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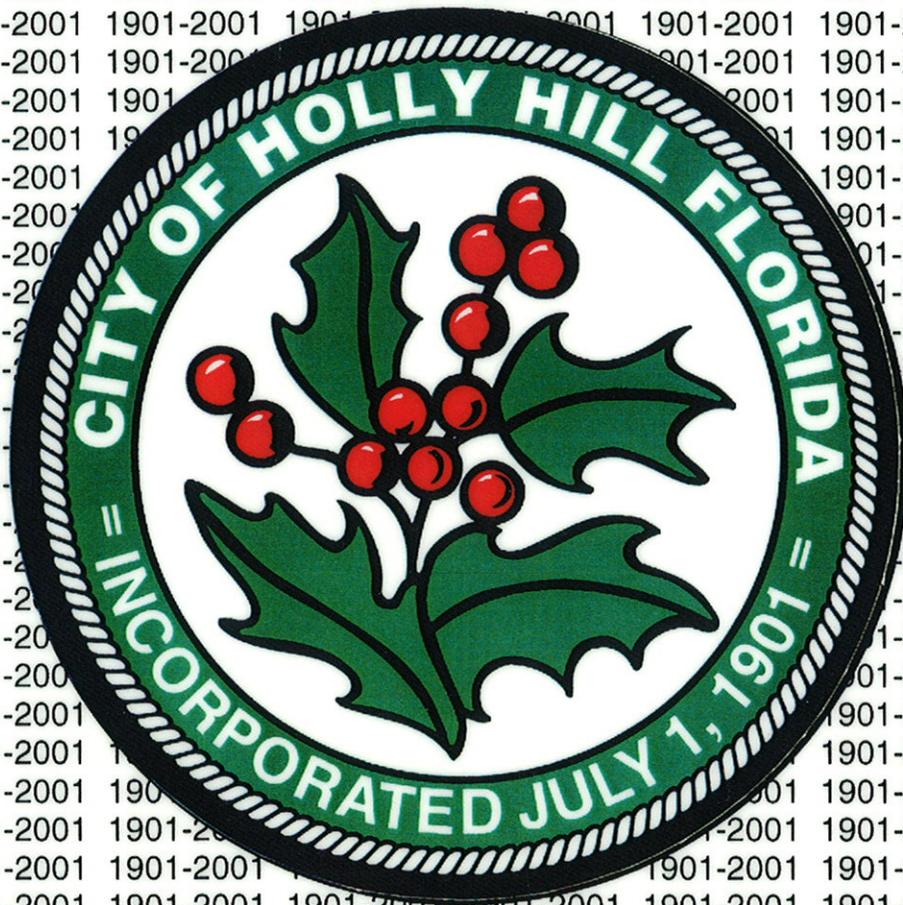
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## FISCAL YEAR ENDED SEPTEMBER 30, 2001

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## CELEBRATING 100 YEARS

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# CITY OF HOLLY HILL, FLORIDA

## *COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001*



### CITY COMMISSION

HONORABLE WILLIAM D. ARTHUR, MAYOR

DISTRICT 1 - ARTHUR J. BYRNES

DISTRICT 2 - PAUL E. LOCKEY

DISTRICT 3 - KEITH TARRER

DISTRICT 4 - ROLAND VIA

### CITY MANAGER

JOSEPH A. FORTE

### CITY ATTORNEY

EDWARD F. SIMPSON, JR.

### DIRECTOR OF FINANCE

BRENDA GUBERNATOR

### INDEPENDENT AUDITORS

BRENT MILLIKAN & COMPANY, P.A.

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



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CITY OF HOLLY HILL, FLORIDA

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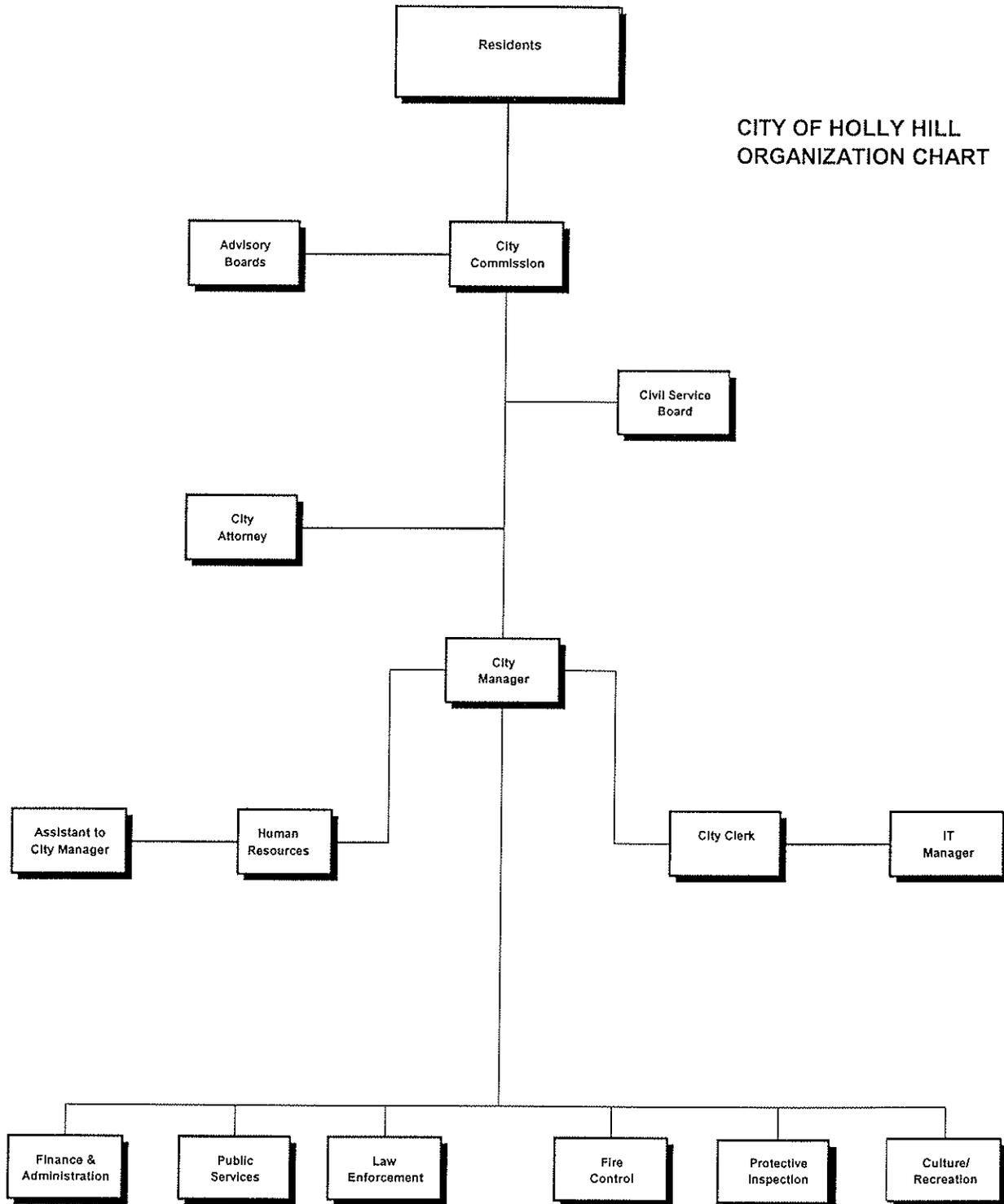
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*ORGANIZATION CHART*



CITY OF HOLLY HILL  
ORGANIZATION CHART





***CITY OF HOLLY HILL, FLORIDA***

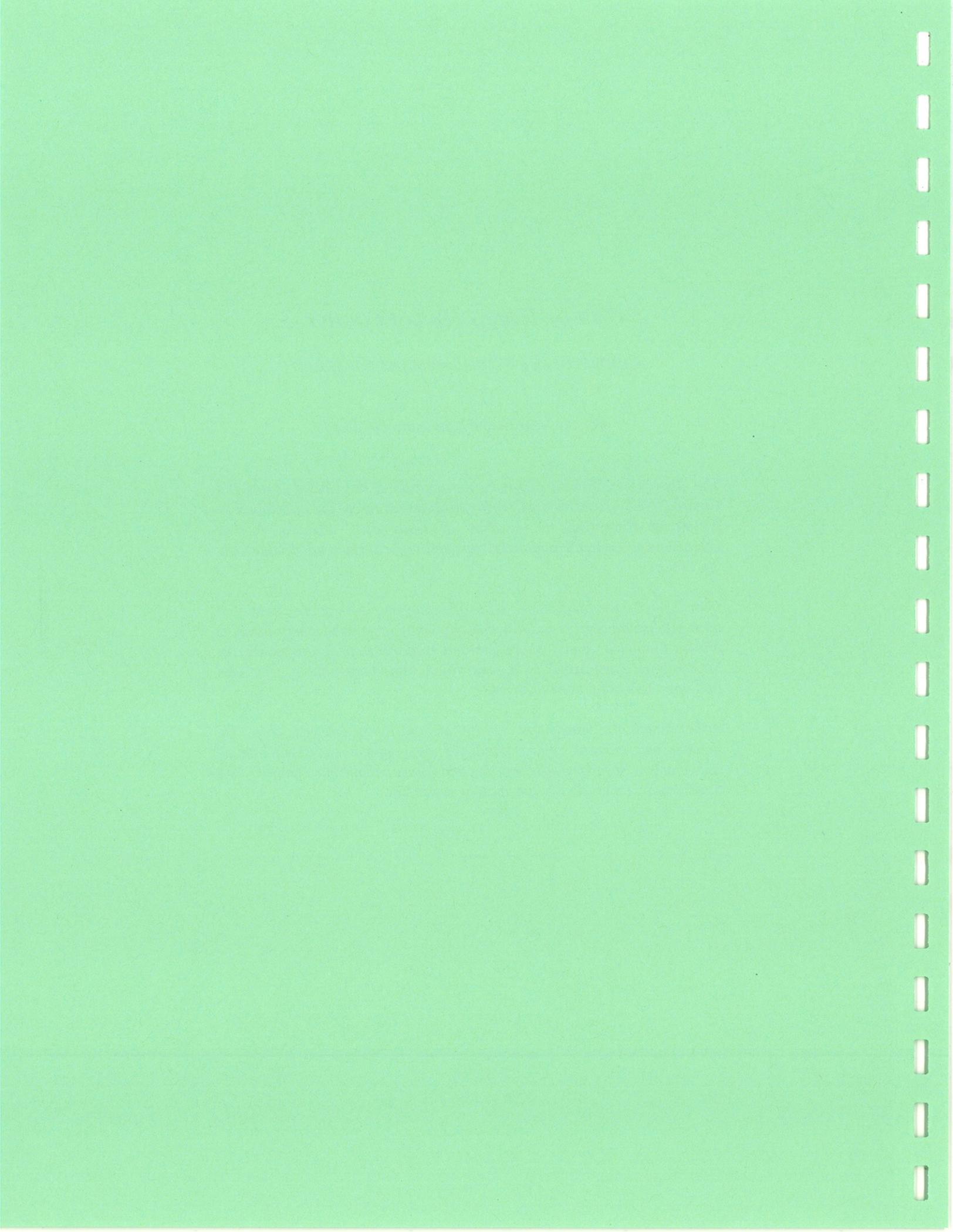
***CERTIFICATE OF ACHIEVEMENT AWARDED***

*For the Year Ended September 30, 2000*

*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, 2000.*

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

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



**CERTIFICATE OF ACHIEVEMENT**  
For the Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Holly Hill,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2000

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.



*Thomas A. Drew*  
President

*Jeffrey L. Esler*  
Executive Director



*LETTER OF TRANSMITTAL*





# CITY OF HOLLY HILL

The City with a Heart

1065 Ridgewood Avenue ♥ Holly Hill, Florida 32117

[www.hollyhillfl.org](http://www.hollyhillfl.org)

March 12, 2002

**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

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, 2001, 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 state financial assistance projects, the City was required to have its September 30, 2001 fiscal year end audit conducted as a single audit for state program purposes. Accordingly, there are supplementary reports and a schedule of expenditures of state financial assistance relative to a single audit presented in the last section of this report. In addition, supplementary information is provided in relation to the reporting requirements of the Rules of the Auditor General for state financial assistance and are also presented in the last section of this report.

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

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

### **ECONOMIC CONDITION AND OUTLOOK**

The City is located on the eastern end of the Interstate-4 (I-4) corridor, the economic zone of Central Florida 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 and is expected to continue during the coming year. However, due to limited vacant land parcels and other resources, growth is slow at about 2% per year. Property valuations increased during the past year by 3.6%. The number of voluntary annexation applications received and the number of new and expanding businesses that have applied for permits and licenses is encouraging to the City. Opportunities for additional growth still exist in an already dynamic business and industrial community. The community currently has a 3.9% unemployment rate as compared to a statewide rate of 4.5%.

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

### **MAJOR INITIATIVES**

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

1. Parks and Recreation - Improvements were made to Centennial Park by building restrooms, picnic shelters and a walk bridge across the lake. The Florida Recreation Development Assistance Program as well as City funds provided funding for these improvements.
2. Water and Sewer - Rehabilitation on about one-third of the City sewer system was completed on time and under budget at a cost of \$2.2 million. Rehabilitation by re-lining the pipes and and/or replacing pipes where it was necessary will prevent infiltration of dirt and stormwater into the sewer lines.
3. Public Works – In conjunction with the Florida Department of Transportation's widening of Nova Road from Flomich Street north, the City 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. Charleston Place, just north of Flomich on Nova Road, is a new affordable housing complex, which is to be completed in early 2002. It will add approximately 500 residents to the city population.

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
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4. Stormwater Management - The Flamingo Area drainage project was completed during the year, with funding from City Stormwater Utility fees and from the St. Johns Water Management District. These improvements to the Stormwater Drainage System demonstrate City officials' commitment to alleviating flooding and to protecting lives and properties.
5. Fire and Emergency Services – A new fire engine was purchased during the year at a cost of \$204,000. This engine replaced two other pieces of equipment as it is equipped to provide Advance Life Support services as well as fight fires.

### **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 to create a pleasing and stable environment. The City's median and beautification projects are inspiring efforts to enhance the area.
  - The TIF District is beginning to generate additional revenues that will be utilized in the form of grants for façade improvements, tree planting and signage.
2. To develop a five-year capital improvements plan. 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 and a multi-purpose recreational facility. Additional plans for vehicle replacement and water meter 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, a multi-purpose playing field and a wellness center are planned in the 2002 budget.

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
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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 3rd annual awards dinner for the Employee of the Year, Citizen of the Year and Business of the Year was held in September 2001. 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. Adding an Employee of the Month program in 2002 has enhanced the Employee of the Year selection program. The Employee of the Year will be chosen from among those who have been recognized as Employee of the Month during the past year.
  - A special 3-day Centennial celebration for the city’s 100th Birthday was held in July 2001. The event, complete with fireworks, a carnival and various other programs was well attended.
  - Regular programs recognizing all city boards and committees for their efforts have been established.
  - Enhanced training for staff is being provided to continue and improve quality services.
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.
  - In fiscal year 2001, the City budget provided for a full-time housing property inspector who is charged with enforcing codes in residential areas. This has enhanced the efforts of the staff to encourage residents and businesses to meet code requirements and improve 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.
  - The City’s website, maintained by in-house personnel, is continually being enhanced to provide information that is useful to developers. The Redevelopment Advisory Board for the TIF District is an influential body furthering the development efforts of city officials.
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 ones is planned to start in the fiscal year 2002 budget.

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
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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 addition, a time capsule that had been buried in 1976 was removed and additional items collected during the City's Centennial Year are being added to the capsule, which will be re-buried in 2002.
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.
  - A long-term plan will be developed and adopted by the Commission to improve the look and economic viability of LPGA Boulevard. This will require a dedication of staff time and money committed to a successful redevelopment.
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 adopted an additional fifteen thousand dollar senior citizens property tax exemption, which is effective in 2002. The Commission will strive to accomplish the projects and programs of the City within the property tax rolled-back rate each year.

### **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.

Honorable Mayor Arthur, and  
 Members of the City Commission  
 City of Holly Hill, Florida  
 March 12, 2002  
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Any unencumbered balance of appropriations shall revert to the General Fund and be subject to future appropriations. Open encumbrances are reported as reservations of fund balance at year end. Budgetary control is maintained by a constant review of revenues and expenditures by the City Manager and Finance Director. This budgetary control is communicated to the department heads.

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

General Government Functions The following schedule presents a summary of governmental fund (General, Special Revenue, Capital Projects, and Expendable Trust funds) revenues for the fiscal year ended September 30, 2001, and the increases and decreases in relation to prior year revenues:

<u>Revenue Source</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>2001 Increase (Decrease)</u>
Taxes . . . . .	\$ 3,677,333	60.2%	\$ 364,759
Licenses and permits . . . . .	241,509	3.9%	61,929
Intergovernmental revenue . . . . .	1,219,994	20.0%	(492,573)
Charges for services . . . . .	516,804	8.4%	12,167
Fines and forfeitures . . . . .	115,398	1.9%	28,680
Miscellaneous revenue . . . . .	<u>340,929</u>	5.6%	<u>70,715</u>
Totals . . . . .	\$ <u>6,111,967</u>		\$ <u>45,677</u>

Revenues received from governmental fund sources totaled \$6,111,967 for the year ended September 30, 2001, which represents a 0.8% increase of \$45,677 over the amount earned in the previous year. Actual revenues were greater than budgeted revenues by \$298,457. The City experienced revenue growth in virtually all revenue sources in 2001 without raising ad-valorem taxes. The decline in current year intergovernmental revenue of \$492,573 was due primarily to the transferring of the City's Community Development Block Grant program to Volusia County for administration of the program. All current and subsequent years' revenue will be recognized by the County rather than the City. Amounts received in the immediate prior year from this program totaled \$275,351. The remainder was attributable to the one-time receipt of a FEMA grant (cost reimbursement) in the prior year which totaled approximately \$170,000.

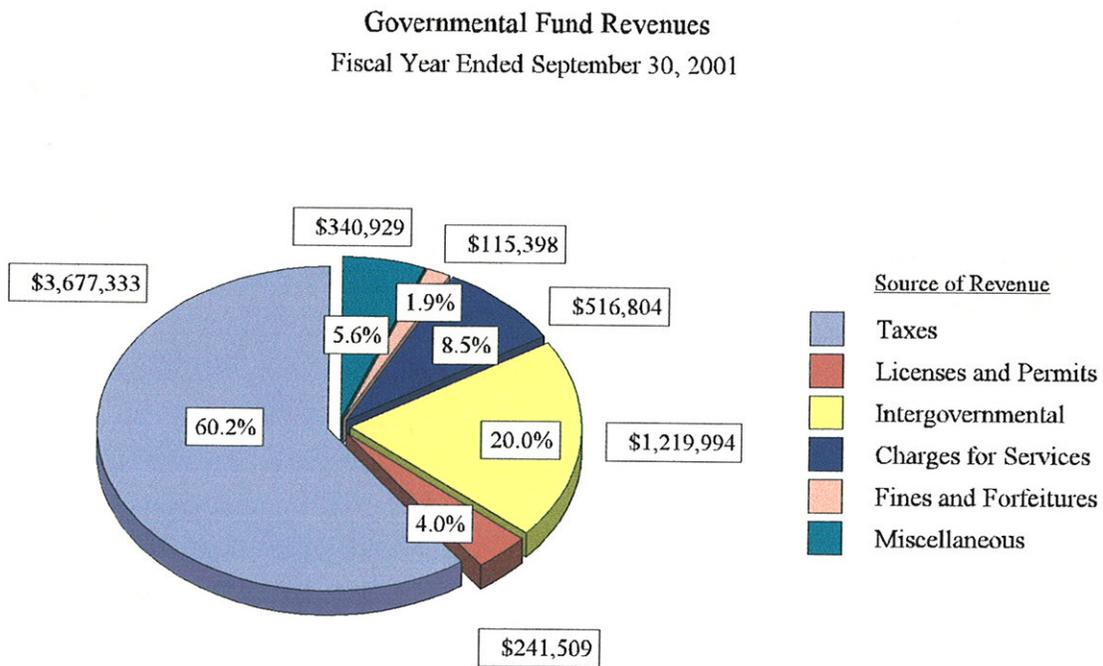
Ad valorem taxes continue to be the City's most significant revenue source. Tax revenues (which were substantially reduced in the prior year) increased by 10.6% in 2001 primarily from the combined result of increased taxable values and new construction in the City. The total non-exempt valuation of all real property, subsurface rights, personal property and centrally assessed property subject to ad valorem taxes amounted to \$457 million, an increase of \$40 million, or 9.5% over the last year's \$417 million. Florida Statutes, Ch.192, controls the assessments and collections of ad valorem taxes. The taxable value for operating millages increased by more than \$31 million in 2001 at \$328.5 million compared to \$297.4 million the preceding year.

Honorable Mayor Arthur, and  
 Members of the City Commission  
 City of Holly Hill, Florida  
 March 12, 2002  
 Page 7

The County of Volusia, Florida, is responsible for assessing, billing and collecting the City's share of ad valorem taxes in accordance with Florida law.

The property tax levy during the current year remained unchanged at 5.09007 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:



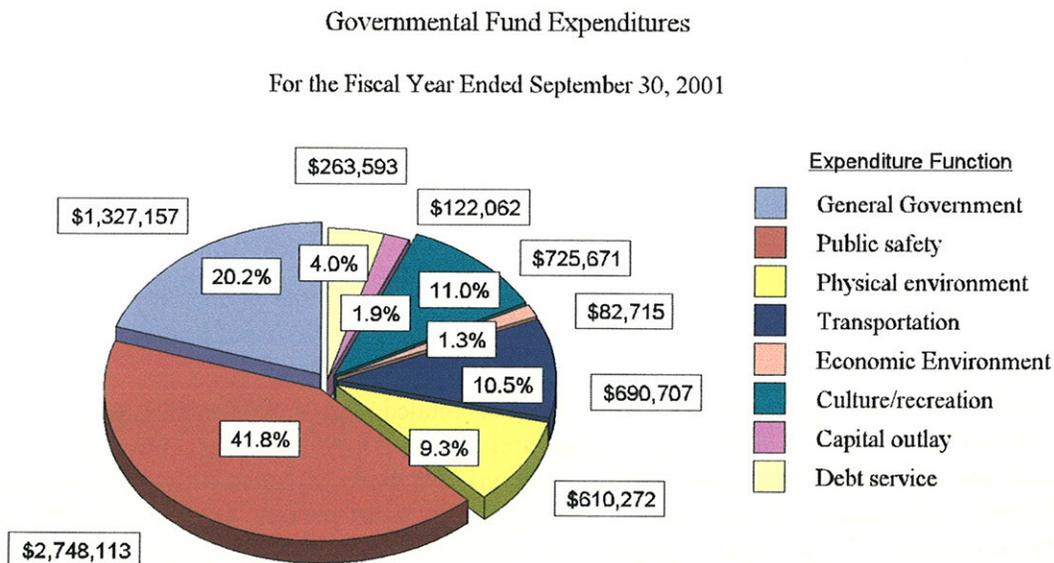
Expenditures for the City's general governmental functions totaled \$6,570,290 for 2001, which represents an increase of \$447,284 or 7.3% above total expenditures of \$6,123,006 last year. Overall, most program expenditures increased for all major governmental functions. For the second consecutive year, capital spending declined rapidly indicating that these costs may be recognized in future periods. Other similar reductions were the combined result of a decrease in other capital spending from grant related activities which were transferred to Volusia County for continued administration.

