

TOWN OF CINCO BAYOU, FLORIDA

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

**TOWN OF CINCO BAYOU, FLORIDA
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Cinco Bayou, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Cinco Bayou, Florida (the Town), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town'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 and each major fund of the Town of Cinco Bayou, Florida, as of September 30, 2023, and the respective changes in financial position 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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 these 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' 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'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'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 management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, 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'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 Town's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
December 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Cinco Bayou, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities and deferred inflows of resources by \$3,494,132 (net position), which represents an increase of \$330,379 from the prior year. Of this amount, \$1,808,027 represents the Town's net investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment); \$517,597 is restricted for transportation, economic development and infrastructure projects; and \$1,168,508 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of September 30, 2023, the Town's governmental funds reported combined ending fund balances of \$1,716,017, which represents an increase of \$215,513 from the prior year; \$1,198,420 of ending fund balance, or 185.1% of governmental expenditures, is available for spending at the Town Council's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of these financial statements is on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year, government-to-government), and enhance the Town's accountability.

This discussion and analysis intends to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains a compliance section in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The statement of net position includes all of the Town's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the consumption of resources applicable to a future reporting period (deferred outflows of resources), and the obligations to the Town's creditors (liabilities) and the acquisition of resources applicable to a future period (deferred inflows of resources). Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Town.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-Wide Financial Statements – Continued

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 recover all or a significant portion of their costs through user fees and charges (business-type activities).

The Town currently does not have any business-type activities. The governmental activities of the Town primarily include transportation (road and street facilities), physical environment (general maintenance), and general government services. The government-wide financial statements are found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts 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. The Town only has governmental funds.

FUNDS

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 15-18 of this report are the basic governmental fund financial statements.

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 Town maintains two governmental funds (General Fund and CRA Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and CRA Fund.

The Town annually adopts appropriated budgets for its governmental funds. Budgetary comparison schedules are provided for the governmental funds to demonstrate compliance with the budgets.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 19 of this report are the notes to the financial statements.

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 Town, assets exceeded liabilities and deferred inflows of resources by \$3,494,132 (net position), at the end of the fiscal year, as reported in Table 1.

Approximately 51.7% of the Town's net position, or \$1,808,027, reflects its investment in capital assets (e.g., land, buildings, construction in progress, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. As of September 30, 2023, the Town has no outstanding debt relating to capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1
TOWN OF CINCO BAYOU, FLORIDA
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022

	Governmental Activities	
	2023	2022
Current and other assets	\$ 2,344,170	\$ 2,198,207
Capital assets	1,808,027	1,685,880
Total assets	4,152,197	3,884,087
Long-term liabilities outstanding	29,912	22,631
Other liabilities	167,766	236,844
Total liabilities	197,678	259,475
Total deferred inflows of resources	460,387	460,859
Net position		
Net investment in capital assets	1,808,027	1,685,880
Restricted	517,597	337,793
Unrestricted	1,168,508	1,140,080
Total net position	\$ 3,494,132	\$ 3,163,753

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net position by \$330,379. Reported in Table 2 are the key elements of this increase.

Table 2
TOWN OF CINCO BAYOU, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	Primary Government Total	
	2023	2022
REVENUES		
Program revenues		
Charges for services	\$ 57,544	\$ 59,026
Capital grants and contributions	186,202	7,298
General revenues		
Taxes	367,263	335,556
Franchise fees	66,535	67,844
Intergovernmental	141,329	176,957
Interest income	30,252	40,299
Lease income and other charges	10,412	23,634
Other revenue	3,297	804
TOTAL REVENUES	862,834	711,418
EXPENSES		
Primary government		
General government	317,987	297,521
Economic environment	24,205	22,344
Physical environment	47,589	45,389
Transportation	94,166	99,079
Culture and recreation	48,508	45,498
TOTAL EXPENSES	532,455	509,831
CHANGE IN NET POSITION	330,379	201,587
NET POSITION AT BEGINNING OF YEAR	3,163,753	2,962,166
NET POSITION AT END OF YEAR	\$ 3,494,132	\$ 3,163,753

FINANCIAL IMPACTS

Basic Impacts

There are seven basic impacts on revenues and expenses as reflected below:

Revenues

- **Economic Condition:** This can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- **Changing Patterns in Intergovernmental Revenue** (both recurring and nonrecurring): Certain recurring revenues (state revenue sharing) may experience significant changes periodically while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- **Market Impacts on Investment Income:** The current market conditions have a significant influence on the Town's investment income causing it to fluctuate greatly.

