefits	<u>4,164,901</u>	<u>1,781,745</u>	<u>5,946,646</u>	<u>6,521,074</u>
Total liabilities and net assets .....	<u>\$ 4,167,643</u>	<u>1,785,079</u>	<u>5,952,722</u>	<u>6,547,991</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**  
September 30, 2002 and 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit F-1

	<u>2002</u>	<u>2001</u>
<b>General Fixed Assets:</b>		
Land .....	\$ 1,888,581	1,471,122
Buildings .....	3,655,497	3,648,857
Improvements other than buildings .....	8,812,032	8,275,824
Machinery and equipment .....	2,933,384	2,744,211
Construction work in progress .....	<u>344,297</u>	<u>0</u>
<b>Total general fixed assets .....</b>	<b>\$ <u>17,633,791</u></b>	<b><u>16,140,014</u></b>
<b>Investment in General Fixed Assets From:</b>		
General Fund .....	\$ 10,687,042	10,319,272
Special Revenue Funds .....	2,765,419	1,981,831
Capital Projects Fund .....	<u>4,181,330</u>	<u>3,838,911</u>
<b>Total investment in general fixed assets .....</b>	<b>\$ <u>17,633,791</u></b>	<b><u>16,140,014</u></b>

**SCHEDULE OF GENERAL FIXED ASSETS  
 BY FUNCTION AND ACTIVITY  
 GENERAL FIXED ASSETS ACCOUNT GROUP  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA**

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General Government .....	\$ 190,970	1,134,383	86,745
Public Safety:			
Police protection .....	0	45,852	2,350
Fire protection .....	29,493	200,292	6,866
	<u>29,493</u>	<u>246,144</u>	<u>9,216</u>
Public Works .....	585,273	114,276	7,565,889
Parks, Recreation and Sica Hall .....	1,082,845	2,012,245	1,122,682
Libraries .....	0	148,449	27,500
 Total general fixed assets - allocated to functions .....	 \$ <u>1,888,581</u>	 <u>3,655,497</u>	 <u>8,812,032</u>

Exhibit F-2

Machinery and Equipment	Construction Work in Progress	Total
509,262	0	1,921,360
707,098	0	755,300
625,721	0	862,372
<u>1,332,819</u>	<u>0</u>	<u>1,617,672</u>
909,010	0	9,174,448
140,843	344,297	4,702,912
41,450	0	217,399
<u>2,933,384</u>	<u>344,297</u>	<u>17,633,791</u>

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
 BY FUNCTION AND ACTIVITY  
 GENERAL FIXED ASSETS ACCOUNT GROUP  
 For the Fiscal Year Ended September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA**

Exhibit F-3

Function and Activity	General Fixed Assets 10/01/2001	Additions	Deletions	General Fixed Assets 09/30/2002
General Government .....	\$ 1,935,972	25,078	39,690	1,921,360
Public Safety:				
Police protection .....	701,202	54,098	0	755,300
Fire protection .....	872,285	3,087	13,000	862,372
	<u>1,573,487</u>	<u>57,185</u>	<u>13,000</u>	<u>1,617,672</u>
Public Works .....	8,054,541	1,126,907	7,000	9,174,448
Parks, Recreation and Sica Hall .....	4,358,615	344,297	0	4,702,912
Libraries .....	217,399	0	0	217,399
Total general fixed assets.....	\$ <u>16,140,014</u>	<u>1,553,467</u>	<u>59,690</u>	<u>17,633,791</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**  
September 30, 2002 and 2001  
CITY OF HOLLY HILL, FLORIDA