Honorable Mayor Arthur, and  
 Members of the City Commission  
 City of Holly Hill, Florida  
 March 12, 2002  
 Page 8

The following schedule presents a summary of governmental fund expenditures for the fiscal year ended September 30, 2001, and the increases and decreases in relation to prior year expenditures:

<u>Expenditure Function</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>2001 Increase (Decrease)</u>
General government .....	\$ 1,327,157	20.2%	\$ 300,934
Public safety .....	2,748,113	41.8%	284,099
Physical environment .....	610,272	9.3%	303,256
Transportation .....	690,707	10.5%	(59,872)
Economic environment .....	82,715	1.3%	150
Culture/recreation .....	725,671	11.0%	24,047
Capital outlay .....	122,062	1.9%	(439,040)
Debt service .....	<u>263,593</u>	4.0%	<u>33,710</u>
Totals .....	\$ <u>6,570,290</u>		\$ <u>447,284</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 increased by 19% in 2001 totaling \$2,412,481 compared to \$2,028,084 the preceding year. This is the third consecutive year that the City's unreserved General Fund equity increased by more than 19%. The unreserved (undesigned) portion of the

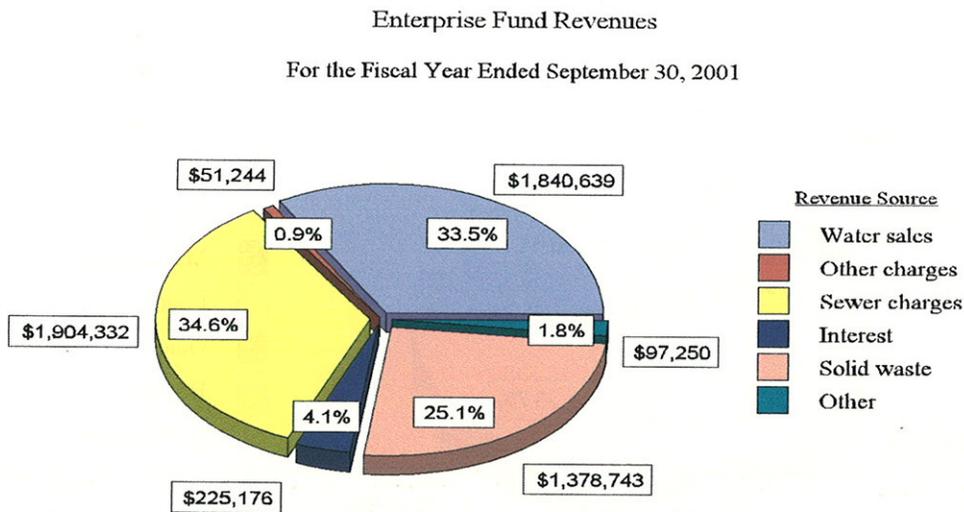
Honorable Mayor Arthur, and  
 Members of the City Commission  
 City of Holly Hill, Florida  
 March 12, 2002  
 Page 9

fund balance increased \$384,397 over the amount available at the end of 2000. This increase provides the City with a fund balance that is equivalent to 42.1% 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, 2001, and the increases and decreases in relation to prior year revenues:

<u>Operating Revenue Source</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>2001 Increase (Decrease)</u>
Water sales .....	\$ 1,840,639	33.5%	\$ 86,629
Sewer charges .....	1,904,332	34.6%	68,640
Waste disposal charges .....	1,378,743	25.1%	40,809
Other charges .....	51,244	0.9%	1,135
Interest earnings .....	225,176	4.1%	17,241
Other income .....	<u>97,250</u>	1.8%	<u>(43,133)</u>
Totals .....	\$ <u>5,497,384</u>		\$ <u>171,321</u>

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



The City's combined enterprise fund revenues increased by \$171,321 during 2001. The significant increases in the charges for services in the enterprise funds were the combined result of increased consumer demand for utility services and a 3.2% utility rate increase implemented in FY 2001. The decrease in other income was primarily attributable to the recognition of gains from the final disposal and adjustments of utility and solid waste fund assets of more than \$80,000 in 2000 which were not repeated in the current year.

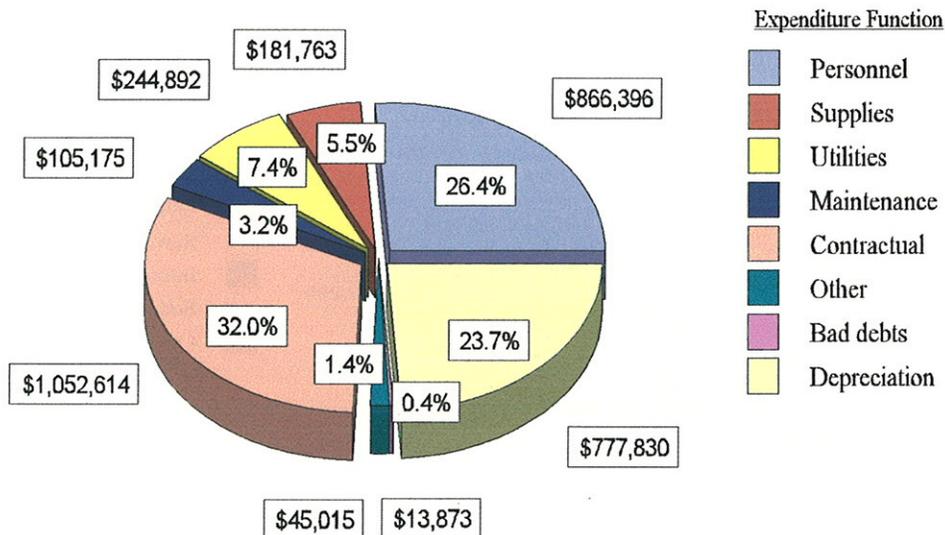
The following schedule presents a summary of enterprise fund expenses for the year ended September 30, 2001, and the increases and decreases in relation to prior year amounts:

<u>Operating Expenses</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>2001 Increase (Decrease)</u>
Personal services .....	\$ 866,396	26.4%	\$ 40,432
Materials and supplies .....	181,763	5.5%	3,269
Utilities .....	244,892	7.4%	47,698
Maintenance and repairs .....	105,175	3.2%	(33,691)
Contractual services .....	1,052,614	32.0%	(168,339)
Other expenses .....	45,015	1.4%	17,057
Bad debts .....	13,873	0.4%	(9,886)
Depreciation .....	<u>777,830</u>	23.7%	<u>11,176</u>
Totals .....	\$ <u>3,287,558</u>		\$ <u>(92,284)</u>

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

Enterprise Fund Expenses

For the Fiscal Year Ended September 30, 2001



Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
March 12, 2002  
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Utility operating expenses remained relatively constant in 2001 compared to 2000's operating results. The significant decrease in contractual services was directly related to the City's increased cleanup activities and above-normal debris removal and disposal costs incurred during the summer storms experienced last year. The City's net income before operating transfers from its Water and Sewer Fund and Solid Waste Fund continued to remain strong at \$890,362 and \$214,138, respectively, for 2001. Operating transfers from the Water and Sewer Fund to the General Fund totaled \$450,000 (as reimbursement for administrative expenses) and remained unchanged from 2000. Operating transfers from the Solid Waste Fund to the General Fund and Capital Projects Fund totaled \$240,000 and \$225,300, respectively for the year.

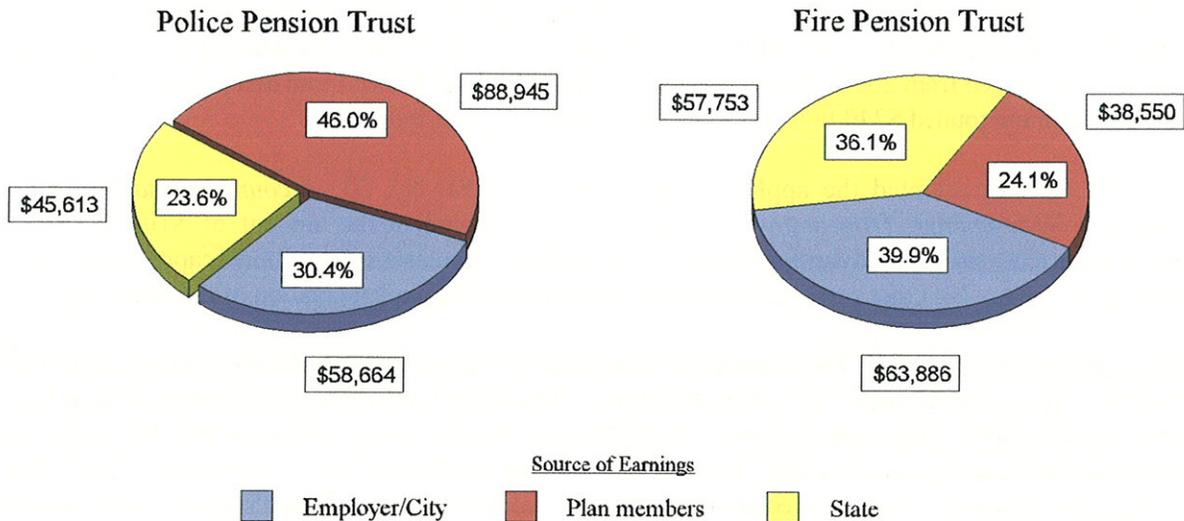
During 2001, the City adopted the applicable provisions of GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Contributions of capital in the amount of \$105,665 were recognized as current year retained earnings increases rather than as increases in contributed capital as has been the case in prior years. No other revenue sources were affected by the implementation of this statement.

*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 \$58,664, State contributions of \$45,613, plan member contributions of \$88,945, and total interest and dividend earnings of \$169,092. The plan's investment portfolio did not fare well during 2001. The net realized and unrealized loss (depreciation) in the fair value of the trust fund's investments totaled (\$899,323). In addition, the plan's operating expenses (investment, administrative and benefit payments) totaled \$353,043 for the year. As of September 30, 2001, net plan assets held in trust for pension benefits totaled \$4,610,473, which was down 16.2% 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 \$63,886, State contributions of \$57,753, plan member contributions of \$38,550, and total interest and dividend earnings of \$78,115. The plan's investment portfolio realized net realized and unrealized losses in the fair value of its investments of (\$144,512). The plan's operating expenses (investment, administrative and benefit payments) totaled \$198,242 for the year. At year end, net plan assets held in trust for pension benefits totaled \$1,910,601, which was down 5.2% 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, 2001:

Source of Contributions to Defined Benefit Pension Plans  
 For the Fiscal Year Ended September 30, 2001



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 \$1,306,643 for the recent fiscal year. The City's contributions to the plan totaled \$114,100 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, 2001 covered wages for employees participating in this plan amounted to \$719,894; the City contributions to the plan accounts of the participants amounted to \$51,855 and employee contributions to the plan amounted to \$14,397. As of September 30, 2001, the City had an accumulated credit totaling \$41,188, from employee forfeitures which can be used to offset future contributions.

*Debt Administration* At September 30, 2001, the City had no general bonded debt obligations outstanding. Water and sewer revenue bonds issued in 1992 are rated AAA by Moody's Investor Services and AAA by Standard and Poor's Corporation and are insured by Municipal Bond Investors Corporation. Debt service payments during the year consisted of \$310,000 in principal maturities and \$811,544 of interest.

Honorable Mayor Arthur, and  
 Members of the City Commission  
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The City is also currently involved in two construction projects financed with low-interest rate loans through the Florida Department of Environmental Protection Clean Water State Revolving Fund Loan Program. The first project includes construction of stormwater pollution control and drainage improvements under two separate loans totaling \$1,250,664. The second project includes funds to finance a wastewater infiltration and inflow correction project under two loans totaling \$2,647,500. Both of these projects were still under way at the end of the fiscal year. Based on the terms of these agreements, no debt service payments will be required on either obligation until January 14, 2004 and October 15, 2001, respectively.

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, 2001 totaled \$16,140,014 as compared to \$14,986,107 for the preceding year, an increase of 7.7%.

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, 2001, 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>2001</u>	<u>2000</u>
General Fund . . . . .	\$	162,774	147,765
Special Revenue Funds . . . . .		50,171	48,185
Capital Projects Fund . . . . .		5,045	20,829
Water and Sewer System Fund . . . . .		184,293	171,731
Solid Waste Fund . . . . .		<u>40,883</u>	<u>36,204</u>
Total interest earnings . . . . .	\$	<u>443,166</u>	<u>424,714</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, 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.

Honorable Mayor Arthur, and  
Members of the City Commission  
City of Holly Hill, Florida  
March 12, 2002  
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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, 2000. 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 24 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 twelfth 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:*

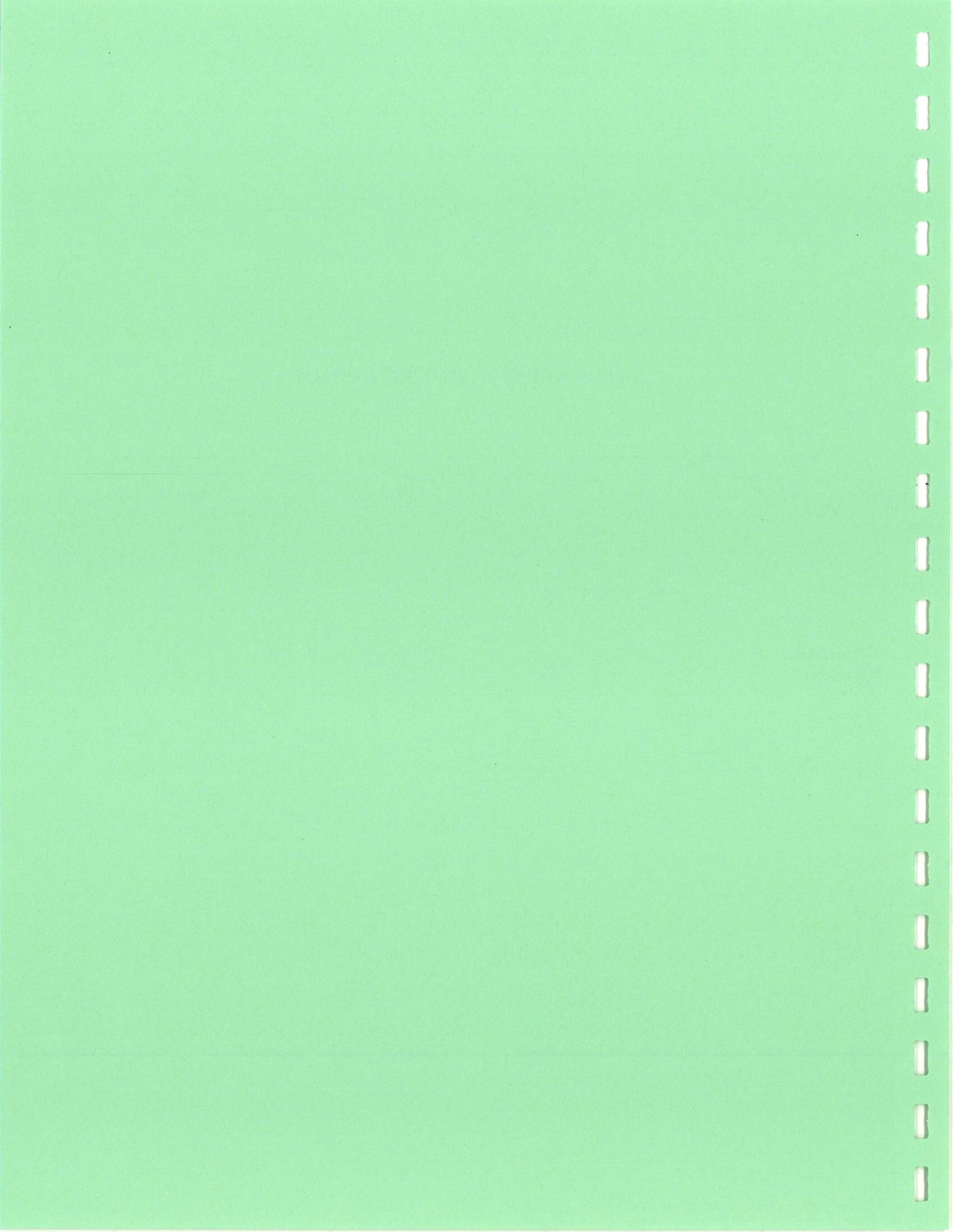
*INDEPENDENT AUDITORS' REPORT*

*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, 2001, 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 \$4,610,473 as of September 30, 2001 and changes (decrease) in net assets held in trust for pension benefits of (\$890,052) 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, 2001, 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.

As described in Note 10, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* as of October 1, 2000. This results in a change to the City's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements.

The Honorable Mayor, City Commission  
and City Manager  
City of Holly Hill, Florida  
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In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2002 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.

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.

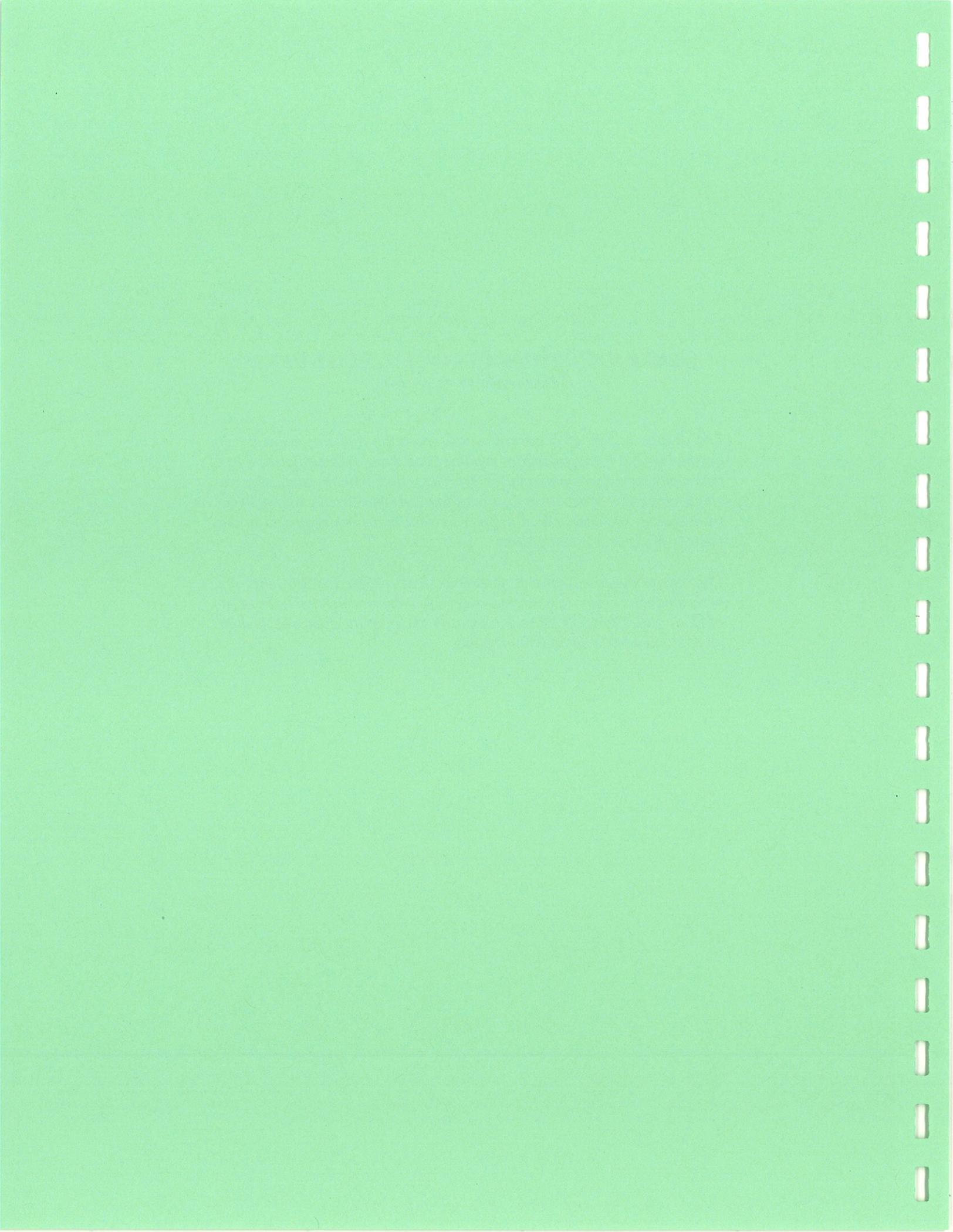
*Brent Milliken & Co., P.A.*

March 12, 2002

***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, 2001  
With Comparative Totals for September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Governmental Fund Types

Assets and Other Debits:	General	Special Revenue	Capital Projects
Cash and cash equivalents .....	\$ 2,378,296	1,164,984	195,336
Investments .....	296,542	0	0
Receivables - net:			
Delinquent taxes .....	29,979	0	0
Accounts .....	11,701	32,876	0
Accrued interest .....	247	0	0
Liens .....	44,347	0	0
Due from brokers .....	0	0	0
Due from other funds .....	238,161	0	0
Advances to other funds .....	59,700	0	0
Due from other governments .....	44,887	0	6,778
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>\$ 3,103,860</b>	<b>1,197,860</b>	<b>202,114</b>

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

	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals- (Memorandum Only)	
			General Fixed Assets	General Long-Term Debt	2001	2000
	Enterprise	Trust				
\$	3,557,591	236,227	0	0	7,532,434	5,709,950
	245,513	6,522,909	0	0	7,064,964	7,608,971
	0	0	0	0	29,979	65,941
	356,715	0	0	0	401,292	346,455
	3,872	36,845	0	0	40,964	48,319
	0	0	0	0	44,347	40,627
	0	5,306	0	0	5,306	150,000
	0	0	0	0	238,161	20,966
	0	0	0	0	59,700	59,700
	534	0	0	0	52,199	361,115
	10,532	0	0	0	10,532	39,799
	209,769	0	0	0	209,769	35,401
	410,237	0	0	0	410,237	508,398
	236,827	0	0	0	236,827	135,239
	19,119	0	0	0	19,119	518,980
	10,757	0	0	0	10,757	0
	154,739	0	1,471,122	0	1,625,861	1,521,739
	10,855,040	0	3,648,857	0	14,503,897	14,496,182
	11,171,187	0	8,275,824	0	19,447,011	16,475,027
	6,903,865	0	2,744,211	0	9,648,076	9,058,469
	(10,750,394)	0	0	0	(10,750,394)	(10,028,584)
	318,770	0	0	0	318,770	1,540,476
	226,676	0	0	0	226,676	239,080
	0	0	0	1,871,897	1,871,897	1,557,853
\$	<u>23,941,349</u>	<u>6,801,287</u>	<u>16,140,014</u>	<u>1,871,897</u>	<u>53,258,381</u>	<u>50,510,103</u>

