

**ANNUAL**

**FINANCIAL REPORT**

**Eatonville Community Redevelopment Agency**

(A Component Unit of the Town of Eatonville, Florida)

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Town of Eatonville



**Management's Discussion and Analysis  
Basic Financial Statements**

**Fund Financial Statements, Required Supplementary Information,  
Together with Independent Auditor's Reports.**

**Eatonville Community Redevelopment Agency  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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# **Eatonville Community Redevelopment Agency**

**For the Fiscal Year Ended September 30, 2020**

Town of Eatonville



**Independent Auditor's Reports**

**Management's Discussion and Analysis**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Board of Directors  
Eatonville Community Redevelopment Agency  
Town of Eatonville, Florida

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

We were engaged to audit the accompanying financial statements of the governmental activities and the General Fund of the Eatonville Community Redevelopment Agency (the "Agency") a component unit of the Town of Eatonville, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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 an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

The Agency's introduction of a new financial reporting system during May 2020 resulted in numerous errors in account balances and activity. As of the date of this report, management was still in the process of rectifying the system deficiencies and correcting errors. As a result, we were unable to complete our procedures and thus determine whether any adjustments were necessary relating to the existence and carrying amount of account balances in the statement financial statements.

### **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

## **Other Matters**

### *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 on pages 3–7 and 23 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. The results of the limited procedures have raised doubts about whether material modifications should be made to the required supplementary information for it to be presented in accordance with guidelines established by the Governmental Accounting Standards Board.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, on our consideration of the 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 the effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

L.F. Harris & Associates, CPA, P.A.



Orlando, Florida  
June 15, 2020

**MANAGEMENT'S  
DISCUSSION  
AND  
ANALYSIS**

Town of Eatonville



## Management's Discussion and Analysis

Acting in our capacity as management of the Eatonville Community Redevelopment Agency, we offer readers of the Eatonville Community Redevelopment Agency's "the Agency" financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2020. Please read our discussion and analysis of the Agency's financial activities for the year ended September 30, 2020 in conjunction with the Agency's basic financial statements which immediately follow the discussion.

### Financial Highlights

1. The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year resulting in a net position of \$1,168,374
2. The change in the Agency's total net position in comparison with the prior fiscal year was a decreased by \$270,598. Approximately 61% of this decrease is attributable to general operation and planning activities.
3. As of the close of the current fiscal year, the Agency's governmental funds reported an ending fund balance of \$1,021,740; which represents a decrease of \$316,129 in comparison with the prior year. The Agency invested \$227,000 in capital improvements in the Town.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Eatonville Community Redevelopment Agency's basic financial statements. The Agency'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.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two being 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 Agency is improving or deteriorating.

The statement of activities presents information that demonstrates how the government's net position changed during the most recent fiscal year. All changes in 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

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**Overview of the financial statements- (Continued):**

items that will only result in cash flows in future fiscal periods (for example amounts due from the Town but are uncollected, and earned but unused vacation leave).

All of the Agency's revenues and expenditures are considered to be governmental activities for the community redevelopment.

These government-wide financial statements can be found on pages 9-10 of this report.

**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 Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency is 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 a government'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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Agency maintains one individual governmental fund, the General Fund, for its activities.

The Agency adopts an annual appropriated budget for its general funds. 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 11-14 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 the financial statements can be found on pages 15-23 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Agency's General Fund budgetary comparison schedule. The General Fund budgetary comparison schedules can be found on page 24 of this report.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$1,168,374 at the close of the most recent fiscal year.

By far the largest portion of the Agency's net assets, ninety-three percent (87%), are restricted for community development. The Agency uses these assets to provide value to citizens by implementing its' redevelopment plans.