Exhibit G-1

	2002	2001
Amount to be Provided for Payment of General Long-Term Debt .....	\$ <u>2,334,170</u>	<u>1,871,897</u>
<b>General Long-term Debt:</b>		
Notes Payable:		
SunTrust Bank of Volusia County - Utility Service Tax Revenue		
Note, Series 1998A .....	751,817	868,070
SunTrust Bank of Volusia County - computer systems .....	0	27,591
SunTrust Bank of Volusia County - fire truck .....	117,896	177,079
County of Volusia - 800 MHZ radio system .....	29,992	43,937
State Revolving Fund Loan - stormwater drainage improvements.....	<u>907,507</u>	<u>254,562</u>
Total notes payable .....	1,807,212	1,371,239
Obligation for compensated absences payable .....	<u>526,958</u>	<u>500,658</u>
Total general long-term debt .....	\$ <u>2,334,170</u>	<u>1,871,897</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, 2002  
 CITY OF HOLLY HILL, FLORIDA  
 (Amounts in \$)

**Table 1**

Fiscal Year	Total	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous
1993	4,966,324	2,805,954	174,719	973,354	847,432	80,263	84,602
1994	5,144,110	2,836,184	179,654	1,034,801	851,951	61,720	179,800
1995	5,161,162	2,825,642	188,062	1,147,940	854,831	46,859	97,828
1996	5,100,361	2,903,615	215,032	1,145,089	568,051	49,605	218,969
1997	4,949,140	2,859,618	219,428	1,060,025	595,622	57,484	156,963
1998	4,633,584	3,159,746	197,426	921,033	113,272	81,317	160,790
1999	4,934,157	3,202,707	245,185	1,135,902	116,708	77,588	156,067
2000	5,042,210	3,279,961	179,580	1,170,485	137,894	73,361	200,929
2001	5,911,489	4,032,557	241,509	1,115,166	140,734	96,481	285,042
2002	5,259,121	3,597,639	247,330	1,071,285	133,964	77,199	131,704

**GENERAL FUND EXPENDITURES - BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
September 30, 2002  
CITY OF HOLLY HILL, FLORIDA  
*(Amounts in \$)*

**Table 2**

Fiscal Year	Total	General Government	Public Safety	Transportation	Culture/ Recreation	Debt Service
1993	5,018,070	1,111,577	2,400,339	862,075	644,079	0
1994	5,068,613	1,176,392	2,319,543	922,001	650,677	0
1995	5,477,498	1,256,993	2,459,806	960,144	800,555	0
1996	4,890,722	1,134,574	2,352,963	517,567	885,618	0
1997	4,758,054	1,187,115	2,350,099	642,129	578,711	0
1998	5,328,393	1,127,297	2,401,183	583,501	546,508	669,904
1999	4,861,917	1,170,422	2,279,242	553,042	631,882	227,329
2000	4,986,324	1,026,223	2,443,962	584,862	701,394	229,883
2001	5,733,307	1,327,157	2,726,312	690,707	725,538	263,593
2002	6,155,154	1,644,990	2,633,784	835,439	772,047	268,894

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY:  
PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS  
September 30, 2002  
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
1993	359,923	371,055	97%	1,439	1,373	95.4%	52	3.6%
1994	359,277	378,187	95%	1,425	1,372	96.3%	59	4.1%
1995	364,891	384,096	95%	1,444	1,383	95.8%	66	4.6%
1996	368,068	383,404	96%	1,438	1,343	93.4%	82	5.7%
1997	374,322	381,961	98%	1,474	1,378	93.5%	84	5.7%
1998	379,373	387,115	98%	1,505	1,405	93.4%	85	5.6%
1999	398,980	403,010	99%	1,498	1,419	94.7%	65	4.3%
2000	416,963	416,963	100%	1,517	1,430	94.3%	66	4.4%
2001	456,695	456,695	100%	1,675	1,618	96.6%	30	1.8%
2002	473,096	477,875	99%	1,631	1,568	96.1%	44	2.7%

(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, 2002  
 CITY OF HOLLY HILL, FLORIDA

