

2022

Eustis Downtown and East Town
Redevelopment Agency

Financial Statements and
Independent Auditor's Report

September 30, 2022

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
EUSTIS, FLORIDA**

SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Eustis Downtown and East Town Redevelopment Agency (the CRA), a component unit of the City of Eustis, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CRA's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the CRA, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CRA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and *Government Auditing Standards* that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

INDEPENDENT AUDITOR'S REPORT

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 28, 2023, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



April 28, 2023
Ocala, Florida

**EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
CITY OF EUSTIS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

This supplement to the Independent Auditor's Report and Financial Statements has been developed in accordance with the Government Accounting Standards Board (GASB) Statement No. 34. It is intended to provide the readers of this report with a general overview of the financial activities of the Eustis Downtown and East Town Redevelopment Agency (the CRA). The CRA provides the following discussion and analysis of the CRA's financial activities for the fiscal year ended September 30, 2022. Management's Discussion and Analysis is designed to: (a) assist the reader to focus on significant financial issues, (b) provide an overview of the CRA's financial activities, (c) identify changes in the CRA's financial position, (d) identify material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the CRA's financial statements.

The CRA

The CRA was created under Chapter 163, Florida Statutes and Ordinance No. 90-42 of the City of Eustis, Florida (the City). The Governing Board of the CRA (the Board) is appointed by the City Council and, therefore, the City exercises significant influence over its operations and fiscal management. The CRA is considered a component unit for financial reporting purposes and is included as a blended special revenue fund within the City's overall basic financial statements.

These financial statements are presented for the purpose of complying with state law, specifically Florida Statute Section 163.387(8)(a), which requires separate audited financial statements for each community redevelopment agency that has revenues or expenditures that exceed \$100,000.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$2,582,648.
- The CRA's fund balance increased by \$398,413 as a result of 2022 operations.
- Revenues for fiscal year 2022 were \$377,607 while expenditures totaled \$581,078. Transfers from the City's General Fund totaled \$486,418.
- For the period ended September 30, 2022, budgeted revenues exceeded actual revenues by \$32,900 while actual expenditures were \$93,291 less than budgeted expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CRA's basic financial statements, which are comprised of the following four (4) components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements
- Required Supplementary Information

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the CRA's finances, in a manner similar to a private-sector business.

**EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
CITY OF EUSTIS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The *Statement of Net Position* presents financial information on all of the CRA's assets and liabilities, 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 for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements listed above distinguish functions of the CRA that are principally supported by ad-valorem taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activity of the CRA is community redevelopment.

The government-wide financial statements include only the activities of the CRA. However, the CRA is considered a blended component unit of the City and, as such, the financial information of the CRA is included in the City's Annual Comprehensive Financial Report for each fiscal year.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 CRA'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*.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The CRA's expendable financial resources and the related liabilities are accounted for through a special revenue fund.

**EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
CITY OF EUSTIS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Restricted Fund Balance

Fund Balance should be reported as Restricted when constraints placed on the use of resources, such as enabling legislation, which authorizes the government to access, levy, charge, or otherwise mandate payment of resources. All of the CRA's fund balance is considered Restricted.

Notes to Financial Statements

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

Required Supplementary Information (RSI)

Included in this section of the report is the Budgetary Comparison Schedule.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the CRA's financial position. In the case of the CRA, assets exceeded liabilities by \$2,582,648 (*net position*) as of the close of the most recent fiscal year, an increase of \$398,413 in comparison with the prior year.

The following table reflects a summary of the *Statement of Net Position* for the current and prior year:

Eustis Downtown and East Town Redevelopment Agency		
	2022	2021
Assets		
Cash and Cash Equivalents	\$ 2,354,010	\$ 2,071,916
Accrued Interest Receivable	2,416	131
Prepaid Items	326	-
Land	3,000,000	3,000,000
Total Assets	5,356,752	5,072,047
Liabilities and Net Position		
Liabilities		
Current:		
Accounts Payable and Accrued Liabilities	1,758	-
Non-Current:		
Due Within One Year	120,051	116,653
Due in More Than One Year	2,652,295	2,771,159
Total Liabilities	2,774,104	2,887,812
Net Position		
Net Investment in Capital Assets	227,654	112,188
Restricted	2,354,994	2,072,047
Total Net Position	\$ 2,582,648	\$ 2,184,235

**EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
CITY OF EUSTIS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Statement of Activities

The following table reflects the *Statement of Activities* for the current and prior year:

Eustis Downtown and East Town Redevelopment Agency		
	2022	2021
Revenues		
TIF Revenue from the County	\$ 369,013	\$ 334,343
TIF Revenue from City	486,418	442,250
Miscellaneous:		
Interest	8,594	3,595
Total Revenues	<u>864,025</u>	<u>780,188</u>
Expenditures		
Current:		
General Government and Administration	300,566	156,374
Housing Rehabilitation	67,807	-
Debt Service - Interest	83,508	85,960
Capital Outlay Contributed to Primary Government	13,731	72,939
Total Expenditures	<u>465,612</u>	<u>315,273</u>
Net Change in Net Position	398,413	464,915
Net Position, Beginning of Year	<u>2,184,235</u>	<u>1,719,320</u>
Net Position, End of Year	<u><u>\$ 2,582,648</u></u>	<u><u>\$ 2,184,235</u></u>

Fiscal year 2022 activities increased the CRA's net position by \$398,413, or 18.2%, in comparison with the prior year. Key elements of the change are described in the table above. There was an increase in tax increment financing revenues in the current year due to an increase in property values within the CRA district. This contributed to an increase in net position.

Financial Analysis of the CRA's Funds

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.

The CRA's fund balance of \$2,354,994 is restricted for redevelopment projects within the CRA district.

Tax increment financing revenue totaling \$854,461 represented approximately 99% of all revenues. The CRA's fund balance increased by \$282,947 in the current year. The increase in tax increment financing revenues received by the CRA in the current year, resulted from increased property values within the CRA district.

**EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
CITY OF EUSTIS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Capital Assets and Debt Administration

Capital Assets

The CRA's capital assets are considered to be property of the City and, therefore, are included as capital assets in the City's government-wide financial statements. Capital asset activity for the year ended September 30, 2022, can be found in the City's audited financial statements.

Long-Term Debt

The CRA's long-term debt obligation decreased by \$115,466, which is attributed to the payment on the debt obligation. Additional information on the CRA's debt can be found in Note 5.

	10/1/2021			9/30/2022
	Balance	Additions	Payments	Balance
Governmental Activities				
Loan Payable - 2021	\$ 2,887,812	\$ -	\$ (115,466)	\$ 2,772,346
	<u>\$ 2,887,812</u>	<u>\$ -</u>	<u>\$ (115,466)</u>	<u>\$ 2,772,346</u>

Budgetary Highlights

An annual budget is prepared for the CRA and approved by City Commission (the Commission). The legal level of control is maintained at the fund level. Budget appropriations may not be legally exceeded on a fund basis. The budget is adopted on a basis consistent with generally accepted accounting principles.

Economic Factors and Future Developments

The CRA will continue to plan projects and infrastructure improvements that align with its redevelopment priorities for the designated District. The CRA will continue to implement the community's shared development goals through its redevelopment strategies and critical tasks.

Request for Information

This financial information is designed to present users with a general overview of the CRA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Eustis Downtown and East Town Redevelopment Agency located at P.O. Drawer 68, Eustis, Florida 32727.

FINANCIAL STATEMENTS

EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2022

	Special Revenue Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Cash and Cash Equivalents	\$ 2,354,010	\$ -	\$ 2,354,010
Accrued Interest Receivable	2,416	-	2,416
Prepaid Items	326	-	326
Land	-	3,000,000	3,000,000
Total Assets	<u>2,356,752</u>	<u>3,000,000</u>	<u>5,356,752</u>
Liabilities			
Current:			
Accounts Payable and Accrued Liabilities	1,758	-	1,758
Non-Current:			
Due Within One Year	-	120,051	120,051
Due in More Than One Year	-	2,652,295	2,652,295
Total Liabilities	<u>1,758</u>	<u>2,772,346</u>	<u>2,774,104</u>
Fund Balance			
Non-Spendable	326	-	326
Restricted	2,354,668	(2,354,994)	(326)
Total Fund Balance	<u>2,354,994</u>	<u>(2,354,994)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,356,752</u>		
Net Position			
Net Investment in Capital Assets		227,654	227,654
Restricted for:			
Community Redevelopment Projects		2,354,994	2,354,994
Total Net Position		<u>\$ 2,582,648</u>	<u>\$ 2,582,648</u>

See accompanying notes.

EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2022

	Special Revenue Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
TIF Revenue from the County	\$ 369,013	\$ -	\$ 369,013
TIF Revenue from the City	-	486,418	486,418
Miscellaneous:			
Interest	8,594	-	8,594
Total Revenues	<u>377,607</u>	<u>486,418</u>	<u>864,025</u>
Expenditures			
Current:			
General Government and Administration	300,566	-	300,566
Housing Rehabilitation	67,807	-	67,807
Debt Service:			
Principal Payments	115,466	(115,466)	-
Interest and Fees	83,508	-	83,508
Capital Outlay	13,731	(13,731)	-
Capital Outlay Contributed to Primary Government	-	13,731	13,731
Total Expenditures	<u>581,078</u>	<u>(115,466)</u>	<u>465,612</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(203,471)</u>	<u>601,884</u>	<u>398,413</u>
Other Financing Sources (Uses)			
Transfers In - Primary Government	486,418	(486,418)	-
Total Other Financing Sources (Uses)	<u>486,418</u>	<u>(486,418)</u>	<u>-</u>
Net Change in Fund Balance	282,947	115,466	398,413
Fund Balance/Net Position, Beginning of Year	<u>2,072,047</u>	<u>112,188</u>	<u>2,184,235</u>
Fund Balance/Net Position, End of Year	<u>\$ 2,354,994</u>	<u>\$ 227,654</u>	<u>\$ 2,582,648</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
EUSTIS, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The Eustis Downtown and East Town Redevelopment Agency's (the CRA) financial statements are prepared in accordance with generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The City of Eustis, Florida (the City) established the CRA in November of 1990, by Ordinance No. 90-42 and Part III of Chapter 163 of the Florida Statutes. The purpose of the CRA is to finance and redevelop the City's designated redevelopment areas. The governing body of the CRA is the City Commission (the Commission) and, therefore, the City exercises significant influence over its operations and fiscal management. The CRA is considered a component unit for financial reporting purposes and is included as a blended special revenue fund within the City's overall basic financial statements.

Financial Statements

These financial statements are presented for the purpose of complying with state law, specifically Florida Statutes, Section 163.387(8)(a), which requires separate audited financial statements for each community redevelopment agency that has revenues or expenditures that exceed \$100,000.

Entity-wide financial statements are prepared at the City-wide level by the City and include the CRA. Copies of that report can be obtained from the City's Finance Department.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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 the related cash flows. Tax Increment Financing (TIF) revenue is recognized as revenue in the year for which the underlying property taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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, except for debt service expenditures, which are recorded only when payment is due.

Considering that the fund statements are presented on a different measurement focus and basis of accounting than the government-wide governmental activities column, a reconciliation is sometimes necessary to explain the adjustments needed to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

NOTES TO FINANCIAL STATEMENTS
EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
EUSTIS, FLORIDA

TIF revenue, when levied for, and interest associated with the current fiscal period, are both considered to be measurable and have been recognized as revenues of the current fiscal year, if available.

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

The CRA reports the general fund as a major governmental fund. The general fund is used to account for all financial resources received by the CRA. The general fund serves as the primary operating fund of the CRA. The CRA does not have any non-major funds.

Budgetary Requirements

An annual budget is prepared for all funds of the City, including the CRA. The budget amounts presented in the accompanying financial statements are as originally adopted, or as legally amended, by the Commission during the year ended September 30, 2022. The City Manager is authorized to transfer part or all of an unencumbered appropriation balance between departments within a fund; however, the Commission must approve any amendments that affect the total appropriations of any fund. Budget appropriations may not be legally exceeded on a fund basis. The budget is adopted on a basis consistent with generally accepted accounting principles.

Assets and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits placed only with qualified public depositories.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). The CRA's capital assets not financed with CRA debt are considered to be property of the City and, therefore, are included as capital assets in the City's government-wide financial statements. Such capital asset activity for the year ended September 30, 2022, can be found in the City's audited financial statements. As the capital assets are retained by the City, the CRA contributes capital to the general fund for capital outlay related to the CRA's redevelopment and infrastructure projects, except for assets in which the CRA holds financing agreements.

Nature and Purpose of the Fund Balance

In the fund financial statements the governmental fund reports fund 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 the fund can be spent. Amounts that are restricted to specific purposes either by: a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Commission through an ordinance or resolution are classified as committed fund balances.

NOTES TO FINANCIAL STATEMENTS
EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
EUSTIS, FLORIDA

Amounts that are constrained by the CRA's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the Commission. Non-spendable fund balances include amounts that cannot be spent because they are either: a) not in spendable form, or b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that is not restricted, committed, or assigned to specific purposes within the general fund.