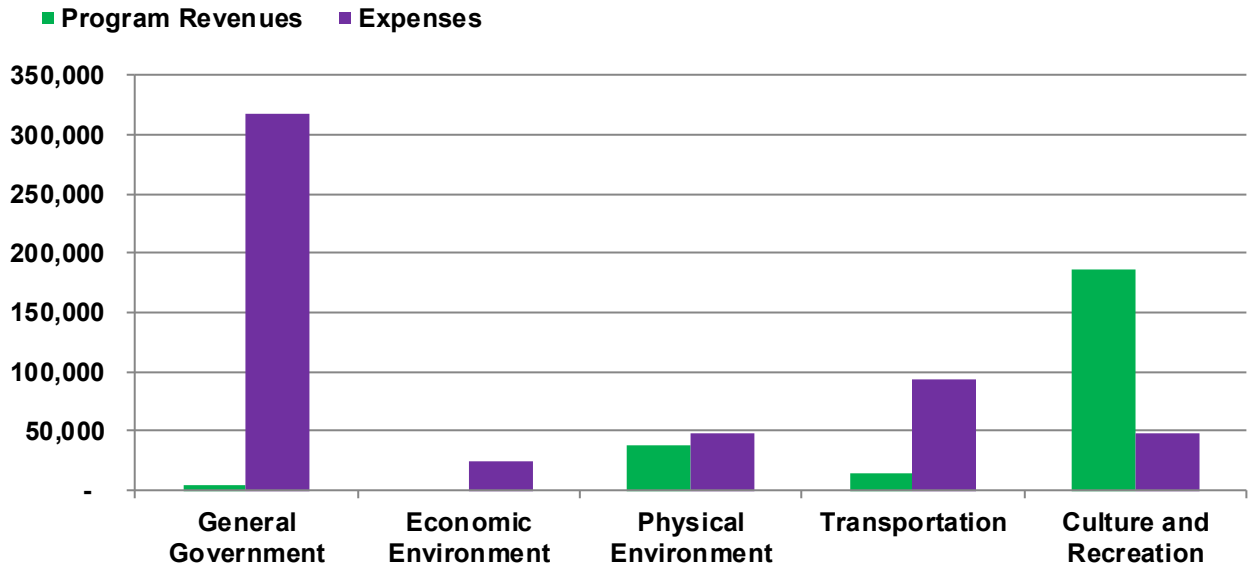
Expenses

- **Introduction of New Programs:** Within functional expense categories (police, public works, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- **Authorized Position Adjustments:** Changes in service demand may cause the Town Council to change authorized staffing. Staffing costs (salary and related benefits) represent approximately 31.8% of the Town's operating costs.
- **Salary Adjustments:** The ability to attract and retain human and intellectual resources requires the Town to strive to approach a competitive salary range position in the marketplace.
- **Inflation:** While overall inflation appears to be reasonably modest, the Town is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil and parts. Some fluctuations may experience commodity specific increases.

