

**CITY OF HOLLY HILL  
COMMUNITY REVELOPMENT AGENCY**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY  
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SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Governing Board,  
City of Holly Hill Community Redevelopment Agency:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Holly Hill Community Redevelopment Agency (the CRA), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The CRA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the CRA, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

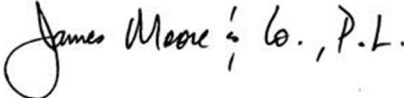
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2022, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Daytona Beach, Florida  
March 12, 2022

James Moore & Co., P.L.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Holly Hill Community Redevelopment Agency's (the CRA) management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the CRA's financial activity, (c) identify changes in the CRA's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the MD&A is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the CRA's financial statements which follow this section.

### ***Financial Highlights***

- The assets of the CRA exceeded its liabilities at September 30, 2021, by \$2,195,305 (net position). \$320,833 was restricted for debt service.
- As of September 30, 2021, the CRA's reported ending fund balance was \$6,230,263. The CRA's Fund balance saw a change of \$1,070,426 when compared to the prior year.
- The CRA's long-term debt obligations decreased by \$745,000 due to regularly scheduled payments.

The MD&A is intended to serve as an introduction to the CRA's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

### ***Overview of the Financial Statements***

This annual report consists of four components: 1) management's discussion and analysis (this section), 2) government-wide and fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

### ***Government-wide Financial Statements***

Government-wide financial statements provide readers with a broad overview of the CRA's finances in a manner similar to a private-sector business. The governmental activities of the CRA include reinvesting within the community redevelopment area.

The statement of net position presents information on all of the CRA's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the CRA is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported using the modified cash basis of accounting.

### ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## ***Government-wide Financial Analysis***

### *Statement of Net Position*

The following is a summary of the CRA's governmental activities net position for each of the past two years:

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current and other assets	\$ 6,259,829	\$ 5,824,670
Total assets	<u>\$ 6,259,829</u>	<u>\$ 5,824,670</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 69,524	\$ 712,245
Noncurrent liabilities:	<u>3,995,000</u>	<u>4,740,000</u>
Total liabilities	<u>\$ 4,064,524</u>	<u>\$ 5,452,245</u>
<b>NET POSITION</b>		
Restricted	\$ 2,195,305	\$ 379,482
Unrestricted	-	(7,057)
Total net position	<u>\$ 2,195,305</u>	<u>\$ 372,425</u>

### *Statement of Activities*

The following is a summary of the changes in the CRA's governmental activities net position for each of the past two years:

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Property taxes	\$ 1,253,952	\$ 1,176,350
Intergovernmental	1,367,409	1,728,430
Other revenues	<u>25,353</u>	<u>259,614</u>
Total revenues	<u>2,646,714</u>	<u>3,164,394</u>
<b>EXPENSES</b>		
General Government	53,716	-
Public safety	181,447	279,698
Economic environment	348,483	411,605
Culture and recreation	138,295	61,441
Capital improvements	-	1,905,519
Interest on long-term debt	<u>101,893</u>	<u>124,374</u>
Total expenses	<u>823,834</u>	<u>2,782,637</u>
Change in net position	<u>1,822,880</u>	<u>381,757</u>
<b>Net position</b> , beginning of year	<u>372,425</u>	<u>(9,332)</u>
<b>Net position</b> , end of year	<u>\$ 2,195,305</u>	<u>\$ 372,425</u>

### ***Financial Analysis***

The focus of the CRA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the CRA's financing requirements.

As of the end of the current fiscal year, the CRA's general fund reported a restricted ending fund balance of \$6,230,263, an increase (decrease) of \$1,070,426, in comparison with the prior year.

At the end of the current fiscal year, the entire fund balance was restricted for community redevelopment, of which \$360,791 was further restricted for debt service. As the CRA is focused on reinvestment revenues into the CRA district and does not have significant annual operational costs, the CRA does not maintain specific reserve levels for operations.

