

CITY OF HOLLY HILL, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND



FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION

YEARS ENDED SEPTEMBER 30, 2003 AND 2002

TABLE OF CONTENTS
FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
September 30, 2003 and 2002
CITY OF HOLLY HILL, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

	<u>Reference</u>	<u>Pages</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-2
Financial Statements:		
Statements of Plan Net Assets	Statement 1	3
Statement of Changes in Plan Net Assets	Statement 2	4
Notes to the Financial Statements		5-9
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Funding Progress and Contributions from Employer and Other Contributing Entities	Schedule 1	10
Notes to Required Supplementary Information		11-12
COMPLIANCE SECTION		
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		13
Management Letter		14-15

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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
City of Holly Hill, Florida
Municipal Firefighters' Pension Trust Fund

We have audited the accompanying statements of net assets available for benefits of the City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund as of September 30, 2003 and 2002 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund's Board of Trustees and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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.

As described more fully in Note 1, the accompanying financial statements present only the City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund and are not intended to present fairly the financial position and results of operations of the City of Holly Hill, Florida in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund as of September 30, 2003 and 2002, and the changes therein for the years then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2004 on our consideration of City of Holly Hill, Florida's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

The Board of Trustees
City of Holly Hill, Florida
Municipal Firefighters' Pension Trust Fund
Page 2 of 2

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Trustees and management of the City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund. However, this report is a matter of public record and its distribution is not limited.

Brent Milliken & Co., P.C.

February 18, 2004

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**Statement 1**

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

	September 30, 2003	2002
Assets:		
Cash and cash equivalents	\$ 1,552	2,340
Investments:		
Money market funds	51,808	60,328
U.S. government and agency	619,264	646,354
U.S. corporate debt obligations	236,718	282,571
U.S. corporate equities	1,041,829	777,517
Accrued interest receivable	10,569	14,137
Due from brokers	5,948	1,832
Due from City of Holly Hill, Florida	28,721	0
Due from State of Florida	11,933	0
Total assets	<u>2,008,342</u>	<u>1,785,079</u>
Liabilities:		
Accounts payable	<u>8,976</u>	<u>3,334</u>
Net Assets:		
Net assets reserved for employees' pension benefits	\$ <u>1,999,366</u>	<u>1,781,745</u>

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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**Statement 2**

For the Fiscal Years Ended September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

	September 30,	
	2003	2002
Additions:		
Contributions from:		
Employer	\$ 74,407	69,527
State	52,758	35,164
Plan members	45,155	42,594
Total contributions.....	172,320	147,285
Investment income:		
Net realized and unrealized appreciation (depreciation) in fair value of investments	175,113	(160,162)
Interest and dividend earnings	66,336	71,110
	241,449	(89,052)
Less: investment management fees	(18,196)	(19,243)
Total investment income	223,253	(108,295)
Total additions	395,573	38,990
Deductions:		
Benefit payments	138,766	150,365
Refunds/withdrawals	23,999	430
Administrative expenses	15,187	17,051
Total deductions.....	177,952	167,846
Net increase	217,621	(128,856)
Net assets held in trust for pension benefits:		
Beginning of year	1,781,745	1,910,601
End of year	\$ 1,999,366	1,781,745

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2003 and 2002
CITY OF HOLLY HILL, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Plan

The City of Holly Hill, Florida provides a single-employer defined benefit pension plan for all firefighters, which assets are included in the Municipal Firefighters' Pension Trust Fund (the "Fire Plan"). The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Fire Plan can be found in Chapters 175, Florida Statutes. 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 Fire Plan are administered, managed, and operated by a five-member Board of Trustees using the services of the City staff, local financial institutions, and third-party fund custodians.

All 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 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:

Participant data as of October 1, 2002, the date of the most recent actuarial valuation:	
Retirees and beneficiaries currently receiving benefits	6
Vested terminated employees	1
Active employees:	
Fully vested	0
Nonvested	<u>13</u>
Total participants	<u>20</u>

Although there is no intent to do so, if the Fire Plan is terminated for any reason, the Board of Trustees shall apportion and distribute the Fire Plan's assets in accordance with the requirements set forth in Chapter 175 of the Florida Statutes.

Reporting Entity

The accompanying financial statements present only the Fire Plan and are not intended to represent the financial position or results of operations of the City of Holly Hill, Florida taken as a whole.