Unspent TIF revenues are restricted for future redevelopment projects and are reported as restricted fund balance in the financial statements. Unassigned fund balance, if any, represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

Net Position

The government-wide statements utilized a net position presentation. Restricted net position are unspent TIF revenues that are restricted for future redevelopment projects. Unrestricted net position represents the net position of the CRA that is not restricted for any project or purpose.

Other Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Payroll Related Expenses and Liabilities

All functions of the CRA are performed by employees of the City. Payroll activity for the year ended September 30, 2022, can be found in the City's audited financial statements.

Interest Income

Interest income resulting from pooling of cash in a master bank account is allocated to the CRA based on its proportionate share.

Interfund Transfers

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Interfund transactions are reported as transfers on the financial statements.

Long-Term Obligations

Long-term obligations, such as bonds and notes, are recorded at the government-wide level for the governmental activities. The amounts payable within one year are classified as non-current liabilities due within one year on the government-wide statement of net position.

NOTES TO FINANCIAL STATEMENTS
EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
EUSTIS, FLORIDA

Note 2 - Explanation of Certain Differences Between the Government-Wide and Fund Financial Statements

Statement of Net Position and Governmental Fund Balance Sheet

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position.

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between the capital outlay of the governmental fund and the capital outlay contributed to the primary government as reported in the government-wide statement of activities.

Note 3 - Cash and Cash Equivalents

At September 30, 2022, the carrying amount of the CRA's cash deposits is \$2,354,010. The City's cash deposits are held by a bank that qualifies as a public depository under the *Florida Security for Public Deposits Act* as required by Chapter 280, Florida Statutes. All deposits are fully insured and collateralized by either the Federal Deposit Insurance Corporation or Florida's Multiple Financial Institution Collateral Pool. The City maintains an investment policy managing authorized investments. Further information on the City's cash and investments can be found in the notes to the annual financial statements of the City.

Note 4 - Capital Assets

Asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000

All assets not acquired with CRA debt are transferred to the primary government.

Note 5 - Long-Term Debt

Notes outstanding at September 30, 2022 consist of the following:

	10/1/2021 Balance	Additions	Payments	9/30/2022 Balance	Due within One Year
Governmental Activities					
Loan Payable - 2021	\$ 2,887,812	\$ -	\$ (115,466)	\$ 2,772,346	\$ 120,051
	<u>\$ 2,887,812</u>	<u>\$ -</u>	<u>\$ (115,466)</u>	<u>\$ 2,772,346</u>	<u>\$ 120,051</u>

NOTES TO FINANCIAL STATEMENTS
EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
EUSTIS, FLORIDA

Debt service to maturity on the CRA's loan agreements is as follows:

Loan Payable – 2022		
Fiscal Year	Principal	Interest
2023	\$ 120,051	\$ 48,068
2024	123,579	74,571
2025	<u>2,528,716</u>	<u>70,970</u>
	<u>\$ 2,772,346</u>	<u>\$ 193,609</u>

In September 2020, the CRA obtained a note payable to provide financing in the amount of \$3,000,000 for the purchase of three large land lots located within the downtown district. The five-year loan has a fixed interest rate of 2.875%. Principal and interest payments of \$16,512 will be paid monthly, beginning in October 2020, with a balloon payment in the final year. In the event of default, the lender may sell the collateral investment accounts to pay all amounts due, with proper written notice.

Note 6 - TIF Revenue

The CRA is primarily funded through TIF revenue. The revenue is computed by applying the operating tax for the City, Lake County Taxing Authority, and Lake County Water Authority multiplied by the increase in property value of the district over the base year value, minus 5%. The City, Lake County Taxing Authority, and Lake County Water Authority are required to fund this amount annually without regard to tax collections or other obligations.