	<b>Governmental Activities</b>	
	<b>2020</b>	2019
Current and other assets	\$ 1,032,320	\$ 1,347,460
Capital assets	147,477	103,313
<b>Total assets</b>	<b>1,179,797</b>	<b>1,450,773</b>
Current liabilities	10,580	10,958
Long-term liabilities	843	843
<b>Total liabilities</b>	<b>15,675</b>	<b>11,801</b>
Net position:		
Invested in capital assets net of related debt.	147,477	103,313
Restricted.	1,020,897	1,335,659
<b>Total net position</b>	<b>\$ 1,168,374</b>	<b>\$ 1,438,972</b>

**Eatonville Community Redevelopment Agency's Changes in Net Position**

**Governmental Activities:** Governmental activities decreased the Agency's net position by \$270,598 thereby accounting for one hundred percent (100%) of the total decrease in the net Agency's assets.

	<b>2020</b>	2019
Revenues:		
General revenues:		
Tax increment financing	\$ 350,000	\$ 300,000
Miscellaneous revenue	500	1,174
Interest earnings	260	450
<b>Total revenue</b>	<b>350,760</b>	<b>301,624</b>
Expenses:		
General government	304,118	200,322
Economic environment	134,975	50,020
Redevelopment	182,000	80,035
Interest on long term debt	265	265
<b>Total expenses</b>	<b>621,358</b>	<b>330,642</b>
Decrease in net position before transfers	(270,598)	(29,018)
Transfers	-	-
Decrease in net position	(270,598)	(29,018)
Net position - beginning	1,438,972	1,467,990
<b>Net position - end</b>	<b>\$ 1,168,374</b>	<b>\$ 1,438,972</b>

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**Government-wide Financial Analysis – (Continued)**

The amount of tax increment financing revenue received from the Town and Orange County, Florida is determined by an interlocal agreement between the Town, Orange County Florida and the Agency. The funding increased by \$50,000 during the current fiscal year and will remained constant between fiscal years 2021 and 2024.

**Financial Analysis of the Town of Eatonville CRA**

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with the legal requirements for financially related matters.

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

At the end of the current fiscal year, the Agency reported a fund balance of \$1,021,740 for the general fund. This represents a decrease of \$316,129 in comparison to the prior year's fund balance of \$1,337,869. As a measure of the Agency's liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance represents approximately (152%) one hundred and fifty-two of the Agency's fund expenditures for 2020. The CRA has ample funds available for future expenditures.

**General Fund Budgetary Highlights Town of Eatonville CRA**

In fiscal year 2019-2020, actual revenues were unfavorable when compared to budgetary estimates by approximately \$9,190, and actual expenditures were favorable over budgetary estimates by \$542,793 under final appropriations for the fiscal year ended September 30, 2020. Refer to page 23 for budgetary comparison schedule.

**Capital Asset and Debt Administration**

**Long-term debt:** At the end of the current fiscal year, the Town of Eatonville CRA had \$843 in total long-term debt outstanding resulting from the leasing of office equipment. The remaining debt represents debt incurred by the Agency for operation purposes and are classified as current liabilities. Additional information on the Agency's long-term debt can be found in Note C, on page 20 of this report.

**Capital assets:** The Town of Eatonville CRA's investment in capital assets for its governmental fund as of September 30, 2020, amounts to \$147,477 (net of accumulated depreciation). This investment in capital assets includes land, leasehold improvements, equipment, and a concrete sign built for the Catalina Park neighborhood of the Town. Additional information on the Town of Eatonville CRA's capital assets can be found in Note G on page 21 of this report.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**Economic Factors "Future Growth"**

Assessed property values within the community redevelopment district increased approximately 7% versus the prior year. The interlocal agreement between the Town, Orange County and the Agency requires a 17% increase in tax increment revenue to be contributed to the Agency.

**Requests for Information**

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to the Office of the Finance Director, Eatonville Community Redevelopment Agency, 307 Kennedy Blvd., Eatonville Florida, 32751.

