

Town of Esto
Financial Statements
September 30, 2020

Town of Esto

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To the Mayor and Town Council of
The Town of Esto, 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 and each major fund of the Town of Esto as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Esto'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 and each major fund of the Town of Esto, as of September 30, 2020, 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 Town of Esto 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 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 Town of Esto'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 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 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 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 Town of Esto'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 Town of Esto'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 on pages 3-8 and 25 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023, on our consideration of the Town of Esto'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 Town of Esto'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 Town of Esto's internal control over financial reporting and compliance.



Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
June 6, 2023

Management's Discussion and Analysis

The Town of Esto's (the "Town") discussion and analysis is a narrative overview designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (revealing the ability to address future challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Town for the fiscal years ended September 30, 2020. Please consider the information in this MD&A in conjunction with the transmittal letter at the front of this report and the Town's financial statements.

Financial Highlights

The Town of Esto received grant funding for system improvements and road work.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town'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 an overview of the Town's finances, in a manner to resemble private-sector business. In these statements, all governmental and business-type activities are consolidated into columns, which are added to a total for the Town or primary government.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information focused on both gross and net costs and shows how the Town's net position changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (business-type activities). The governmental activities of the Town include general government, public safety, streets and highways, culture, and recreation. The business-type activities of the Town reflect private sector type operations (water sales).

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. This focus is on major funds, rather than (the previous model's statements prior to implementation of GASB 34 in fiscal year 2003) fund types. 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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types.

The fund financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. 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 financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental major fund is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources.

The Town maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Town maintains one proprietary fund for water services. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the business-type fund financial statements is the same as the business-type column on the government-wide financial statement, the governmental major funds total column requires a reconciliation because of the difference measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect debt proceeds and inter-fund transfers as other financial sources as well as capital expenditures and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column (in the government-wide statements).

Notes to the Financial Statements. The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Town's net position increased by \$670,685 during the audit period. Management will continue to monitor net position because the variance is a useful indicator of the Town's financial position.

The following table reflects the condensed Statement of Net Position compared to prior year.

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 195,283	\$ 227,485	\$ 32,177	\$ 30,340	\$ 227,460	\$ 257,825
Capital assets	1,154,291	830,158	1,931,079	1,528,686	3,085,370	2,358,844
Total assets	1,349,574	1,057,643	1,963,256	1,559,026	3,312,830	2,616,669
Current liabilities	35,176	23,520	27,855	39,367	63,031	62,887
Long-term liabilities	74,346	44,586	38,271	42,699	112,617	87,285
Total liabilities	109,522	68,106	66,126	82,066	175,648	150,172
Net assets:						
Investment in capital	1,142,951	810,572	1,892,808	1,485,987	3,035,759	2,296,559
Restricted	-	-	11,185	10,810	11,185	10,810
Unrestricted	97,101	178,965	(6,863)	(19,837)	90,238	159,128
Total net assets	\$ 1,240,052	\$ 989,537	\$ 1,897,130	\$ 1,476,960	\$ 3,137,182	\$ 2,466,497

By far the largest portion of the Town's net position reflects the total investment in capital assets (e.g. land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens. These assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

Normal Impacts Affecting the Statement of Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net position and increase invested in capital assets, net of debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase invested in capital assets, net of debt.

Reduction of Capital Assets Through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

The government’s net position increased by \$670,685 during the current fiscal year. This increase resulted primarily from capital grants.

While the results of operations is a significant measure of the Town’s activities, the explanation of changes in unrestricted net position provides a clear measure of change in the Town’s financial position.

Capital Asset and Debt Administration

Capital Assets. The Town’s investment in capital assets for its governmental and business-type activities as of year-end are given in the table below. This investment in capital assets includes land, buildings, infrastructure, water system, and equipment.