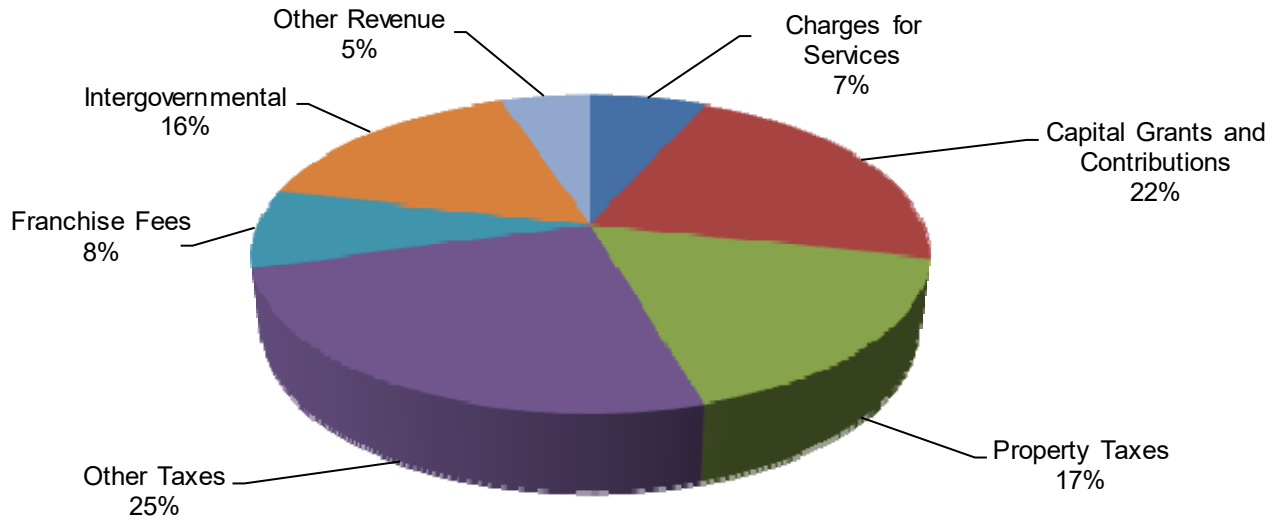
Current Year Impacts – Governmental Activities

- Capital grants and contributions increased by \$178,904, which is primarily attributable to state grant funding for restoration projects at Laguna Park and Frances Park that were completed during fiscal year 2023.
- Tax revenue increased by \$31,707, or 9.4%, which is primarily attributable to an increase in the taxable value of property assessments within the Town's boundaries.
- Intergovernmental revenue decreased by \$35,628, or 20.1%, which is primarily attributable to a decrease in revenues from local ordinance violations.
- General government expenditures increased by \$20,466, or 6.9%, which is primarily attributable to an increase in payroll and employee benefit costs.

**Chart 1
EXPENSES AND PROGRAM REVENUE
Governmental Activities**



**Chart 2
REVENUES BY SOURCE
Governmental Activities**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2023, the Town's governmental funds have combined ending fund balances of \$1,716,017, which represents an increase of \$215,513 from the prior year. The composition of governmental ending fund balances are as follows: \$354,222, or 20.6%, is restricted for economic development; \$37,690, or 2.2%, is restricted for transportation expenditures; \$125,685, or 7.3%, is restricted for infrastructure projects; \$233,878 or 13.6%, is assigned for a projected fiscal year 2024 budget deficit; and \$964,542, or 56.2% is unassigned, which is available for spending at the Town Council's discretion.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 151.1% of the total General Fund expenditures; or approximately 18 months of expenditures.

The fund balance in the General Fund increased by \$112,739, or 9.0%, during the fiscal year. The fund balance in the Community Redevelopment Agency Fund increased by \$102,774, or 40.9%, during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Intergovernmental revenues fell short of budgetary expectations by \$543,980, primarily due to delays in the commencement of a state funded grant project for park improvements.
- Culture and recreation expenditures fell short of budgetary expectations by \$73,738, which is primarily attributable to delays in tourist development tax (TDT) funded projects.
- Capital outlay expenditures fell short of budgeted appropriations by \$806,020, as the result of delays in planned capital projects funded by state grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of September 30, 2023, was \$1,808,027 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, etc. The Town's investment in capital assets increased by \$122,147, or 7.2%, during the current fiscal year, which is summarized in Table 3 below.

Table 3
TOWN OF CINCO BAYOU, FLORIDA
CAPITAL ASSETS
(Net of Depreciation)
AS OF SEPTEMBER 30, 2023 AND 2022

	Governmental Activities	
	2023	2022
Land	\$ 14,730	\$ 14,730
Construction in progress	93,500	7,298
Buildings	208,972	208,972
Improvements other than buildings	3,057,532	2,981,228
Machinery and equipment	72,513	45,069
Less accumulated depreciation	<u>(1,639,220)</u>	<u>(1,571,417)</u>
Total	<u>\$ 1,808,027</u>	<u>\$ 1,685,880</u>

Additional information on the capital assets of the Town can be found in Note 6 of this report.