**Table 4**

Fiscal Year	Holly Hill	Volusia County School District	Volusia County	Southeast Volusia Mosquito Control	Ponce Inlet and Port Authority	East Volusia Transit	Halifax Hospital	St. Johns Water Management District	Florida Inland Navigation District	Endangered and Recreation Lands
<b>TAX RATES</b>										
<i>(per \$1,000 of assessed value)</i>										
1993	5.46950	9.54800	4.89600	0.31500	0.09300	0.31400	2.82100	0.35800	0.05200	0.16700
1994	5.46950	9.86900	5.44300	0.31800	0.09400	-	2.75000	0.47000	0.05100	0.18400
1995	5.46950	10.27700	5.53200	0.28700	0.09400	-	2.26400	0.48200	0.04900	0.18400
1996	5.55375	10.88700	5.98900	0.26200	0.09400	-	2.25500	0.48200	0.04000	0.18300
1997	5.53591	10.82100	6.03600	0.23800	0.09300	-	2.23100	0.48200	0.03800	0.18100
1998	5.51831	10.48700	6.20100	0.23800	0.09000	-	2.18900	0.48200	0.05000	0.17700
1999	5.25000	10.37600	6.20400	0.23800	0.09000	-	2.15200	0.48200	0.04800	0.17400
2000	5.09007	9.91700	6.37300	0.23800	0.09000	-	2.15174	0.48200	0.04400	0.16900
2001	5.09007	9.15800	6.36700	0.23800	0.09000	-	2.50000	0.47200	0.04100	0.16300
2002	4.75000	9.01500	6.60400	0.23800	0.09000	-	2.50000	0.46200	0.03850	0.11040
<b>TAX LEVIES</b>										
<i>(\$ in thousands)</i>										
1993	\$ 1,439	2,511	1,288	83	24	83	742	94	14	44
1994	\$ 1,425	2,572	1,418	83	24	-	717	122	13	48
1995	\$ 1,444	2,714	1,461	76	25	-	598	127	13	49
1996	\$ 1,466	2,875	1,581	69	25	-	595	127	11	48
1997	\$ 1,434	2,803	1,563	62	24	-	578	125	10	47
1998	\$ 1,495	2,841	1,680	64	24	-	593	130	14	48
1999	\$ 1,491	2,946	1,762	68	26	-	611	137	13	49
2000	\$ 1,514	2,724	1,894	71	27	-	744	140	12	48
2001	\$ 1,672	3,008	2,091	78	30	-	821	155	13	54
2002	\$ 1,560	2,961	2,169	78	30	-	821	151	12	36

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

(2) Includes Tax Roll data from the immediately preceding fiscal year (fiscal year collections include levy from the prior year).

**DEBT SERVICE REQUIREMENTS TO MATURITY**  
**WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2002**  
September 30, 2002  
CITY OF HOLLY HILL, FLORIDA

Table 5

Payment Date	Principal	Coupon Rate	Interest	Total
10/01/2002	\$ 0		\$ 144,370	\$ 144,370
04/01/2003			288,741	288,741
10/01/2003	495,000	2.000%	288,741	783,741
04/01/2004			283,791	283,791
10/01/2004	505,000	2.000%	283,791	788,791
04/01/2005			278,741	278,741
10/01/2005	515,000	2.500%	278,741	793,741
04/01/2006			272,303	272,303
10/01/2006	530,000	3.000%	272,303	802,303
04/01/2007			264,353	264,353
10/01/2007	550,000	3.100%	264,353	814,353
04/01/2008			255,828	255,828
10/01/2008	565,000	3.500%	255,828	820,828
04/01/2009			245,941	245,941
10/01/2009	585,000	3.600%	245,941	830,941
04/01/2010			235,411	235,411
10/01/2010	605,000	3.800%	235,411	840,411
04/01/2011			223,916	223,916
10/01/2011	625,000	3.875%	223,916	848,916
04/01/2012			211,806	211,806
10/01/2012	655,000	4.000%	211,806	866,806
04/01/2013			198,706	198,706
10/01/2013	680,000	4.100%	198,706	878,706
04/01/2014			184,766	184,766
10/01/2014	710,000	5.000%	184,766	894,766
04/01/2015			167,016	167,016
10/01/2015	745,000	5.000%	167,016	912,016
04/01/2016			148,391	148,391
10/01/2016	780,000	4.400%	148,391	928,391
04/01/2017			131,231	131,231
10/01/2017	810,000	4.375%	131,231	941,231
04/01/2018			113,006	113,006
10/01/2018	850,000	4.625%	113,006	963,006
04/01/2019			93,350	93,350
10/01/2019	890,000	4.750%	93,350	983,350
04/01/2020			72,213	72,213
10/01/2020	930,000	4.750%	72,213	1,002,213
04/01/2021			50,125	50,125
10/01/2021	980,000	5.000%	50,125	1,030,125
04/01/2022			25,625	25,625
10/01/2022	1,025,000	5.000%	25,625	1,050,625
	<u>\$ 14,030,000</u>		<u>\$ 7,634,889</u>	<u>\$ 21,664,889</u>