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 117,762	\$ 57,762	\$ 1,250	\$ 1,250	\$ 119,012	\$ 59,012
Buildings	418,961	358,873	-	-	418,961	358,873
Water system	-	-	2,130,939	2,130,939	2,130,939	2,130,939
CIP	-	-	447,761	-	447,761	-
Infrastructure	512,051	233,373	-	-	512,051	233,373
Equipment	683,462	683,462	11,094	11,094	694,556	694,556
	<u>\$ 1,732,236</u>	<u>\$ 1,333,470</u>	<u>\$ 2,591,044</u>	<u>\$ 2,143,283</u>	<u>\$ 4,323,280</u>	<u>\$ 3,476,753</u>

Debt Outstanding

As of fiscal year ends, the Town’s outstanding debt was as follows:

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
Notes payable	<u>\$ 74,346</u>	<u>\$ 44,586</u>	<u>\$ 38,271</u>	<u>\$ 42,699</u>	<u>\$ 112,617</u>	<u>\$ 87,285</u>

Statement of Activities

The following schedule compares the revenues and expenses for the current and previous year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
2020			
Revenues:			
Charges for services	\$ 1,121	\$ 62,176	\$ 63,297
Operating grants	31,869	-	31,869
Capital grants	363,289	447,761	811,050
General revenue:			
Taxes	73,763	-	73,763
Interest and licenses	2,190	-	2,190
Miscellaneous	6,755	-	6,755
Expenses:			
Governmental activities:			
General government	108,305	-	108,305
Mayor and council	3,750	-	3,750
Public safety	28,361	-	28,361
Highways and streets	7,866	-	7,866
Cultural and recreation	111	-	111
Depreciation	74,634	45,369	120,003
Interest	3,169	-	3,169
Business-type activities:			
Water department	-	46,674	46,674
Transfers	(2,276)	2,276	-
Net change	<u>\$ 250,515</u>	<u>\$ 420,170</u>	<u>\$ 670,685</u>
2019			
Revenues:			
Charges for services	\$ 8,880	\$ 56,626	\$ 65,506
Operating grants	28,420	17,304	45,724
Capital grants	93,815	-	93,815
General revenue:			
Taxes	89,531	-	89,531
Interest and licenses	2,136	-	2,136
Miscellaneous	111,714	-	111,714
Expenses:			
Governmental activities:			
General government	26,730	-	26,730
Public safety	51,110	-	51,110
Highways and streets	30,024	-	30,024
Cultural and recreation	33,061	-	33,061
Depreciation	60,301	44,232	104,533
Interest	1,102	-	1,102

Business-type activities:

Water department	-	80,711	80,711
Transfers	1,243	(1,243)	-
Net change	<u>\$ 133,411</u>	<u>\$ (52,256)</u>	<u>\$ 81,155</u>

Business-type activities increased the Town's net position a total of \$420,170 during the audit period.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$160,107. Of this total fund balance, \$160,107 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$143,037, while total fund balance was also \$143,037. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. This is very useful in assessing the Town'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 Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Economic Factors

The Town relies on taxes (sales, property, gasoline, franchise, etc.) and fees (licenses, permits, etc.) for its governmental activities. The primary source of revenue is state revenue sharing. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both state and federal governments.

In the business-type and certain governmental activities (water fees), the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services have a direct bearing on the Town's ability to (a) annex additional land into its corporate limits and (b) encourage development to choose to be located in the Town's jurisdiction

Financial Information Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, contact the Town Clerk at 3312 2nd Avenue South, Esto, Florida.

Town of Esto
Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 162,322	\$ 1,729	\$ 164,051
Accounts receivable	-	5,998	5,998
Grant receivable	-	14,164	14,164
Due from other governments	7,467	-	7,467
Other receivables	25,494	-	25,494
Noncurrent restricted assets	-	10,286	10,286
Capital assets			
Land	117,762	1,250	119,012
Buildings and improvements	143,131	-	143,131
Water system	-	2,130,939	2,130,939
Improvements	275,830	-	275,830
Infrastructure	512,051	-	512,051
Machinery and equipment	683,462	11,094	694,556
Construction in progress	-	447,761	447,761
Accumulated depreciation	(577,945)	(659,965)	(1,237,910)
Total capital assets	<u>1,154,291</u>	<u>1,931,079</u>	<u>3,085,370</u>
Total Assets	<u>1,349,574</u>	<u>1,963,256</u>	<u>3,312,830</u>
Liabilities			
Accounts payable and accrued expenses	34,549	16,210	50,759
Customer deposits	-	11,185	11,185
Payroll liabilities	627	460	1,087
Short-term obligation	-	-	-
Long-term liabilities			
Portion due or payable within one year			
Notes payable	5,856	4,563	10,419
Portion due or payable after one year			
Notes payable	68,490	33,708	102,198
Total Liabilities	<u>109,522</u>	<u>66,126</u>	<u>175,648</u>
Net Position			
Net investment in capital assets	1,142,951	1,892,808	3,035,759
Restricted for:			
Customer deposits	-	11,185	11,185
Unrestricted	97,101	(6,863)	90,238
Total Net Position	<u>\$ 1,240,052</u>	<u>\$ 1,897,130</u>	<u>\$ 3,137,182</u>