**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS - (Continued)**  
September 30, 2001  
With Comparative Totals for September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Liabilities, Equity and Other Credits:	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Liabilities:</b>			
Accounts payable .....	\$ 79,295	9,617	0
Accrued liabilities .....	204,107	9,967	0
Pension contribution payable .....	0	0	0
Refundable deposits .....	1,892	0	0
Due to other funds .....	0	0	0
Advance from other funds .....	0	59,700	0
Deferred revenues .....	140,919	2,315	0
<b>Restricted fund liabilities:</b>			
Accounts payable .....	0	0	0
Customers' deposits .....	0	0	0
Current portion of revenue bonds payable .....	0	0	0
Revenue bonds payable - net .....	0	0	0
Notes payable .....	0	0	0
Obligation for compensated absences .....	0	0	0
<b>Total liabilities .....</b>	<b>426,213</b>	<b>81,599</b>	<b>0</b>
<b>Equity and Other Credits:</b>			
Contributed capital .....	0	0	0
Investment in general fixed assets .....	0	0	0
<b>Retained Earnings:</b>			
Reserved for renewal and replacement .....	0	0	0
Reserved for debt service .....	0	0	0
Unreserved .....	0	0	0
<b>Fund Balances:</b>			
Reserved for transportation .....	184,845	0	0
Reserved for advances to other funds .....	59,700	0	0
Reserved for police education .....	20,621	0	0
Reserved for stormwater drainage .....	0	995,168	0
Reserved for capital projects .....	0	0	202,114
Reserved for law enforcement trust .....	0	0	0
Reserved for pension benefits .....	0	0	0
Unreserved - Undesignated .....	2,412,481	121,093	0
<b>Total equity and other credits.....</b>	<b>2,677,647</b>	<b>1,116,261</b>	<b>202,114</b>
<b>Total liabilities, equity and other credits .....</b>	<b>\$ 3,103,860</b>	<b>1,197,860</b>	<b>202,114</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	Trust and Agency			2001	2000
\$ 135,644	27,397	0	0	251,953	439,748
53,779	0	0	0	267,853	220,632
0	0	0	0	0	30,342
0	0	0	0	1,892	1,892
238,161	0	0	0	238,161	20,966
0	0	0	0	59,700	59,700
0	41,188	0	0	184,422	170,514
3,756	0	0	0	3,756	5,908
551,314	0	0	0	551,314	518,980
330,000	0	0	0	330,000	310,000
12,502,062	0	0	0	12,502,062	12,819,408
2,416,728	0	0	1,371,239	3,787,967	2,532,548
117,975	0	0	500,658	618,633	551,439
<u>16,349,419</u>	<u>68,585</u>	<u>0</u>	<u>1,871,897</u>	<u>18,797,713</u>	<u>17,682,077</u>
3,311,710	0	0	0	3,311,710	3,311,710
0	0	16,140,014	0	16,140,014	14,986,107
410,237	0	0	0	410,237	508,398
77,059	0	0	0	77,059	0
3,792,924	0	0	0	3,792,924	3,011,657
0	0	0	0	184,845	69,363
0	0	0	0	59,700	59,700
0	0	0	0	20,621	17,595
0	0	0	0	995,168	893,113
0	0	0	0	202,114	251,353
0	49,983	0	0	49,983	31,583
0	6,682,719	0	0	6,682,719	7,654,593
0	0	0	0	2,533,574	2,032,854
<u>7,591,930</u>	<u>6,732,702</u>	<u>16,140,014</u>	<u>0</u>	<u>34,460,668</u>	<u>32,828,026</u>
<u>\$ 23,941,349</u>	<u>6,801,287</u>	<u>16,140,014</u>	<u>1,871,897</u>	<u>53,258,381</u>	<u>50,510,103</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, 2001  
With Comparative Totals for the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Revenue:</b>			
Taxes .....	\$ 3,605,373	71,960	0
Licenses and permits .....	241,509	0	0
Intergovernmental .....	975,666	176,550	67,778
Charges for services .....	140,734	376,070	0
Fines and forfeitures .....	95,875	0	0
Miscellaneous .....	285,042	50,555	5,045
<b>Total revenue .....</b>	<b>5,344,199</b>	<b>675,135</b>	<b>72,823</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,327,157	0	0
Public safety .....	2,726,312	20,391	0
Physical environment .....	0	610,272	0
Transportation .....	690,707	0	0
Economic environment .....	0	82,715	0
Culture/recreation .....	725,538	133	122,062
Capital outlay .....	0	0	0
<b>Debt Service:</b>			
Principal retirement .....	204,596	0	0
Interest and fiscal charges .....	58,997	0	0
<b>Total expenditures .....</b>	<b>5,733,307</b>	<b>713,511</b>	<b>122,062</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(389,108)</b>	<b>(38,376)</b>	<b>(49,239)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	204,204	254,562	0
Operating transfers in .....	690,000	2,191	0
Operating transfers (out) .....	(2,191)	0	0
<b>Total other financing sources (uses) .....</b>	<b>892,013</b>	<b>256,753</b>	<b>0</b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>502,905</b>	<b>218,377</b>	<b>(49,239)</b>
<b>Fund balances, beginning of year .....</b>	<b>2,174,742</b>	<b>897,884</b>	<b>251,353</b>
<b>Fund balances, end of year .....</b>	<b>\$ 2,677,647</b>	<b>1,116,261</b>	<b>202,114</b>

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

Statement 2

Fiduciary Fund Type	Totals-	
	(Memorandum Only)	
Trust	2001	2000
\$ 0	3,677,333	3,312,574
0	241,509	179,580
0	1,219,994	1,712,567
0	516,804	504,637
19,523	115,398	86,718
287	340,929	270,214
<u>19,810</u>	<u>6,111,967</u>	<u>6,066,290</u>
0	1,327,157	1,026,223
1,410	2,748,113	2,464,014
0	610,272	307,016
0	690,707	750,579
0	82,715	82,565
0	847,733	701,624
0	0	561,102
0	204,596	169,034
0	58,997	60,849
<u>1,410</u>	<u>6,570,290</u>	<u>6,123,006</u>
<u>18,400</u>	<u>(458,323)</u>	<u>(56,716)</u>
0	458,766	0
0	692,191	1,086,517
0	(2,191)	(331,217)
<u>0</u>	<u>1,148,766</u>	<u>755,300</u>
18,400	690,443	698,584
<u>31,583</u>	<u>3,355,562</u>	<u>2,656,978</u>
<u>\$ 49,983</u>	<u>4,046,005</u>	<u>3,355,562</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, 2001  
CITY OF HOLLY HILL, FLORIDA

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenue:</b>			
Taxes .....	\$ 3,490,600	3,605,373	114,773
Licenses and permits .....	243,000	241,509	(1,491)
Intergovernmental .....	944,000	975,666	31,666
Charges for services .....	140,600	140,734	134
Fines and forfeitures .....	102,700	95,875	(6,825)
Miscellaneous .....	187,800	285,042	97,242
<b>Total revenue .....</b>	<b>5,108,700</b>	<b>5,344,199</b>	<b>235,499</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,383,100	1,327,157	55,943
Public safety .....	2,854,000	2,726,312	127,688
Physical environment .....	0	0	0
Transportation .....	825,500	690,707	134,793
Economic environment .....	0	0	0
Culture/recreation .....	777,000	725,538	51,462
Capital outlay .....	0	0	0
<b>Debt Service:</b>			
Principal retirement .....	205,000	204,596	404
Interest and fiscal charges .....	59,200	58,997	203
<b>Total expenditures .....</b>	<b>6,103,800</b>	<b>5,733,307</b>	<b>370,493</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(995,100)</b>	<b>(389,108)</b>	<b>605,992</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	204,000	204,204	204
Operating transfers in .....	690,000	690,000	0
Operating transfers (out) .....	(2,200)	(2,191)	9
Appropriated fund balance .....	103,300	0	(103,300)
<b>Total other financing sources (uses) .....</b>	<b>995,100</b>	<b>892,013</b>	<b>(103,087)</b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>0</b>	<b>502,905</b>	<b>502,905</b>
<b>Fund balances, beginning of year .....</b>	<b>2,174,742</b>	<b>2,174,742</b>	<b>0</b>
<b>Fund balances, end of year .....</b>	<b>\$ 2,174,742</b>	<b>2,677,647</b>	<b>502,905</b>

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)
72,000	71,960	(40)	0	0	0
0	0	0	0	0	0
138,700	176,550	37,850	67,800	67,778	(22)
366,300	376,070	9,770	0	0	0
0	0	0	0	0	0
40,200	50,555	10,355	0	5,045	5,045
<u>617,200</u>	<u>675,135</u>	<u>57,935</u>	<u>67,800</u>	<u>72,823</u>	<u>5,023</u>
0	0	0	0	0	0
22,100	20,391	1,709	0	0	0
1,120,200	610,272	509,928	0	0	0
0	0	0	0	0	0
191,000	82,715	108,285	0	0	0
800	133	667	0	0	0
0	0	0	290,000	122,062	167,938
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,334,100</u>	<u>713,511</u>	<u>620,589</u>	<u>290,000</u>	<u>122,062</u>	<u>167,938</u>
<u>(716,900)</u>	<u>(38,376)</u>	<u>678,524</u>	<u>(222,200)</u>	<u>(49,239)</u>	<u>172,961</u>
540,000	254,562	(285,438)	0	0	0
2,200	2,191	(9)	0	0	0
0	0	0	0	0	0
174,700	0	(174,700)	222,200	0	(222,200)
<u>716,900</u>	<u>256,753</u>	<u>(460,147)</u>	<u>222,200</u>	<u>0</u>	<u>(222,200)</u>
0	218,377	218,377	0	(49,239)	(49,239)
<u>897,884</u>	<u>897,884</u>	<u>0</u>	<u>251,353</u>	<u>251,353</u>	<u>0</u>
<u>897,884</u>	<u>1,116,261</u>	<u>218,377</u>	<u>251,353</u>	<u>202,114</u>	<u>(49,239)</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS - (Continued)**  
For the Fiscal Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Statement 3  
Page 2 of 2

	Totals - All Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes .....	\$ 3,562,600	3,677,333	114,733
Licenses and permits .....	243,000	241,509	(1,491)
Intergovernmental .....	1,150,500	1,219,994	69,494
Charges for services .....	506,900	516,804	9,904
Fines and forfeitures .....	102,700	95,875	(6,825)
Miscellaneous .....	228,000	340,642	112,642
<b>Total revenue .....</b>	<b>5,793,700</b>	<b>6,092,157</b>	<b>298,457</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government .....	1,383,100	1,327,157	55,943
Public safety .....	2,876,100	2,746,703	129,397
Physical environment .....	1,120,200	610,272	509,928
Transportation .....	825,500	690,707	134,793
Economic environment .....	191,000	82,715	108,285
Culture/recreation .....	777,800	725,671	52,129
Capital outlay .....	290,000	122,062	167,938
<b>Debt Service:</b>			
Principal retirement .....	205,000	204,596	404
Interest and fiscal charges .....	59,200	58,997	203
<b>Total expenditures .....</b>	<b>7,727,900</b>	<b>6,568,880</b>	<b>1,159,020</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(1,934,200)</b>	<b>(476,723)</b>	<b>1,457,477</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt .....	744,000	458,766	(285,234)
Operating transfers in .....	692,200	692,191	(9)
Operating transfers (out) .....	(2,200)	(2,191)	9
Appropriated fund balance .....	500,200	0	(500,200)
<b>Total other financing sources (uses) .....</b>	<b>1,934,200</b>	<b>1,148,766</b>	<b>(785,434)</b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>0</b>	<b>672,043</b>	<b>672,043</b>
<b>Fund balances, beginning of year .....</b>	<b>3,323,979</b>	<b>3,323,979</b>	<b>0</b>
<b>Fund balances, end of year .....</b>	<b>\$ 3,323,979</b>	<b>3,996,022</b>	<b>672,043</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, 2001  
With Comparative Totals for the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	2001	2000
Operating Revenue:		
Charges for services .....	\$ 5,174,958	4,977,745
Operating Expenses:		
Personal services .....	866,396	825,964
Materials and supplies .....	181,763	178,494
Utilities .....	244,892	197,194
Maintenance and repairs .....	105,175	138,866
Contractual services .....	1,052,614	1,220,953
Other expenses .....	45,015	27,958
Bad debts .....	13,873	23,759
Depreciation .....	777,830	766,654
Total operating expenses .....	3,287,558	3,379,842
Total operating income .....	1,887,400	1,597,903
Nonoperating Revenue (Expenses):		
Interest earnings .....	225,176	207,935
Operating grant revenue .....	1,110	4,271
Other income (expenses) .....	96,140	136,112
Interest expense .....	(865,326)	(852,382)
Total nonoperating revenue (expenses) .....	(542,900)	(504,064)
Net income before operating transfers .....	1,344,500	1,093,839
Operating transfers .....	(690,000)	(755,300)
Net income (loss) .....	654,500	338,539
Capital contributions .....	105,665	0
Net increase in retained earnings .....	760,165	338,539
Retained earnings, beginning of year .....	3,520,055	3,181,516
Retained earnings, end of year .....	\$ 4,280,220	3,520,055

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



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

**Statement 5**

For the Fiscal Year Ended September 30, 2001  
With Comparative Totals for the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	2001	2000
<b>Operating Activities:</b>		
Operating income (loss) .....	\$ 1,887,400	1,597,903
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	777,830	766,654
Bad debt expense .....	13,873	23,759
Other income .....	54,184	57,523
Changes in assets and liabilities:		
Accounts receivable, net .....	15,013	9,558
Other receivables .....	0	(3,053)
Due from other funds .....	6,107	8,710
Prepaid expenses .....	(1,075)	(218)
Accounts payable .....	(173,127)	3,299
Accrued liabilities .....	8,014	6,635
Due to other funds .....	238,161	(584)
Customer deposits .....	32,334	28,132
Obligation for compensated absences .....	8,285	16,101
Net cash provided by operating activities .....	<u>2,866,999</u>	<u>2,514,419</u>
<b>Noncapital and Related Financing Activities:</b>		
Operating grants .....	1,110	4,271
Operating transfers (out) .....	(690,000)	(755,300)
Net cash (used in) noncapital and related financing activities .....	<u>(688,890)</u>	<u>(751,029)</u>
<b>Capital and Related Financing Activities:</b>		
Capital contributions .....	105,665	103,160
Proceeds on note payable .....	940,573	1,217,316
Debt reduction outlays .....	(310,000)	(295,000)
Acquisition and construction of capital assets .....	(1,325,257)	(1,327,933)
Proceeds from sale of assets .....	46,529	0
Interest paid .....	(812,742)	(827,324)
Net cash (used in) capital and related financing activities .....	<u>(1,355,232)</u>	<u>(1,129,781)</u>
<b>Investing Activities:</b>		
Sales and (acquisitions) of investments .....	(238,161)	246,026
Interest received .....	213,950	207,936
Net cash provided by (used in) investing activities .....	<u>(24,211)</u>	<u>453,962</u>
Net (decrease) increase in cash and cash equivalents .....	798,666	1,087,571
Cash and cash equivalents, beginning of year .....	<u>3,634,877</u>	<u>2,547,306</u>
Cash and cash equivalents, end of year .....	<u>\$ 4,433,543</u>	<u>3,634,877</u>

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

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

For the Fiscal Year Ended September 30, 2001

With Comparative Totals for the Fiscal Year Ended September 30, 2000

CITY OF HOLLY HILL, FLORIDA

	Pension Trust Funds		
	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	General Employees' Retirement Trust
<b>Additions:</b>			
Contributions from:			
Employer .....	\$ 58,664	63,886	30,796
State .....	45,613	57,753	0
Plan members .....	88,945	38,550	14,397
Total contributions.....	<u>193,222</u>	<u>160,189</u>	<u>45,193</u>
Investment income:			
Net realized and unrealized appreciation (depreciation) in fair value of investments .....	(899,323)	(144,512)	(13,100)
Interest and dividend earnings .....	169,092	78,115	0
	<u>(730,231)</u>	<u>(66,397)</u>	<u>(13,100)</u>
Less: investment management fees .....	(50,152)	(31,176)	0
Total investment income .....	<u>(780,383)</u>	<u>(97,573)</u>	<u>(13,100)</u>
Total additions .....	<u>(587,161)</u>	<u>62,616</u>	<u>32,093</u>
Deductions:			
Benefit payments .....	273,285	142,178	9,211
Refunds/withdrawals .....	5,443	5,740	0
Administrative expenses .....	24,163	19,148	254
Total deductions.....	<u>302,891</u>	<u>167,066</u>	<u>9,465</u>
Net increase .....	(890,052)	(104,450)	22,628
Net assets held in trust for pension benefits:			
Beginning of year .....	<u>5,500,525</u>	<u>2,015,051</u>	<u>139,017</u>
End of year .....	<u>\$ 4,610,473</u>	<u>1,910,601</u>	<u>161,645</u>

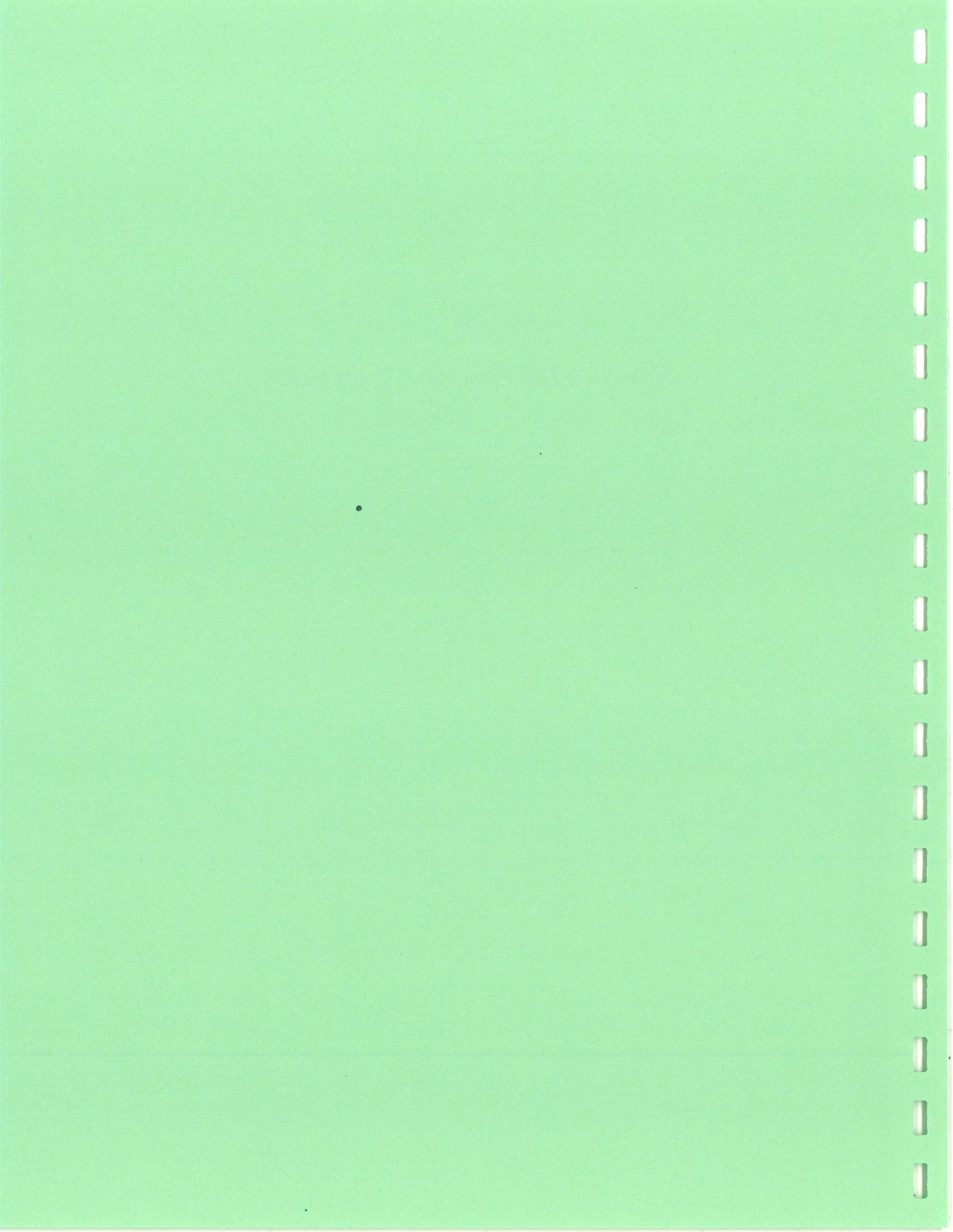
The accompanying notes are an integral part of the financial statements.

Statement 6

Totals - Memorandum Only	
2001	2000
153,346	144,579
103,366	45,177
141,892	145,977
<u>398,604</u>	<u>335,733</u>
(1,056,935)	658,658
247,207	257,559
<u>(809,728)</u>	<u>916,217</u>
<u>(81,328)</u>	<u>(79,348)</u>
<u>(891,056)</u>	<u>836,869</u>
<u>(492,452)</u>	<u>1,172,602</u>
424,674	323,214
11,183	127,023
43,565	31,183
<u>479,422</u>	<u>481,420</u>
(971,874)	691,182
<u>7,654,593</u>	<u>6,963,411</u>
<u><u>6,682,719</u></u>	<u><u>7,654,593</u></u>



*NOTES TO THE FINANCIAL STATEMENTS*



## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2001

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, 2001

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, Fire, and General Employees) are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

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

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

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

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

**Measurement Focus - Basis of Accounting**

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

*Governmental Funds Types*

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

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2001

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, 2001

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, 2001  
 CITY OF HOLLY HILL, FLORIDA

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**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.

**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.

**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.

**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, 2001, the carrying amount of the City's deposits, including money market funds with financial institutions, was (\$194,633) and the bank balance was \$51,591. The bank balance was both insured by federal depository insurance and secured in accordance with the statutory provisions of the Florida Security for Deposits Act. Included in the carrying amount of these funds is \$1,769 in petty cash, change funds, and undeposited receipts.