COMPUTATION OF OVERLAPPING DEBT  
 END OF FISCAL YEAR  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA  
 (\$ in thousands)

Table 6

Name of Governmental Unit	Net General Obligation Debt Outstanding	Percent Applicable to the Governmental Unit	City of Holly Hill Share of Debt
Volusia County School District	\$44,385	1.89%	\$839
County of Volusia, Florida	0	0.00%	<u>0</u>
Total overlapping debt			<u><u>\$839</u></u>

Source: Confirmed by individual taxing districts

**SCHEDULE OF INSURANCE IN FORCE**

September 30, 2002

CITY OF HOLLY HILL, FLORIDA

**Table 7**

Type of Coverage Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
<b>Coregis Insurance Group</b>				
Policy #651-006986				
General Liability	12/01/01 - 12/01/02	General Liability	\$1,000,000 Total Occurrence Limit	\$50,461
Law Enforcement		Law Enforcement Liability	\$1,000,000 Total Occurrence Limit	
Professional Liability		EMT / Paramedic	Aggregate \$5,000,000	
Auto Coverage	12/01/01 - 12/01/02	Automobile Liability \$1,000 deductible	\$500,000 Liability \$10,000 Personal Injury Protection	\$46,183
Public Officials Liability	12/01/01 - 12/01/02	Wrongful Acts \$2,500 Retention	\$1,000,000 each loss and in aggregate	\$19,911
Property	12/01/01 - 12/01/02	\$1,000 deductible \$5,000 deductible per occurrence for any windstorm \$500,000 deductible per occurrence for flood	\$25,414,345 blanket for building and contents - Flood \$5,000,000	
Inland Marine (Cont. Equip	12/01/01 - 12/01/02	Off-road Equipment \$500 deductible	\$312,540 listed property	
		Computer equipment & media \$1,000 deductible	\$558,983 listed property	
Crime/Employee Dishonesty	12/01/01 - 12/01/02	Honesty Blanket Bond Theft, Disappearance & Destruction Forgery or Alteration Computer Fraud \$1,000 deductible	\$100,000 per loss  \$5,000 Inside & Outside Premises \$50,000 \$100,000	\$38,569
Hunt Insurance Group Policy # SRG8045349A		Accidental death in line of duty Plus intentional death and dismemberment	\$25,000 each incident \$50,000 each incident	
Police & Firefighters Accidental Death & Dismemberment	04/15/02 - 04/15/03	Total principal sum	\$75,000 in aggregate	\$1,607
The Hartford Steam Boiler Inspection & Insurance Co. Policy #FBP9497065		Mechanical Breakdowns Lightning Damages, City Hall Equipment & Leased Equip.	\$3,900,000	
Boiler & Machinery	04/15/02 - 04/15/03	\$1,000 deductible		\$1,754
Preferred Governmental Insurance Trust (PGIT) Policy #001000000005101			Statutory, employers' liability	
Workers' Compensation	10/01/02 - 10/01/03	Statutory	\$1,000,000	\$156,383
Commerce & Industry Petroleum Liability Insurance Policy #FPL7510482		Fuel Storage Tank \$10,000 deductible	\$1,000,000 Each Incident \$1,000,000 Each Aggregate	
Environmental Protection	06/25/02 - 06/25/03			\$715

**REVENUE BOND COVERAGE  
WATER AND SEWER SYSTEM FUND  
LAST TEN FISCAL YEARS**  
September 30, 2002  
CITY OF HOLLY HILL, FLORIDA  
(*\$ in thousands*)