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Activities
September 30, 2020

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 182,939	\$ 5	\$ 31,869	\$ 363,289	\$ 212,224	\$ -	\$ 212,224
Mayor and council	3,750	-	-	-	(3,750)	-	(3,750)
Public safety	28,361	1,116	-	-	(27,245)	-	(27,245)
Highways and streets	7,866	-	-	-	(7,866)	-	(7,866)
Cultural and recreation	111	-	-	-	(111)	-	(111)
Interest and fiscal charges	3,169	-	-	-	(3,169)	-	(3,169)
Total governmental activities	226,196	1,121	31,869	363,289	170,083		170,083
Business-type:							
Water	92,043	62,176	-	447,761	-	417,894	417,894
Total business-type activities	92,043	62,176	-	447,761	-	417,894	417,894
Total Town of Esto	\$ 318,239	\$ 63,297	\$ 31,869	\$ 811,050	170,083	417,894	587,977
General revenues:							
Property taxes					9,874	-	9,874
Franchise and public service taxes					17,350	-	17,350
Other taxes					46,539	-	46,539
Interest income					2,190	-	2,190
Miscellaneous					6,755	-	6,755
Transfers					(2,276)	2,276	-
Total general revenues and transfers					80,432	2,276	82,708
Change in net position					250,515	420,170	670,685
Net position - beginning					989,537	1,476,960	2,466,497
Net position - ending					\$ 1,240,052	\$ 1,897,130	\$ 3,137,182

See accompanying notes and independent auditors' report.

**Town of Esto
Balance Sheet
September 30, 2020**

	General	Volunteer Fire Department	Capital Improvement	Recreation Center	Total
Assets					
Cash	\$ 143,369	\$ 7,283	\$ 11,653	\$ 17	\$ 162,322
Investments	-	-	-	-	-
Due from other governments	7,467	-	-	-	7,467
Other receivables	25,494	-	-	-	25,494
Total assets	<u>\$ 176,330</u>	<u>\$ 7,283</u>	<u>\$ 11,653</u>	<u>\$ 17</u>	<u>\$ 195,283</u>
Liabilities					
Accounts payable and accrued expenses	\$ 32,666	\$ 1,883	\$ -	\$ -	\$ 34,549
Payroll liabilities	627	-	-	-	627
Short-term obligation	-	-	-	-	-
Total liabilities	<u>33,293</u>	<u>1,883</u>	<u>-</u>	<u>-</u>	<u>35,176</u>
Fund Balances					
Assigned	-	-	-	-	-
Unassigned	143,037	5,400	11,653	17	160,107
Total Liabilities and Fund Balances	<u>\$ 176,330</u>	<u>\$ 7,283</u>	<u>\$ 11,653</u>	<u>\$ 17</u>	<u>\$ 195,283</u>

See accompanying notes and independent auditors' report.

Town of Esto
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
September 30, 2020

Total Fund Balance for Governmental Funds		\$ 160,107
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	\$ 117,762	
Buildings and improvements	143,131	
Improvements	275,830	
Infrastructure	512,051	
Machinery and equipment	683,462	
Accumulated depreciation	<u>(577,945)</u>	1,154,291
<p>Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances as of year end are:</p>		
Note Payable	(15,873)	
Note Payable	<u>(58,473)</u>	<u>(74,346)</u>
Total Net Position of Governmental Activities		<u><u>1,240,052</u></u>