# **FINANCIAL STATEMENTS**

Town of Eatonville



**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Statement of Net Assets**

**September 30, 2020**

	<u>2020 Governmental Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 710,040
Due from Other Governments	<u>322,280</u>
Total Current Assets	<u>1,032,320</u>
Non-Current Assets	
Capital assets, Not being depreciated:	
Land and improvements	138,600
Capital assets, being depreciated:	
Leasehold improvements	2,265
Furniture and equipment	5,469
Signage	9,119
Less: accumulated depreciation	<u>(7,976)</u>
Total capital assets, net	<u>147,477</u>
Total assets	<u>\$ 1,179,797</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 10,580
Note payable	843
Total liabilities	<u>11,423</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	147,477
Restricted for community development	<u>1,020,897</u>
Total net position	<u>1,168,374</u>
Total Liabilities and net position	<u><u>\$ 1,179,797</u></u>

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

**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Statement of Activities**

**For the Year Ended September 30, 2020**

Function/Program	Program Specific Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	304,118	\$ -	\$ -	\$ -	\$ (304,118)	\$ (304,118)
Physical environment	134,975	-	-	-	(134,975)	(134,975)
Redevelopment projects	182,000	-	-	-	(182,000)	(182,000)
Interest on long-term debt	265	-	-	-	(265)	(265)
	<b>\$ 621,358</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (621,358)</b>	<b>\$ (621,358)</b>
General Revenues:						
Tax increment revenues					350,000	350,000
Miscellaneous revenues					500	500
Interest and other income					260	260
Total General Revenues					<b>350,760</b>	<b>350,760</b>
Changes in Net Position					(270,598)	(270,598)
Net position at beginning of the year					1,438,972	1,438,972
Net position at end of the year					<b>\$ 1,168,374</b>	<b>\$ 1,168,374</b>

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

**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Balance Sheet - Governmental Funds  
September 30, 2020**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 710,040
Due from Town	322,280
Total assets	<u>\$ 1,032,320</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 10,580
Total liabilities	<u>\$ 10,580</u>
<b>FUND BALANCES</b>	
<b>Non-spendable:</b>	
<b>Spendable:</b>	
Restricted for community development	<u>1,021,740</u>
Total fund balances	<u>1,021,740</u>
Total liabilities and fund balances	<u>\$ 1,032,320</u>

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

**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Position**

**For the Year Ended September 30, 2020**

**Total Fund Balances - Governmental Funds** \$ 1,021,740

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at the year end consist of :

Notes payable (843)

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in the governmental funds. The cost of fixed assets is \$155,453 and the accumulated depreciation is \$(7,976)

**Total Net Position - Governmental Activities** 147,477  
\$ 1,168,374

**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds**

**For the Year Ended September 30, 2020**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Tax Increment Financing	\$ 350,000	\$ -	\$ -	\$350,000
Interest Income	260	-	-	260
Miscellaneous Revenue	500	-	-	500
Total Revenue	350,760	-	-	350,760
 <b>EXPENDITURES</b>				
Current				
General Government	303,282	-		303,282
Physical Environment	134,975	-		134,975
Capital Expenditures	227,000			227,000
Debt Service Interest	265			265
Debt Service Principal	1,367	-		1,367
Total Expenditures	666,889	-	-	666,889
Excess (deficiency) of Revenues Over Expenditures	(316,129)	-	-	(316,129)
 <b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources	-	-	-	-
Net change in fund balances	(316,129)	-	-	(316,129)
Fund balances at beginning of year - as restated	1,337,869	-	-	1,337,869
Fund balances at end of year	\$ 1,021,740	\$ -	\$ -	\$ 1,021,740

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

**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**For the Year Ended September 30, 2020**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ (316,129)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (for example leases and notes)	-
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The net effect of various miscellaneous transactions	2
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays in the current year	45,000
Depreciation expense of reported in the current year.	<u>(836)</u>

Governmental funds report debt payments as expenditures. However, they are not reported on the statement of activities. The amount paid during the year were \$1367	<u>1,367</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (270,598)</u></u></b>
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**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE A: NATURE OF ORGANIZATION AND REPORTING ENTITY**

The Town of Eatonville Community Redevelopment Agency ("Agency"), a public body was established on December 16, 1997. Pursuant to the requirements of Chapter 163, Part III of Florida Statutes, the Town of Eatonville Florida ("the Town") with the consent of Orange County, created the Agency and designated the Redevelopment Area to foster improvement activities in Eatonville. The Agency uses future tax increment revenues to fund a variety of improvement projects.

