



Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2021

City of Clermont, Florida





Downtown Streetscape Phase 1

Downtown Streetscape is the final project in the City of Clermont's Downtown Master Plan that was adopted and rolled out in 2015.

The project was designed to enhance the look of Downtown Clermont by replacing the existing asphalt on three streets with brick pavers.

The scope of the work was extended to include upgrading underground utilities, increasing lighting, adding event power, enhancing landscape and adjusting parking.

The \$12-million project was scheduled to be constructed in three phases to minimize inconveniences to businesses, customers and visitor, keep traffic flowing, facilitate parking and maintain fire protection during construction.

Phase 1 featured improvements to West Avenue and Osceola Street and brick pavers were installed on Osceola Street between 7th Street and West Avenue. The work was completed in the fall of 2021.



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Clermont, Florida 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 Clermont, Florida Community Redevelopment Agency (the "CRA")*, a component unit of the City of Clermont, 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.

Auditor's 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 auditor's 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 City of Clermont, Florida Community Redevelopment Agency, as of September 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance 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, on page 3 through 5 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 a report dated April 24, 2023, on our consideration of *City of Clermont Community Redevelopment Agency'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 solely 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 *City of Clermont Community Redevelopment Agency's* internal control over financial reporting and compliance.

McDiernit Davis

Orlando, FL
April 24, 2023

***MANAGEMENT'S DISCUSSION AND
ANALYSIS***

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As management of the City of Clermont, Florida Community Redevelopment Agency (the "CRA") we offer readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets of the CRA exceeded its liabilities at September 30, 2021 by \$507,206 (net position). All of this amount is restricted for community redevelopment.
- The CRA's total net position increased by \$35,310 (or 7.5%).
- At September 30, 2021, the CRA's governmental funds reported ending fund balances of \$507,206. Of this amount \$503,881 is restricted for the purpose of community redevelopment.

Overview of the Financial Statements

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

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the CRA's financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*.

The *Statement of Net Position* presents information on all of the CRA's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CRA is improving or deteriorating.

The *Statement of Activities* presents information showing how the CRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the CRA that are principally supported by taxes and intergovernmental revenues (*governmental activities*).

The government-wide financial statements include only the CRA itself (known as the *primary government*).

Fund financial statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund of the CRA is categorized as a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the CRA's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The CRA adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 8 - 10 of this report.

Notes to the Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 11 - 17 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$507,206 at the close of the most recent fiscal year. All of the CRA's net position is subject to external restrictions as to how it may be used.

The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 6.

As of September 30,

	Governmental Activities	
	2021	2020
Assets:		
Current and other assets	\$ 570,974	\$ 610,508
Total assets	570,974	610,508
Liabilities:		
Other liabilities	63,768	138,612
Total liabilities	63,768	138,612
Net Position:		
Restricted	507,206	471,896
Total net position	\$ 507,206	\$ 471,896

Statement of Activities

The following table reflects the condensed *Statement of Activities* for the current year and prior year. For more detailed information see the *Statement of Activities* on page 7. Note that the government's total net position increased by \$35,310 or 7.5% in fiscal year 2021. For the previous fiscal year, net position decreased by \$44,294.

For the Year Ended September 30,

	Governmental Activities	
	2020-21	2019-20
Revenues:		
Program revenues -		
Capital grants and contributions	\$ 40,397	\$ 80,000
General revenues -		
Taxes	451,411	383,119
Investment income and miscellaneous	1,033	12,106
Total revenues	492,841	475,225
Expenses:		
Economic environment	457,531	519,519
Total expenses	457,531	519,519
Increase in Net Position	35,310	(44,294)
Net Position - Beginning	471,896	516,190
Net Position - Ending	\$ 507,206	\$ 471,896

Revenues increased by \$17,616 from the previous year and total expenses decreased \$61,998. The increased revenues were primarily caused by increased property values and the decrease in expenses was caused by a decrease in capital outlay expenditures.

Financial Analysis of the CRA's Funds

As noted earlier, the CRA uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds.

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. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2021, the CRA's governmental fund reported an ending fund balance of \$507,206 an increase of \$35,310 in comparison with the prior year.