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Funds
September 30, 2020

	General	Volunteer Fire Department	Capital Improvement	Recreation Center	Total
Revenues					
Taxes	\$ 73,763	\$ -	\$ -	\$ -	\$ 73,763
Licenses and permits	-	-	-	-	-
Charges for services	5	1,116	-	-	1,121
Grants	338,350	24,939	-	-	363,289
Interest income	2,190	-	-	-	2,190
Intergovernmental revenue	24,619	7,250	-	-	31,869
Miscellaneous income	2,055	4,700	-	-	6,755
	<u>440,982</u>	<u>38,005</u>	<u>-</u>	<u>-</u>	<u>478,987</u>
Expenditures					
Current:					
General government	106,274	-	2,031	-	108,305
Mayor and council	3,750	-	-	-	3,750
Public safety	-	28,361	-	-	28,361
Highways and streets	7,866	-	-	-	7,866
Cultural and recreation	-	-	-	111	111
Capital outlay	338,766	-	60,000	-	398,766
Debt service:					
Principal payments	208,713	-	1,627	-	210,340
Interest and fiscal charges	1,066	-	2,103	-	3,169
	<u>666,435</u>	<u>28,361</u>	<u>65,761</u>	<u>111</u>	<u>760,668</u>
Excess of Expenditures Over Revenues	(225,453)	9,644	(65,761)	(111)	(281,681)
Other Financing Sources					
Proceeds from long-term debt	-	-	60,100	-	60,100
Proceeds from short-term debt	180,000	-	-	-	180,000
Transfers	54,667	4,840	(61,086)	(697)	(2,276)
Total other financing sources	<u>234,667</u>	<u>4,840</u>	<u>(986)</u>	<u>(697)</u>	<u>237,824</u>
Net Change in Fund Balance	9,214	14,484	(66,747)	(808)	(43,857)
Fund Balance - Beginning	<u>133,823</u>	<u>(9,084)</u>	<u>78,400</u>	<u>825</u>	<u>203,964</u>
Fund Balance - Ending	<u>\$ 143,037</u>	<u>\$ 5,400</u>	<u>\$ 11,653</u>	<u>\$ 17</u>	<u>\$ 160,107</u>

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Net Position - Proprietary Fund
September 30, 2020

Assets	
Current Assets	
Cash	\$ 1,729
Accounts receivable	5,998
Grant receivable	14,164
Total Current Assets	21,891
Non-Current Assets	
Restricted cash	10,286
Capital assets	
Land	1,250
Water system	2,130,939
Machinery and equipment	11,094
Construction in progress	447,761
Accumulated depreciation	(659,965)
Total Non-Current Assets	1,941,365
Total Assets	1,963,256
Liabilities	
Current Liabilities	
Accounts payable	16,210
Payroll liabilities	460
Current portion of long-term debt	4,563
Total Current Liabilities	21,233
Noncurrent Liabilities	
Notes payable, less current portion	33,708
Customer deposits	11,185
Total Non-Current Liabilities	44,893
Total Liabilities	66,126
Net Position	
Net investment in capital assets	1,892,808
Restricted for:	
Customer deposits	11,185
Unrestricted	(6,863)
Total Net Position	\$ 1,897,130

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
September 30, 2020

Operating Revenues	
Charges for services	\$ 62,176
Other income	-
	62,176
Operating Expenses	
Advertising	1,255
Chemicals	868
Fuel	1,481
Insurance	100
Lab testing	1,265
Miscellaneous	1,782
Office expenses	1,932
Payroll taxes	987
Postage	430
Professional fees	444
Repairs and maintenance	5,914
Salaries	11,995
Small tools and supplies	121
Utility service expense	10,879
Water operator	6,000
Depreciation	45,369
Total Operating Expenses	90,822
Operating Loss	(28,646)
Non-Operating Revenue (Expense)	
Grant revenue	447,761
Interest expense	(1,221)
	446,540
Total Non-Operating Revenue (Expense)	446,540
Income before transfers	417,894
Tranfers	2,276
	420,170
Change in Net Position	420,170
Net Position - Beginning	1,476,960
Net Position - Ending	\$ 1,897,130

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Cash Flows - Proprietary Fund
September 30, 2020

Cash Flows From Operating Activities	
Receipts from customers	\$ 58,763
Payments to suppliers/vendors	(40,499)
Payments to employees	(17,535)
Net Cash Provided by Operating Activities	729
Cash Flows From Capital and Related Financing Activities	
Intergovernmental grant revenue	450,901
Principal payments on long-term debt	(4,428)
Acquisitions of capital assets	(447,761)
Net Cash Used by Non-Capital Financing Activities	(1,288)
Cash Flows From Non-Capital Financing Activities	
Intergovernmental revenues	-
Transfers	2,276
Net Cash Provided by Non-Capital Financing Activities	2,276
Net Decrease in Cash and Cash Equivalents	1,717
Beginning Balance	12
Ending Balance	\$ 1,729
Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities:	
Operating Loss	\$ (28,646)
<i>Adjustments to Reconcile Operating Loss to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Depreciation expense	45,369
Change in Assets and Liabilities:	
Accounts receivable	(3,788)
Accounts payable	(13,041)
Payroll liabilities	460
Customer deposits	375
Net Cash Provided By Operating Activities:	\$ 729

See accompanying notes and independent auditors' report.