Outstanding Debt

At the end of the current fiscal year, the Town had no outstanding debt.

The Town has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the Town is required to conduct a voter referendum process for approval of this type of debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

By constitution, the State of Florida does not have a state personal income tax, and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There is a limited number of state shared revenues and recurring and nonrecurring grants from both the state and federal government, which provide funding for specific programs, projects or activities. For certain governmental activities (e.g., permitting and recreational programs) the user pays a related fee or charge associated with the service.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – CONTINUED

The level of taxes, fees and charges for services (including development-related impact fees) has an impact on the Town's specific competitive ability to encourage development and redevelopment (office, retail, residential and industrial) for those businesses that choose to locate in our jurisdiction. As the Town has limited growth potential, it places great emphasis on redevelopment and it is essential for the continued financial and economic health of our community.

The military has a significant presence in our community with Eglin Air Force Base, Hurlburt Field, and Duke Field. These three installations collectively comprise the largest military base in the world, employing over 72,000 military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$22 billion annual impact on northwest Florida's economy, according to the *Florida Defense Industry Economic Impact Analysis*.

The Governor's Office of Trade, Tourism & Economic Development (OTTED) is positioned closely with the military commanders in Florida, which may aid in limiting future base realignment and closures from negatively affecting this area. This strong relationship with the commanders gives the Governor and the State early warning of support issues they contend with on a regular basis.

Regional economic indicators were also considered in preparing the budget for fiscal year 2023 for the Town:

- The local unemployment rate was 2.7%, which represents an increase of 0.4% from September 2022. The State of Florida's unemployment rate was 3.0%, which represents an increase of approximately 0.3% from September 2022. The unemployment rate will impact the Town's fee and usage-based revenues and shared portions of the State of Florida's usage-based taxes.
- The Florida Department of Revenue's Office of Tax Research has adjusted its estimates of tax distributions to the Town for fiscal year 2024. The published communications services tax distribution estimate is up by 1.0% over the prior year, the published discretionary sales surtax tax distribution estimate is up by 103.0% over the prior year, and the local option fuel tax distribution estimate is up by 7.3% compared to the prior year.
- Moderate increases in property tax revenues are anticipated by most regional municipalities. The Town's property tax revenues are expected to increase by 9.8% compared to the 2022 tax roll. This increase stems from a projected increase in the taxable value of the Town's assessed property, as the millage rate has not changed from the prior tax year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Cinco Bayou, 10 Yacht Club Drive, Cinco Bayou, Florida 32548. The Town's website address is www.cincobayou.com.

TOWN OF CINCO BAYOU, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,699,965
Receivables	10,339
Due from other governments	11,969
Restricted cash	163,375
Lease receivable, noncurrent	458,522
Capital assets	
Nondepreciable	108,230
Depreciable, net	1,699,797
TOTAL ASSETS	4,152,197
LIABILITIES	
Accounts payable	35,045
Accrued liabilities	3,341
Unearned revenue	129,380
Non-current liabilities	
Due in more than one year	
Compensated absences	29,912
TOTAL LIABILITIES	197,678
DEFERRED INFLOWS OF RESOURCES	460,387
NET POSITION	
Net investment in capital assets	1,808,027
Restricted	
Transportation	37,690
Economic development	354,222
Infrastructure projects	125,685
Unrestricted	1,168,508
TOTAL NET POSITION	\$ 3,494,132

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Function/Program Activities	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
General government	\$ 317,987	\$ 4,610	\$ -	\$ -	\$ (313,377)
Economic environment	24,205	-	-	-	(24,205)
Physical environment	47,589	38,034	-	-	(9,555)
Transportation	94,166	14,900	-	-	(79,266)
Culture and recreation	48,508	-	-	186,202	137,694
Total governmental activities	\$ 532,455	\$ 57,544	\$ -	\$ 186,202	(288,709)
General revenues					
Taxes					
Property taxes					148,043
Other taxes					107,541
Tax increments for redevelopment					111,679
Franchise fees					66,535
Intergovernmental					141,329
Interest income					30,252
Lease income and other charges					10,412
Miscellaneous					3,297
Total general revenues					619,088
CHANGE IN NET POSITION					330,379
NET POSITION AT BEGINNING OF YEAR					3,163,753
NET POSITION AT END OF YEAR					\$ 3,494,132