General Fund Budgetary Highlights

During the year revenues were higher than budgetary estimates by \$6,402, primarily due to grant revenues received. Expenditures were less than budgetary estimates by \$504,057 delays in capital projects.

The original general fund appropriations increased \$550,830 mostly due to a project approved for downtown parking.

The comparison of budgeted results to actual results for the general fund is shown on page 10.

Requests for Information

This financial report is designed to provide a general overview of the CRA of Clermont's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, City of Clermont, P.O. Box 120219, Clermont, Florida 34712.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Position

September 30, 2021

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 262,364
Investments	304,921
Receivables, net	364
Prepaid costs	3,325
Total assets	<u>570,974</u>
Liabilities:	
Accounts payable and accrued expenses	<u>63,768</u>
Total liabilities	<u>63,768</u>
Net Position:	
Restricted for community redevelopment	<u>507,206</u>
Total net position	<u><u>\$ 507,206</u></u>

City of Clermont, Florida
Statement of Activities
Year Ended September 30, 2021

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs:				
Governmental Activities:				
Economic environment	\$ 457,531	\$ -	\$ 40,397	\$ (417,134)
Total governmental activities	<u>457,531</u>	<u>-</u>	<u>40,397</u>	<u>(417,134)</u>
Total primary government	<u>\$ 457,531</u>	<u>\$ -</u>	<u>\$ 40,397</u>	<u>\$ (417,134)</u>
General Revenues:				
Taxes				451,411
Miscellaneous and investment income				1,033
Total general revenues				<u>452,444</u>
Change in net position				35,310
Net Position - beginning				<u>471,896</u>
Net Position - ending				<u>\$ 507,206</u>

City of Clermont, Florida
Balance Sheet
Governmental Funds
September 30, 2021

	<u>General</u>
Assets:	
Cash and cash equivalents	\$ 262,364
Investments	304,921
Receivables, net	364
Prepaid costs	<u>3,325</u>
Total assets	<u>\$ 570,974</u>
Liabilities:	
Accounts payable	\$ 57,224
Accrued liabilities	<u>6,544</u>
Total liabilities	<u>63,768</u>
Fund Balances:	
Nonspendable	3,325
Restricted	<u>503,881</u>
Total fund balances	<u>507,206</u>
Total liabilities, and fund balances	<u>\$ 570,974</u>

City of Clermont, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2021

	<u>General</u>
Revenues:	
Taxes	\$ 451,411
Intergovernmental revenues	40,397
Investment earnings	928
Miscellaneous	105
Total revenues	<u>492,841</u>
Expenditures:	
Current:	
Economic environment	457,531
Total expenditures	<u>457,531</u>
Net Change in Fund Balances	35,310
Fund Balances - beginning	<u>471,896</u>
Fund Balances - ending	<u>\$ 507,206</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**General**

Year ended September 30, 2021

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 453,229	\$ 453,229	\$ 451,411	\$ (1,818)
Intergovernmental revenues	-	29,210	40,397	11,187
Investment earnings	4,000	4,000	928	(3,072)
Miscellaneous	-	-	105	105
Total revenues	457,229	486,439	492,841	6,402
Expenditures:				
Current:				
Economic environment	410,758	961,588	457,531	504,057
Total expenditures	410,758	961,588	457,531	504,057
Excess (deficiency) of revenues over expenditures	46,471	(475,149)	35,310	510,459
Fund Balance - beginning	471,896	471,896	471,896	-
Fund Balance - ending	\$ 518,367	\$ (3,253)	\$ 507,206	\$ 510,459

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NOTES TO FINANCIAL STATEMENTS

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *City of Clermont*, Florida (the "City") created the Community Redevelopment Agency (CRA) in May of 1997. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The purpose of the CRA is to carry out the community redevelopment programs and plans within the area. In 2015, the City expanded the CRA and passed Ordinance No. 2015-77 and modification of the Community Redevelopment Plan was approved. The CRA is governed by a board of seven- the five members of the Clermont City Council and two individuals appointed by the City Council.

The CRA's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the CRA are discussed below. The financial statements have also been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*.

In evaluating how to define the government, for financial reporting purposes, the CRA has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the CRA is a component unit of the City.

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 nonfiduciary activities of the CRA. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the CRA.