Town of Esto
Notes to Financial Statements
September 30, 2020

Note A – Summary of Significant Accounting Policies

The Town of Esto (the “Town”) was incorporated in 1963 under the provisions of the State of Florida. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, street maintenance, water and sewer services, public improvements, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity – Basis of Presentation

The accompanying financial statements present the activities of the Town.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investments earnings, result from non-exchange transactions or ancillary activities.

Town of Esto
Notes to Financial Statements
September 30, 2020

The Town reports the following major governmental fund:

General Fund: This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, if the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, excise taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The Town considers cash and cash equivalents in proprietary funds to be cash on hand, certificates of deposit, and demand deposits.

Town of Esto
Notes to Financial Statements
September 30, 2020

Capital Assets and Depreciation

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Some of the Town's general infrastructure, namely roads and bridges, are not reflected in the accompanying financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-50
Equipment	5-20
Improvements	25-50
Water system	40-50

Compensated Absences

It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the Town's service. In governmental and proprietary funds, the cost of vacation leave is recognized when earned.

Town of Esto
Notes to Financial Statements
September 30, 2020

Note B – Capital Assets

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental Activities				
Non-Depreciated Assets:				
Land	\$ 57,762	\$ 60,000	\$ -	\$ 117,762
Depreciated Assets:				
Buildings	83,043	60,088	-	143,131
Infrastructure	233,373	278,678	-	512,051
Improvements	275,830	-	-	275,830
Equipment	683,462	-	-	683,462
	<u>1,275,708</u>	<u>338,766</u>	<u>-</u>	<u>1,614,474</u>
Accumulated Depreciation				
Buildings	57,466	3,356	-	60,822
Infrastructure	54,422	20,865	-	75,287
Improvements	157,523	7,802	-	165,325
Equipment	233,900	42,611	-	276,511
	<u>503,311</u>	<u>74,634</u>	<u>-</u>	<u>577,945</u>
Net Depreciated Assets	<u>772,397</u>	<u>264,132</u>	<u>-</u>	<u>1,036,529</u>
Total - Governmental Assets	<u>\$ 830,159</u>	<u>\$ 324,132</u>	<u>\$ -</u>	<u>\$ 1,154,291</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-Type Activities				
Non-Depreciated Assets:				
Land	\$ 1,250	\$ -	\$ -	\$ 1,250
Construction in progress	-	447,761	-	447,761
Depreciated Assets:				
Water system	2,130,939	-	-	2,130,939
Equipment	11,094	-	-	11,094
	<u>2,142,033</u>	<u>-</u>	<u>-</u>	<u>2,142,033</u>
Accumulated Depreciation				
Water system	603,802	45,369	-	649,171
Equipment	10,794	-	-	10,794
	<u>614,596</u>	<u>45,369</u>	<u>-</u>	<u>659,965</u>
Net Depreciated Assets	<u>1,527,437</u>	<u>(45,369)</u>	<u>-</u>	<u>1,482,068</u>
Total - Business-Type Assets	<u>\$ 1,528,687</u>	<u>\$ 402,392</u>	<u>\$ -</u>	<u>\$ 1,931,079</u>

Town of Esto
Notes to Financial Statements
September 30, 2020

Depreciation expense was charged to functions as follows:

General government	\$ 74,634
Water fund	\$ 45,369

Depreciation expense charged to separately identifiable business-type activities is evident on the face of the fund financial statements, and therefore is not included here.

Note C – Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note D – Long Term Obligations

The Town’s governmental activities had two outstanding obligations at year-end.

The “Tractor” lease bears interest at 2.99%. The lease is payable in 84 monthly payments of \$354 and is due December 15, 2024. The balance remaining on this lease at year-end was \$15,873.

The “Land” note, with Peoples Bank of Graceville, bears interest at 4.25%. The note is payable in 120 monthly installments of \$373 and is due November 15, 2039. The balance of this note at year end was \$58,473. The note is secured by real property.