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2023**

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,328,248	\$ 371,717	\$ 1,699,965
Receivables	10,339	-	10,339
Due from other funds	17,495	-	17,495
Due from other governments	11,969	-	11,969
Restricted cash	163,375	-	163,375
Lease receivable	458,522	-	458,522
TOTAL ASSETS	<u>\$ 1,989,948</u>	<u>\$ 371,717</u>	<u>\$ 2,361,665</u>
LIABILITIES			
Accounts payable	\$ 35,045	\$ -	\$ 35,045
Accrued liabilities	3,341	-	3,341
Due to other funds	-	17,495	17,495
Unearned revenue	129,380	-	129,380
TOTAL LIABILITIES	<u>167,766</u>	<u>17,495</u>	<u>185,261</u>
DEFERRED INFLOWS OF RESOURCES	<u>460,387</u>	<u>-</u>	<u>460,387</u>
FUND BALANCE			
Restricted for:			
Transportation	37,690	-	37,690
Economic development	-	354,222	354,222
Infrastructure projects	125,685	-	125,685
Assigned – FY24 appropriations	233,878	-	233,878
Unassigned	964,542	-	964,542
Total fund balance	<u>1,361,795</u>	<u>354,222</u>	<u>1,716,017</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,989,948</u>	<u>\$ 371,717</u>	<u>\$ 2,361,665</u>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Fund balance, total governmental funds (page 15)		\$ 1,716,017
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental nondepreciable assets	108,230	
Governmental depreciable assets	3,339,017	
Less accumulated depreciation	<u>(1,639,220)</u>	1,808,027
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	<u>(29,912)</u>	<u>(29,912)</u>
Net position of governmental activities (page 13)		<u><u>\$ 3,494,132</u></u>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 255,584	\$ 48,777	\$ 304,361
Permits and fees	71,145	-	71,145
Intergovernmental	327,484	62,902	390,386
Charges for services	52,934	-	52,934
Fines	47	-	47
Miscellaneous	43,936	25	43,961
Total revenues	<u>751,130</u>	<u>111,704</u>	<u>862,834</u>
EXPENDITURES			
Current			
General government	296,299	-	296,299
Economic environment	-	8,930	8,930
Physical environment	45,630	-	45,630
Transportation	21,735	-	21,735
Culture and recreation	35,812	-	35,812
Capital outlay	238,915	-	238,915
Total expenditures	<u>638,391</u>	<u>8,930</u>	<u>647,321</u>
NET CHANGE IN FUND BALANCE	112,739	102,774	215,513
FUND BALANCE AT BEGINNING OF YEAR	<u>1,249,056</u>	<u>251,448</u>	<u>1,500,504</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 1,361,795</u></u>	<u><u>\$ 354,222</u></u>	<u><u>\$ 1,716,017</u></u>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balance – governmental funds (page 17)	\$	215,513
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives of the assets.

Expenditures for capital assets	238,915	
Less current year depreciation	<u>(116,768)</u>	
		122,147

Proceeds received from disposals of capital assets are shown as income in the governmental funds; and a gain or loss is reported in the statement of activities.

Disposals of capital assets	(48,965)	
Accumulated depreciation associated with disposals	<u>48,965</u>	
		-

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds.

Change in long-term compensated absences		<u>(7,281)</u>
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Change in net position of governmental activities (page 14)	\$	<u><u>330,379</u></u>
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See notes to the financial statements.

TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN

Description of Town

The Town of Cinco Bayou, Florida (the Town), was established and organized in its present form of government under the laws of the State of Florida on July 3, 1950. The Town operates under a council form of government and provides the following services: physical environment (waste removal), transportation (road and street facilities), human services (animal control), culture and recreation (parks) and general government services.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the Town:

The Reporting Entity

A five member Town Council and a Mayor govern the Town, each elected at-large for four-year terms. The Council has no powers other than those expressly vested in it by the Florida Statutes and the Town Charter, and its governmental powers cannot be delegated.