**Table 8**

Fiscal Year	Gross Revenue (1)	Operating Expenses (4)	Net Revenues	Debt Service Requirements			Debt Service Coverage (Times)
				Principal	Interest	Total	
1993	3,317	1,475	1,842	165	743	908 (2)	2.03
1994	3,440	1,541	1,899	230	893	1,123 (2)	1.69
1995	3,088	1,469	1,619	240	885	1,125 (2)	1.44
1996	3,216	1,418	1,798	245	876	1,121 (2)	1.60
1997	3,461	1,363	2,098	255	865	1,120 (2)	1.87
1998	3,553	1,350	2,203	270	853	1,123 (2)	1.96
1999	3,712	1,513	2,199	280	841	1,121 (2)	1.96
2000	4,039	1,448	2,591	295	827	1,122 (2)	2.31
2001	4,130	1,506	2,624	310	812	1,122 (2)	2.34
2002	4,381	1,677	2,704	330	551	881 (5)	3.07

- (1) Included in gross revenue for debt service coverage are water and sewer utility fees, connection charges and interest earnings from the Water and Sewer Utility.
- (2) Debt service expenditures for Series 1992 Bonds.
- (3) Debt service expenditures for Series 2002 Bonds.
- (4) Operating expenses for debt service coverage exclude depreciation, amortization, and City administrative charges.
- (5) Debt service expenditures for fiscal year 2002 included principal and interest payments of \$736,632 on the Series 1992 Bonds and \$144,370 of accrued interest on the Series 2002 Bonds.

DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA

Table 9

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment Rate (3)
1993	(5)	11,258	1,894	(6)	6.3%
1994	(5)	11,455	1,891	(6)	6.4%
1995	(5)	11,539	1,894	(6)	4.9%
1996	(5)	11,370	1,887	(6)	4.2%
1997	(5)	11,310	1,872	(6)	4.0%
1998	(5)	11,325	2,066	(6)	3.4%
1999	(5)	11,383	1,888	(6)	3.0%
2000	(5)	11,383	1,813	(6)	3.0%
2001	(4)	12,180	1,992	(6)	4.0%
2002	(4)	12,503	1,689	(6)	5.3%

(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, 2002  
 CITY OF HOLLY HILL, FLORIDA  
 (All amounts in thousands)

**Table 10**

Fiscal Year	(1)				(2) Bank Deposits	(3)	
	Commercial Construction		Residential Construction			Real Property Taxable Values	
	Units	Value	Units	Value		Commercial	Residential
1993	8	924	49	841	N/A	2,650,323	7,689,537
1994	10	1,102	47	1,060	118,086	2,529,126	7,898,306
1995	10	1,312	61	692	124,705	2,572,444	8,065,756
1996	16	1,735	55	1,582	118,817	2,581,370	8,279,475
1997	16	3,777	41	739	117,928	2,591,135	8,641,481
1998	40	4,657	84	1,322	125,678	2,695,780	9,038,351
1999	50	2,997	96	1,031	115,258	2,815,170	9,417,447
2000	58	4,137	86	1,119	116,162	2,950,481	9,908,884
2001	69	5,133	107	9,025	116,752	3,231,614	10,716,106
2002	87	5,563	102	1,779	115,179	3,839,917	12,391,231

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

**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS**  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA

**Table 11**

Title of City Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$12,000	8 years, 9 months	\$100,000 blanket amount on all
City Commissioners (4)	8,000	2 months to 13 years, 8 months	--
City Attorney (retainer)	7,500	Over 26 years	--
City Manager	73,526	3 years, 2 months	--
City Clerk	38,177	3 years, 3 months	--
Finance Director	57,852	11 years, 7 months	--
Human Resources Director	45,380	5 years, 5 months	--
Director of Emergency Services	67,247	1 year, 5 months	--
Public Services Director	63,820	7 years, 9 months	--
Building Official	52,627	22 years	--