Maturities of these obligations are as follows:

Fiscal Year Ending	Tractor Lease		Land Note	
	Principal	Interest	Principal	Interest
2021	\$ 3,826	\$ 422	\$ 2,030	\$ 2,446
2022	3,942	306	2,118	2,358
2023	4,061	187	2,210	2,266
2024	4,044	203	2,306	2,170
2025	-		2,406	2,070
Thereafter	-	-	47,403	16,012
	\$ 15,873	\$ 1,118	\$ 58,473	\$ 27,322

The Town’s business-type activity had one loan at year-end.

The “Well Rehab” note, with the National Rural Water Association, bears interest at 3.00%. The note is payable in 120 monthly payments of \$471 and is due April 1, 2028. The balance of this note at year-end was \$38,271.

Town of Esto
Notes to Financial Statements
September 30, 2020

Maturities of this obligation is as follows:

Fiscal Year Ending	Well Rehab	
	Principal	Interest
2021	\$ 4,563	\$ 1,086
2022	4,702	947
2023	4,845	804
2024	4,992	657
2025	5,144	505
2026	5,301	348
2027	5,462	187
2028	3,262	33
	\$ 38,271	\$ 4,567

Note E – Subsequent Events

In preparing these financial statements, the Town’s management has evaluated events and transactions for potential recognition or disclosure through June 6, 2023, the date the financial statements were available to be issued.

Town of Esto
Budgetary Comparison Schedule - Governmental Funds
For the Year Ended September 30, 2020

	Governmental Fund		
	Final Budget	Actual	Variance
Revenues			
Taxes	\$ 59,511	\$ 73,763	\$ 14,252
Licenses and permits	-	-	-
Charges for services	-	1,121	1,121
Grants	-	363,289	363,289
Interest income	-	2,190	2,190
Intergovernmental revenue	33,620	31,869	(1,751)
Miscellaneous income	6,300	6,755	455
Total Revenues	<u>99,431</u>	<u>478,987</u>	<u>379,556</u>
Expenditures			
Current:			
General government	70,991	108,305	(37,314)
Mayor and council	6,600	3,750	2,850
Public safety	8,250	28,361	(20,111)
Highways and streets	9,474	7,866	1,608
Cultural and recreation	-	111	(111)
Capital outlay	-	398,766	(398,766)
Debt service:			
Principal paid	4,116	210,340	(206,224)
Interest paid	-	3,169	(3,169)
	<u>99,431</u>	<u>760,668</u>	<u>(661,237)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(281,681)</u>	<u>(281,681)</u>
Other Financing Sources			
Proceeds from debt	-	240,100	240,100
Operating transfers in	-	(2,276)	(2,276)
	<u>-</u>	<u>237,824</u>	<u>237,824</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>(43,857)</u>	<u>(43,857)</u>
Fund Balances, Beginning of Year	<u>203,964</u>	<u>203,964</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 203,964</u>	<u>\$ 160,107</u>	<u>\$ (43,857)</u>

See accompanying notes and independent auditors' report.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Mayor and Town Council of
The Town of Esto, Florida

We have audited, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Esto, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Esto's basic financial statements, and have issued our report thereon dated June 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Esto's internal control over financial reporting (internal control) to determine the 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 Town of Esto's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Esto's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Esto'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 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 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 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.



Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
June 6, 2023



**Independent Accountants' Report on Compliance with Section 218.415,
Florida Statutes, *Local Government Investment Policies***

To the Honorable Mayor and Council of
The Town of Esto, Florida

We have examined the compliance of the Town of Esto with Section 218.415, Florida Statutes, for the year ended September 30, 2020. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town'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 Town complied with Section 218.415, Florida Statutes in all material respects. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, 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 Town's compliance with specified requirements.