The Redevelopment Plan for the Town is intended to formulate and implement a strategy for the Agency, for the comprehensive and coordinated revitalization of the Town's Redevelopment Area ("CRA") which encompasses the entire extent of the Town limits.

The Community Redevelopment Act (Florida Statutes, Chapter 163, Part III), as adopted by the Florida Legislature, provides the legislative authority for local governments to use creative approaches to redevelopment of unused or underutilized property within their communities. The Act primarily focuses upon overcoming the burdens of deteriorated, older areas of a community by outlining a comprehensive program to provide the legal framework and financing mechanisms for local government's use to arrest the deterioration and encourage redevelopment of those 'blighted' areas.

Section three, Ordinance 97-08, established the Redevelopment Trust Fund. The Trust Fund is funded by municipal and county property tax revenues. These taxes are collected from properties within the boundaries of the CRA. The funding is comprised of the increases in property tax revenues above the base-tax revenues during 1997, the year the Agency was created. These tax increment revenues are the primary source of revenue for the Agency. Tax increment revenues are collected from two governmental entities that levy property taxes within the legally defined redevelopment area of the CRA, which is the Town of Eatonville, Florida and Orange County, Florida.

The funds shall be used by the Agency to finance or refinance any community redevelopment the Agency undertakes in the designated Area pursuant to the approved community redevelopment plan.

The Agency is a component unit of the Town of Eatonville, Florida ("Town") for financial reporting purposes; the Agency has no component units that meet the criteria for inclusion in the Agency's basic financial statements. The governing board of the Agency consists of the Town's Mayor and members of the Town Council. It also includes an appointee of the Town Council and an appointee of the County Commissioner for District 2.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund statements. The government-wide financials (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the CRA. The Agency has no fiduciary activities.

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 who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating type special assessments for maintenance and debt service are treated as charges for services; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenues.

**Measurement Focus / Basis of Accounting / and Financial Statement Presentation**

The accounting and reporting policies of the Town of Eatonville, CRA relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

Measurement focus refers to what is being measured. Basis of accounting refers to the process of revenues and expenditures being recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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 the liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

The CRA has only one major governmental fund reported in basic financial statements, the general fund. The general fund is the general operating fund of the CRA. It is used to account for all financial resources. When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first for qualifying expenditures, then restricted resources as they are needed.

**Estimates**

The preparation of financial statements in accordance with the modified accrual or accrual basis of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets or liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Budgetary Control**

The Town of Eatonville CRA, in accordance with its bylaws and State Law, adheres to the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

**Annual Operating Budget** - An annual operating budget is prepared by the CRA's Finance Department. The CRA's Executive Director submits this proposed operating budget for the ensuing fiscal year to the CRA's Board for approval.

This budget includes proposed expenditures and the means by which to finance them, including a proposed Tax Increment Financing. Expenditures may not exceed legal appropriations. All appropriations lapse at year end. Amendments or revisions to the original budget require a Board resolution.

The budget for the CRA, is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts included in these financial statements are as formally amended by the CRA Board's during the year.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term highly liquid investments with maturity dates within three months from the date of purchase. Cash and cash equivalents consist of petty cash and deposits held by qualified public depositories under Florida Law. All deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statute.

**Investments**

The Agency's investment policy is designed to ensure the prudent management of funds, and the availability of operating and capital funds when required, while earning a competitive return within the policy framework. The primary objectives, in order of priority, of investment activity shall be safety, interest rate risk, liquidity and yield. As of September 30, 2020, the Agency did not have any investments.

**Due from the Town**

The due from Other Governments of \$322,280 results from funds due from the Town of Eatonville.

**Capital Assets**

Capital Assets are defined by the Agency as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are reported at fair value. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated using the straight-line method over the assets' estimated useful lives of all reported capital assets, except land and land improvements. The estimated useful life of furniture, fixtures and equipment is four to ten years.