**SCHEDULE OF MAJOR TAXPAYERS**  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA

**Table 12**

Rank	Taxpayer Name	Type of Business	Assessed Values	Percent of Assessed Value
1.	KMC Telecom Leasing, Inc.	Communications	\$9,350	3.43%
2.	Holly Hill R.H.F. Housing, Inc.	Bishops Glen Retirement Center	7,645	2.80%
3.	Florida Power & Light	Electric power utility	5,302	1.95%
4.	Sun Communities, operating Holly Forest Mobile Home Park	Mobile Home Park	4,269	1.57%
5.	BellSouth Telecommunications, Inc.	Communications utility	3,994	1.47%
6.	Charleston Place LTD	Aprtment Complex	3,660	1.34%
7.	EIG Holly Hill, LLC	Winn Dixie Shopping Center	3,498	1.28%
8.	Metra Electronics	Electronics Manufacturer	2,823	1.04%
9.	Highlander Corp	R.W. Contractors, Inc.	2,820	1.04%
10.	Holly Point Apartments, Inc.	Apartment Complex	2,795	1.03%
Totals			<u>\$46,156</u>	<u>16.95%</u>

Source: Volusia County Property Appraiser

MISCELLANEOUS STATISTICAL DATA  
 September 30, 2002  
 CITY OF HOLLY HILL, FLORIDA

Table 13

Date of Incorporation:	July 1, 1901		
Date First Charter Adopted:	1901		
Date Present Charter Adopted:	1941		
Form of Government:	Commission/Manager		
Population:	12,503		
Area - Square Miles:	5.0		
Miles of Streets and Sidewalks:		Employees as of September 30, 2002	
Paved Streets	59.0 miles	Civil service	110
Unpaved Streets	1.0 miles	Exempt	1
Sidewalks	30.0 miles	Education: Volusia County School District	
Miles of Storm Sewers:		Elementary schools	1
Storm sewers	35.0 miles	Secondary schools	1
Sanitary sewers	74.0 miles	Students:	
Fire Protection:		Kindergarten to grade 5	739
Number of stations:	1	Grades 6 to 8	950
Number of Firefighters	12	Total	<u>1,689</u>
Number of fire hydrants	293	Education personnel:	
Police Protection:		Instructional	126
Number of stations:	1	Noninstructional	66
Number of Police officers	27	Administrative	6
Number of Reserve officers	10	Street Lights:	
Animal Control officers	1	High pressure Sodium Vapor:	
Recreation:		6,300 lumen	672
Parks (total 81.5 acres):	10	9,500 lumen	84
Dog Park Facility 2.7 acres	1	16,000 lumen	35
Playgrounds	4	22,000 lumen	139
Recreation buildings	5	50,000 lumen	2
Tennis courts	1	White Way underground 1,000 lumen	6
Shuffleboard courts	9	Water Treatment Plant:	
Baseball/softball fields	5	Design capacity	2.3 MGD
Community centers	2	Current production rate	1.262 MGD
Public fishing piers	3	Users	5,885
Boat ramp	1	Water Pollution Control Plant:	
Wooden pier overlook	3	Design capacity	2.4 MGD
Municipal gymnasium	1	Current production rate	1.542 MGD
Concrete bike paths (miles)	1.5	Users	5,148
Swimming pools	1		

## CLIMATOLOGICAL SUMMARY

September 30, 2002

City of Holly Hill, Florida

Table 14

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Holly Hill is approximately 4.5 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, 2002, and have issued our report thereon dated February 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 solely for the information and use of the City Commission and management, the Auditor General of the State of Florida, and federal and state awarding agencies, and is not intended to be used by anyone other than these specified parties.

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

February 21, 2003



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL  
CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT**

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, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2002. The City of Holly Hill, Florida's major federal programs and state projects are identified in the summary of auditors' 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 and state projects 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 United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, 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 or state project 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 and state projects for the year ended September 30, 2002.

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

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 and state projects. 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 or state project 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 and Chapter 10.550, Rules of the Auditor General.

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 or state project 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, 2002, and have issued our report thereon dated February 21, 2003. 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements of the City of Holly Hill, Florida. Such information has been subjected to the auditing procedures applied in 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 solely for the information and use of the City Commission and management, the Auditor General of the State of Florida, and federal and state awarding agencies, and is not intended to be used by anyone other than these specified parties.