In our opinion, the Town of Esto complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Ferguson, Sizemore & Associates

Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
June 6, 2023



Independent Auditors' Management Letter

To the Honorable Mayor and Council of
The Town of Esto, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Esto, Florida, as of and for the year ended September 30, 2020, and have issued our report thereon dated June 6, 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.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 6, 2023, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

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 significant findings and recommendations made in the preceding annual financial audit report. Prior year findings are as follows:
 - ✓ 2018-001 Lack of Segregation of Duties
 - There exists a significant lack of segregation of duties. This issue is the result of funding limitations that would ordinarily be required in order to add additional staff, and this issue remains an issue. However, in order to implement best practices, we would recommend the Town utilize the Mayor and Council members in enhanced roles of oversight in order to mitigate this problem. This can be accomplished through their active involvement in reviewing and approving processes and documentation throughout the receipts and disbursements functions of the Town.
 - ✓ 2018-002 Knowledge of Financial Statement Preparation
 - Members of the Town's management has lacked sufficient knowledge of financial statement preparation in the past. We believe, however, this issue has been eliminated from two actions taken by the Mayor and Council. First, one of the

current Council members is an Accountant with more than enough knowledge and experience in order to adequately take responsibility for the preparation of the financial statements. And, secondly, the Town has since engaged a Certified Public Accountant firm to prepare monthly financial statements as well as assist in the performance of certain tasks such as bank reconciliations, etc. Therefore, we believe this issue will be closed for the years ended September 30, 2023 and following.

- ✓ 2018-003 Timeliness of Audit Report Submission
 - The Town has failed to submit the required annual audit reports in a timely manner in several instances. We recommend the Town implement a policy requiring the engagement of an auditor as soon after year-end as possible in order to allow sufficient time for an audit to be conducted and an audit report be submitted on or before the June 30th deadline. We believe the Town has taken the necessary steps to allow for timely filing of the audit for the years ended June 30, 2023 and following.
- ✓ 2018-004 Approval Process of Bank Reconciliations
 - In the past, the Town has failed to prepare, in a timely manner, bank reconciliations and obtain Council approvals of those reconciliations. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely bank reconciliations. We would therefore recommend the Town implement a policy whereby all such bank reconciliations are reviewed by Town management on a monthly basis.
- ✓ 2018-005 Reconciliation of Customer Deposit Listing
 - In the past, the Town had failed to reconcile, in a timely manner, customer deposit listings with the general ledger. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely reconciliations of customer deposit listings with the general ledger. Therefore, we believe this issue will be closed in future years.
- ✓ 2018-006 Monthly Reviews of Disbursement Reports by the Council
 - In the past, the Town's management had failed to review disbursements reports, in a timely manner. The Town implemented a policy for such review to be performed at its regularly-scheduled Council meetings. Therefore, we believe this issue is closed.
- ✓ 2019-001 Reconciliation of the Accounts Receivable Listing
 - In the past, the Town had failed to reconcile, in a timely manner, accounts receivable listings with the general ledger. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely reconciliations of accounts receivable listings with the general ledger. Therefore, we believe this issue will be closed in future years.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting practices, and internal control.
 - ✓ 2018-001 Lack of Segregation of Duties (Repeat)
 - There exists a significant lack of segregation of duties. This issue is the result of funding limitations that would ordinarily be required in order to add additional staff, and this issue remains an issue. However, in order to implement best practices, we would recommend the Town utilize the Mayor and Council members in enhanced roles of oversight in order to mitigate this problem. This can be accomplished through their active involvement in reviewing and approving

processes and documentation throughout the receipts and disbursements functions of the Town.

- ✓ 2018-002 Knowledge of Financial Statement Preparation (Repeat)
 - Members of the Town’s management has lacked sufficient knowledge of financial statement preparation in the past. We believe, however, this issue has been eliminated from two actions taken by the Mayor and Council. First, one of the current Council members is an Accountant with more than enough knowledge and experience in order to adequately take responsibility for the preparation of the financial statements. And, secondly, the Town has since engaged a Certified Public Accountant firm to prepare monthly financial statements as well as assist in the performance of certain tasks such as bank reconciliations, etc. Therefore, we believe this issue will be closed for the years ended September 30, 2023 and following.
- ✓ 2018-003 Timeliness of Audit Report Submission (Repeat)
 - The Town has failed to submit the required annual audit reports in a timely manner in several instances. We recommend the Town implement a policy requiring the engagement of an auditor as soon after year-end as possible in order to allow sufficient time for an audit to be conducted and an audit report be submitted on or before the June 30th deadline. We believe the Town has taken the necessary steps to allow for timely filing of the audit for the years ended June 30, 2023 and following.
- ✓ 2018-004 Approval Process of Bank Reconciliations (Repeat)
 - In the past, the Town has failed to prepare, in a timely manner, bank reconciliations and obtain Council approvals of those reconciliations. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely bank reconciliations. We would therefore recommend the Town implement a policy whereby all such bank reconciliations are reviewed by Town management on a monthly basis.
- ✓ 2018-005 Reconciliation of Customer Deposit Listing (Repeat)
 - In the past, the Town had failed to reconcile, in a timely manner, customer deposit listings with the general ledger. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely reconciliations of customer deposit listings with the general ledger. Therefore, we believe this issue will be closed in future years.
- ✓ 2019-001 Reconciliation of the Accounts Receivable Listing (Repeat)
 - In the past, the Town had failed to reconcile, in a timely manner, accounts receivable listings with the general ledger. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely reconciliations of accounts receivable listings with the general ledger. Therefore, we believe this issue will be closed in future years.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that