### ***Budgetary Highlights***

There was one significant amendment between the original and the final CRA budget. The amendment was made to carryover budget funds into the new fiscal year to fund ongoing projects that were incomplete at the beginning of the year, to budget for future capital projects including phase II of the Pickleball Complex, and to adjust the budget to appropriate additional funds for the Overhead to Underground Phase II project.

Actual expenditures in the fund were \$6,796,903 less than final budget amounts. The main reason for this is due to the timing of capital projects (\$5,470,000), savings in personnel and operating expenses (\$92,000), and the timing of the economic development incentive to the developer for bringing additional employment to the CRA and construction of buildings and infrastructure (\$1,234,000).

Budgetary comparisons between the final budget and actual results can be found on page 15 of this report.

### ***Long-Term Debt***

The CRA's long-term liabilities as of September 30, 2021, amount to \$3,995,000 and decreased by \$745,000 during the current fiscal year based on scheduled repayments. Additional information on the CRA's long-term liabilities can be found in Note (4) on page 12 of this report.

### ***Economic Factors and Next Year's Budget***

There are many challenges facing local governments today. Property values have continued to increase in recent years, contributing to related growth in the revenues of the CRA. While property values have increased, the future outlook of property values during and after the COVID-19 pandemic, and any potential impact they will have on the CRA's finances, are unknown.

### ***Requests for Information***

This report is designed to provide an overview of the CRA's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the office of the Finance Director, City of Holly Hill, Florida, 1065 Ridgewood Avenue, Holly Hill, Florida 32117-2898.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY  
BALANCE SHEET / STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

	<u>Balance Sheet</u> <u>CRA</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Position</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,259,354	\$ -	\$ 6,259,354
Receivables, net	475	-	475
Total assets	<u>\$ 6,259,829</u>	<u>\$ -</u>	<u>\$ 6,259,829</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 29,566	\$ -	\$ 29,566
Accrued interest	-	39,958	39,958
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	765,000	765,000
Due in more than one year:			
Bonds and notes payable	-	3,230,000	3,230,000
Total liabilities	<u>29,566</u>	<u>4,034,958</u>	<u>4,064,524</u>
<b>FUND BALANCE / NET POSITION</b>			
Fund Balance:			
Restricted for:			
Community redevelopment	5,869,472	(5,869,472)	-
Debt service	360,791	(360,791)	-
Net Position:			
Restricted for:			
Community redevelopment	-	1,874,472	1,874,472
Debt service	-	320,833	320,833
Total fund balance / net position	<u>6,230,263</u>	<u>(4,034,958)</u>	<u>2,195,305</u>
Total liabilities and fund balance / net position	<u>\$ 6,259,829</u>	<u>\$ -</u>	<u>\$ 6,259,829</u>

The accompanying notes to financial statements are an integral part of this statement.



**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE /  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Statement of Revenues, Expenditures, and Changes in Fund Balance</b>		<b>Statement of Activities</b>
	<b>CRA</b>		<b>Governmental</b>
	<b>Fund</b>	<b>Adjustments</b>	<b>Activities</b>
<b>Revenues</b>			
Taxes	\$ 1,253,952	\$ -	\$ 1,253,952
Intergovernmental	1,367,409	-	1,367,409
Investment income	6,536	-	6,536
Miscellaneous	18,817	-	18,817
Total revenues	<u>2,646,714</u>	<u>-</u>	<u>2,646,714</u>
<b>Expenditures / expenses</b>			
Current:			
General government	53,716	-	53,716
Public safety	181,447	-	181,447
Economic environment	348,483	-	348,483
Culture and recreation	138,295	-	138,295
Debt service:			
Principal retirement	745,000	(745,000)	-
Interest and fiscal charges	109,347	(7,454)	101,893
Total expenditures / expenses	<u>1,576,288</u>	<u>(752,454)</u>	<u>823,834</u>
<b>Net change in fund balance / net position</b>	1,070,426	752,454	1,822,880
<b>Fund balance / net position, beginning of year</b>	5,159,837	(4,787,412)	372,425
<b>Fund balance / net position, end of year</b>	<u>\$ 6,230,263</u>	<u>\$ (4,034,958)</u>	<u>\$ 2,195,305</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