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

February 21, 2003

**NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

For the Year Ended September 30, 2002  
CITY OF HOLLY HILL, FLORIDA

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Holly Hill, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**2. LOANS OUTSTANDING**

The City of Holly Hill, Florida, had the following loan balances outstanding at September 30, 2002. The expenditures incurred during the year ended September 30, 2002 are included in the expenditures of federal awards presented in the schedule.

<u>Program Title</u>	<u>State CSFA Number</u>	<u>Expenditures Incurred</u>	<u>Outstanding Loan Amount</u>
Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects (#CS12070906P)	66.458	\$ 652,945	\$ 907,507

**3. SUBRECIPIENTS**

No subrecipient payments were made by the City of Holly Hill, Florida during the year ended September 30, 2002.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended September 30, 2002  
THE CITY OF HOLLY HILL, FLORIDA

Federal Agency, Pass-through Entity Federal Program	CFDA CFSA No.	Contract Grant No.	Expenditures	Transfers to Subrecipients
U.S. Department of Housing and Urban Development				
Indirect Programs:				
Passed through County of Volusia, Florida Community Development Block Grant	14.218		\$ 12,000	\$ -
Total U.S. Department of Housing and Urban Development			<u>\$ 12,000</u>	<u>\$ -</u>
U.S. Department of Justice				
Direct Programs:				
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3860	\$ 21,619	\$ -
Bulletproof Vest Partnership Grant Program	16.607	01007417	\$ 3,810	\$ -
COPS Grant	16.710	97UMWX0166	\$ 5,389	\$ -
COPS More 2000	16.710	2000CMWX0060	\$ 17,955	\$ -
Indirect Programs:				
Passed through Florida Department of Law Enforcement Police Athletic League Grant	16.579	02-CJ-2H-06-74-02-189	\$ 62,511	\$ -
Total U.S. Department of Justice			<u>\$ 111,284</u>	<u>\$ -</u>
U.S. Department of Environmental Protection				
Indirect Programs:				
Passed through Florida Department of Environmental Protection Capitalization Grants for State Revolving Funds	66.458	SW12070906P	\$ 652,945	\$ -
Total U.S. Department of Environmental Protection			<u>\$ 652,945</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 776,229</u>	<u>\$ -</u>

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2002

CITY OF HOLLY HILL, FLORIDA

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**A. Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the City of Holly Hill, Florida.
2. No reportable conditions were disclosed during the audit of the financial statements or reported in the Independent Auditors' Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Holly Hill, Florida, were disclosed during the audit.
4. There are no reportable conditions disclosed relating to the audit of the major federal programs and state projects reported in the Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and State Project.
5. The auditor's report on compliance for the major federal programs and state projects for the City of Holly Hill, Florida, expresses an unqualified opinion.
6. The audit disclosed no audit findings which are required to be reported.
7. The programs/projects tested as major programs/projects included the following:

<b>Federal Program:</b>	<b>Federal CFDA No.</b>
U.S. Department of Justice:	
Local Law Enforcement Block Grant	16.592
Police Athletic League Grant	16.579
U.S. Department of Environmental Protection:	
Capitalization Grants for State Revolving Funds	66.458

**State Projects** - None - amounts collectively did not exceed audit threshold of \$300,000.

8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal programs and \$300,000 for major state projects.
9. The City of Holly Hill, Florida was determined not to be a low-risk auditee pursuant to OMB Circular A-133.

**B. Findings - Financial Statements -**

**OMB Circular A-133, Subpart E, Section 505(d)(2):** None

**C. Findings and Questioned Costs - Major Federal Programs -**

**OMB Circular A-133, Subpart E, Section 505(d)(3):** None

**D. Findings and Questioned Costs - Major State Projects -**

**Chapter 10.550, Rules of the Auditor General:** None

**E. Other Issues**

None



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

**MANAGEMENT LETTER**

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

We have audited the financial statements of City of Holly Hill, Florida, as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 21, 2003.