REQUIRED SUPPLEMENTARY INFORMATION

EUSTIS DOWNTOWN AND EAST TOWN REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Intergovernmental:				
Incremental Tax Transfers - County	\$ 334,343	\$ 340,107	\$ 369,013	\$ 28,906
Miscellaneous:				
Other	100	100	-	(100)
Interest	3,725	4,500	8,594	4,094
Total Revenues	<u>338,168</u>	<u>344,707</u>	<u>377,607</u>	<u>32,900</u>
Expenditures				
Current:				
General Government:				
Operating	90,545	94,445	78,559	15,886
CRA Projects	938,487	243,774	197,874	45,900
Non-Departmental Incentive	137,000	137,000	91,940	45,060
Debt Service:				
Debt Service Principal	122,000	116,681	115,466	1,215
Debt Service Interest	63,900	81,469	83,508	(2,039)
Capital Outlay	1,000	1,000	13,731	(12,731)
Total Expenditures	<u>(1,352,932)</u>	<u>(674,369)</u>	<u>(581,078)</u>	<u>93,291</u>
Excess of Revenues Over Expenditures	<u>(1,014,764)</u>	<u>(329,662)</u>	<u>(203,471)</u>	<u>126,191</u>
Other Financing Sources (Uses)				
Transfers In - Primary Government	442,250	486,532	486,418	(114)
Total Other Financing Sources (Uses)	<u>442,250</u>	<u>486,532</u>	<u>486,418</u>	<u>(114)</u>
Net Change in Fund Balance	(572,514)	156,870	282,947	126,077
Fund Balances, Beginning of Year	<u>2,532,557</u>	<u>2,507,557</u>	<u>2,072,047</u>	<u>(435,510)</u>
Fund Balances, End of Year	<u>\$ 1,960,043</u>	<u>\$ 2,664,427</u>	<u>\$ 2,354,994</u>	<u>\$ (309,433)</u>

OTHER REPORTS

**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**

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

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 Eustis Downtown and East Town Redevelopment Agency (the CRA) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CRA's financial statements and have issued our report thereon dated April 28, 2023.

Report on 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 auditing 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 on 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 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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we would consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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The Eustis City Commission
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Eustis, Florida

**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***

Report on 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 CRA'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 CRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 28, 2023
Ocala, Florida

MANAGEMENT LETTER

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

Report on the Financial Statements

We have audited the financial statements of the Eustis Downtown and East Town Redevelopment Agency (the CRA) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated April 28, 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 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 Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on examination conducted in accordance with American Institute of Certified Public Accountants *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 28, 2023, 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit 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 be disclosed in the Management Letter, unless disclosed in the notes to the financial statements (see Note 1 of the CRA's financial statements as of and for the year ended September 30, 2022, for this information).

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MANAGEMENT LETTER

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 identify 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. 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.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 the following information that was not subject to auditing procedures:

- The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- The total number of independent contractors to whom non-employee compensation was paid in the last month of the district's fiscal year as 0.
- All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- All compensation earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- 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 projects is:

Project Name	Budget	Total Expenditures To-Date
Housing Rehabilitation	\$ 214,170	\$ 67,807
Sidewalk/Tree Planting	\$ 148,805	\$ 12,881

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

MANAGEMENT LETTER

- 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 (see Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual as presented in the financial statements for the year ended September 30, 2022).

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Honorable Mayor, and City Council and management, and is not intended to be, and should not be, used by anyone other than these specified parties.



April 28, 2023
Ocala, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 163.387(6) AND (7), FLORIDA STATUTES

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

We have examined the Eustis Downtown and East Town Redevelopment Agency's (the CRA) compliance with the requirements of Section 163.387(6) and (7), Florida Statutes, as of and for the year ended September 30, 2022, as required by Section 10.556(10)(f), *Rules of the Auditor General*. 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, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specific requirements. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risk of material non-compliance, 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.

Our examination does not provide a legal determination on the CRA's compliance with specific requirements.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

This report 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, the CRA, its management, and the Board of Directors of the City of Eustis, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.



April 28, 2023
Ocala, Florida

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Eustis City Commission
Eustis Downtown and East Town Redevelopment Agency
Eustis, Florida

We have examined the Eustis Downtown and East Town Redevelopment Agency's (the CRA) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2022, as required by Section 10.556(10)(a), *Rules of the Auditor General*. 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, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specific requirements. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risk of material non-compliance, 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.

Our examination does not provide a legal determination on the CRA's compliance with specific requirements.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

This report 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, the CRA, its management, and the Board of Directors of the City of Eustis, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.



April 28, 2023
Ocala, Florida

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eustis, Florida (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As described in Note I to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

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Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

INDEPENDENT AUDITOR'S REPORT

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

INDEPENDENT AUDITOR'S REPORT

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison information, schedule of changes in other postemployment benefit liability and related ratios, the schedules of changes in the employer's net position liability and related ratios, the schedule of employer contributions and schedule of investments returns, and schedule of proportionate share of net pension liability, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, non-major fund budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2023, on our consideration of the City's internal control over financial reporting and 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 the 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 City's internal control over financial reporting and compliance.