Fund Accounting

The accounts of the Fire Plan are organized as a Pension Trust Fund, which is considered a separate accounting entity. A pension trust fund is used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The fiscal operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

reserved for employee's pension benefits and additions to and deductions from net assets reserved for employees' pension benefits. Resources are allocated to, and accounted for, based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The accrual basis of accounting is utilized in presenting the Fire Plan's plan net assets and changes in net plan assets. Revenue is recognized when earned and expenditures are recognized when they are incurred. 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 Plan. 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.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, benefit obligations and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Method Used to Value Investments

Investments are reported at fair value and are managed by the Fire Plan's Board of Trustees and a third party money manager. 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.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

Deposits

At September 30, 2002, the carrying amount and the bank balance of the Fire Plan's deposits, including money market funds with financial institutions, was \$62,668 and \$62,668, respectively. The deposits were held in two separate financial institutions at September 30, 2002 as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 1,552	\$ 1,552
Uninsured:		
Uncollateralized	<u>51,808</u>	<u>51,808</u>
Total deposits	<u>\$ 53,360</u>	<u>\$ 53,360</u>

Investments

The Fire Plan's investment policies are governed by state statutes (Chapter 175, F.S.) and by an investment policy adopted by its Board of Trustees. The basic allowable investment instruments include obligations of, or obligations the principal and interest of which are guaranteed by, the U.S. Government; time deposits or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings, building and loan association insured the Federal Savings and Loan Insurance Corporation; money market accounts that invest in U.S. Government obligations; bonds issued by the State of Israel; and bonds, stocks or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the U.S., or the District of Columbia.

The following schedule categorizes the level of risk assumed by the Fire Plan relating to investments held:

- Category 1 includes investments that are insured, registered, or for which the securities are held by the Fire Plan or its agent in the Fire Plan's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the banks' trust departments or agents in the Fire Plan'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 Fire Plan's name.

All of the Fire Plan's investments are classified as Category 3 investments at September 30, 2003 and 2002.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

The following presents the fair value of investments held by the Fire Plan at September 30:

	2003	2002
U.S. government and agencies	\$ 619,264	646,354
U.S. corporate debt obligations	236,718	282,571
U.S. corporate equities	<u>1,041,829</u>	<u>777,517</u>
Total	\$ <u>1,897,811</u>	<u>1,706,442</u>

During 2003 and 2002, the Fire Plan's cash and investments (including cash and investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value by \$191,369 and \$(160,162), respectively, as follows:

	Net Appreciation (Depreciation) in Fair Value During the Year	Value End of Year
September 30, 2003:		
Cash deposit	\$ -	1,552
Money market account	-	51,808
U.S. government and agencies	(27,090)	619,264
U.S. corporate obligations	(45,853)	236,718
U.S. corporate equities	<u>264,312</u>	<u>1,041,829</u>
Total	\$ <u>191,369</u>	<u>1,951,171</u>
September 30, 2002:		
Cash deposit	\$ -	2,340
Money market account	-	60,328
U.S. government and agencies	48,497	646,354
U.S. corporate obligations	(43,088)	282,571
U.S. corporate equities	<u>(165,571)</u>	<u>777,517</u>
Total	\$ <u>(160,162)</u>	<u>1,769,110</u>

At September 30, 2003, the Plan had one investment in U.S. government securities (U.S. Treasury Note dated 11/30/2001, due 11/30/2003) which totaled \$255,877. No other investments in an individual entity exceeded 5% of plan net assets at September 30, 2003.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTE 3 - CONTRIBUTIONS

The City of Holly Hill, Florida provides contributions to the Fire Plan under the authority of Chapter 175, Florida Statutes and pursuant to City ordinances. Employees covered under the plan are required to make contributions of 10% of their compensation. City contributions to the Fire Plan (currently 16.3%) are made as needed to fund any actuarial deficiency. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions, plus interest, are refunded to the employee or a designated beneficiary. The ordinances also require the City to make an annual contribution to the Fire Plan at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The City is obligated by law to make all required contributions to the Fire Plan.

During the year ended September 30, 2003, the actuarially determined minimum deposit was \$165,785. Amounts actually contributed by the City and covered Fire Plan employees totaled \$127,165 and \$45,155, respectively, a total of \$172,320 for the fiscal year ended September 30, 2003.

REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2003
CITY OF HOLLY HILL, FLORIDA
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

Schedule 1

SCHEDULE OF FUNDING PROGRESS

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)
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%
10/01/2001	\$2,089,520	\$2,089,520	\$0	100.00%	\$402,803	0.00%
10/01/2002	\$2,100,744	\$2,100,744	\$0	100.00%	\$467,323	0.00%

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Year Ended September 30	Annual Required Contribution	Employer Contributions	State Contributions	Percentage Contributed
1997	\$80,281	\$59,009	\$21,272	100.00%
1998	\$87,446	\$89,109	\$37,878	145.22%
1999	\$83,017	\$55,985	\$28,077 *	101.26%
2000	\$70,054	\$41,977	\$28,077 *	100.00%
2001	\$70,960	\$60,875	\$28,077 *	125.36%
2002	\$97,604	\$69,527	\$28,077 *	100.00%

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

Source: Foster & Foster, Inc., Actuaries
Valuation dated 10/01/2002

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Contribution rates as of 09/30/2002:

City	16.3%
Plan Members	10.0%
Valuation date	October 1, 2002
Actuarial cost method	Aggregate Actuarial Cost ⁽¹⁾
Amortization method	N/A ⁽²⁾
Remaining amortization period	N/A ⁽²⁾
Asset Valuation Method	4 Year Smoothed Market
Actuarial assumptions:	
Investment rate of return ⁽³⁾	7.5%, net of investment expenses
Projected salary increases ⁽³⁾	5.0%
⁽³⁾ includes inflation at	2.5%
Post-retirement cost of living increases (COLA)	0.0%

⁽¹⁾ The Aggregate Actuarial Cost method does not identify or separately amortize unfunded actuarial liabilities.

⁽²⁾ The amortization method and period are not applicable for this plan since the Aggregate Actuarial Cost method is being used.

Three Year Trend Information is as follows:

Fiscal Year Ending	Actuarially Determined Contribution	Percentage of ADC Contributed	Net Pension Obligation
09/30/02	\$69,527	100%	\$ (55,776)
09/30/01	\$42,883	142%	\$ (56,682)
09/30/00	\$41,977	100%	\$ (39,318)

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 was \$-0-.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - (Continued)

September 30, 2003 and 2002

CITY OF HOLLY HILL, FLORIDA

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

The development of the Net Pension Obligation (NPO) in the Fire Plan through October 1, 2002 is as follows:

	09/30/00	09/30/01	09/30/02
Actuarially determined contribution	\$ 41,977	42,883	69,527
Interest on NPO	(2,997)	(2,949)	(4,251)
Adjustment	<u>3,635</u>	<u>3,577</u>	<u>5,157</u>
Annual Pension Cost	42,615	43,511	70,433
Contributions made	<u>41,977</u>	<u>60,875</u>	<u>69,527</u>
Increase in NPO	638	(17,364)	906
NPO - beginning of year	<u>(39,956)</u>	<u>(39,318)</u>	<u>(56,682)</u>
NPO - end of year	\$ <u><u>(39,318)</u></u>	<u><u>(56,682)</u></u>	<u><u>(55,776)</u></u>

COMPLIANCE REPORTS

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 Board of Trustees
City of Holly Hill, Florida
Municipal Firefighters' Pension Trust Fund

We have audited the accompanying financial statements of the City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund as of and for the year ended September 30, 2003, and have issued our report thereon dated February 18, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund'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 Municipal Firefighters' Pension Trust Fund'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 Board of Trustees, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Brent Millikan & Co., P.A.

February 18, 2004

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

MANAGEMENT LETTER

The Board of Trustees
City of Holly Hill, Florida
Municipal Firefighters' Pension Trust Fund

We have audited the financial statements of the City of Holly Hill, Florida, Municipal Firefighters' Pension Trust Fund, as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated February 18, 2004.

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 Disclosures in that report, which is dated February 18, 2004, 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, 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, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual 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, 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 that required correction.

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 the City of Holly Hill, Florida, Municipal Firefighters' Pension Trust Fund, complied with Section 218.415, Florida Statutes.

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: (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 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 governmental entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund was formed under various acts of the Florida Legislature, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund can be found in Chapters 175, Florida Statutes.

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 the City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

The City of Holly Hill, Florida Municipal Firefighters' Pension Trust Fund is not required to file a separate annual financial report as identified in the Rules of the Auditor General (Section 10.554(1)(g)(6).b.).

As required by the Rules of the Auditor General (Section 10.554(g)(6).c. and 10.556), we applied financial condition assessment procedures as of the fiscal year ended September 30, 2003. It is the trustees' responsibility to monitor the plan's financial condition, and our financial condition assessment was based in part on representations made by the trustees' and the review of financial information provided by same. As a result of these procedures we determined that the plan's financial condition is not deteriorating.

This report is intended solely for the information and use of the Board of Trustees, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.A.

February 18, 2004