We conducted our audit in accordance with United States 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*. We have issued our independent auditor's report on compliance and internal control over financial reporting, independent auditor's report on compliance and internal control over compliance applicable to each major federal program and state project, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated February 21, 2003, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding audit report that required correction.

The Rules of the Auditor General (Section 10.554(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report pertaining to matters of compliance and internal controls or schedule of findings and questioned costs.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that City of Holly Hill, Florida, complied with Section 218.415, Florida Statutes.

As required by the Rules of the Auditor General (section 10.544(1)(g)3.), recommendations to improve financial management, accounting procedures, and internal control are reported in the attached Exhibit A under the heading *Current Year Findings and Recommendations*.

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

The Rules of Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters that are required to be reported.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Holly Hill, Florida was originally incorporated under the general laws of Florida on July 1, 1901 (Records of Incorporations, Volusia County, Vol. I, p. 101). This incorporation was validated in 1903 by Laws of Florida, Chapter 5346 (1903). The City of Holly Hill Community Redevelopment Authority was created by Ordinance No. 2426.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that City of Holly Hill, Florida, is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b.), we determined that the annual financial report for City of Holly Hill, Florida for the fiscal year ended September 30, 2002, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Sections 10.554(g)(6)c. and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We assessed the City's financial condition as of the fiscal year ended September 30, 2002. Based on our assessment the City does not have a deteriorating financial condition.

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

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

February 21, 2003

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As required by Section 10.554(1)(G), Rules of the Auditor General of the State of Florida, we make the following disclosures:

*Current Year Findings and Recommendations*

- A. Violations of Laws, Rules, and Regulations - None
- B. Illegal or Improper Expenditures – None
- C. Improper or Inadequate Accounting Procedures - None
- D. Other Matters

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, 2002. In addition to the significant financial reporting requirements, your financial managers will be required to share their insights in your financial operations by providing a management's discussion and analysis (referred to as MD&A) by giving financial statements readers what is expected to be an objective and easily readable analysis of the City's financial performance for the year. This analysis should provide your citizens and financial statement users with the information they need to help them assess whether the City's financial position has improved or deteriorated as a result of the year's operations.

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

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

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

The necessary changes required to make this transition are significant. Since this data is required to be included in your financial reporting entity, steps must be taken well in advance to ensure that it is obtained prior to its absolute due date to avoid future reporting inadequacies.

We strongly recommend that you should seriously consider the development of a formal transition plan to identify precisely what is required to effect the early implementation of this new standard for financial reporting. If it is your desire, we would be happy to assist your personnel in this endeavor at your convenience.



# CITY OF HOLLY HILL

The City with a Heart

1065 Ridgewood Avenue ♥ Holly Hill, Florida 32117

www.hollyhillfl.org

**Building,  
Zoning,  
Licensing &  
Inspections**  
386-248-9442  
Fax 386-248-9498

**City  
Clerk**  
386-248-9441  
Fax 386-248-9448

**City  
Manager**  
386-248-9425  
Fax 386-248-9448

**Economic  
Development**  
386-248-9424  
Fax 386-248-9448

**Finance**  
386-248-9427  
Fax 386-248-9448

**Human  
Resources**  
386-248-9440  
Fax 386-248-9448

**Information  
Technology**  
386-248-9449  
Fax 386-248-9448

**Public  
Works**  
386-248-9463  
Fax 386-248-9499

**Recreation**  
386-248-9460  
Fax 386-248-9446

**Utility  
Billing**  
386-248-9432  
Fax 386-248-9448

February 21, 2003

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

## **RESPONSE TO MANAGEMENT COMMENTS FYE 9/30/02**

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

The Finance Department staff have received training and publications to help gain a better understanding of the changes required by Statement No. 34. We have been planning for the implementation of the new requirements throughout the year and will continue our efforts with a conversion of our most recent annual audited financial statements. This will help to provide sufficient comparative financial data for a more meaningful report on Management's Discussion and Analysis that will be an important part of the new reporting under this pronouncement.

  
Brenda Gubernator  
Finance Director