As required by U.S. GAAP, these financial statements present the Town (the primary government) and its blended component unit. In evaluating the Town as a reporting entity, management has considered all potential component units for which the Town may or may not be financially accountable and, as such, be included within the Town's financial statements. Management utilized criteria set forth by the GASB for determining financial accountability of potential component units in evaluating all potential component units. In accordance with the criteria, the Town is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization, or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2023, the Town had one component unit, which has been presented in the financial statements of the primary government using the blended presentation method and is presented as a special revenue fund with a fiscal year end of September 30. The Town of Cinco Bayou Community Redevelopment Agency (the CRA) was formed to prepare a community redevelopment plan for a designated geographic area within the Town of Cinco Bayou. All of the Town Council members serve as board members of the CRA. The CRA functions as a department of the Town, and Town management has operational and fiscal responsibility for the CRA's activities.

TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes and other intergovernmental revenues collected and held by the State at year end on behalf of the Town are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Measurement Focus and Basis of Accounting – Continued

The Okaloosa County Tax Collector bills and collects property taxes for the Town in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the property tax calendar:

Lien date	January 1st
Levy date	November 1st
Due date	November 1st
Delinquent date	April 1st

Discounts of 1% are granted for each month taxes are paid prior to March.

Revenue recognition criteria for property taxes under GASB guidance requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2023 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Basis of Presentation

The financial transactions of the Town are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Basis of Presentation – Continued

The Town reports the following major governmental funds:

General Fund – This is the Town's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Community Redevelopment Agency Fund – This fund is the operating fund of the Town of Cinco Bayou Community Redevelopment Agency (the CRA). It is used to account for the activities of the CRA. The primary revenue source for this fund is tax increment financing proceeds from ad valorem taxes.

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

Cash and Cash Equivalents

For financial reporting purposes, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less on the date of purchase to be cash equivalents. This includes cash on hand, demand deposits and short-term investments. The Town's cash deposits are held by financial institutions that are qualified as public depositories under the Florida Security for Public Deposits Act (Chapter 280, Florida Statutes). The Town's deposits are fully insured by the Public Deposits Trust Fund.

Deposits and Investments

The Town is authorized to invest and reinvest surplus public funds in its control or possession in accordance with Section 218.415, Florida Statutes, which expressly allows local governments to invest in the State of Florida Local Government Surplus Trust Fund; direct obligations of the United States government (or other obligations unconditionally guaranteed by the United States government); collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations; debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association; and securities of, or other interest in, certain investment companies or investment trusts, the portfolio of which is limited to United States government obligations or repurchase agreements fully collateralized by such obligations.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balance – Continued

Receivables and Payables – Continued

The Town’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Town may receive variable lease payments that are dependent upon the lessee’s revenue. These variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of lease receivable. Rather, those variable payments should be recognized as inflows of resources in the period to which those payments relate. However, any component of those variable payments that is fixed in substance should be included in the measurement of the lease receivable.

Capital Assets

Capital assets, which include land, buildings, improvements and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost more than the following:

Land		All
Buildings	\$	10,000
Improvements other than buildings	\$	10,000
Furniture and equipment	\$	1,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5-50 Years
Improvements other than buildings	20-50 Years
Furniture and equipment	5-10 Years

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balance – Continued

Unearned Revenue

Unearned revenues are reported in connection with resources that have been received but not yet earned. As of September 30, 2023, unearned revenue in the General Fund is comprised of unspent grant awards.

Compensated Absences

Employees accumulate earned but unused vacation and sick pay based on length of service to the Town. All vested vacation leave is accrued when incurred in the government-wide financial statements; however, sick leave is not accrued as it is not payable upon an employee's termination. A liability for the amounts of vacation leave is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Annual Leave – Employees with less than 12 months earn six and two-thirds hours of annual leave monthly; employees with 12 to 36 months earn ten hours per month; and employees with over 36 months earn thirteen and one-third hours per month. Employees are fully compensated for accumulated leave upon termination up to 160 hours.

Sick Leave – Employees accrue sick leave at a rate of eight hours per month, with a maximum accumulation of 240 hours. All accumulated sick leave is forfeited upon an employee's termination.