**Compensated Absences**

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the fund financial statements of the governmental funds if the benefits are expected to be liquidated with expendable available financial resources.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Equity / Net Position**

**Fund Equity**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent, as follows:

- Non-spendable fund balance – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts that are restricted to specific purposes when constraints placed on the use of revenues are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned fund balance – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purpose within the general fund.

When both restricted and unrestricted amounts are available for use, it is the Agency's practice to use unrestricted resources first. Additionally, the Agency would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE C: CAPITAL LEASES**

The Town's governmental activities entered into leasing agreements as a mechanism for financing the acquisitions of certain equipment. These lease agreements qualify as capital leases under the Provisions of ASC 840 and have been recorded at the present value of their future minimum lease payments as of the inception dates of the agreements.

The assets acquired through capital leases are as follows:

Assets Capitalized	Amount
Equipment	\$ 5,469
Less accumulated amortization	( 5,469)
Net book value of assets capitalized	\$ -

Future minimum lease payments are as follows:

FYE September 30, 2021	\$ 843
Total	\$ 843

**NOTE D: FUND BALANCES**

At September 30, 2020, the Agency reported fund balance of \$1,021,740 in its general fund. Which is available for community development purposes.

**NOTE E: COMMITMENTS AND CONTIGENCIES**

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency purchases commercial insurance for the risks of loss to which it is exposed. Policy limits and deductibles are reviewed by management and established at amounts to provide reasonable protection from significant financial loss. The Agency is involved in legal actions and claims arising in the normal course of business. After taking into consideration legal counsel's evaluations of such actions, management is of the opinion that their outcome will not have a significant effect on the CRA's financial statements.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE F: RELATED PARTY TRANSACTIONS**

The Agency is a blended component unit of the Town of Eatonville, Florida. For the year ended September 30, 2020, the Agency's tax increment revenues include \$186,566 received from the Town. In addition, the Agency reimbursed the Town for services performed on behalf of the Agency such as recording, information technology services, human resource and payroll services, paid during the year. Payment to the Town for these services during the year ended September 30, 2020, totaled \$38,217.

**NOTE G: CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2020, is as follows:

	Balance at 9/30/2019	Additions	Deletions	Balance at 9/30/2020
Land and improvements	\$ 93,600	\$ 45,500	\$ -	\$ 138,600
<b>Capital assets, being depreciated:</b>				
Improvements	2,265	-	-	2,265
Furniture and Equipment	5,469	-	-	5,469
Signage	9,119	-	-	9,119
Total capital assets, being depreciated	<u>16,853</u>	<u>45,500</u>	<u>-</u>	<u>16,853</u>
<b>Less accumulated depreciation for:</b>				
Improvements	455	228	-	683
Furniture and Equipment	5,469	-	-	5,469
Signage	1,216	608	-	1,824
Total accumulated depreciation	<u>7,140</u>	<u>836</u>	<u>-</u>	<u>7,976</u>
Total capital assets, being depreciated, net	<u>9,713</u>	<u>( 836)</u>	<u>-</u>	<u>8,877</u>
Total capital assets, net of accumulated depreciation	<u>\$ 103,313</u>	<u>\$ 44,164</u>	<u>\$ -</u>	<u>\$ 147,477</u>

Depreciation expense of \$836 was charged to general government for fiscal year 2020.

**NOTE H: Economic development programs**

The Agency established economic and redevelopment programs in an effort to promote the elimination of blighting influences and the redevelopment of and retain existing businesses located in the CRA area as well as attract new businesses and residences to the Town of Eatonville, Florida. These include Code Compliance Program, Curb Appeal Grant and Infill Construction Loan Program. During the fiscal year 2020, the Agency closed and disbursed \$135,000 in Economic Development Grants.