**Investments**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

- 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	542,055	0	542,055	542,055
Repurchase agreement . . . . .	0	0	745,000	745,000	745,000
Pension Fund investments with trustee:					
Cash and money market funds . . . . .	0	0	237,596	237,596	237,596
U.S. Government agency securities . . .	0	0	1,337,856	1,337,856	1,337,856
U.S. Corporate debt securities . . . . .	0	0	1,623,038	1,623,038	1,623,038
U.S. Corporate equity securities . . . .	0	0	3,510,133	3,510,133	3,510,133
Sub-total . . . . .	<u>\$ 0</u>	<u>542,055</u>	<u>7,453,623</u>	7,995,678	7,995,678
Investments not subject to categorization:					
Local Government Surplus Funds					
Trust Fund Investment Pool:					
Restricted . . . . .				875,952	875,952
Unrestricted . . . . .				6,796,353	6,796,353
Total . . . . .				<u>\$15,667,983</u>	<u>15,667,983</u>

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

Carrying value of cash and change funds . . . . .	\$ (194,633)
Carrying value of investments . . . . .	<u>15,667,983</u>
Total per note detail . . . . .	<u>\$15,473,350</u>
Combined cash and cash equivalents . . . . .	7,532,434
Restricted cash and cash equivalents . . . . .	875,952
Combined investments . . . . .	7,064,964
Total per combined financial statements . . . . .	<u>\$15,473,350</u>

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

	2001	2000
Enterprise Funds:		
Unrestricted cash and cash equivalents . . . . .	\$ 3,557,591	2,436,859
Restricted cash and cash equivalents . . . . .	<u>875,952</u>	<u>1,198,018</u>
Total cash and cash equivalents, end of year . . . . .	<u>\$ 4,433,543</u>	<u>3,634,877</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
 September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA

**NOTE 3 - RECEIVABLES - NET**

The City's net receivable are composed of the following at September 30, 2001:

	Governmental Funds		Enterprise Funds	
	General	Stormwater Drainage	Water and Sewer	Solid Waste
Delinquent taxes receivable .....	\$ 29,979	0	0	0
Accounts receivable .....	11,701	41,487	322,036	129,124
Accrued interest .....	247	0	0	3,872
Liens .....	<u>44,347</u>	<u>0</u>	<u>0</u>	<u>0</u>
	86,274	41,487	322,036	132,996
Less: allowance for doubtful accounts .....	<u>0</u>	<u>(8,611)</u>	<u>(63,979)</u>	<u>(30,466)</u>
Net accounts receivable .....	\$ <u>86,274</u>	<u>32,876</u>	<u>258,057</u>	<u>102,530</u>

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

The City's Individual fund interfund receivables and payables are composed of the following at September 30, 2001:

Fund	Interfund Due From	Interfund Due To
Due to/from other funds:		
General Fund .....	\$ 238,161	0
Enterprise Fund - Solid Waste Utility Fund .....	<u>0</u>	<u>238,161</u>
Totals .....	\$ <u>238,161</u>	<u>238,161</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:

	09/30/00	Additions	Deletions	09/30/01
Land .....	\$ 1,367,000	104,122	0	1,471,122
Buildings .....	3,648,857	0	0	3,648,857
Improvements other than buildings .....	7,635,752	640,072	0	8,275,824
Machinery and equipment .....	2,307,915	438,101	1,805	2,744,211
Construction work in progress .....	<u>26,583</u>	<u>0</u>	<u>26,583</u>	<u>0</u>
Totals .....	\$ <u>14,986,107</u>	<u>1,182,295</u>	<u>28,388</u>	<u>16,140,014</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
September 30, 2001  
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) . . . . . \$ 43,937

State of Florida, Department of Environmental Protection-Clean Water State Revolving Fund Loan Agreement-3.27% construction loan (\$349,664) and supplemental 3.16% loan (\$901,000) for local stormwater pollution control and drainage improvements dated January 30, 2001 and September 10, 2001, respectively; combined payments of \$44,762 due semi-annually on January 15 and July 15 commencing on January 15, 2004 through 2024; secured with stormwater management service charges . . . . . 254,562

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 . . . 177,079

4.55% promissory note payable dated December 11, 1996; \$28,281 due semi-annually through 2001; secured by the City's non-ad valorem tax revenues received by the City . . . 27,591

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 . . . . . 868,070

Total notes payable . . . . . 1,371,239

Obligation for compensated absences . . . . . 500,658

Total general long-term debt . . . . . \$ 1,871,897

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

	<u>Balances</u> <u>09/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>09/30/01</u>
Notes Payable:				
County of Volusia, Florida . . . . .	\$ 57,211	0	13,274	43,937
Florida Department of Environmental Protection-Clean Water State Revolving Fund Loan . . . . .	0	254,562	0	254,562
Sun Bank of Volusia County:				
5.30% promissory note . . . . .	0	204,204	27,125	177,079
4.55% promissory note . . . . .	81,037	0	53,446	27,591
4.84% Utility Service Tax Revenue Note, Series 1998A . . . . .	978,821	0	110,751	868,070
Obligation for compensated absences . . . . .	<u>440,784</u>	<u>59,874</u>	<u>0</u>	<u>500,658</u>
Totals . . . . .	<u>\$ 1,557,853</u>	<u>518,640</u>	<u>204,596</u>	<u>1,871,897</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2001

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	SunTrust 5.30%	SunTrust 4.55%	SunTrust 4.84%	Total
09/30/02 ...	16,003	0	47,384	28,280	157,374	249,041
09/30/03 ...	16,003	0	47,384	0	157,374	220,761
09/30/04 ...	16,003	89,524	47,384	0	157,374	310,285
09/30/05 ...	0	89,524	47,384	0	157,374	294,282
09/30/06 ...	0	89,524	10,485	0	157,374	257,383
Thereafter ..	0	19,911	0	0	237,335	257,246
Total .....	48,009	288,483	200,021	28,280	1,024,205	1,588,998
Interest .....	(4,072)	(33,921)	(22,942)	(689)	(156,135)	(217,759)
Net amount .	<u>43,937</u>	<u>254,562</u>	<u>177,079</u>	<u>27,591</u>	<u>868,070</u>	<u>1,371,239</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, 2001:

Water and sewer Improvement and Refunding Revenue Bonds, Series 1992 - - 5.00% to 6.00%, due serially to 2007, with \$2,605,000, \$1,280,000, and \$6,945,000 of 6.125% term bonds due in 2012, 2014, and 2022, respectively .....	\$ 13,100,000
Less: current maturities .....	(330,000)
Long-term revenue bonds payable .....	12,770,000
Less: unamortized debt discount .....	(267,938)
Net long-term bonded debt .....	12,502,062
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 .....	2,416,728
Total long-term debt-net .....	\$ <u>14,918,790</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, 2002 .....	\$ 1,125,114	186,240	1,311,354
Fiscal year ending September 30, 2003 .....	1,121,964	186,240	1,308,204
Fiscal year ending September 30, 2004 .....	1,122,644	186,240	1,308,884
Fiscal year ending September 30, 2005 .....	1,121,656	186,240	1,307,896
Fiscal year ending September 30, 2006 .....	1,124,038	186,240	1,310,278
Thereafter .....	<u>17,987,560</u>	<u>2,187,724</u>	<u>20,175,284</u>
Total requirements .....	23,602,976	3,118,924	26,721,900
Less: amounts representing interest .....	(10,502,976)	(702,196)	(11,205,172)
Net principal amount .....	<u>\$ 13,100,000</u>	<u>2,416,728</u>	<u>15,516,728</u>

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

September 30, 2001

CITY OF HOLLY HILL, FLORIDA

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

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

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.

**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, 2001, is as follows:

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenue .....	\$ 3,796,215	1,378,743	5,174,958
Operating expense:			
Depreciation .....	762,994	14,836	777,830
Other .....	1,505,864	1,003,864	2,509,728
Operating income .....	1,527,357	360,043	1,887,400
Nonoperating revenue (expenses) .....	(636,995)	94,095	(542,900)
Operating transfers .....	(450,000)	(240,000)	(690,000)
Net income (loss) .....	440,362	214,138	654,500
Other increases in retained earnings (contributions) .....	105,665	0	105,665
Net working capital .....	3,075,624	671,549	3,747,173
Fixed asset acquisitions, including capitalized interest .....	1,320,127	5,130	1,325,257
Fixed asset retirements .....	4,750	84,615	89,365
Total assets .....	22,871,079	1,070,270	23,941,349
Total liabilities .....	16,002,391	347,028	16,349,419
Fund equity .....	6,868,688	723,242	7,591,930

**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

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

September 30, 2001

CITY OF HOLLY HILL, FLORIDA

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

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, 2001, 2000, and 1999 were \$114,100, \$136,782, and \$209,393, respectively. The required contribution percentages for qualifying employee compensation were 7.30% for the period from July, 2001 through September, 2001, 9.15% for the plan year ended June 30, 2001, 10.15% for the plan year ended June 30, 2000, and 16.45% for the plan year ended June 30, 1999. 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.

Participants become eligible the first day of the month following their date of employment. Employees are required to contribute 2% of their salary to the Plan and can voluntarily contribute up to an additional 8%. The City contributes 10% of the employees' salary to the Plan. Employer and employee contributions to the plan were \$51,855 and \$14,397, respectively, for the year ended September 30, 2001. The City has the power to amend plan provisions at any time.

As a part of the plan, account forfeitures are accumulated to offset the cost of future City contribution requirements. As of September 30, 2001, cumulative plan forfeitures totaled \$41,188, 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.

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

September 30, 2001

CITY OF HOLLY HILL, FLORIDA

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

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.

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, 2000, the date of the most recent actuarial valuation:		
Retirees and beneficiaries currently receiving benefits . . . . .	11	8
Vested terminated employees . . . . .	0	1
Active employees:		
Fully vested . . . . .	9	1
Nonvested . . . . .	<u>16</u>	<u>9</u>
Total participants . . . . .	<u>36</u>	<u>19</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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2001

CITY OF HOLLY HILL, FLORIDA

NOTE 8 - PENSION PLANS - (CONTINUED)

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 2001.

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>
09/30/00 .....	0	100.0%	\$ 0
09/30/99 .....	0	100.0%	0
09/30/98 .....	0	100.0%	0

Municipal Firefighters' Pension Trust Fund

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/00 .....	\$ 41,977	100%	\$ (39,318)
09/30/99 .....	54,940	101%	(39,956)
09/30/98 .....	49,568	145%	(39,541)

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, 2000 is as follows:

	<u>09/30/97</u>	<u>09/30/98</u>	<u>09/30/99</u>	<u>09/30/00</u>
Actuarially determined contribution ..	\$	49,568	54,940	41,977
Interest on NPO .....		0	(2,966)	(2,977)
Adjustment .....		<u>0</u>	<u>3,597</u>	<u>3,635</u>
Annual Pension Cost .....		49,568	55,571	42,615
Contributions made .....		<u>89,109</u>	<u>55,986</u>	<u>41,977</u>
Increase in NPO .....		(39,541)	(415)	638
NPO - beginning of year .....		<u>0</u>	<u>(39,541)</u>	<u>39,956</u>
NPO - end of year .....	\$	<u><u>0</u></u>	<u><u>(39,541)</u></u>	<u><u>39,318</u></u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
 September 30, 2001  
 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:

	<u>Police Plan</u>	<u>Fire Plan</u>
Contribution rates as of 09/30/00:		
City for Members .....	8.0%	11.0%
Plan Members .....	11.2%	10.0%
Actuarial valuation dates .....	10/01/00	10/01/00
Actuarial cost method .....	Frozen Entry Age	Aggregate
Amortization method .....	Level % of pay, closed	N/A
Remaining amortization period .....	28	N/A
Asset valuation method .....	Market	Market
Actuarial assumptions:		
Investment rate of return .....	8.0%	7.5%
Projected salary increases * .....	7.5%	5.0%
*Includes inflation at .....	3.0%	2.5%
Cost of living adjustments .....	0.0%	0.0%

N/A - The amortization method and period are not applicable for this plan since the Aggregate Actuarial Cost Method 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, 2001, the City's covered payroll was \$69,684 and contributions were \$9,937.

**NOTE 10 - ACCOUNTING CHANGE**

Effective October 1, 2000, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. As a result, contributions of capital from developers and customers received in the City's Water and Sewer Utility Fund that were previously recognized as increases in contributed capital in prior years have been recognized as increases in retained earnings in the statement of revenues, expenses and changes in retained earnings in the current year. Contributions recognized as increases in retained earnings for the current year totaled \$105,665. No other revenue sources of the City were affected by the implementation of this statement and, therefore, no prior year restatement in any funds were necessary.

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

September 30, 2001

CITY OF HOLLY HILL, FLORIDA

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**NOTE 11 - LEGAL MATTERS**

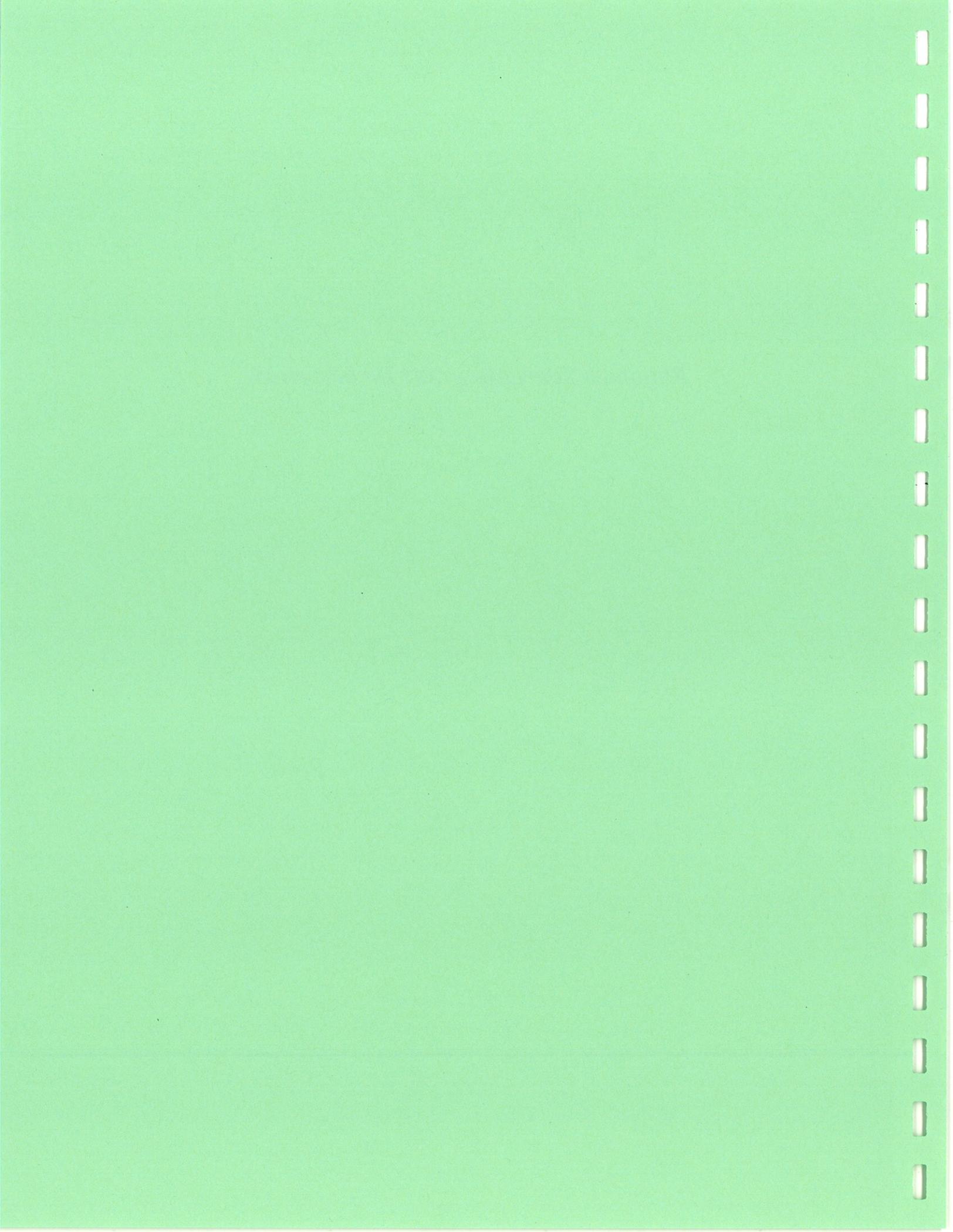
The City is engaged in routine litigation incidental to the conduct of their respective business and municipal affairs. In the opinion of their Counsel, no legal proceedings are pending against them, not covered by insurance, which would inhibit their ability to perform their operations or materially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

**NOTE 12 - 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, 2001  
 CITY OF HOLLY HILL, FLORIDA

Schedule 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b - a)/c)
Municipal Firefighters' Pension Trust Fund						
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%
Municipal Police Officers' Retirement Trust Fund						
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%

Source: Foster & Foster, Inc., Actuaries  
 Valuations dated 10/01/00

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS**  
September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Schedule 2

Fiscal Year Ended	Annual Required Contribution	Employer Contributions	State Contributions	Total Contributions	Percentage Contributed
<b>Municipal Firefighters' Pension Trust Fund</b>					
09/30/1995	\$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%

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

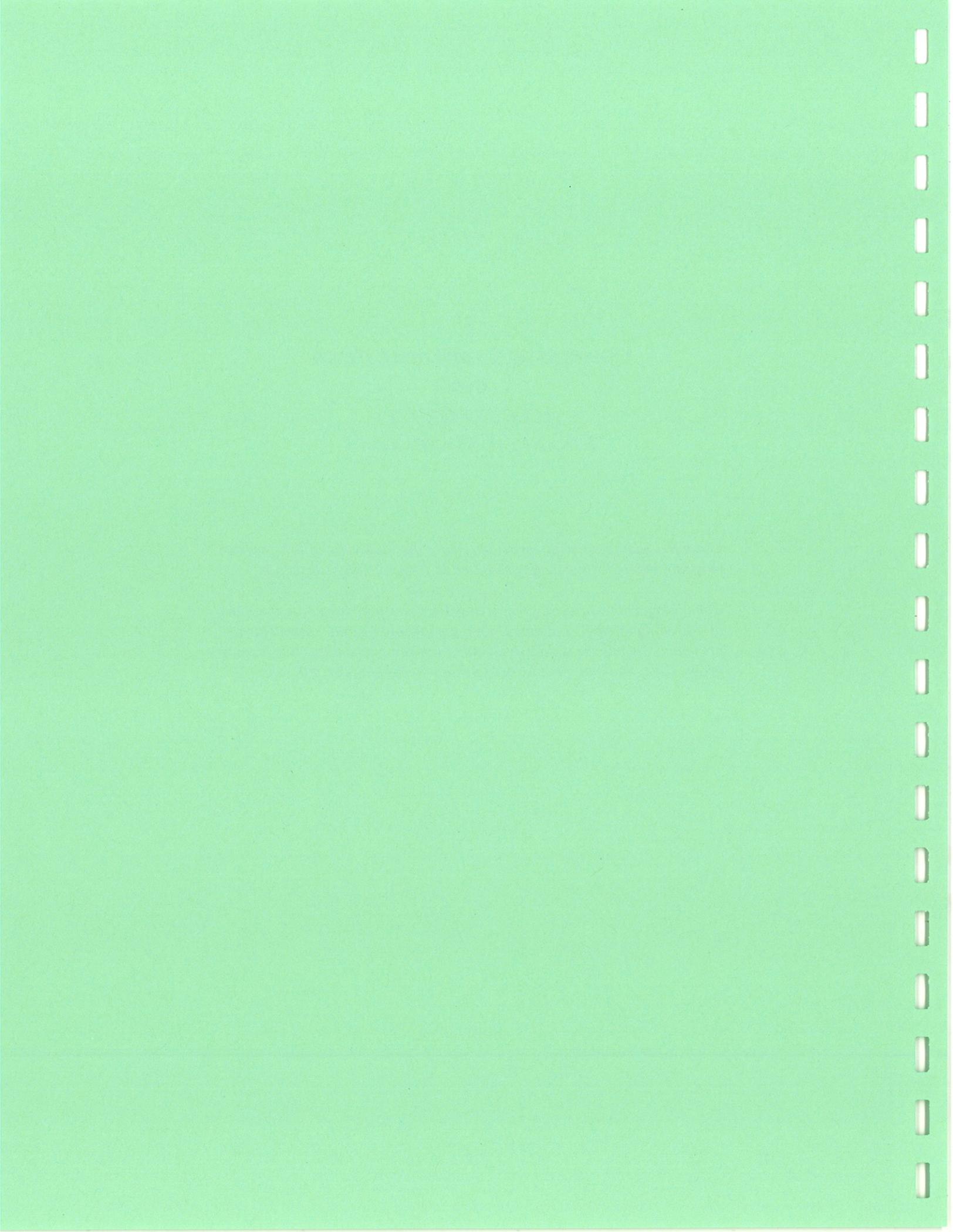
<b>Municipal Police Officers' Retirement Trust Fund</b>					
Fiscal Year Ended	Annual Required Contribution	Employer Contributions	State Contributions	Total Contributions	Percentage Contributed
09/30/1995	\$78,152	\$34,258	\$48,205	\$82,463	105.52%
09/30/1996	\$32,913	\$12,890	\$47,683	\$60,573	184.04%
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%

Source: Foster & Foster, Inc., Actuaries  
Valuations dated 10/01/00

***COMBINING, INDIVIDUAL FUND  
AND  
ACCOUNT GROUP  
FINANCIAL STATEMENTS***

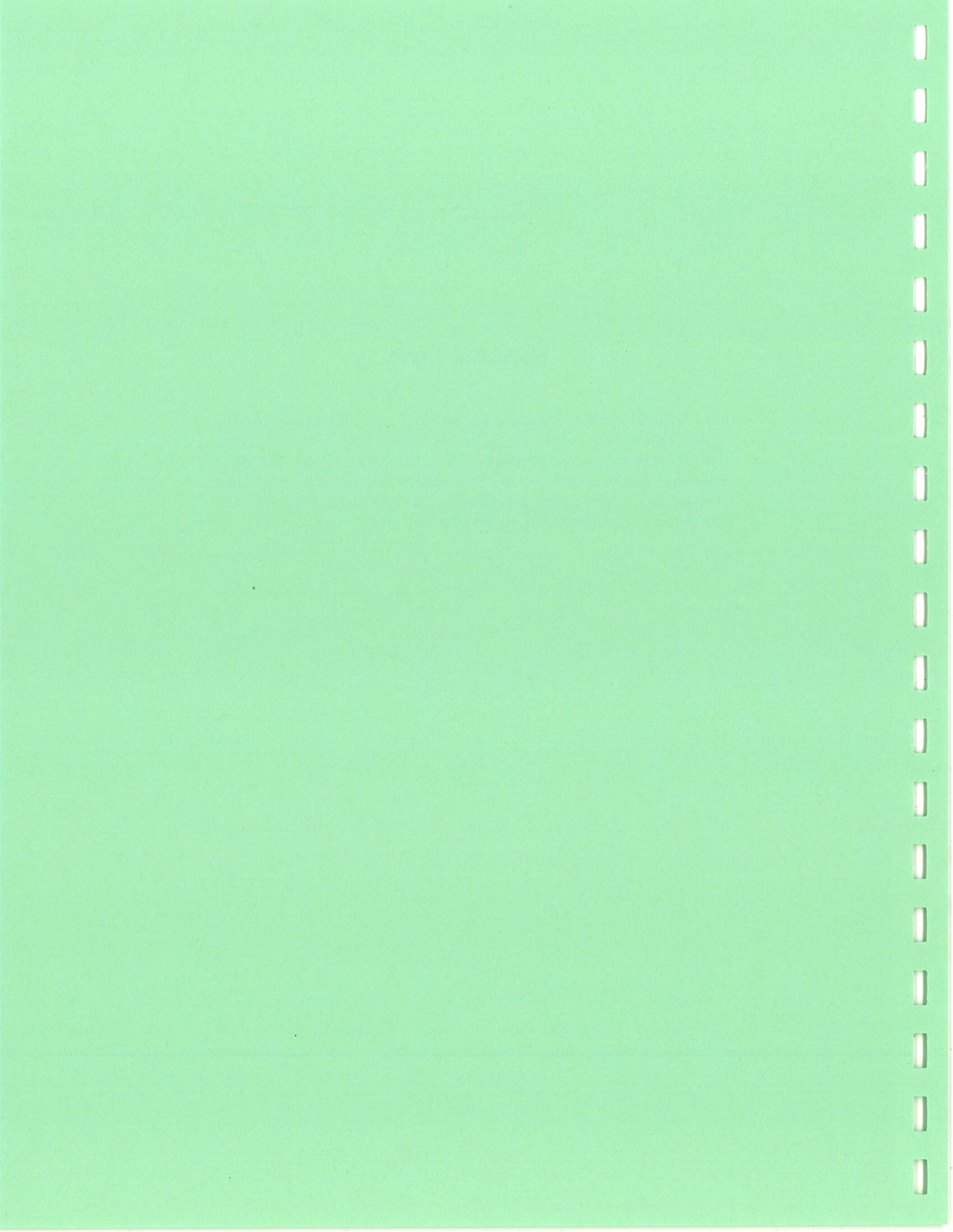
*These financial statements provide a more detailed view of the general-purpose financial statements presented in the preceding subsection.*