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 5 for additional information related to the Town's deferred inflows of resources.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balance – Continued

Classification of Fund Balance

The GASB guidance establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are comprised of the following:

- *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for the specific purposes determined by a formal action (an Ordinance) of the Town’s highest level of decision-making authority, the Town Council. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. Intent is expressed by 1) the Town Council, or 2) a body (e.g., a budget or finance committee) or official to which the Town Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- *Unassigned* – the residual classification for the General Fund includes all amounts not contained in the other classifications. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon a fund balance. A fund balance can have different levels of restraint, such as external versus internal compliance requirements.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. The net investment in capital assets represents net position related to property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted by state legislation. The Town considers restricted amounts to be spent first when both restricted and unrestricted resources are available.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Estimates

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

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balance or net position previously reported.

Subsequent Events

Management has evaluated events and transactions that occurred between September 30, 2023, through December 20, 2023, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual appropriated budgets are adopted by resolution on a basis consistent with U.S. GAAP. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year end are reported as restricted or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

3. CASH DEPOSITS

The investment of surplus funds is governed by the provisions of Section 218.415, Florida Statutes, as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. CASH DEPOSITS – CONTINUED

The Town manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security of public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public financial institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories.

As of September 30, 2023, the Town held deposits of \$1,862,398, consisting entirely of deposits with financial institutions in checking and money market deposit accounts. These deposits were fully covered by federal depository insurance coverage or pooled collateral held by the State Treasurer, and therefore, had no custodial credit risk.

4. RECEIVABLES

Receivables and amounts due from other governments as of September 30, 2023, were as follows:

	General Fund
<u>Receivables</u>	
Franchise fees and utility taxes	\$ 10,339
<u>Due from Other Governments</u>	
Due from City of Fort Walton Beach – fees and taxes	\$ 11,969
<u>Lease Receivable</u>	
Cell tower land lease	\$ 458,522

5. UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

Unearned revenues as of September 30, 2023, were as follows:

	General Fund
<u>Unearned Revenue</u>	
Federal grant proceeds received in advance of meeting eligibility requirements under the American Rescue Plan (ARP) Act	\$ 129,380

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

5. UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES – CONTINUED

As of September 30, 2023, the Town's deferred inflows of resources were as follows:

	General Fund
<u>Deferred Inflows</u>	
Business license taxes collected for subsequent fiscal year	\$ 1,865
Cell tower land lease, net of accumulated amortization	458,522
Total deferred inflows of resources	\$ 460,387

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14,730	\$ -	\$ -	\$ 14,730
Construction in progress	7,298	93,500	(7,298)	93,500
Total capital assets not being depreciated	22,028	93,500	(7,298)	108,230
Capital assets being depreciated				
Buildings	208,972	-	-	208,972
Improvements other than buildings	2,981,228	117,971	(41,667)	3,057,532
Furniture and equipment	45,069	27,444	-	72,513
Total capital assets being depreciated	3,235,269	145,415	(41,667)	3,339,017
Less accumulated depreciation				
Buildings	(194,974)	(787)	-	(195,761)
Improvements other than buildings	(1,345,886)	(103,098)	48,965	(1,400,019)
Furniture and equipment	(30,557)	(12,883)	-	(43,440)
Total accumulated depreciation	(1,571,417)	(116,768)	48,965	(1,639,220)
Total capital assets being depreciated, net	1,663,852	28,647	7,298	1,699,797
Governmental activities, net	\$ 1,685,880	\$ 122,147	\$ -	\$ 1,808,027

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. CHANGES IN CAPITAL ASSETS – CONTINUED

Depreciation expense for the year ended September 30, 2023, was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 14,407
Transportation	72,431
Physical environment	1,959
Economic environment	15,275
Culture and recreation	12,696
	<hr/>
Total depreciation expense – governmental activities	<u>\$ 116,768</u>

7. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC), Section 457 (the Plan). The Plan is a tax-deferred supplemental retirement program that allows Town employees to contribute a portion of their salary, before federal income taxes, to a retirement account. The Town matches employee contributions up to 4%. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. During the year ended September 30, 2023, the Town made contributions of \$6,068 to the Plan.

8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. These risks are covered by the Florida Municipal Insurance Trust and other commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. For commercial insurance, the amount of settlements have not exceeded the insurance coverage in each of the past three years.