(a) **Reporting entity**—The City of Holly Hill Community Redevelopment Agency was created on May 28, 1996, by Ordinance No. 2426 of the City of Holly Hill, Florida (the City), pursuant to Florida Statute 163.387, to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support redevelopment in the designated community redevelopment area. Since the City is financially accountable for the activities of the CRA, its governing board is the same, and its relationship to the CRA is significant, the CRA is considered to be a blended component unit in the City's financial statements, where it is also reported as a major special revenue fund.

The CRA has determined there are no component units that meet criteria for inclusion in the CRA's financial statements.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the CRA. The CRA only has governmental activities and does not engage in any business-type activity. Direct expenses are those that are clearly identifiable with a specific function or segment. General revenues include ad valorem taxes and interest income. Fund financial statements are presented for the CRA's General Fund. The General Fund, which accounts for all financial operations of the CRA, is considered to be a major fund and is the only fund of the CRA.

(c) **Measurement focus, basis of accounting, and financial statement presentation**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRA considers property revenues to be available if they are collected within 60 days of the end of the current period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, expenditures related to long-term agreements are recorded only when payment is due.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

(d) **Budgets and budgetary accounting**—The Governing Board of the CRA adopts an annual operating budget, which is prepared on a modified accrual basis and can be amended by the Board throughout the year. At the fund level, actual expenditures cannot exceed the budgeted amounts. The accompanying budgeted financial statements for the General Fund reflect the final budget authorization amounts, including all amendments.

(e) **Deposits and investments**—The CRA’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(f) **Receivables and payables**—Activity between the CRA and the City has been classified as amounts due to/from the primary government on the balance sheet and statement of net position. All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of outstanding balances and historical trends. At September 30, 2021, all of the CRA’s receivables were considered fully collectible.

(g) **Inventories**—The cost of inventory, if any, is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost, which approximates market, by using the weighted average valuation method.

(h) **Prepaid items**—Certain payments to vendors, if any, reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(i) **Capital assets**—The CRA does not own any capital assets. Any capital outlay expenditures made by the CRA are deemed to be on behalf of the City who takes ownership of the assets along with the perpetual maintenance obligation for those assets.

(j) **Long-term obligations**—In the government-wide financial statements, long-term debt and other long-term obligations, as applicable, are reported as liabilities in the CRA’s governmental activities. Original issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The CRA does not have any employees. Any employees who provide services to the CRA are employees of the primary government and do so at either no charge to the CRA, or any allocations made to the CRA represent reimbursements by the CRA to the primary government for services rendered (any items recorded to personnel expense accounts are only for ease of tracking the reimbursement amounts). As a result, there is no compensated absences, other post-employment benefits (OPEB), or pension liabilities recorded on the CRA’s financial statements.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

(k) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the CRA is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

*Restricted* – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

*Committed* – amounts constrained to specific purposes based on actions taken by the CRA governing board through ordinance.

*Assigned* – amounts the CRA intends to use for a specific purpose. Intent can be expressed by the CRA governing board or by an official or body which the Board delegates authority.

*Unassigned* – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available; the CRA considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the CRA considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The CRA has no items that meet this reporting criteria.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The CRA has no items that meet this reporting criteria.

(m) **Net position flow assumption**—Sometimes the CRA will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the CRA's policy to consider restricted net position to have been used before unrestricted net position is applied.

(n) **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.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds, including \$3,995,000 of notes payable and \$39,958 of accrued interest at year-end.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of this difference is as follows: debt service principal retirement adjustment of \$745,000 and accrued interest of \$7,454.