*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, 2001 and 2000  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-1

	2001	2000
Assets:		
Cash and cash equivalents .....	\$ 2,378,296	1,826,098
Investments .....	296,542	530,134
Receivables (net of allowance for uncollectible accounts):		
Delinquent taxes.....	29,979	65,941
Accounts .....	11,701	17,845
Accrued interest .....	247	143
Liens .....	44,347	40,628
Due from other funds .....	238,161	13,675
Advances to other funds .....	59,700	59,700
Due from other governments .....	44,887	69,483
Deferred charge .....	0	30,342
	<u>3,103,860</u>	<u>2,653,989</u>
Total assets .....	\$ 3,103,860	2,653,989
Liabilities and Fund Equity:		
Liabilities:		
Accounts payable .....	\$ 79,295	110,670
Accrued liabilities .....	204,107	165,740
Pension contribution payable .....	0	30,342
Due to other funds .....	0	89
Refundable deposits .....	1,892	1,892
Deferred revenue .....	140,919	170,514
	<u>426,213</u>	<u>479,247</u>
Total liabilities .....	426,213	479,247
Fund Equity:		
Fund balance:		
Reserved for:		
Transportation (local option gas tax funds) .....	184,845	69,363
Advances to other funds .....	59,700	59,700
Police education .....	20,621	17,595
Unreserved:		
Undesignated .....	2,412,481	2,028,084
	<u>2,677,647</u>	<u>2,174,742</u>
Total fund equity .....	2,677,647	2,174,742
	<u>3,103,860</u>	<u>2,653,989</u>
Total liabilities and fund equity .....	\$ 3,103,860	2,653,989

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

**Exhibit A-2**

For the Fiscal Year Ended September 30, 2001  
With Comparative Totals for the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	2001	2000
<b>Revenue:</b>		
Taxes .....	3,605,373	3,279,961
Licenses and permits .....	241,509	179,580
Intergovernmental .....	975,666	1,170,485
Charges for services .....	140,734	137,894
Fines and forfeitures .....	95,875	73,361
Miscellaneous .....	285,042	200,929
<b>Total revenue .....</b>	<b>5,344,199</b>	<b>5,042,210</b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government .....	1,327,157	1,026,223
Public safety .....	2,726,312	2,443,962
Transportation .....	690,707	584,862
Culture/recreation .....	725,538	701,394
<b>Debt Service:</b>		
Principal retirement .....	204,596	169,034
Interest and fiscal charges .....	58,997	60,849
<b>Total expenditures .....</b>	<b>5,733,307</b>	<b>4,986,324</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(389,108)</b>	<b>55,886</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds of long-term debt.....	204,204	0
Operating transfers in .....	690,000	679,644
Operating transfers (out) .....	(2,191)	(226,873)
<b>Total other financing sources (uses) .....</b>	<b>892,013</b>	<b>452,771</b>
<b>Excess of revenue and other sources over expenditures and other uses .....</b>	<b>502,905</b>	<b>508,657</b>
<b>Fund balance, beginning of year .....</b>	<b>2,174,742</b>	<b>1,666,085</b>
<b>Fund balance, end of year .....</b> \$	<b>2,677,647</b>	<b>2,174,742</b>

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Fiscal Year Ended September 30, 2001  
 With Comparative Actual Amounts for the Year Ended September 30, 2000  
 CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2001		Variance	2000
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenue:				
Taxes:				
General property taxes:				
Current ad valorem taxes .....	\$ 1,530,000	1,546,488	16,488	1,397,304
Delinquent ad valorem taxes .....	42,000	44,827	2,827	42,775
Local option gas tax .....	158,000	153,449	(4,551)	157,776
2nd Local option gas tax .....	118,000	115,482	(2,518)	69,363
Franchise taxes .....	613,600	649,861	36,261	581,777
Utility service taxes .....	1,029,000	1,095,266	66,266	1,030,966
Total taxes .....	<u>3,490,600</u>	<u>3,605,373</u>	<u>114,773</u>	<u>3,279,961</u>
Licenses and permits:				
Business .....	178,000	155,213	(22,787)	108,753
Nonbusiness .....	65,000	86,296	21,296	70,827
Total licenses and permits .....	<u>243,000</u>	<u>241,509</u>	<u>(1,491)</u>	<u>179,580</u>
Intergovernmental Revenue:				
Federal Grants:				
Department of Justice .....	90,300	85,807	(4,493)	94,434
Department of Transportation .....	3,600	3,660	60	0
Federal Emergency Management Administration .....	0	0	0	167,065
State Grants:				
Department of Community Affairs .....	0	0	0	26,953
Department of Business and Professional Regulation.....	6,200	6,160	(40)	11,550
State Shared Revenues:				
Municipal two-cent cigarette tax .....	0	0	0	28,297
State revenue sharing proceeds .....	289,700	294,524	4,824	281,809
Mobile home licenses .....	17,000	17,880	880	11,058
Alcoholic beverage licenses .....	7,000	6,420	(580)	5,469
Local government half-cent sales tax .....	511,000	542,132	31,132	522,876
Motor fuel tax rebate .....	5,000	5,121	121	5,077
Firefighters' supplemental revenue .....	1,200	1,095	(105)	1,534
Other Shared Revenues:				
County grants .....	0	0	0	750
County shared revenues .....	13,000	12,867	(133)	13,613
Total intergovernmental revenue .....	<u>944,000</u>	<u>975,666</u>	<u>31,666</u>	<u>1,170,485</u>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2001  
With Comparative Actual Amounts for the Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
<b>Charges for services:</b>				
General government .....	\$ 8,700	7,874	(826)	8,399
Public safety .....	3,000	3,180	180	3,419
Transportation .....	30,400	29,776	(624)	35,549
Culture/recreation .....	98,500	99,904	1,404	90,527
<b>Total charges for services .....</b>	<b>140,600</b>	<b>140,734</b>	<b>134</b>	<b>137,894</b>
<b>Fines and forfeitures:</b>				
Court cases .....	100,300	93,508	(6,792)	70,957
Local ordinance violations .....	2,400	2,367	(33)	2,404
<b>Total fines and forfeitures .....</b>	<b>102,700</b>	<b>95,875</b>	<b>(6,825)</b>	<b>73,361</b>
<b>Miscellaneous Revenues:</b>				
Interest earnings .....	139,000	162,774	23,774	147,765
Sale of fixed assets .....	15,500	31,743	16,243	3,456
Contributions and donations .....	2,300	2,371	71	21,210
Miscellaneous revenues .....	31,000	88,154	57,154	28,498
<b>Total miscellaneous revenue .....</b>	<b>187,800</b>	<b>285,042</b>	<b>97,242</b>	<b>200,929</b>
<b>Total revenue .....</b>	<b>5,108,700</b>	<b>5,344,199</b>	<b>235,499</b>	<b>5,042,210</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Legislative:</b>				
Personal services .....	34,600	33,663	937	18,469
Operating expenditures .....	45,900	44,584	1,316	42,017
	80,500	78,247	2,253	60,486
<b>Executive:</b>				
Personal services .....	273,600	264,218	9,382	195,056
Operating expenditures .....	40,700	31,684	9,016	40,777
	314,300	295,902	18,398	235,833
<b>Financial and Administrative:</b>				
Personal services .....	439,100	431,522	7,578	403,951
Operating expenditures .....	274,500	255,824	18,676	220,603
	713,600	687,346	26,254	624,554

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2001  
With Comparative Actual Amounts for the Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2001		Variance	2000
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Other General Government:</b>				
Personal services .....	\$ 12,500	7,746	4,754	15,849
Operating expenditures .....	110,000	105,832	4,168	63,536
Capital outlay .....	137,000	136,884	116	10,965
Grants and aids .....	15,200	15,200	0	15,000
	<u>274,700</u>	<u>265,662</u>	<u>9,038</u>	<u>105,350</u>
Total general government .....	<u>1,383,100</u>	<u>1,327,157</u>	<u>55,943</u>	<u>1,026,223</u>
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Personal services .....	1,355,400	1,309,866	45,534	1,381,991
Operating expenditures .....	209,300	193,862	15,438	160,144
Capital outlay .....	69,500	68,757	743	9,250
	<u>1,634,200</u>	<u>1,572,485</u>	<u>61,715</u>	<u>1,551,385</u>
<b>Fire Protection:</b>				
Personal services .....	644,200	611,732	32,468	562,691
Operating expenditures .....	107,900	93,932	13,968	93,683
Capital outlay .....	220,100	213,377	6,723	23,709
	<u>972,200</u>	<u>919,041</u>	<u>53,159</u>	<u>680,083</u>
<b>Building Inspection:</b>				
Personal services .....	160,400	156,633	3,767	141,003
Operating expenditures .....	72,200	63,181	9,019	70,326
Capital outlay .....	15,000	14,972	28	1,165
	<u>247,600</u>	<u>234,786</u>	<u>12,814</u>	<u>212,494</u>
Total public safety .....	<u>2,854,000</u>	<u>2,726,312</u>	<u>127,688</u>	<u>2,443,962</u>
<b>Transportation:</b>				
<b>Road and Street Facilities:</b>				
Personal services .....	309,000	298,064	10,936	325,846
Operating expenditures .....	301,400	257,989	43,411	239,422
Capital outlay .....	215,100	134,654	80,446	19,594
	<u>825,500</u>	<u>690,707</u>	<u>134,793</u>	<u>584,862</u>
Total transportation .....	<u>825,500</u>	<u>690,707</u>	<u>134,793</u>	<u>584,862</u>
<b>Culture/Recreation:</b>				
<b>Parks:</b>				
Personal services .....	264,100	257,887	6,213	231,621
Operating expenditures .....	115,000	102,775	12,225	113,315
Capital outlay .....	36,700	36,655	45	20,511
	<u>415,800</u>	<u>397,317</u>	<u>18,483</u>	<u>365,447</u>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND - (Continued)**  
For the Fiscal Year Ended September 30, 2001  
With Comparative Actual Amounts for the Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Exhibit A-3

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Recreation:				
Personal services .....	\$ 212,700	207,368	5,332	185,628
Operating expenditures .....	147,500	119,891	27,609	124,097
Capital outlay .....	1,000	962	38	26,222
	<u>361,200</u>	<u>328,221</u>	<u>32,979</u>	<u>335,947</u>
Total culture/recreation .....	<u>777,000</u>	<u>725,538</u>	<u>51,462</u>	<u>701,394</u>
Debt Service:				
Principal retirement:				
General government .....	164,200	164,197	3	156,409
Public safety.....	40,800	40,399	401	12,625
	<u>205,000</u>	<u>204,596</u>	<u>404</u>	<u>169,034</u>
Interest and fiscal charges:				
General government .....	49,800	49,735	65	57,505
Public safety.....	9,400	9,262	138	3,344
	<u>59,200</u>	<u>58,997</u>	<u>203</u>	<u>60,849</u>
Total debt service .....	<u>264,200</u>	<u>263,593</u>	<u>607</u>	<u>229,883</u>
Total expenditures .....	<u>6,103,800</u>	<u>5,733,307</u>	<u>370,493</u>	<u>4,986,324</u>
Excess of revenue over (under) expenditures .....	<u>(995,100)</u>	<u>(389,108)</u>	<u>605,992</u>	<u>55,886</u>
Other Financing Sources (Uses):				
Proceeds of long-term debt.....	204,000	204,204	204	0
Operating transfers from:				
Community Development Block Grant Fund .	0	0	0	4,344
Water and Sewer Fund .....	450,000	450,000	0	450,000
Solid Waste Fund .....	240,000	240,000	0	225,300
Appropriated fund balance.....	103,300	0	(103,300)	0
Operating transfers to:				
Law Enforcement Block Grant Fund .....	(2,200)	(2,191)	9	(1,573)
Capital Projects Fund .....	0	0	0	(225,300)
Total financing sources (uses) .....	<u>995,100</u>	<u>892,013</u>	<u>(103,087)</u>	<u>452,771</u>
Excess of revenue and other sources over (under) expenditures and other uses .....	0	502,905	502,905	508,657
Fund balance, beginning of year .....	<u>2,174,742</u>	<u>2,174,742</u>	<u>0</u>	<u>1,666,085</u>
Fund balance, end of year .....	<u>\$ 2,174,742</u>	<u>2,677,647</u>	<u>502,905</u>	<u>2,174,742</u>

## ***SPECIAL REVENUE FUNDS***

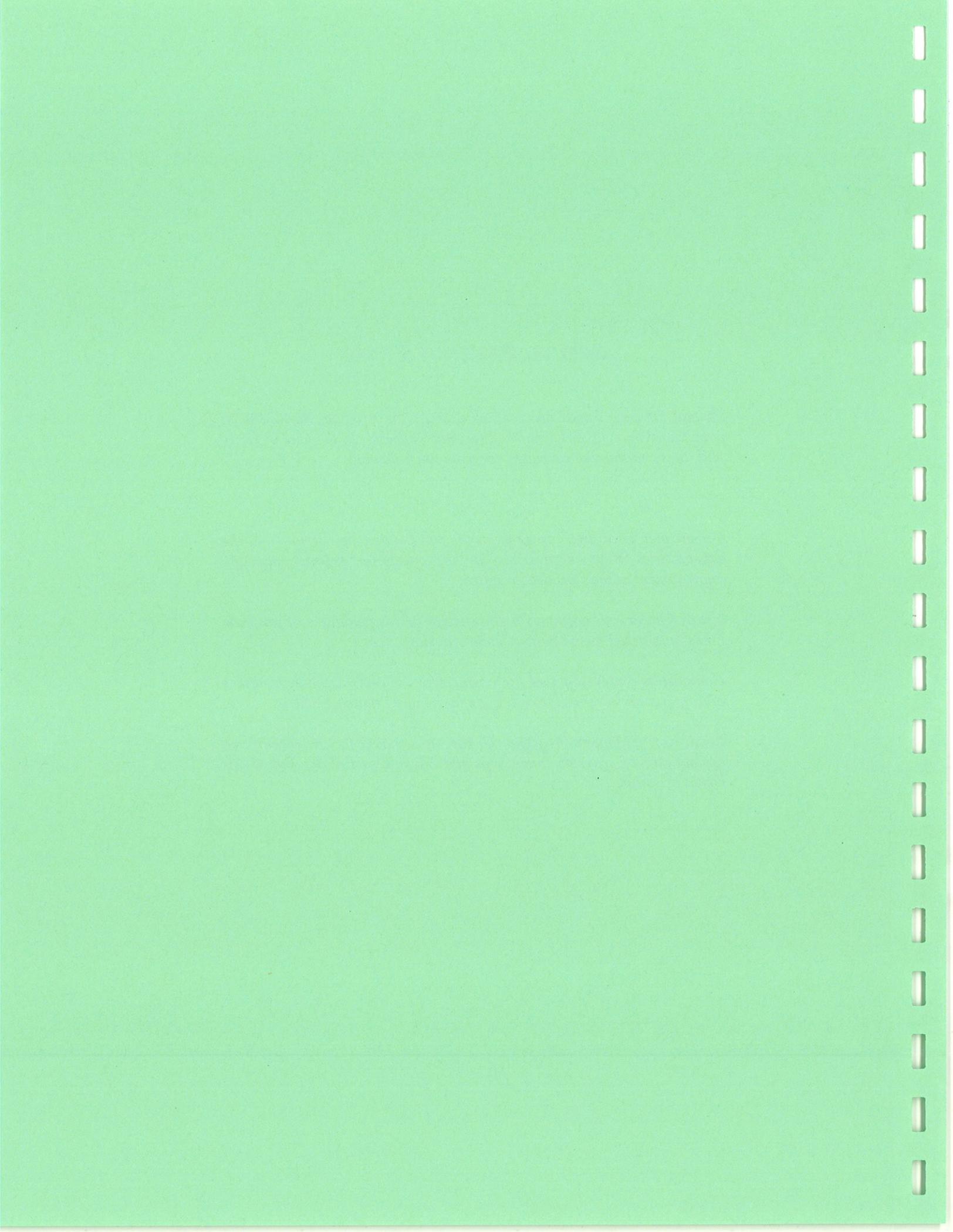
*Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. In the City of Holly Hill, these earmarked revenues are from the following:*

***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.





**COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS**

September 30, 2001

With Comparative Totals for September 30, 2000

CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage	Youth Center	Community Redevelopment
<b>Assets:</b>			
Cash .....	\$ 977,020	3,505	181,574
Accounts receivable - net .....	32,876	0	0
Due from other funds .....	0	0	0
Due from other governments .....	0	0	0
<b>Total assets .....</b>	<b><u>\$ 1,009,896</u></b>	<b><u>3,505</u></b>	<b><u>181,574</u></b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Accounts payable .....	\$ 8,561	0	0
Accrued liabilities .....	6,167	0	3,800
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>14,728</u></b>	<b><u>0</u></b>	<b><u>63,500</u></b>
<b>Fund Equity:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Encumbrances .....	0	0	0
Stormwater drainage.....	995,168	0	0
<b>Unreserved:</b>			
<b>Designated for:</b>			
Undesignated (deficit) .....	0	3,505	118,074
<b>Total fund equity .....</b>	<b><u>995,168</u></b>	<b><u>3,505</u></b>	<b><u>118,074</u></b>
<b>Total liabilities and fund equity .....</b>	<b><u>\$ 1,009,896</u></b>	<b><u>3,505</u></b>	<b><u>181,574</u></b>

Exhibit B-1

Local Law Enforcement Block Grant	Totals	
	2001	2000
2,885	1,164,984	937,812
0	32,876	29,109
0	0	1,183
0	0	748
<u>2,885</u>	<u>1,197,860</u>	<u>968,852</u>
1,056	9,617	430
0	9,967	10,090
2,315	2,315	0
0	0	748
0	59,700	59,700
<u>3,371</u>	<u>81,599</u>	<u>70,968</u>
0	0	0
0	995,168	893,114
<u>(486)</u>	<u>121,093</u>	<u>4,770</u>
<u>(486)</u>	<u>1,116,261</u>	<u>897,884</u>
<u>2,885</u>	<u>1,197,860</u>	<u>968,852</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended September 30, 2001  
With Comparative Totals for September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Stormwater Drainage	Youth Center	Community Redevelopment
<b>Revenue:</b>			
Taxes .....	\$ 0	0	71,960
Intergovernmental .....	40,000	0	119,148
Charges for services .....	375,759	311	0
Miscellaneous .....	42,005	384	7,854
<b>Total revenue .....</b>	<b>457,764</b>	<b>695</b>	<b>198,962</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety .....	0	0	0
Physical environment .....	610,272	0	0
Transportation .....	0	0	0
Economic environment .....	0	0	82,715
Culture/recreation .....	0	133	0
<b>Total expenditures .....</b>	<b>610,272</b>	<b>133</b>	<b>82,715</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(152,508)</b>	<b>562</b>	<b>116,247</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	254,562	0	0
Operating transfers from General fund .....	0	0	0
Operating transfers (to) General fund .....	0	0	0
Operating transfers (to) Capital Projects fund .....	0	0	0
<b>Total other financing sources (uses) .....</b>	<b>254,562</b>	<b>0</b>	<b>0</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>102,054</b>	<b>562</b>	<b>116,247</b>
Fund balances, beginning of year .....	893,114	2,943	1,827
Fund balances, end of year .....	<u>\$ 995,168</u>	<u>3,505</u>	<u>118,074</u>

Exhibit B-2

Local Law Enforcement Block Grant	Totals	
	2001	2000
0	71,960	32,613
17,402	176,550	350,502
0	376,070	366,743
312	50,555	48,185
<u>17,714</u>	<u>675,135</u>	<u>798,043</u>
20,391	20,391	16,286
0	610,272	307,016
0	0	165,717
0	82,715	82,565
0	133	230
<u>20,391</u>	<u>713,511</u>	<u>571,814</u>
<u>(2,677)</u>	<u>(38,376)</u>	<u>226,229</u>
0	254,562	0
2,191	2,191	1,573
0	0	(4,344)
0	0	(100,000)
<u>2,191</u>	<u>256,753</u>	<u>(102,771)</u>
(486)	218,377	123,459
<u>0</u>	<u>897,884</u>	<u>774,425</u>
<u>(486)</u>	<u>1,116,261</u>	<u>897,884</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, 2001  
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	40,000	40,000
Charges for Services:			
Physical environment .....	366,000	375,759	9,759
Culture/recreation.....	0	0	0
Miscellaneous:			
Interest earnings .....	40,000	42,005	2,005
Contributions and donations .....	0	0	0
<b>Total revenue .....</b>	<b>406,000</b>	<b>457,764</b>	<b>51,764</b>
<b>Expenditures:</b>			
Current:			
Public Safety:			
Personal services .....	0	0	0
Capital outlay.....	0	0	0
Physical Environment:			
Personal services .....	128,300	123,200	5,100
Operating expenditures .....	115,400	29,665	85,735
Capital outlay.....	876,500	457,407	419,093
Economic Environment:			
Personal services .....	0	0	0
Operating expenditures .....	0	0	0
Capital outlay.....	0	0	0
Culture/Recreation:			
Operating expenditures .....	0	0	0
<b>Total expenditures .....</b>	<b>1,120,200</b>	<b>610,272</b>	<b>509,928</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(714,200)</b>	<b>(152,508)</b>	<b>561,692</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	540,000	254,562	(285,438)
Operating transfers from General fund.....	0	0	0
Appropriated fund balance.....	174,200	0	(174,200)
<b>Total other financing sources (uses) .....</b>	<b>714,200</b>	<b>254,562</b>	<b>(459,638)</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>0</b>	<b>102,054</b>	<b>102,054</b>
Fund balances, beginning of year .....	893,114	893,114	0
<b>Fund balances, end of year .....</b>	<b>\$ 893,114</b>	<b>995,168</b>	<b>102,054</b>