**EATONVILLE COMMUNITY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**NOTE I: NEW PRONOUNCEMENTS ISSUED**

The following new pronouncements effective for the fiscal year ending September 30, 2020 were adopted by the Agency, but it was determined by management that such pronouncements did not have an effect on the Agency's financial reporting:

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No 88, Certain Disclosures Related to Debt, including Direct Borrowings and Placements

**NOTE J: DEPOSITS AND WITHDRAWALS**

As required by Florida Statute 163.387 subsection (8) (b) 1 the following schedule describes the amount and source of deposits into, and the amount and purpose of withdrawals from the trust fund during fiscal year ending September 30, 2020:

**Source of Deposits:**

Tax increment financing -Town	\$ 576,963
Tax increment financing - Orange County	350,799
Interest earnings	260
Miscellaneous revenue	500
Total sources	<u>\$ 928,522</u>

**Purpose of Withdrawals:**

Tax increment financing rebate-Town	\$ 390,397
Tax increment financing rebate – Orange County	237,365
Professional services	166,355
Salaries and Benefits	75,044
Repairs & maintenance	7,346
Operations	55,399
Neighborhood enhancements	321,997
Travel	5,022
Total withdrawals	<u>\$1,258,925</u>

**NOTE K: SUBSEQUENT EVENTS**

The Agency evaluated subsequent events during June 15, 2021, the date the financial statements were available to be issued, and does not believe that there are any such events or transactions that require disclosure.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Town of Eatonville



**Eatonville Community Redevelopment Agency  
(A Component Unit of the Town of Eatonville, Florida)**

**Required Supplementary Information  
Budget Comparison Schedule - General Fund**

**For the Year ended September 30, 2020**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Tax Increment Financing	\$ 299,000	\$ 314,950	\$ 350,000	\$ 35,050
Interest	20,000	20,000	260	(19,740)
Miscellaneous Revenues	25,000	25,000	500	(24,500)
Total Revenues	<u>344,000</u>	<u>359,950</u>	<u>350,760</u>	<u>(9,190)</u>
<b>EXPENDITURES</b>				
General Government	437,850	437,850	303,282	134,568
Physical Environment	330,000	230,000	134,975	95,025
Capital Outlay	440,200	540,200	227,000	313,200
Debt Service	1,632	1,632	1,632	-
Total Expenditures	<u>1,209,682</u>	<u>1,209,682</u>	<u>666,889</u>	<u>542,793</u>
Excess (deficiency) of revenues over expenditures	<u>(865,682)</u>	<u>(849,732)</u>	<u>(316,129)</u>	<u>533,603</u>
Fund balances at beginning of year	<u>1,337,869</u>	<u>1,337,869</u>	<u>1,337,869</u>	
Fund balances at end of year	<u>\$ 472,187</u>	<u>\$ 488,137</u>	<u>\$ 1,021,740</u>	

**Budget Information:**

The Budget is prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America (GAAP), with the exception of compensated absences. Compensated absences are budgeted only to the extent expected to be paid, rather than on the modified accrual basis. The level of control at which expenditures may not exceed budget is in the aggregate. Budget amendments that increase the aggregate budgeted appropriations must be approved by the Board. Unexpended balances of appropriation lapse at year end.

# COMPLIANCE SECTION

Town of Eatonville





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 Chairman and Board of Directors  
Eatonville Community Redevelopment Agency  
Town of Eatonville, Florida

We were engaged to audit, in accordance with the 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 the general fund of Eatonville Community Redevelopment Agency (the "Agency"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated June 15, 2021. Our report disclaims an opinion on such financial statements because the Agency's implementation of a new financial reporting system during May 2020 resulted in numerous errors in account balances and activity. As of the date of this report, management was still in the process of rectifying the system deficiencies and correcting errors.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of the Agency, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

### **Internal Control over Financial Reporting – (Continued)**

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

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items, 2020-001, and 2020-002 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Agency's Response to Findings**

Agency's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the engagement to audit 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.

L.F. Harris & Associates, CPA, P.A.



Orlando, Florida  
June 15, 2021



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

Honorable Chairman and Board of Directors  
Eatonville Community Redevelopment Agency  
Town of Eatonville, Florida

**Report on the Financial Statements**

We were engaged to audit the financial statements of the Eatonville Community Redevelopment Agency (the "Agency"), a component unit of the Town of Eatonville, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 15, 2021.