The government reports the following funds:

The *General Fund* is the government's primary operating fund and was established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance:

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the CRA are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The CRA's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

Receivables and Payables

All receivables are shown net of an allowance for uncollectibles.

The CRA's primary source of revenue is tax-increment funds. This revenue is computed by applying the respective operating tax rates for the City, County and Lake County Water Authority, multiplied by increased value of property located within the boundaries of the redevelopment areas of the CRA in excess of the base property value, minus 5%. The City, County and Lake County Water Authority are required to fund this amount annually without regard to tax collections or other obligations.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the CRA as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Any assets purchased with CRA funds are conveyed to the City for ownership and maintenance. As a result, the CRA does not own any capital assets at September 30, 2021.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

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, *deferred outflows of resources*, 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 does not have any item that qualifies for reporting in this category.

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The CRA does not have any item that qualifies for reporting in this category.

Net Position Flow Assumptions

Sometimes the CRA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the CRA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the CRA will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The CRA itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the CRA's highest level of decision-making authority. The Council is the highest level of decision-making authority for the CRA that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the CRA for specific purposes but do not meet criteria to be classified as committed. The Council has maintained authority to assign fund balance.

The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New GASB Statements Implemented

In fiscal year 2021, the CRA has not implemented any new accounting standards with a material effect on the CRA's financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The CRA follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the end of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Budget workshops are scheduled as needed.
- The general summary of the budget and notice of public hearing is published in the local newspaper.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budgets are legally enacted through passage of a resolution.
- A separate CRA board meeting is also held to approve the budget.
- The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total appropriations of any department must be approved by the City Council.
- The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
- Appropriations lapse at the close of the fiscal year to the extent they have not been expended. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
- Budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles, except as described below under Budget Basis of Accounting. Budgets are also adopted for the enterprise funds; however, budgetary comparisons are not presented since they are not required under generally accepted accounting principles.
- The City Council, by Ordinance or Resolution, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

Budgetary Basis of Accounting

The CRA includes a portion of the prior year's fund balances represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. The CRA does not budget for capital outlay expenditures and other financing sources related to the acquisition of assets through notes payable.

NOTE 3 CASH AND INVESTMENTS

Deposits

All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments

Investments in all fund types are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment income.

The CRA's investment policies are governed by state statute and city ordinance. Authorized investments are:

- The Local Government Surplus Funds Trust (SBA).
- SEC registered money market funds.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the U.S. Treasury.
- Federal agencies and instrumentalities.
- Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940.
- Repurchase Agreements.
- Other investments authorized by ordinance.

Investments made by the *CRA of Clermont* at September 30, 2021 are summarized below.

<u>Investment Type</u>	<u>Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Federal Agency Bond	\$ 30,476	AA+	1.77 years
Federal Agency Mortgage-Backed Securities	4,287	AA+	9.56 years
Federal Agency Commercial Mortgage-Backed Securities	9,106	AA+	1.92 years
Federal Agency Collateralized Mortgage Obligation	811	AA+	6.73 years
US Treasury Notes	50,833	AA+	2.26 years
Supra-National Agency Bond/Note	12,611	AAA	2.29 years
Corporate Note	31,283	BBB+/AA	2.27 years
Asset Backed Security	25,643	AAA/NR	3.10 years
Municipal Bonds	8,032	AAA	1.92 years
FL Palm	131,839	AAA _m	80 days
	<u>\$ 304,921</u>		

Credit Risk

The CRA's investment policy limits credit risk by restricting authorized investments to those described above.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the CRA's deposits may not be returned to it. The CRA's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2021, all of the CRA's bank deposits were in qualified public depositories.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2021, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The CRA's investment policy requires diversification but does not specify limits on types of investments.

Interest Rate Risk:

The CRA's investment policy does not specifically address interest rate risk, however the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The CRA manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Fair Value

The CRA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The CRA uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the CRA's own data in measuring unobservable inputs.