Youth Center			Community Redevelopment		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	72,000	71,960	(40)
0	0	0	0	0	0
0	0	0	119,000	119,148	148
0	0	0	0	0	0
300	311	11	0	0	0
0	0	0	0	7,854	7,854
0	384	384	0	0	0
<u>300</u>	<u>695</u>	<u>395</u>	<u>191,000</u>	<u>198,962</u>	<u>7,962</u>
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	97,300	80,250	17,050
0	0	0	900	598	302
0	0	0	92,800	1,867	90,933
<u>800</u>	<u>133</u>	<u>667</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>800</u>	<u>133</u>	<u>667</u>	<u>191,000</u>	<u>82,715</u>	<u>108,285</u>
<u>(500)</u>	<u>562</u>	<u>1,062</u>	<u>0</u>	<u>116,247</u>	<u>116,247</u>
0	0	0	0	0	0
0	0	0	0	0	0
500	0	(500)	0	0	0
<u>500</u>	<u>0</u>	<u>(500)</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	562	562	0	116,247	116,247
<u>2,943</u>	<u>2,943</u>	<u>0</u>	<u>1,827</u>	<u>1,827</u>	<u>0</u>
<u>2,943</u>	<u>3,505</u>	<u>562</u>	<u>1,827</u>	<u>118,074</u>	<u>116,247</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, 2001  
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 .....	19,700	17,402	(2,298)
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	312	112
Contributions and donations .....	0	0	0
<b>Total revenue .....</b>	<b>19,900</b>	<b>17,714</b>	<b>(2,186)</b>
<b>Expenditures:</b>			
Current:			
Public Safety:			
Personal services .....	10,800	9,680	1,120
Capital outlay.....	11,300	10,711	589
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
Capital outlay.....	0	0	0
Culture/Recreation:			
Operating expenditures .....	0	0	0
<b>Total expenditures .....</b>	<b>22,100</b>	<b>20,391</b>	<b>1,709</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>(2,200)</b>	<b>(2,677)</b>	<b>(477)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds of long-term debt.....	0	0	0
Operating transfers from General fund.....	2,200	2,191	(9)
Appropriated fund balance.....	0	0	0
<b>Total other financing sources (uses) .....</b>	<b>2,200</b>	<b>2,191</b>	<b>(9)</b>
<b>Excess of revenue and other sources over (under) expenditures and other uses .....</b>	<b>0</b>	<b>(486)</b>	<b>(486)</b>
Fund balances, beginning of year .....	0	0	0
Fund balances, end of year .....	\$ 0	(486)	(486)

Exhibit B-3

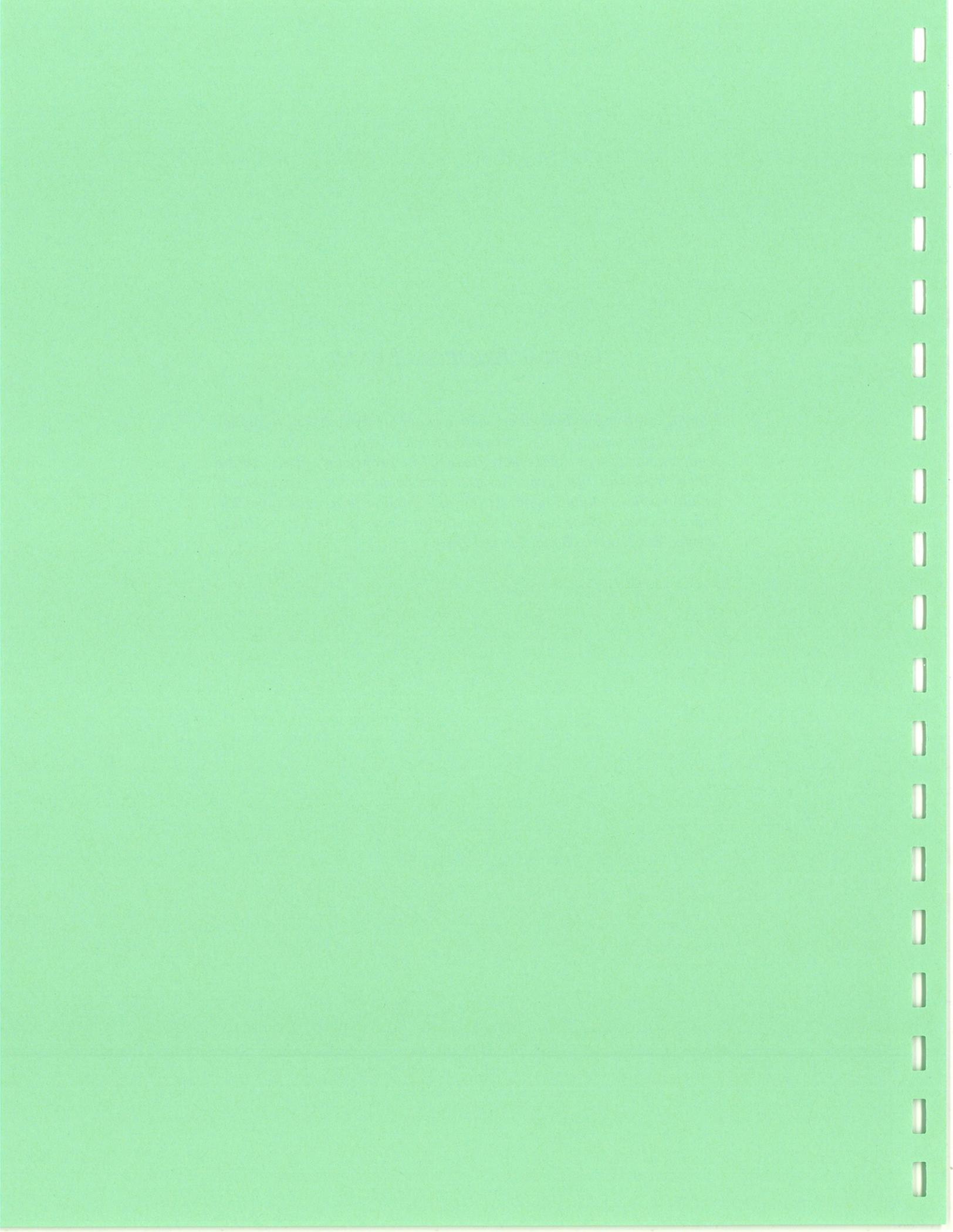
Page 2 of 2

Totals - All Funds		
Budget	Actual	Variance Favorable (Unfavorable)
72,000	71,960	(40)
19,700	17,402	(2,298)
119,000	159,148	40,148
366,000	375,759	9,759
300	311	11
40,200	50,171	9,971
0	384	384
<u>617,200</u>	<u>675,135</u>	<u>57,935</u>
10,800	9,680	1,120
11,300	10,711	589
128,300	123,200	5,100
115,400	29,665	85,735
876,500	457,407	419,093
97,300	80,250	17,050
900	598	302
92,800	1,867	90,933
800	133	667
<u>1,334,100</u>	<u>713,511</u>	<u>620,589</u>
<u>(716,900)</u>	<u>(38,376)</u>	<u>678,524</u>
540,000	254,562	(285,438)
2,200	2,191	(9)
174,700	0	(174,700)
<u>716,900</u>	<u>256,753</u>	<u>(460,147)</u>
0	218,377	218,377
<u>897,884</u>	<u>897,884</u>	<u>0</u>
<u>897,884</u>	<u>1,116,261</u>	<u>218,377</u>



## ***CAPITAL PROJECTS FUNDS***

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



COMPARATIVE BALANCE SHEETS  
 CAPITAL PROJECTS FUND  
 September 30, 2001 and 2000  
 CITY OF HOLLY HILL, FLORIDA

Exhibit C-1

	2001	2000
<b>Assets:</b>		
Cash and cash equivalents .....	\$ 195,336	101,353
Due from other governments .....	<u>6,778</u>	<u>150,000</u>
<b>Total assets .....</b>	<b><u>\$ 202,114</u></b>	<b><u>251,353</u></b>
 <b>Liabilities and Fund Equity:</b>		
Liabilities.....	\$ <u>0</u>	<u>0</u>
<b>Fund Equity:</b>		
Fund balance:		
Reserved for capital projects .....	202,114	251,353
Unreserved:		
Undesignated .....	<u>0</u>	<u>0</u>
<b>Total fund equity .....</b>	<b><u>202,114</u></b>	<b><u>251,353</u></b>
<b>Total liabilities and fund equity .....</b>	<b><u>\$ 202,114</u></b>	<b><u>251,353</u></b>

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND**  
For the Fiscal Year Ended September 30, 2001  
With Comparative Actual Amounts for the Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

Exhibit C-2

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
<b>Revenue:</b>				
Intergovernmental:				
State grants .....	\$ 67,800	67,778	(22)	191,580
Miscellaneous:				
Interest earnings .....	0	5,045	5,045	20,829
Total revenue .....	<u>67,800</u>	<u>72,823</u>	<u>5,023</u>	<u>212,409</u>
<b>Expenditures:</b>				
Capital outlay:				
Transportation .....	0	0	0	90,310
Culture/recreation .....	<u>290,000</u>	<u>122,062</u>	<u>167,938</u>	<u>470,792</u>
Total expenditures .....	<u>290,000</u>	<u>122,062</u>	<u>167,938</u>	<u>561,102</u>
Excess of revenue over (under) expenditures .....	<u>(222,200)</u>	<u>(49,239)</u>	<u>172,961</u>	<u>(348,693)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers from:				
General Fund .....	0	0	0	225,300
Community Development Block Grant Fund ..	0	0	0	100,000
Solid Waste Fund .....	0	0	0	80,000
Appropriated fund balance .....	<u>222,200</u>	<u>0</u>	<u>(222,200)</u>	<u>0</u>
Total financing sources (uses) .....	<u>222,200</u>	<u>0</u>	<u>(222,200)</u>	<u>405,300</u>
Excess of revenue and other sources over (under) expenditures and other uses .....	0	(49,239)	(49,239)	56,607
Fund balance, beginning of year.....	<u>251,353</u>	<u>251,353</u>	<u>0</u>	<u>194,746</u>
Fund balance, end of year .....	<u>\$ 251,353</u>	<u>202,114</u>	<u>(49,239)</u>	<u>251,353</u>

## ***ENTERPRISE FUNDS***

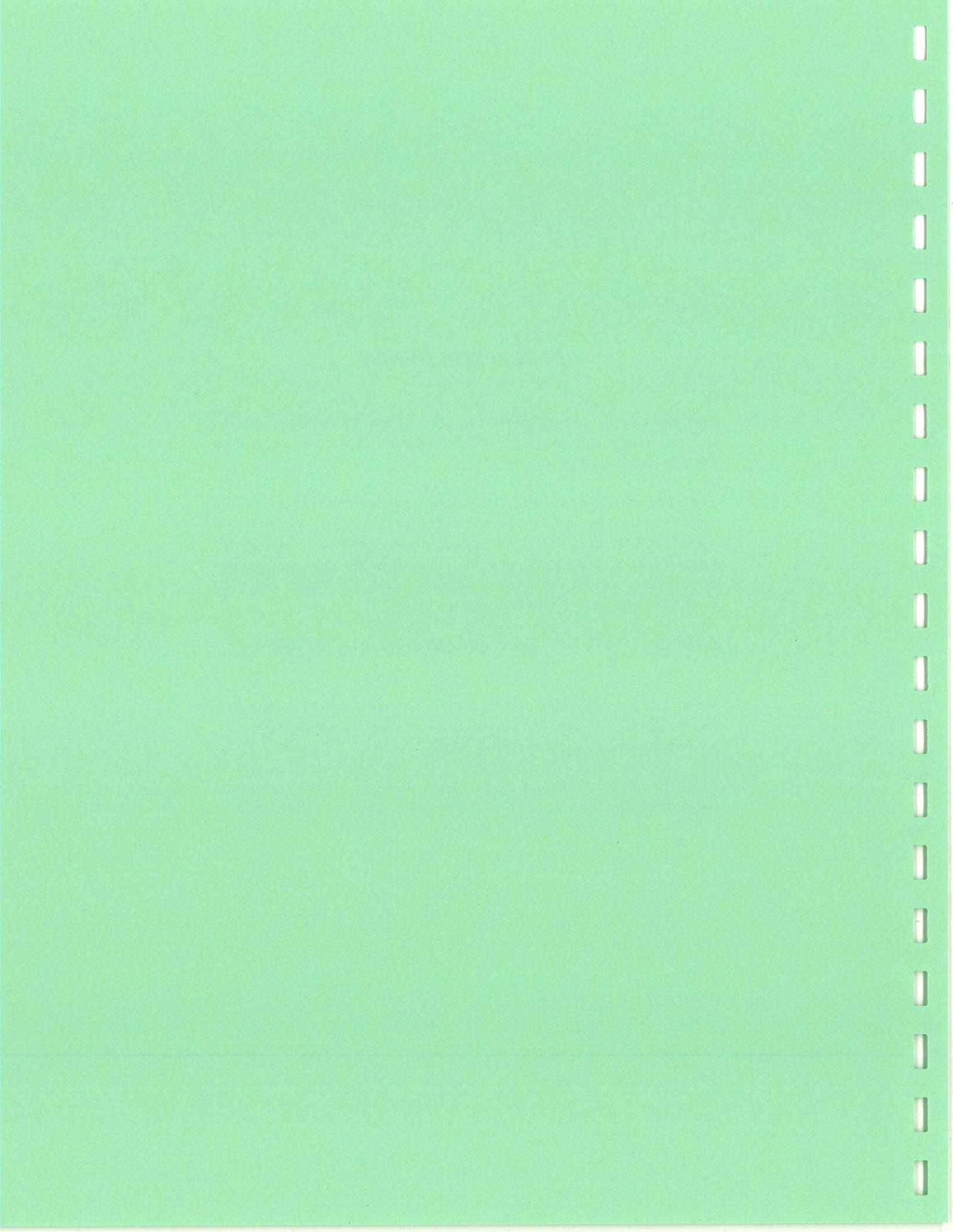
*Enterprise Funds are established to account for the financing of self-supporting municipal activities which render services on a user charge basis to the general public.*

*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, 2001  
With Comparative Totals for September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2001	2000
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents .....	\$ 2,907,827	649,764	3,557,591	2,436,859
Investments .....	0	245,513	245,513	0
Accounts receivable-net.....	258,057	98,658	356,715	299,501
Accrued interest receivable .....	0	3,872	3,872	3,289
Due from other funds .....	0	0	0	6,107
Due from other governments .....	0	534	534	94,103
Prepaid expenses .....	9,415	1,117	10,532	9,457
<b>Total current assets .....</b>	<b>3,175,299</b>	<b>999,458</b>	<b>4,174,757</b>	<b>2,849,316</b>
<b>Restricted Assets:</b>				
<b>Cash and cash equivalents:</b>				
Sinking and Reserve Funds .....	209,769	0	209,769	35,401
Renewal and Replacement Fund .....	410,237	0	410,237	508,398
Restricted Impact Fees .....	236,827	0	236,827	135,239
Customer deposits .....	0	19,119	19,119	518,980
	856,833	19,119	875,952	1,198,018
Accounts and notes receivable .....	10,757	0	10,757	0
<b>Total restricted assets .....</b>	<b>867,590</b>	<b>19,119</b>	<b>886,709</b>	<b>1,198,018</b>
<b>Property, Plant and Equipment:</b>				
Land .....	154,739	0	154,739	154,739
Buildings .....	10,800,389	54,651	10,855,040	10,847,325
Improvements other than buildings .....	11,171,187	0	11,171,187	8,839,275
Machinery and equipment .....	6,183,758	720,107	6,903,865	6,750,554
	28,310,073	774,758	29,084,831	26,591,893
Less: accumulated depreciation .....	(10,027,329)	(723,065)	(10,750,394)	(10,028,584)
	18,282,744	51,693	18,334,437	16,563,309
Construction in progress .....	318,770	0	318,770	1,513,893
<b>Net property, plant and equipment.....</b>	<b>18,601,514</b>	<b>51,693</b>	<b>18,653,207</b>	<b>18,077,202</b>
<b>Other Assets:</b>				
Unamortized bond issuance costs .....	226,676	0	226,676	239,080
<b>Total assets .....</b>	<b>\$ 22,871,079</b>	<b>1,070,270</b>	<b>23,941,349</b>	<b>22,363,616</b>

	Water and Sewer Utility	Solid Waste	Totals	
			2001	2000
<b>Liabilities and Fund Equity:</b>				
<b>Current Liabilities (payable from current assets):</b>				
Accounts payable .....	\$ 48,614	87,030	135,644	306,619
Accrued liabilities .....	51,061	2,718	53,779	44,802
Due to other funds .....	0	238,161	238,161	0
<b>Total current liabilities (payable from current assets) .....</b>	<b>99,675</b>	<b>327,909</b>	<b>427,584</b>	<b>351,421</b>
<b>Current Liabilities (payable from restricted assets):</b>				
Accounts payable .....	3,756	0	3,756	5,908
Customer deposits .....	532,195	19,119	551,314	518,980
Revenue bonds payable .....	330,000	0	330,000	310,000
<b>Total current liabilities (payable from restricted assets) .....</b>	<b>865,951</b>	<b>19,119</b>	<b>885,070</b>	<b>834,888</b>
<b>Long-Term Debt:</b>				
Revenue bonds payable-net .....	12,502,062	0	12,502,062	12,819,408
Notes payable .....	2,416,728	0	2,416,728	1,415,479
<b>Total long-term debt .....</b>	<b>14,918,790</b>	<b>0</b>	<b>14,918,790</b>	<b>14,234,887</b>
<b>Other Liabilities:</b>				
Obligation for compensated absences .....	117,975	0	117,975	110,655
<b>Total liabilities .....</b>	<b>16,002,391</b>	<b>347,028</b>	<b>16,349,419</b>	<b>15,531,851</b>
<b>Fund Equity:</b>				
<b>Contributed Capital from:</b>				
Federal government .....	924,711	0	924,711	924,711
Customers .....	2,171,064	0	2,171,064	2,171,064
Other funds .....	0	215,935	215,935	215,935
<b>Retained Earnings:</b>	<b>3,095,775</b>	<b>215,935</b>	<b>3,311,710</b>	<b>3,311,710</b>
Reserved for renewal and replacement .....	410,237	0	410,237	508,398
Reserved for debt service .....	77,059	0	77,059	0
Unreserved .....	3,285,617	507,307	3,792,924	3,011,657
<b>Total fund equity .....</b>	<b>6,868,688</b>	<b>723,242</b>	<b>7,591,930</b>	<b>6,831,765</b>
<b>Total liabilities and fund equity .....</b>	<b>\$ 22,871,079</b>	<b>1,070,270</b>	<b>23,941,349</b>	<b>22,363,616</b>

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

**Exhibit D-2**

**ALL ENTERPRISE FUNDS**

For the Fiscal Year Ended September 30, 2001

With Comparative Totals for the Fiscal Year Ended September 30, 2000

CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2001	2000
<b>Operating Revenue:</b>				
<b>Charges for Services:</b>				
Water sales .....	\$ 1,840,639	0	1,840,639	1,754,010
Sewer charges .....	1,904,332	0	1,904,332	1,835,692
Service/cut-off charges .....	33,270	0	33,270	32,881
Fire hydrant rental .....	10,107	0	10,107	10,062
Other charges .....	7,867	0	7,867	7,166
Waste disposal charges .....	0	1,378,743	1,378,743	1,337,934
<b>Total operating revenue .....</b>	<b>3,796,215</b>	<b>1,378,743</b>	<b>5,174,958</b>	<b>4,977,745</b>
<b>Operating Expenses:</b>				
Personal services .....	826,924	39,472	866,396	825,964
Materials and supplies .....	180,256	1,507	181,763	178,494
Utilities .....	244,487	405	244,892	197,194
Maintenance and repairs .....	100,770	4,405	105,175	138,866
Contractual services .....	97,858	954,756	1,052,614	1,220,953
Other expenses .....	45,015	0	45,015	27,958
Bad debts .....	10,554	3,319	13,873	23,759
Depreciation .....	762,994	14,836	777,830	766,654
<b>Total operating expenses .....</b>	<b>2,268,858</b>	<b>1,018,700</b>	<b>3,287,558</b>	<b>3,379,842</b>
<b>Total operating income .....</b>	<b>1,527,357</b>	<b>360,043</b>	<b>1,887,400</b>	<b>1,597,903</b>
<b>Nonoperating Revenue (Expenses):</b>				
Interest earnings .....	184,293	40,883	225,176	207,935
Operating grant - federal .....	0	1,110	1,110	4,271
Other income (expenses) .....	44,038	52,102	96,140	136,112
Interest expense .....	(865,326)	0	(865,326)	(852,382)
<b>Total nonoperating revenue (expenses) .</b>	<b>(636,995)</b>	<b>94,095</b>	<b>(542,900)</b>	<b>(504,064)</b>
<b>Net income before operating transfers ...</b>	<b>890,362</b>	<b>454,138</b>	<b>1,344,500</b>	<b>1,093,839</b>
<b>Operating Transfers:</b>				
Transfer to General Fund .....	(450,000)	(240,000)	(690,000)	(675,300)
Transfer to Capital Projects Fund .....	0	0	0	(80,000)
<b>Total operating transfers .....</b>	<b>(450,000)</b>	<b>(240,000)</b>	<b>(690,000)</b>	<b>(755,300)</b>
<b>Net income (loss) .....</b>	<b>440,362</b>	<b>214,138</b>	<b>654,500</b>	<b>338,539</b>
<b>Capital contributions.....</b>	<b>105,665</b>	<b>0</b>	<b>105,665</b>	<b>0</b>
<b>Net increase in retained earnings.....</b>	<b>546,027</b>	<b>214,138</b>	<b>760,165</b>	<b>338,539</b>
<b>Retained earnings, beginning of year .....</b>	<b>3,226,886</b>	<b>293,169</b>	<b>3,520,055</b>	<b>3,181,516</b>
<b>Retained earnings, end of year .....</b>	<b>\$ 3,772,913</b>	<b>507,307</b>	<b>4,280,220</b>	<b>3,520,055</b>