would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Esto, Florida was established by an incorporating charter under the Florida Statutes. The Town of Esto, Florida has no component units.
- Section 10.554(1)(i)7.a, Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Esto, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b, Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Esto, Florida for the fiscal year ended September 30, 2020, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2020. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i)7.c and 10.556(7), Rules of the Auditor General, requires that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the Town of Esto, Florida and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
June 6, 2023



Town of Esto

"Gateway to the World's Most Beautiful Beaches"

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CORRECTIVE ACTION PLAN

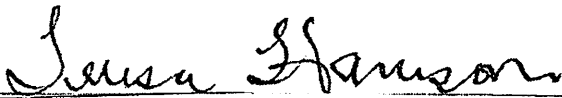
To the Auditor General
State of Florida
Tallahassee, Florida

Pursuant to the audit findings relevant to the audit of our financial statements as of and for the year ended September 30, 2020, we acknowledge the following (reference numbers relate to those listed in the 'Independent Auditor's Management Letter'):

- ✓ 2018-001 Lack of Segregation of Duties (Repeat)
 - There exists a significant lack of segregation of duties. This issue is the result of funding limitations that would ordinarily be required in order to add additional staff, and this issue remains an issue. However, in order to implement best practices, we have implemented a policy whereby the Council President and Council members will be utilized in enhanced roles of oversight. This will be accomplished through their active involvement in reviewing and approving processes and documentation throughout the receipts and disbursements functions of the Town.
- ✓ 2018-002 Knowledge of Financial Statement Preparation (Repeat)
 - Members of the Town's management has lacked sufficient knowledge of financial statement preparation in the past. We believe, however, this issue has been eliminated from two actions taken by the Council President and Council. First, one of the current Council members is a Certified Public Accountant with more than enough knowledge and experience in order to adequately take responsibility for the preparation of the financial statements. And, secondly, the Town has since engaged a Certified Public Accountant firm to prepare monthly financial statements as well as assist in the performance of certain tasks such as bank reconciliations, etc. Therefore, we believe this issue will be closed for the years ended September 30, 2023 and following.
- ✓ 2018-003 Timeliness of Audit Report Submission (Repeat)
 - The Town has failed to submit the required annual audit reports in a timely manner in several instances. We have implemented a policy requiring the engagement of an auditor as soon after year-end as possible in order to allow sufficient time for an audit to be conducted and an audit report be submitted on or before the June 30th deadline. We believe the Town has taken the necessary

steps to allow for timely filing of the audit for the years ended June 30, 2023 and following.

- ✓ 2018-004 Approval Process of Bank Reconciliations (Repeat)
 - In the past, the Town has failed to prepare, in a timely manner, bank reconciliations and obtain Council approvals of those reconciliations. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely bank reconciliations. We therefore believe Town has now implemented a policy whereby all such bank reconciliations will be reviewed by Town management on a monthly basis.
- ✓ 2018-005 Reconciliation of Customer Deposit Listing (Repeat)
 - In the past, the Town had failed to reconcile, in a timely manner, customer deposit listings with the general ledger. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely reconciliations of customer deposit listings with the general ledger. Therefore, we believe this issue will be closed in future years.
- ✓ 2019-001 Reconciliation of the Accounts Receivable Listing (Repeat)
 - In the past, the Town had failed to reconcile, in a timely manner, accounts receivable listings with the general ledger. The Town has since engaged a Certified Public Accounting firm to provide several bookkeeping functions, among which will be timely reconciliations of accounts receivable listings with the general ledger. Therefore, we believe this issue will be closed in future years.



Signed

Teresa Harrison

Council President of Esto, Florida