**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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated June 15, 2021, 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. Prior audit findings 2019-001 and 2019-002 were resolved

**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. Such disclosures are made in note A to the Agency's financial statements.

**Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Agency 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 Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

### **Financial Condition and Management**

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 Agency. It is management's responsibility to monitor the Agency'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, 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.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 Board of Directors and management of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

L.F. Harris & Associates, CPA, P.A.

*L.F. Harris & Associates*

Orlando, Florida

June 15, 2021



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Chairman and Board of Directors  
Eatonville Community Redevelopment Agency  
Town of Eatonville, Florida

We have examined the Eatonville Community Redevelopment Agency (the "Agency"), a component unit of the Town of Eatonville, Florida, compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2020. Management of the Agency is responsible for the Agency's compliance with those requirements.

Our responsibility is to express an opinion on the Agency'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 Agency complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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 Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2020.

This report is intended solely for the information and use of the Florida Auditor General, the Agency's Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

L.F. Harris & Associates, CPA, P.A.

*L.F. Harris & Associates*

Orlando, Florida  
June 15, 2021



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
FLORIDA STATUTE SECTION 163.387 (6) and (7)**

Honorable Chairman and Board of Directors  
Eatonville Community Redevelopment Agency  
Town of Eatonville, Florida

We were engaged to examine Eatonville Community Redevelopment Agency's (the "Agency") compliance with Section 163.387 (6) and (7), Florida Statutes as of and for the year ended September 30, 2020, as required by Section 10.556 (10)(a) *Rules of the Auditor General*. Management is responsible for the Agency's compliance with those requirements.

Our responsibility is to express an opinion on the Agency's compliance based on conducting an examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Because of the matter described below, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion.

**Basis for Disclaimer of Opinion**

The Agency's introduction of a new financial reporting system during May 2020 resulted in numerous errors in account balances and activity. As of the date of this report, management was still in the process of rectifying the system deficiencies and correcting errors. As a result, we were unable to complete our procedures and thus determine the Agency's compliance.

This report is intended solely for the information and use of the Florida Auditor General, the Agency's Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

L.F. Harris & Associates, CPA, P.A.

*L.F. Harris & Associates*

Orlando, Florida  
June 15, 2021

**2020-001 Segregation of Duties**

**Criteria:** Adequate controls should be in place to allow management or personnel, o=in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The internal control environment should include adequate segregation of duties within significant processes.

**Condition:** Currently, there is not adequate segregation of duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

**Cause:** The staffing levels at the agency are not sufficient for adequate segregation of duties in all areas.

**Effect:** Incompatible duties are not adequately separated. The result is that intentional or unintentional errors could be made and not be detected.

**Recommendation:** Transactions should be reviewed and approved by someone other than the person creating the transaction. We recommend that management setup a review process for bank reconciliations and establishes a deadline for the completion of bank reconciliations each month. Journal entries made in the accounting system are not being reviewed and approved. We recommend that an individual other than the person preparing and making the entry review and approve it as it was posted in the system.

**2020-002: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

**Criteria:** A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles ('GAAP'). The agency's internal controls and financial reporting systems should produce accurate , timely and reliable financial information in arrordance with GAAP

**Condition:** The internal control structure of the Agency has focused primarily on the objective of effectiveness and efficiency of operations (i.e., performance and mission goals). However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. As a result, material adjustments were required to be made to the accounting records subsequent to the start of the audit process.

**Cause:** The agency changed accounting systems midyear and encountered transition issues.

**Effect:** Various audit adjustments were required to correct account balances due to misclassifications in the original posting, reversal of prior years entries, incorrect or missing account balances.

**Recommendation:** The agency's controls should included periodic reconciliations of significant account balances, includig full accrual-based reconciliations at fiscal year end to ensure all amounts have been appropriately recorded and budgeted. Obtain the services of a consultant to assist with the implemnation of the new software systems. The agency's staff should be provided with additional training in the prepaion of goevrnmental financial statements.