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

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

For the Fiscal Year Ended September 30, 2001  
With Comparative Totals for the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2001	2000
<b>Operating Activities:</b>				
Operating income (loss) .....	\$ 1,527,357	360,043	1,887,400	1,597,903
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation .....	762,994	14,836	777,830	766,654
Bad debt expense .....	10,554	3,319	13,873	23,759
Other income .....	41,439	12,745	54,184	57,523
Changes in assets and liabilities:				
Accounts receivable, net .....	24,879	(9,866)	15,013	9,558
Other receivables .....	0	0	0	(3,053)
Due from other funds .....	6,103	4	6,107	8,710
Prepaid expenses .....	(930)	(145)	(1,075)	(218)
Accounts payable .....	(182,931)	9,804	(173,127)	3,299
Accrued liabilities .....	7,742	272	8,014	6,635
Due to other funds .....	0	238,161	238,161	(584)
Customer deposits .....	32,334	0	32,334	28,132
Obligation for compensated absences .....	8,285	0	8,285	16,101
Net cash provided by operating activities.....	<u>2,237,826</u>	<u>629,173</u>	<u>2,866,999</u>	<u>2,514,419</u>
<b>Noncapital and Related Financing Activities:</b>				
Operating grants .....	0	1,110	1,110	4,271
Operating transfers (out) .....	(450,000)	(240,000)	(690,000)	(755,300)
Net cash (used in) noncapital and related financing activities .....	<u>(450,000)</u>	<u>(238,890)</u>	<u>(688,890)</u>	<u>(751,029)</u>
<b>Capital and Related Financing Activities:</b>				
Capital contributions .....	105,665	0	105,665	103,160
Proceeds on note payable .....	940,573	0	940,573	1,217,316
Debt reduction outlays .....	(310,000)	0	(310,000)	(295,000)
Acquisition and construction of capital assets .....	(1,320,127)	(5,130)	(1,325,257)	(1,327,933)
Proceeds from sale of assets.....	2,600	43,929	46,529	0
Interest paid .....	(812,742)	0	(812,742)	(827,324)
Net cash provided by (used in) capital and related financing activities .....	<u>(1,394,031)</u>	<u>38,799</u>	<u>(1,355,232)</u>	<u>(1,129,781)</u>
<b>Investing Activities:</b>				
Sales and (acquisitions) of investments .....	0	(238,161)	(238,161)	246,026
Interest received .....	184,292	29,658	213,950	207,936
Net cash provided by investing activities.....	<u>184,292</u>	<u>(208,503)</u>	<u>(24,211)</u>	<u>453,962</u>
Net increase in cash and cash equivalents....	578,087	220,579	798,666	1,087,571
Cash and cash equivalents, beginning of year .....	<u>3,186,573</u>	<u>448,304</u>	<u>3,634,877</u>	<u>2,547,306</u>
Cash and cash equivalents, end of year .....	<u>\$ 3,764,660</u>	<u>668,883</u>	<u>4,433,543</u>	<u>3,634,877</u>

**COMBINING STATEMENT OF CASH FLOWS - (Continued)**

**Exhibit D-3**

**ALL ENTERPRISE FUNDS**

Page 2 of 2

For the Fiscal Year Ended September 30, 2001

With Comparative Totals for the Fiscal Year Ended September 30, 2000

CITY OF HOLLY HILL, FLORIDA

	Water and Sewer Utility	Solid Waste	Totals	
			2001	2000
Reconciliation to Balance Sheet:				
Unrestricted cash and cash equivalents.....	\$ 2,907,827	649,764	3,557,591	2,436,859
Restricted cash and cash equivalents.....	<u>856,833</u>	<u>19,119</u>	<u>875,952</u>	<u>1,198,018</u>
Total cash and cash equivalents.....	\$ <u>3,764,660</u>	<u>668,883</u>	<u>4,433,543</u>	<u>3,634,877</u>

## **TRUST AND AGENCY FUNDS**

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

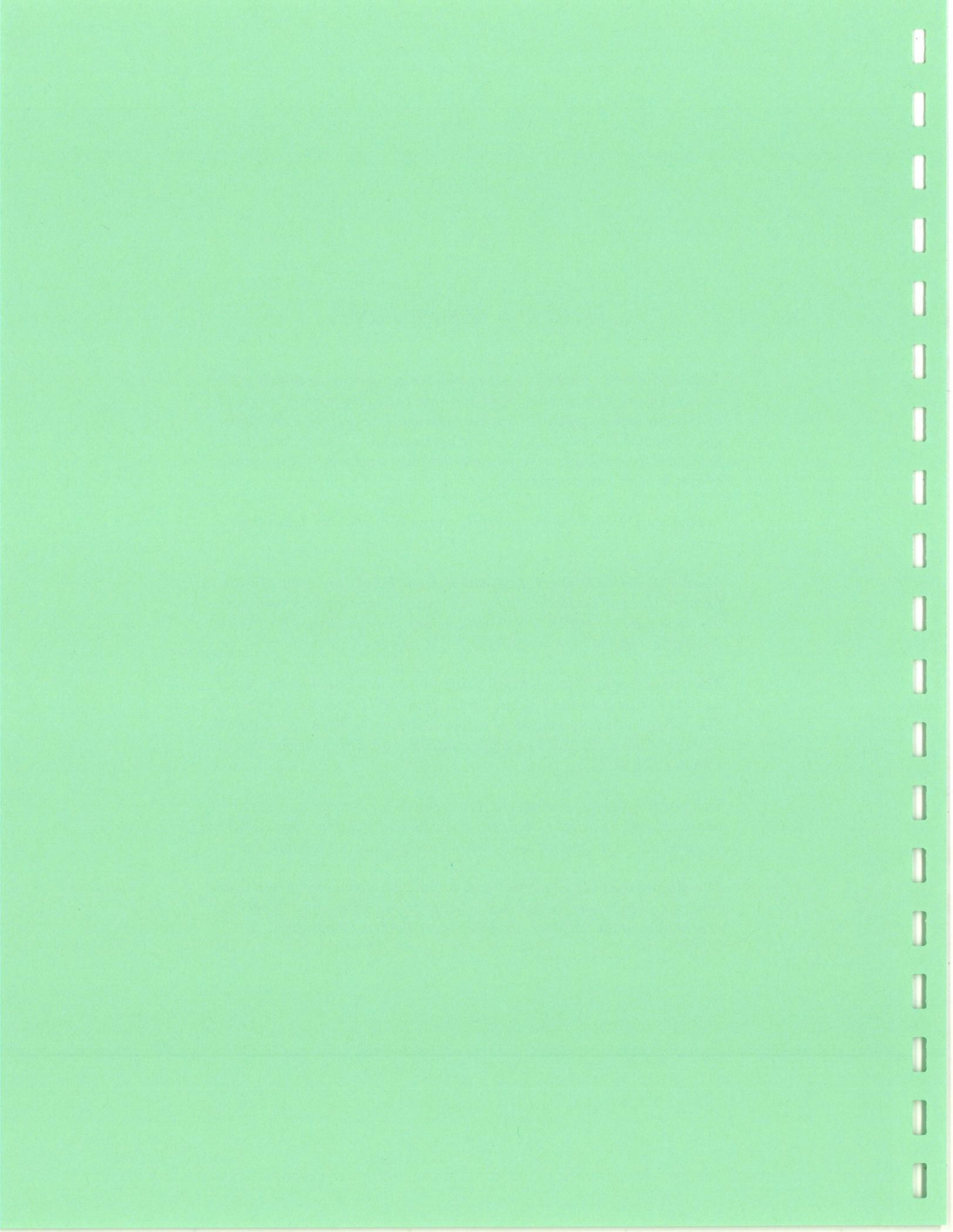
*In the City of Holly Hill, the enterprise funds consist of the following:*

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

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

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

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





**COMBINING BALANCE SHEET**  
**ALL FIDUCIARY FUNDS**  
September 30, 2001  
With Comparative Totals for September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

	Pension Trust Funds		
	Municipal Police Officers' Retirement Trust	Municipal Firefighters' Pension Trust	General Employees' Retirement Trust
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents .....	\$ 176,105	3,605	6,054
Investments:			
Money market funds .....	0	51,882	0
U.S. government and agency .....	663,447	597,857	76,552
U.S. corporate debt obligations .....	1,274,309	325,659	23,070
U.S. corporate equities .....	2,471,801	941,175	97,157
	<u>4,409,557</u>	<u>1,916,573</u>	<u>196,779</u>
Accrued interest receivable .....	24,811	12,034	0
Due from brokers .....	0	5,306	0
Due from other governments .....	0	0	0
	<u>24,811</u>	<u>12,034</u>	<u>0</u>
Total current assets .....	<u>4,610,473</u>	<u>1,937,518</u>	<u>202,833</u>
Total assets .....	<u>\$ 4,610,473</u>	<u>1,937,518</u>	<u>202,833</u>
<b>Liabilities and Fund Equity:</b>			
Liabilities:			
Accounts payable .....	\$ 0	26,917	0
Deferred contributions .....	0	0	41,188
	<u>0</u>	<u>26,917</u>	<u>41,188</u>
Total liabilities .....	<u>0</u>	<u>26,917</u>	<u>41,188</u>
Fund Equity:			
Fund balances:			
Reserved for:			
Law enforcement .....	0	0	0
Employee pensions .....	4,610,473	1,910,601	161,645
	<u>4,610,473</u>	<u>1,910,601</u>	<u>161,645</u>
Total fund equity .....	<u>4,610,473</u>	<u>1,910,601</u>	<u>161,645</u>
Total liabilities and fund equity .....	<u>\$ 4,610,473</u>	<u>1,937,518</u>	<u>202,833</u>

Exhibit E-1

Expendable Trust Fund		
Law Enforcement Trust	Totals	
	2001	2000
50,463	236,227	407,828
0	51,882	90,052
0	1,337,856	1,087,259
0	1,623,038	1,643,422
0	3,510,133	4,258,104
<u>0</u>	<u>6,522,909</u>	<u>7,078,837</u>
0	36,845	44,887
0	5,306	150,000
<u>0</u>	<u>0</u>	<u>46,781</u>
<u>50,463</u>	<u>6,801,287</u>	<u>7,728,333</u>
<u>50,463</u>	<u>6,801,287</u>	<u>7,728,333</u>
480	27,397	22,028
<u>0</u>	<u>41,188</u>	<u>20,129</u>
<u>480</u>	<u>68,585</u>	<u>42,157</u>
49,983	49,983	31,583
<u>0</u>	<u>6,682,719</u>	<u>7,654,593</u>
<u>49,983</u>	<u>6,732,702</u>	<u>7,686,176</u>
<u>50,463</u>	<u>6,801,287</u>	<u>7,728,333</u>

**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
LAW ENFORCEMENT EXPENDABLE TRUST FUND**  
For the Fiscal Year Ended September 30, 2001  
With Comparative Totals for the Fiscal Year Ended September 30, 2000  
CITY OF HOLLY HILL, FLORIDA

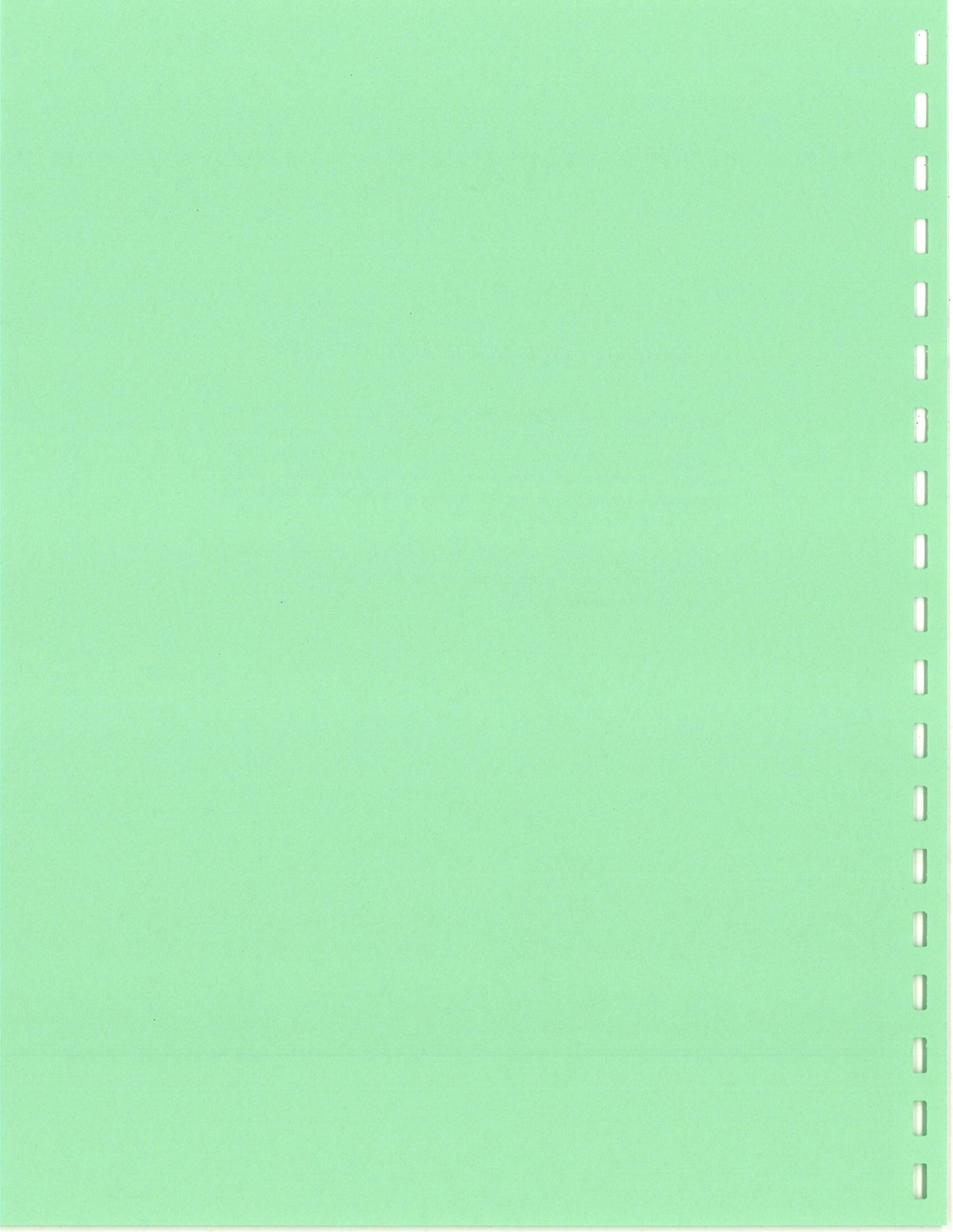
Exhibit E-2

	2001	2000
<b>Revenue:</b>		
Fines and forfeitures .....	\$ 19,523	13,357
Miscellaneous .....	287	271
<b>Total revenue .....</b>	<b>19,810</b>	<b>13,628</b>
<b>Expenditures:</b>		
Current:		
Public Safety:		
Operating expenditures .....	1,410	3,766
Capital outlay .....	0	0
<b>Total expenditures .....</b>	<b>1,410</b>	<b>3,766</b>
<b>Excess of revenue over (under) expenditures .....</b>	<b>18,400</b>	<b>9,862</b>
Fund balance, beginning of year .....	31,583	21,721
Fund balance, end of year .....	<u>\$ 49,983</u>	<u>31,583</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, 2001 and 2000  
CITY OF HOLLY HILL, FLORIDA

Exhibit F-1

	<u>2001</u>	<u>2000</u>
General Fixed Assets:		
Land .....	\$ 1,471,122	1,367,000
Buildings .....	3,648,857	3,648,857
Improvements other than buildings .....	8,275,824	7,635,752
Machinery and equipment .....	2,744,211	2,307,915
Construction work in progress .....	<u>0</u>	<u>26,583</u>
 Total general fixed assets .....	 <u>\$ 16,140,014</u>	 <u>14,986,107</u>
Investment in General Fixed Assets From:		
General Fund .....	\$ 10,319,272	9,757,412
Special Revenue Funds .....	1,489,699	1,019,714
Capital Projects Fund .....	3,838,911	3,716,849
Expendable Trust Fund .....	<u>492,132</u>	<u>492,132</u>
 Total investment in general fixed assets .....	 <u>\$ 16,140,014</u>	 <u>14,986,107</u>

**SCHEDULE OF GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
 September 30, 2001  
 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 .....	167,814	107,636	7,029,681
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>1,471,122</u>	<u>3,648,857</u>	<u>8,275,824</u>

Exhibit F-2

Machinery and Equipment	Construction Work in Progress	Total
<u>523,874</u>	<u>0</u>	<u>1,935,972</u>
653,000	0	701,202
635,634	0	872,285
<u>1,288,634</u>	<u>0</u>	<u>1,573,487</u>
<u>749,410</u>	<u>0</u>	<u>8,054,541</u>
<u>140,843</u>	<u>0</u>	<u>4,358,615</u>
<u>41,450</u>	<u>0</u>	<u>217,399</u>
<u><u>2,744,211</u></u>	<u><u>0</u></u>	<u><u>16,140,014</u></u>

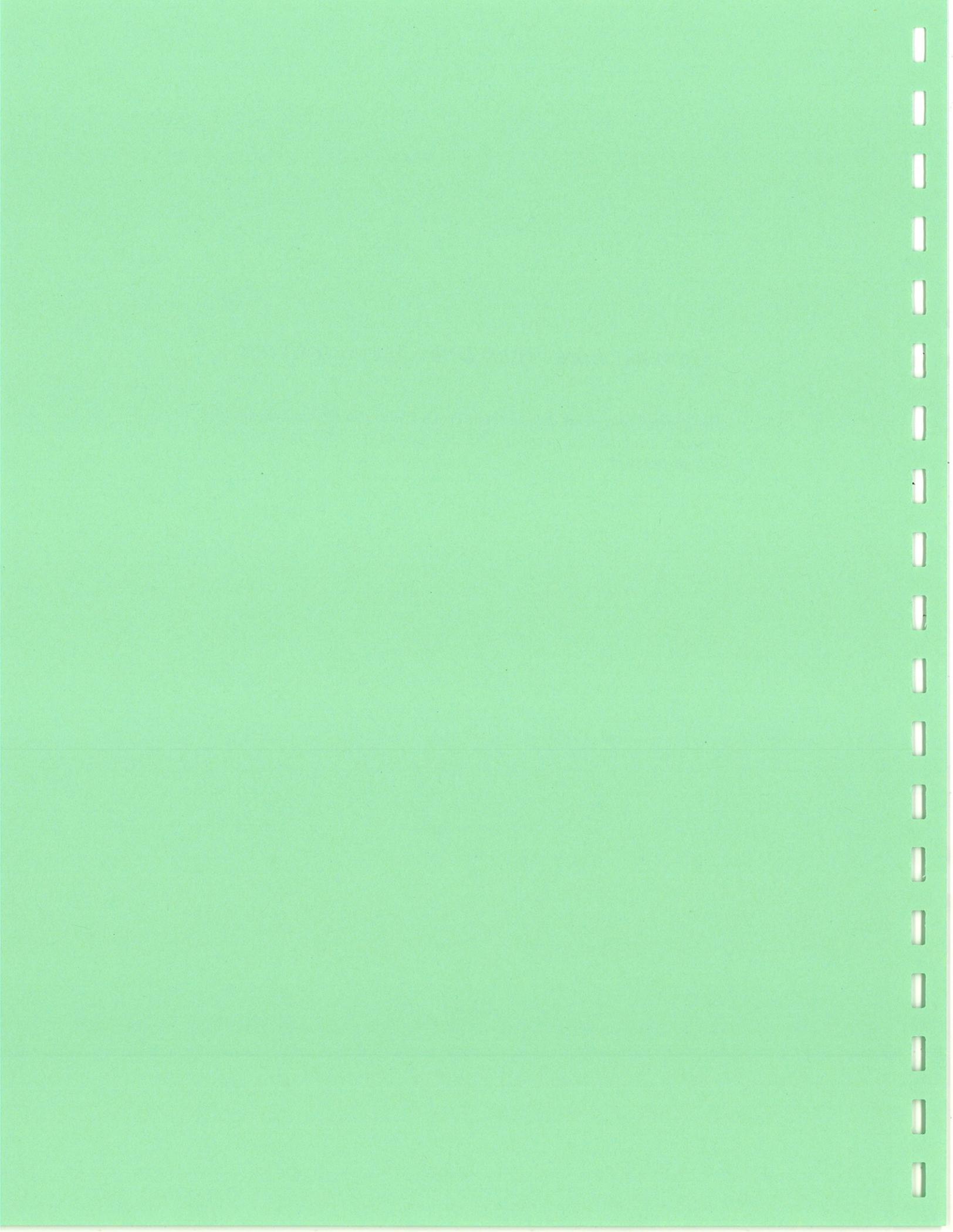
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
 BY FUNCTION AND ACTIVITY  
 GENERAL FIXED ASSETS ACCOUNT GROUP  
 For the Fiscal Year Ended September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA**

**Exhibit F-3**

Function and Activity	General Fixed Assets 10/01/2000	Additions	Deletions	General Fixed Assets 09/30/2001
General Government .....	\$ 1,799,050	136,922	0	1,935,972
Public Safety:				
Police protection .....	645,011	68,757	12,566	701,202
Fire protection .....	658,908	213,377	0	872,285
	<u>1,303,919</u>	<u>282,134</u>	<u>12,566</u>	<u>1,573,487</u>
Public Works .....	7,491,073	579,290	15,822	8,054,541
Parks, Recreation and Sica Hall .....	4,202,166	156,449	0	4,358,615
Libraries .....	189,899	27,500	0	217,399
Total general fixed assets.....	\$ <u>14,986,107</u>	<u>1,182,295</u>	<u>28,388</u>	<u>16,140,014</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, 2001 and 2000  
CITY OF HOLLY HILL, FLORIDA

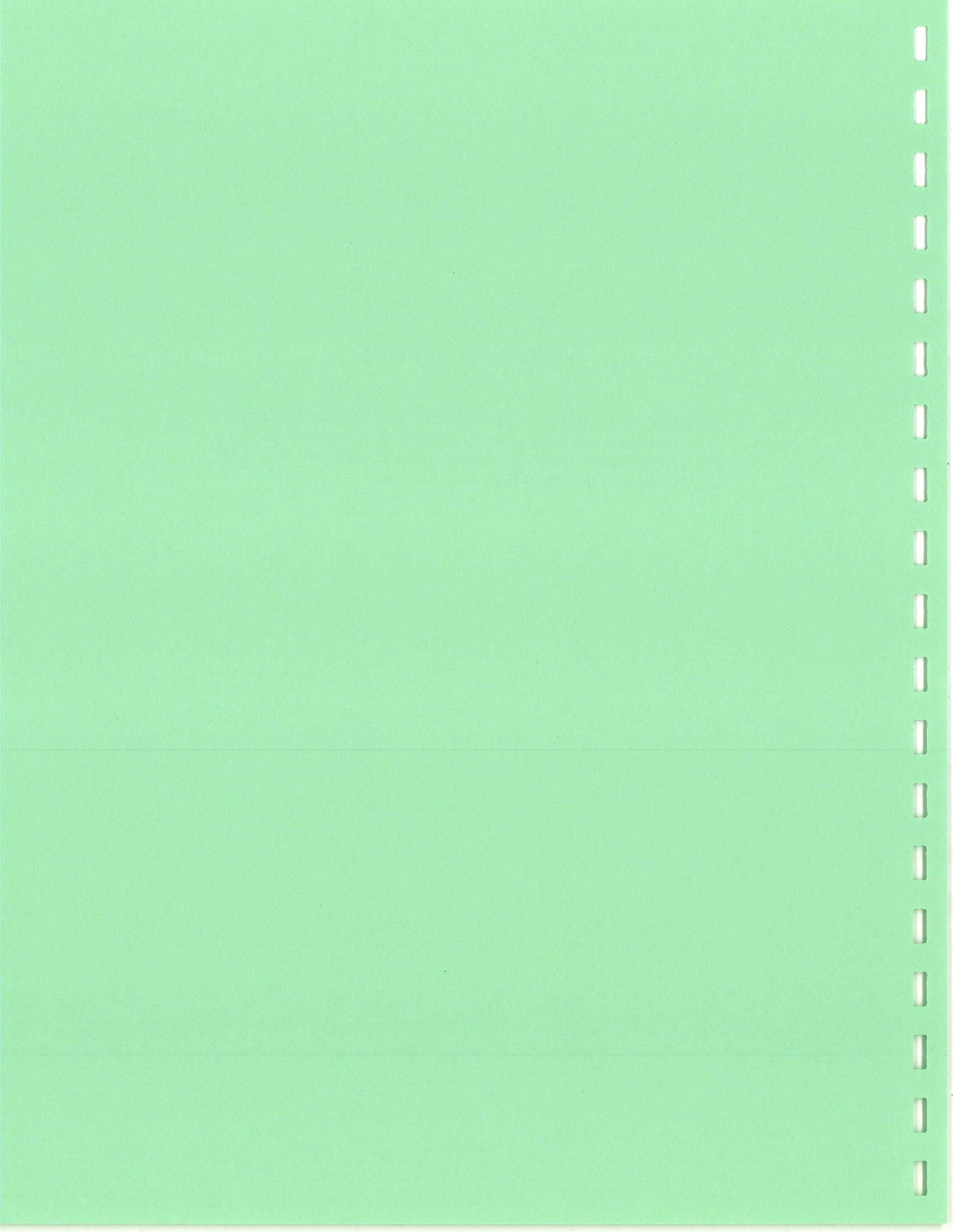
Exhibit G-1

	2001	2000
Amount to be Provided for Payment of General Long-Term Debt .....	\$ <u>1,871,897</u>	<u>1,557,853</u>
General Long-term Debt:		
Notes Payable:		
SunTrust Bank of Volusia County - Utility Service Tax Revenue		
Note, Series 1998A .....	868,070	978,821
SunTrust Bank of Volusia County - computer systems .....	27,591	81,037
SunTrust Bank of Volusia County - fire truck .....	177,079	0
County of Volusia - 800 MHZ radio system .....	43,937	57,211
State Revolving Fund Loan - stormwater drainage improvements.....	<u>254,562</u>	<u>0</u>
Total notes payable .....	1,371,239	1,117,069
Obligation for compensated absences payable .....	<u>500,658</u>	<u>440,784</u>
Total general long-term debt .....	\$ <u>1,871,897</u>	<u>1,557,853</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, 2001  
 CITY OF HOLLY HILL, FLORIDA  
*(Amounts in \$)*