(3) **Deposits and Investments:**

The CRA is subject to the investment policy of the primary government and maintains interest-bearing banking accounts for substantially all CRA funds. Additional accounts are held for various other purposes, or to segregate cash balances for amounts which are restricted or held on behalf of others. State statutes authorize the CRA to invest excess funds in time deposits, or obligations of the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2021, all CRA deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

All of the CRA's deposits are held with public depositories and as of September 30, 2021, the CRA's deposits and investments were not subject to any substantial interest rate, credit, or concentration risks.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**(4) Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds and notes payable	\$ 4,740,000	\$ -	\$ (745,000)	\$ 3,995,000	\$ 765,000

Bonds and notes payable in the CRA's governmental activities at September 30, 2021, were comprised of the following obligations:

Redevelopment Revenue Note, Series 2012, dated April 25, 2012 for principal of \$4,835,000. The interest rate of 2.48%, with principal and interest payments due semi-annually through 2026, and secured by tax increment revenues. The outstanding balance at September 30, 2021, was \$1,885,000.

Redevelopment Revenue Note, Series 2013, dated April 24, 2013 for principal of \$5,000,000. The interest rate is a fixed rate of 2.33%, with principal and interest payments due semi-annually through 2026, and secured by tax increment revenues. The outstanding balance at September 30, 2021, was \$2,110,000.

Annual debt service requirements to maturity for the CRA's governmental activities bonds and notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 765,000	\$ 91,280	\$ 856,280
2023	780,000	72,855	852,855
2024	800,000	54,012	854,012
2025	815,000	34,750	849,750
2026	835,000	15,003	850,003
Total	<u>\$ 3,995,000</u>	<u>\$ 267,900</u>	<u>\$ 4,262,900</u>

**(5) Commitments and Contingencies:**

The CRA is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. The outcomes of established claims are included in these financial statements. In the opinion of the CRA and the primary government's legal counsel, no legal proceedings are pending or threatened against the CRA which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

The CRA 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 limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(6) **Uncertainty:**

During the year ended September 30, 2021, local, U.S., and world governments have continued to be impacted by the global pandemic, coronavirus disease (COVID-19). There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other future impact to the CRA as of March 12, 2022, management believes an impact on the CRA's financial position and results of future operations is reasonably possible.

(7) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates, as adjusted based on the impacts of GASB Statement No. 95, effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the CRA's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF HOLLY HILL COMMUNITY REDEVELOPMENT AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$ 1,257,073	\$ 1,257,073	\$ 1,253,952	\$ (3,121)
Intergovernmental	1,314,940	1,343,647	1,367,409	23,762
Investment income	10,000	10,000	6,536	(3,464)
Miscellaneous	-	-	18,817	18,817
<b>Total revenues</b>	<u>2,582,013</u>	<u>2,610,720</u>	<u>2,646,714</u>	<u>35,994</u>
<b>Expenditures</b>				
Current:				
General government	-	53,717	53,716	1
Culture and recreation	134,604	139,887	138,295	1,592
Economic environment	1,023,842	1,582,512	348,483	1,234,029
Public safety	284,478	272,978	181,447	91,531
Capital outlay	875,252	5,469,749	-	5,469,749
Debt service:				
Principal retirement	745,000	745,000	745,000	-
Interest and fiscal charges	109,347	109,348	109,347	1
<b>Total expenditures</b>	<u>3,172,523</u>	<u>8,373,191</u>	<u>1,576,288</u>	<u>6,796,903</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(590,510)</u>	<u>(5,762,471)</u>	<u>1,070,426</u>	<u>6,832,897</u>
<b>Other financing sources (uses)</b>				
Transfers out to primary government	(26,610)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(26,610)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(617,120)</u>	<u>(5,762,471)</u>	<u>1,070,426</u>	<u>6,832,897</u>
<b>Fund balances, beginning of year</b>	5,159,837	5,159,837	5,159,837	-
<b>Fund balances, end of year</b>	<u>\$ 4,542,717</u>	<u>\$ (602,634)</u>	<u>\$ 6,230,263</u>	<u>\$ 6,832,897</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Governing Board,  
City of Holly Hill Community Redevelopment Agency:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Holly Hill Community Redevelopment Agency (the CRA), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated March 12, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as items 2021-001 that we consider to be significant deficiencies.