The CRA has the following recurring fair value measurements as of September 30, 2021:

<u>Investments Valued by Fair Value Level</u>		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Federal Agency Bond	\$ 30,476	\$ -	\$ 30,476
Federal Agency Mortgage-Backed Securities	4,287	-	4,287
Federal Agency Commercial Mortgage-Backed Securities	9,106		9,106
Federal Agency Collateralized Mortgage Obligation	811	-	811
US Treasury Notes	50,833	50,833	-
Supra-National Agency Bond/Note	12,611	-	12,611
Corporate Note	31,283	-	31,283
Asset Backed Security	25,643	-	25,643
Municipal Bonds	8,032	-	8,032
	<u>\$ 173,082</u>	<u>\$ 50,833</u>	<u>\$ 122,249</u>

NOTE 4 RELATED PARTY TRANSACTIONS

The CRA is a component unit of the City of Clermont, Florida. For the year ended September 30, 2021, the CRA's tax increment revenues include \$189,297 received from the City. In addition, the CRA reimbursed the City for services performed on behalf of the CRA such as payroll and payroll benefits, paid during the year.

NOTE 5 RISK MANAGEMENT

The CRA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the CRA carries commercial insurance. The CRA has obtained excess insurance coverage with varying retentions and limits to further limit exposure to large losses. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Litigation

The CRA is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the CRA.

NOTE 7 SOURCE OF DEPOSITS AND PURPOSE OF WITHDRAWALS

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits to, and the purpose and amounts of withdrawals from the CRA Funds for the fiscal year ended September 30, 2021:

Source of Deposit:

Tax increment	\$	451,411
Grants		40,397
Investment income		928
Miscellaneous income		105
Total sources	\$	492,841

Purpose of Withdrawal:

Capital outlay	\$	70,254
Salaries and benefits		130,066
Rentals		47,360
Professional services		104,667
Miscellaneous		4,810
Utilities		13,992
Insurance		5,775
Sponsored events		17,067
CRA grants and contributions		60,810
Repairs and maintenance		2,730
Total withdrawals	\$	457,531

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OTHER REPORTS

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**INDEPENDENT AUDITOR'S 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**

Honorable Mayor and Council
City of Clermont, Florida Community Redevelopment Agency

We have audited, 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, the financial statements of the governmental activities, and each major fund of the City of Clermont, Florida 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 April 24, 2023.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA's financial statements are free from 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 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 result of our tests disclosed instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*, and which are described below.

ML21-01 Timely Completion of Annual Audit

Florida Statutes require the annual audit to be submitted no later than nine months after the CRA's fiscal year end. Due to staffing issues, the audit was not able to be completed in a timely manner. We recommend the CRA implement procedures to ensure annual audits are completed in a timely manner.

Management Response

The City has implemented the use of an outside CPA firm to assist with the reconciliations for completion of the audit in compliance with Florida Statutes.

CRA's Response to Findings

The CRA's response to the findings identified in our annual audit are included in this report. The CRA'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.

McDiarmid Davis

Orlando, FL
April 24, 2023



MANAGEMENT LETTER

Honorable Mayor and Council
City of Clermont, Florida Community Redevelopment Agency

Report on the Financial Statements

We have audited the financial statements of the City of Clermont, Florida Community Redevelopment Agency (the "CRA"), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated April 24, 2023.

Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *ACIPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 24, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have not been taken as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2019-20 FY Finding #	2018-19 FY Finding #
ML 21-01	ML 20-01	N/A

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. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us apply appropriate procedures and report 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 identification of the specific condition(s) 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 did not have any such recommendations.

Specific Information (Unaudited)

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the CRA reported:

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as zero.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 7.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as zero.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$326,746.
- 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 none.
- f. A budget variance based on budget adopted under Section 189.016(4), Florida Statutes, this information is included in the general fund budget statement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDermitt Davis

Orlando, Florida
April 24, 2023



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and Council
City of Clermont, Florida Community Redevelopment Agency

We have examined City of Clermont, Florida Community Redevelopment Agency's (the CRA) compliance with the requirements of Section 218.415, Florida Statutes, during 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 and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the CRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

McDermitt Davis

Orlando, Florida
April 24, 2023



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 163.387 (6) AND (7), FLORIDA STATUTES**

The Honorable Mayor and Council
City of Clermont, Florida Community Redevelopment Agency

We have examined City of Clermont, Florida Community Redevelopment Agency's (the CRA) compliance with the requirements of Section 163.387 (6) and (7), Florida Statutes, during 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 and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the CRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

McDermitt Davis

Orlando, Florida
April 24, 2023