**Table 1**

Fiscal Year	Total	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeits	Miscellaneous
1992	4,489,036	2,460,486	182,537	946,091	700,084	87,325	112,513
1993	4,966,324	2,805,954	174,719	973,354	847,432	80,263	84,602
1994	5,144,110	2,836,184	179,654	1,034,801	851,951	61,720	179,800
1995	5,161,162	2,825,642	188,062	1,147,940	854,831	46,859	97,828
1996	5,100,361	2,903,615	215,032	1,145,089	568,051	49,605	218,969
1997	4,949,140	2,859,618	219,428	1,060,025	595,622	57,484	156,963
1998	4,633,584	3,159,746	197,426	921,033	113,272	81,317	160,790
1999	4,934,157	3,202,707	245,185	1,135,902	116,708	77,588	156,067
2000	5,042,210	3,279,961	179,580	1,170,485	137,894	73,361	200,929
2001	5,344,199	3,605,373	241,509	975,666	140,734	95,875	285,042

**GENERAL FUND EXPENDITURES - BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
 September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA  
 (Amounts in \$)

Table 2

Fiscal Year	Total	General Government	Public Safety	Transportation	Culture/ Recreation	Debt Service
1992	4,583,104	1,375,415	2,014,405	714,072	479,212	0
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

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY:  
PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS  
September 30, 2001  
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
1992	359,264	359,264	100%	1,167	1,116	95.6%	50	4.3%
1993	359,923	371,055	97%	1,439	1,373	95.4%	52	3.6%
1994	359,277	378,187	95%	1,425	1,372	96.3%	59	4.1%
1995	364,891	384,096	95%	1,444	1,383	95.8%	66	4.6%
1996	368,068	383,404	96%	1,438	1,343	93.4%	82	5.7%
1997	374,322	381,961	98%	1,474	1,378	93.5%	84	5.7%
1998	379,373	387,115	98%	1,505	1,405	93.4%	85	5.6%
1999	398,980	403,010	99%	1,498	1,419	94.7%	65	4.3%
2000	416,963	416,963	100%	1,517	1,430	94.3%	66	4.4%
2001	456,695	456,695	100%	1,675	1,618	96.6%	30	1.8%

(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, 2001  
 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>										
1992	4.43400	9.54800	0.48200	0.31600	0.09300	0.31000	2.81800	0.35800	0.05300	0.25000
1993	5.46950	9.54800	4.89600	0.31500	0.09300	0.31400	2.82100	0.35800	0.05200	0.16700
1994	5.46950	9.86900	5.44300	0.31800	0.09400	-	2.75000	0.47000	0.05100	0.18400
1995	5.46950	10.27700	5.53200	0.28700	0.09400	-	2.26400	0.48200	0.04900	0.18400
1996	5.55375	10.88700	5.98900	0.26200	0.09400	-	2.25500	0.48200	0.04000	0.18300
1997	5.53591	10.82100	6.03600	0.23800	0.09300	-	2.23100	0.48200	0.03800	0.18100
1998	5.51831	10.48700	6.20100	0.23800	0.09000	-	2.18900	0.48200	0.05000	0.17700
1999	5.25000	10.37600	6.20400	0.23800	0.09000	-	2.15200	0.48200	0.04800	0.17400
2000	5.09007	9.91700	6.37300	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
<b>TAX LEVIES</b>										
<i>(\$ in thousands)</i>										
1992	\$ 1,167	2,514	1,269	83	24	82	742	94	14	66
1993	\$ 1,439	2,511	1,288	83	24	83	742	94	14	44
1994	\$ 1,425	2,572	1,418	83	24	-	717	122	13	48
1995	\$ 1,444	2,714	1,461	76	25	-	598	127	13	49
1996	\$ 1,466	2,875	1,581	69	25	-	595	127	11	48
1997	\$ 1,434	2,803	1,563	62	24	-	578	125	10	47
1998	\$ 1,495	2,841	1,680	64	24	-	593	130	14	48
1999	\$ 1,491	2,946	1,762	68	26	-	611	137	13	49
2000	\$ 1,514	2,724	1,894	71	27	-	744	140	12	48
2001	\$ 1,672	3,008	2,091	78	30	-	821	155	13	54

(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 REVENUE BONDS, SERIES 1992  
September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Table 5

Due October 1,	Principal	Mandatory Amortization Installment	Interest	Total
2002	\$330,000		\$795,114	\$1,125,114
2003	345,000		776,964	1,121,964
2004	365,000		757,644	1,122,644
2005	385,000		736,656	1,121,656
2006	410,000		714,038	1,124,038
2007	435,000		689,438	1,124,438
2008		\$460,000	663,337	1,123,337
2009		490,000	635,162	1,125,162
2010		520,000	605,150	1,125,150
2011		550,000	573,300	1,123,300
2012		585,000	539,612	1,124,612
2013		620,000	503,781	1,123,781
2014		660,000	465,806	1,125,806
2015		700,000	425,381	1,125,381
2016		740,000	382,506	1,122,506
2017		785,000	337,181	1,122,181
2018		835,000	289,100	1,124,100
2019		885,000	237,956	1,122,956
2020		940,000	183,750	1,123,750
2021		1,000,000	126,175	1,126,175
2022		1,060,000	64,925	1,124,925
Total	<u>\$2,270,000</u>	<u>\$10,830,000</u>	<u>\$10,502,976</u>	<u>\$23,602,976</u>

COMPUTATION OF OVERLAPPING DEBT  
 END OF FISCAL YEAR  
 September 30, 2001  
 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	\$41,685	1.97%	\$819
County of Volusia, Florida	1,442	1.97%	<u>28</u>
Total overlapping debt			<u><u>\$847</u></u>

Source: Confirmed by individual taxing districts

SCHEDULE OF INSURANCE IN FORCE  
September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

Table 7

Type of Coverage	Name of Company and Policy Number	Policy Period From - To	Details of Coverage	Liability Limits	Annual Premium (Gross)
Coregis Insurance Group					
Policy #651-006986					
General Liability		12/01/00 - 12/01/01	General Liability	\$1,000,000 Total Occurrence Limit	\$45,910
Law Enforcement			Law Enforcement Liability	\$1,000,000 Total Occurrence Limit	
Professional Liability			EMT / Paramedic	Aggregate \$5,000,000	
Auto Coverage		12/01/00 - 12/01/01	Automobile Liability \$1,000 deductible	\$500,000 Liability \$10,000 Personal Injury Protection	\$31,613
Public Officials Liability		12/01/00 - 12/01/01	Wrongful Acts \$2,500 Retention	\$1,000,000 each loss and in aggregate	\$14,938
Property		12/01/00 - 12/01/01	\$1,000 deductible \$5,000 deductible per occurrence for any windstorm \$500,000 deductible per occurrence for flood	\$20,531,250 blanket for building and contents - Flood \$5,000,000	
Inland Marine (Cont. Equip		12/01/00 - 12/01/01	Off-road Equipment \$500 deductible	\$417,673 listed property	
			Computer equipment & media \$1,000 deductible	\$400,000 listed property	
Crime/Employee Dishonesty		12/01/00 - 12/01/01	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	\$32,711
Hunt Insurance Group			Accidental death in line of duty	\$25,000 each incident	
Policy # SRG8045349B			Plus intentional death and dismemberment	\$50,000 each incident	
Police & Firefighters			Total principal sum	\$75,000 in aggregate	
Accidental Death & Dismemberment		04/15/01 - 04/15/02			\$896
The Hartford Steam Boiler Inspection & Insurance Co.			Mechanical Breakdowns	\$3,900,000	
Policy #FBP9497065			Lightning Damages, City Hall Equipment & Leased Equip.		
Boiler & Machinery		04/15/01 - 04/15/02	\$1,000 deductible		\$1,101
Preferred Governmental Insurance Trust (PGIT)					
Policy #001000000005099					
Workers' Compensation		10/01/01 - 10/01/02	Statutory	Statutory, employers' liability \$1,000,000	\$161,300
Commerce & Industry Petroleum Liability Insurance			Fuel Storage Tank \$10,000 deductible	\$1,000,000 Each Incident \$1,000,000 Each Aggregate	
Policy #FPL8072644					
Environmental Protection		06/25/01 - 06/25/02			\$1,089

REVENUE BOND COVERAGE  
WATER AND SEWER SYSTEM FUND  
LAST TEN FISCAL YEARS  
September 30, 2001  
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	
1992	3,276	1,500	1,776	175	985	1,160 (2)	1.53
1993	3,317	1,475	1,842	165	743	908 (3)	2.03
1994	3,440	1,541	1,899	230	893	1,123 (3)	1.69
1995	3,088	1,469	1,619	240	885	1,125 (3)	1.44
1996	3,216	1,418	1,798	245	876	1,121 (3)	1.60
1997	3,461	1,363	2,098	255	865	1,120 (3)	1.87
1998	3,553	1,350	2,203	270	853	1,123 (3)	1.96
1999	3,712	1,513	2,199	280	841	1,121 (3)	1.96
2000	4,039	1,448	2,591	295	827	1,122 (3)	2.31
2001	4,130	1,506	2,624	310	812	1,122 (3)	2.34

(1) Included in gross revenue for debt service coverage are water and sewer connection charges which are reclassified as contributions from customers for financial statement presentation.

(2) Debt service expenditures for Series 1989 Bonds.

(3) Debt service expenditures for Series 1992 Bonds.

(4) Operating expenses for debt service coverage exclude depreciation, amortization, and City administrative charges.

DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA

Table 9

Fiscal Year		Population (1)	School Enrollment (2)		Unemployment Rate (3)
1992	(5)	11,198	1,876	(6)	7.9%
1993	(5)	11,258	1,894	(6)	6.3%
1994	(5)	11,455	1,891	(6)	6.4%
1995	(5)	11,539	1,894	(6)	4.9%
1996	(5)	11,370	1,887	(6)	4.2%
1997	(5)	11,310	1,872	(6)	4.0%
1998	(5)	11,325	2,066	(6)	3.4%
1999	(5)	11,383	1,888	(6)	3.0%
2000	(5)	11,383	1,813	(6)	3.0%
2001	(4)	12,180	1,992	(6)	4.0%

(1) County of Volusia, Florida, Planning Department

(2) Volusia County School District

(3) Florida Department of Labor

(4) U. S. Bureau of Census

(5) Bureau of Economic and Business Research

(6) Volusia County unemployment rate

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS**

**Table 10**

September 30, 2001

CITY OF HOLLY HILL, FLORIDA

*(All amounts in thousands)*

Fiscal Year	(1)				(2) Bank Deposits	(3)	
	Commercial Construction		Residential Construction			Real Property Taxable Values	
	Units	Value	Units	Value		Commercial	Residential
1992	7	\$413	68	\$1,910	N/A	\$2,676,710	\$7,426,727
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

(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, 2001  
 CITY OF HOLLY HILL, FLORIDA

Table 11

Title of City Official	Annual Salary	Years of Service	Amount of Surety Bond
Mayor	\$12,000	7 years, 9 months	\$100,000 blanket amount on all
City Commissioners (4)	8,000	3 years, 9 months to 13 years, 8 months	--
City Attorney (retainer)	7,500	Over 25 years	--
City Manager	69,825	1 year, 2 months	--
City Clerk	36,231	2 years, 3 months	--
Finance Director	57,852	10 years, 7 months	--
Director of Emergency Services	63,820	5 months	--
Public Services Director	63,820	6 years, 9 months	--
Building Official	49,945	21 years	--

**SCHEDULE OF MAJOR TAXPAYERS**  
September 30, 2001  
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	\$8,900	1.95%
2.	Holly Hill R.H.F. Housing, Inc.	Bishops Glen Retirement Center	7,547	1.65%
3.	Florida Power & Light	Electric power utility	5,334	1.17%
4.	Sun Communities, operating Holly Forest Mobile Home Park	Mobile Home Park	4,269	0.93%
5.	BellSouth Telecommunications, Inc.	Communications utility	4,255	0.90%
6.	EIG Holly Hill, LLC	Winn Dixie Shopping Center	3,467	0.76%
7.	William H. Jones, Metra Electronics	Electronics Manufacturer	3,282	0.72%
8.	United Rentals, Inc.	Construction Equipment Rentals	2,988	0.65%
9.	Holly Point Apartments, Inc.	Apartment Complex	2,768	0.61%
10.	Polyvers, Ltd.	Apartment Complex	2,740	0.60%
Totals			<u>\$45,550</u>	<u>9.94%</u>

Source: Volusia County Property Appraiser

MISCELLANEOUS STATISTICAL DATA  
 September 30, 2001  
 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:	12,180		
Area - Square Miles:	4.8		
Miles of Streets and Sidewalks:		Employees as of September 30, 2001	
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	762
Number of stations:	1	Grades 6 to 8	1,060
Number of Firefighters	12	Total	<u>1,822</u>
Number of fire hydrants	289	Education personnel:	
Police Protection:		Instructional	127
Number of stations:	1	Noninstructional	62
Number of Police officers	26	Administrative	7
Number of Reserve officers	10	Street Lights:	
Animal Control officers	1	High pressure Sodium Vapor:	
Recreation:		6,300 lumen	671
Parks (total 81.5 acres):	10	9,500 lumen	84
Playgrounds	4	16,000 lumen	35
Recreation buildings	5	22,000 lumen	139
Tennis courts	1	50,000 lumen	2
Shuffleboard courts	9	White Way underground 1,000 lumen	6
Baseball/softball fields	5	Water Treatment Plant:	
Community centers	2	Design capacity	2.3 MGD
Public fishing piers	3	Current production rate	1.262 MGD
Boat ramp	1	Users	5,885
Wooden pier overlook	3	Water Pollution Control Plant:	
Municipal gymnasium	1	Design capacity	2.4 MGD
Concrete bike paths (miles)	1.5	Current production rate	1.542 MGD
Swimming pools	1	Users	5,148

## CLIMATOLOGICAL SUMMARY

September 30, 2001

City of Holly Hill, Florida

Table 14

---

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.

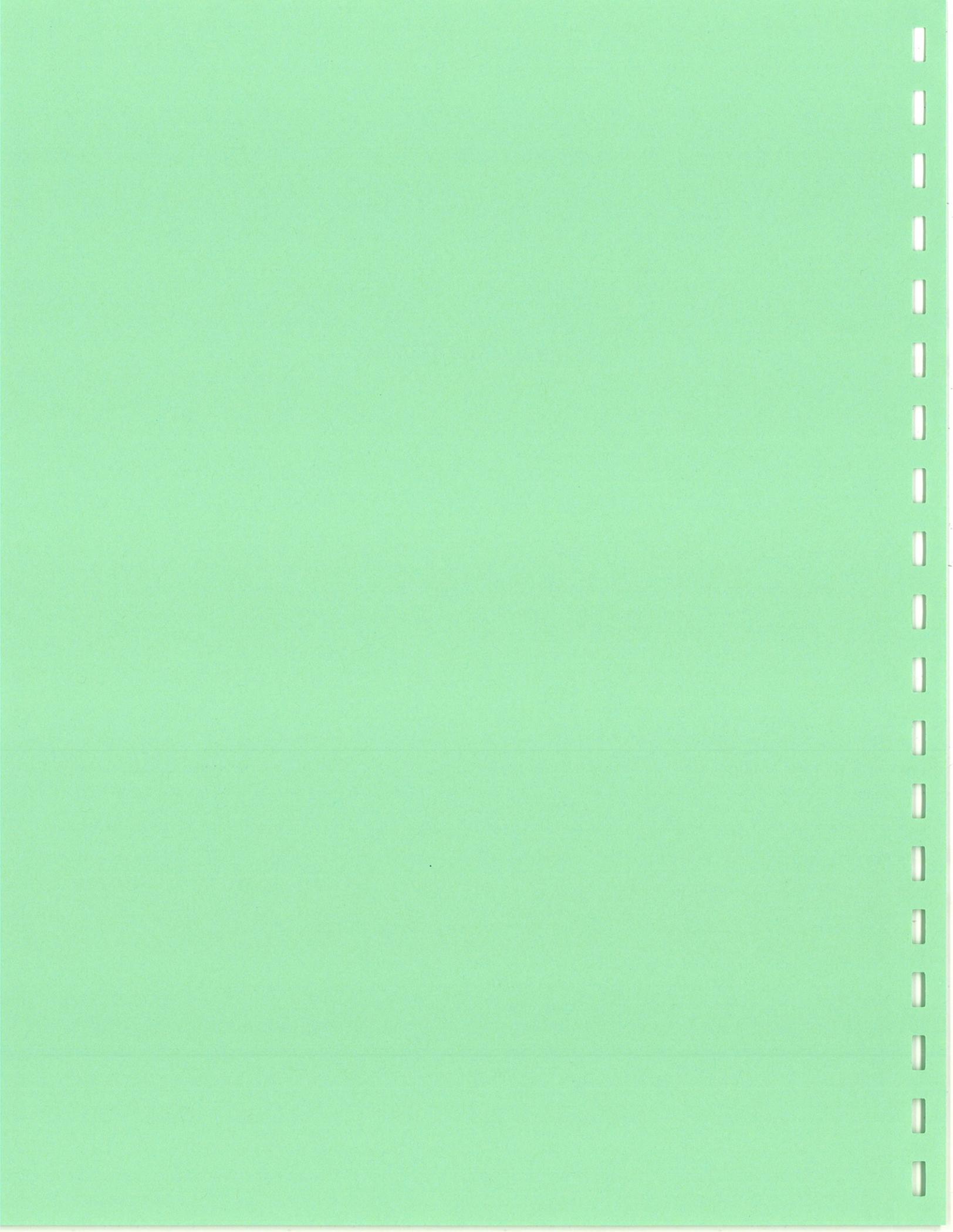
Tropical disturbances or hurricanes are not considered a great threat to this area of the state. While not outside the hurricane belt, past history indicates the chance of having hurricane force winds in any given year to be about one in thirty. Generally, hurricanes in this latitude tend to pass well 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, 2001, and have issued our report thereon dated March 12, 2002. 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.*

March 12, 2002



**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, 2001. 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, 2001.

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 State Financial Assistance

We have audited the general-purpose financial statements of City of Holly Hill, Florida as of and for the year ended September 30, 2001, and have issued our report thereon dated March 12, 2002. 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 state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended 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.

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

March 12, 2002

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
 For the Fiscal Year Ended September 30, 2001  
 CITY OF HOLLY HILL, FLORIDA

Grantor Agency/Program Title	CSFA No.	State Contract Grant No.	Expenditures	Amount Provided to Subrecipients
Florida Department of Environmental Protection:				
Recycling and Education Grant Program .....	37.011	RE01-62	\$ 1,110	\$ 0
Recreation Development Assistance Program....	37.017	FRDAP #F20033 * FRDAP #F2033	67,778	0
State Revolving Loan Fund .....	37.039	CS12070905P	1,030,946	0
State Revolving Loan Fund .....	37.039	SW12070906P	<u>228,780</u>	<u>0</u>
Total Florida Department of Environmental Protection.....			<u>1,328,614</u>	<u>0</u>
Florida Department of Business and Professional Regulation:				
Division of Alcoholic Beverages and Tobacco Agents Combating Tobacco Sales Enforcement Contract Program.....	79.003	00-00209-00 *	<u>6,160</u>	<u>0</u>
Total Florida Department of Business and Professional Regulation.....			<u>6,160</u>	<u>0</u>
Total State Financial Assistance .....			<u>\$ 1,334,774</u>	<u>\$ 0</u>

\* Identified through confirmation with state program officials as state grant and aid appropriations.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE**  
For the Year Ended September 30, 2001  
CITY OF HOLLY HILL, FLORIDA

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of City of Holly Hill, Florida, is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Rules of the Executive Office of the Governor of the State of Florida (Chapter 10.550, Rules of the Auditor General). 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, 2001. The expenditures incurred during the year ended September 30, 2001 are included in the expenditures of state financial assistance presented in the schedule.

Program Title	State CSFA Number	Expenditures Incurred	Outstanding Loan Amount
Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects (#CS12070906P)	37.039	\$ 228,780	\$ 254,562
Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects (#CS12070905P)	37.039	\$ 1,030,946	\$ 2,416,728

**3. SUBRECIPIENTS**

No subrecipient payments were made by the City of Holly Hill, Florida during the year ended September 30, 2001.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2001

CITY OF HOLLY HILL, FLORIDA

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  No None reported

Noncompliance material to financial statements noted.  Yes  No

***Federal Awards***

N/A - Amounts collectively did not exceed audit threshold of \$300,000.

***State Financial Assistance***

Internal controls over state projects:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  No None reported

Type of auditor's report issued on compliance for major state financial assistance projects: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550 Rules of the Auditor General.  Yes  No

**Identification of major state projects:**

State Projects:	State CSFA No.
Florida Department of Environmental Protection State Revolving Fund Loan	37.039

Dollar threshold used to distinguish between Type A and Type B programs - (State)	\$300,000
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**Section II - Financial Statement Findings** None

**Section III - State Financial Assistance Findings and Questioned Costs** 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, 2001, and have issued our report thereon dated March 12, 2002.

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 March 12, 2002, 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. All inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report have been corrected.

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. The recommendations made in the preceding annual financial audit report have been corrected.

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, 2001, 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, 2001.

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.

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.*

March 12, 2002

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.