**2021-001 Donated Capital Assets:** Significant account balances and transactions should be properly recorded in compliance with generally accepted accounting principles in the United States of America. An adjustment was necessary to reverse the recordation of the in-kind donation of capital assets valued at \$1.14 million as income and capital outlay expense in the CRA. This should

have only been recorded as a government-wide transaction per professional standards. We recommend the City review GASB promulgated principles and standards to ensure transactions are properly recorded in accordance with generally accepted accounting principles. In addition, we recommend the City determine the optimal entries to post to the accounting system (use of contra-accounts at the fund level) to ensure the capitalization and depreciation of such assets on a government-wide basis.

### ***Compliance and Other Matters***

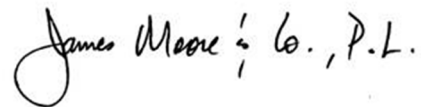
As part of obtaining reasonable assurance about whether the CRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

### ***Management's Response to Findings***

The City's response to the finding identified in our audit is described in the accompanying Response to Findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
March 12, 2022



**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Governing Board,  
City of Holly Hill Community Redevelopment Agency:

**Report on the Financial Statements**

We have audited the basic financial statements of the City of Holly Hill Community Redevelopment Agency (the CRA), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 12, 2022.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 12, 2022, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings and recommendations existed in the preceding annual financial report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the CRA is disclosed in Note 1 of the basic financial statements.

**Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the CRA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific

conditions met. In connection with our audit, we determined that the CRA, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the CRA. It is management's responsibility to monitor the CRA'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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had no such recommendations.

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the City of Holly Hill Community Redevelopment Agency reported the following unaudited data:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: Allocated portions of 3 City of Holly Hill, Florida employees
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: -0-
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$147,176 for the portions of 3 City of Holly Hill, Florida employees.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$27,208.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:  

Pictona Phase I \$1,045,154.
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: the district's original budget totaled \$3,899,133 and was amended by the total amount of \$5,474,058, for final budgeted expenditures of \$9,373,191.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the CRA's governing board and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
March 12, 2022

*James Moore & Co., P.L.*



**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

To the Governing Board,  
City of Holly Hill Community Redevelopment Agency:

We have examined the City of Holly Hill Community Redevelopment Agency's (the CRA) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, and Sections 163.387(6) and (7), Florida Statutes, *Redevelopment Trust Fund* (collectively, the "Statutes"), for the year ended September 30, 2021. Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CRA complied with the Statutes, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the CRA's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.


In our opinion, the City of Holly Hill Community Redevelopment Agency complied, in all material respects, with the Statutes for the year ended September 30, 2021.


Daytona Beach, Florida  
March 12, 2022

A handwritten signature in black ink that reads 'James Moore &amp; Co., P.L.' The signature is written in a cursive, flowing style.



MEMO TO: Governing Board City of Holly Hill Community Redevelopment District  
The State Auditor General

THRU: Joseph Forte, City Manager 

FROM: Stella Gurnee, Finance Director 

DATE: March 12, 2022

SUBJECT: Reply to the Independent Auditor's Report on Internal Control and Management  
Letter Comments for Fiscal Year Ended September 30, 2021

#### **FINANCIAL STATEMENT FINDINGS**

##### **2021-001 Donated Capital Assets:**

Management concurs with this comment and recommendation. Management will review donation transactions monthly to ensure proper recording in compliance with generally accepted accounting principles.