May 24, 2023
Ocala, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
EUSTIS, FLORIDA**

Federal Grantor / Pass-Through Grantor / Program Title / Project Title	Assistance Listing Number	Pass-Through Grantor Number	Federal Expenditures Only
<u>U.S. Department of Justice:</u>			
<i>Passed Through State of Florida Department of Law Enforcement:</i>			
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-CESF-LAKE-1-C9-016	\$ 40,938
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2021-JAGC-LAKE-8-3B-028	4,187
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2021-JAGD-LAKE-5-4B-002	4,378
Total Edward Byrne Memorial Justice Assistance Grant Program			8,565
Total U.S. Department of Justice			49,503
<u>U.S. Department of Treasury</u>			
<i>Passed Through Florida Department of Emergency Management:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5080	1,665,560
Total U.S. Department of Treasury			1,665,560
<u>U.S. Department of Homeland Security:</u>			
<i>Passed Through Florida Department of Emergency Management:</i>			
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	30,895
Total U.S. Department of Homeland Security			30,895
			\$ 1,745,958

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Eustis and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Indirect Cost Rate

The City has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**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 City Commissioners
City of Eustis
Eustis, Florida

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eustis, Florida (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 24, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on

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Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

**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***

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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



May 24, 2023
Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Eustis, Florida's (the City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the auditor's responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designated for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



May 24, 2023
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
CITY OF EUSTIS, FLORIDA**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal Control over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(A)?	No
Identification of Major Programs:	

Federal Program

U.S. Department of Treasury: COVID-19 Coronavirus State and Local Fiscal Recovery Funds	AL No. 21.027
Dollar Threshold Used to Distinguish Between Type A and Type B Programs – Federal Programs	\$750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	No

Other Issues

- No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Eustis, Florida (the City) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated May 24, 2023.

Auditor's Responsibility

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; the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with the American Institute of Certified Public Accountants *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 May 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*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Finding 2021-1 was included in the current and preceding financial audit report. 2020-1 was resolved in the current year.

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 be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

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Eustis, Florida

MANAGEMENT LETTER

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 City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City 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 City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and 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, except for the prior year finding that has been carried forward to the current year, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the Eustis Downtown and East Town Redevelopment Agency reported this information in the CRA's separately issued financial statements.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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, State granting agencies, the Honorable Mayor, City Commissioners, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

MANAGEMENT LETTER

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



May 24, 2023
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

During the course of our audit, the following items came to our attention. These items involve primarily operational matters, which if improved, will result in more efficient and effective operations:

Prior Year Comment, Carried Forward in Current Year

2021-1 Information Technology (IT) General Controls

During our review of the City's use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality and integrity of information generated by the IT systems.

We have made more detailed recommendations directly to management to help improve IT general controls in the following areas:

- Disaster Recovery
- User Terminations
- Penetration Testing
- Policies and Procedures



May 24, 2023
Ocala, Florida

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

We have examined the City of Eustis, Florida's (the City) compliance with requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2022, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with the 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 City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specific requirements. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risk of material non-compliance, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specific requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

This report 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 Honorable Mayor, City Commissioners, and applicable management, and is not intended to be, and should not be, used by anyone other than those specified parties.



May 24, 2023
Ocala, Florida

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City of Eustis

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5/24/2023

City Commissioners
City of Eustis
Eustis, Florida 32726

The present management letter is a written response to the auditor's Management Letter Comments, as required by Section 10.554(1) 5.b., 10.556(8) and Section 10.554(1)(i)2, of the Rules of the Auditor General of the State of Florida, relating to the last audit of the City of Eustis, Florida, for the year ended September 30, 2022, and includes a prior year comment to response 2021-1 Information Technology (IT) General Controls.

Prior Year Comment, Carried Forward in Current Year

2021-1 Information Technology (IT) General Controls

During our review of the City's use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality and integrity of information generated by the IT systems. Recommendations for management's consideration include:

- Disaster Recovery
- User Terminations
- Penetration Testing
- Policies and Procedures

City's Response:

1) A disaster recovery plan (DRP) is a formal document has been created by City's Information Technology division that will contain detailed instructions on responding to unplanned incidents such as natural disasters, power outages, cyber-attacks, and any other disruptive events. Additionally, in FY 2023, City has planned to budget \$105,000 for new IT equipment and outdated server replacement in the fiscal year.

2) To prevent cyber-attacks and to identify any weak spots and exploit vulnerabilities in the City's computer system defenses, the City IT division conducted penetration testing for a security exercise.

3) IT division's policies and procedures are updated accordingly.

Respectfully submitted,

Tom Carrino, City Manager

Mike Sheppard, Finance Manager

CC: Purvis Gray & Company, City Auditors
Auditor General, State of Florida

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