9. LEASE AS LESSOR

The Town leases land to an unrelated party for a cellular communications tower. Effective October 2021, the Town implemented the provisions of GASB Statement No. 87, which established a single model for lease accounting based on the principle that leases are financings of the right to use an asset. This eliminated the operating vs. capital lease classifications. Under the provisions of GASB Statement No. 87, the Town is a lessor under a real property lease.

**TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. LEASE AS LESSOR – CONTINUED

The Town’s lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. The lease term is 40 years, with 21 years remaining, and the discount rate to calculate the present value of the lease payments is 6.6%. The total amount of inflows of resources recognized and reflected in the financial statements were as follows:

	General Fund
<u>Inflows of Resources – Leases</u>	
Lease revenue	\$ 488
Other percentage-driven charges	6,174
Interest revenue	30,113
Total inflows of resources – leases	\$ 36,775

10. LONG-TERM DEBT

Changes in Long-Term Debt

The following table summarizes changes in long-term debt of the Town for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 22,631	\$ 11,670	\$ (4,389)	\$ 29,912	\$ -
Total long-term debt	\$ 22,631	\$ 11,670	\$ (4,389)	\$ 29,912	\$ -

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
Governmental Activities			
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested, annual and sick leave for governmental fund types	\$ -	\$ 29,912	\$ 29,912
Total long-term debt	\$ -	\$ 29,912	\$ 29,912

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF CINCO BAYOU, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 260,092	\$ 260,092	\$ 255,584	\$ (4,508)
Permits and fees	61,650	61,650	71,145	9,495
Intergovernmental	871,464	871,464	327,484	(543,980)
Charges for services	53,900	53,900	52,934	(966)
Fines	100	100	47	(53)
Miscellaneous	39,831	39,831	43,936	4,105
Total revenues	<u>1,287,037</u>	<u>1,287,037</u>	<u>751,130</u>	<u>(535,907)</u>
EXPENDITURES				
Current				
General governmental services	331,084	331,084	296,299	34,785
Physical environment	51,640	51,640	45,630	6,010
Transportation	26,000	26,000	21,735	4,265
Human services	1,700	1,700	-	1,700
Culture and recreation	109,550	109,550	35,812	73,738
Capital outlay	1,044,935	1,044,935	238,915	806,020
Total expenditures	<u>1,564,909</u>	<u>1,564,909</u>	<u>638,391</u>	<u>926,518</u>
NET CHANGE IN FUND BALANCE	<u>(277,872)</u>	<u>(277,872)</u>	112,739	390,611
FUND BALANCE AT BEGINNING OF YEAR	<u>277,872</u>	<u>277,872</u>	<u>1,249,056</u>	<u>971,184</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,361,795</u>	<u>\$ 1,361,795</u>

See notes to the required supplementary information.

**TOWN OF CINCO BAYOU, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 48,777	\$ 48,777	\$ 48,777	\$ -
Intergovernmental	62,272	62,272	62,902	630
Miscellaneous	30	30	25	(5)
Total revenues	<u>111,079</u>	<u>111,079</u>	<u>111,704</u>	<u>625</u>
EXPENDITURES				
Current				
Economic environment	51,165	51,165	8,930	42,235
Capital outlay	<u>59,914</u>	<u>59,914</u>	-	<u>59,914</u>
Total expenditures	<u>111,079</u>	<u>111,079</u>	<u>8,930</u>	<u>102,149</u>
NET CHANGE IN FUND BALANCE	-	-	102,774	102,774
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>251,448</u>	<u>251,448</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,222</u>	<u>\$ 354,222</u>

See notes to the required supplementary information.

TOWN OF CINCO BAYOU, FLORIDA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. An appropriated budget is adopted for the General Fund and the Community Redevelopment Agency (CRA) Fund. The Town Council must approve any revisions to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the budgetary comparison schedules includes approved amendments to the originally adopted budget and are based on procedures required by Florida Statutes.

Budget workshops are held by the Town in which proposed budget information is reviewed and discussed. A newspaper of general circulation in the Town advertises the proposed budget. Public hearings are conducted for the purpose of hearing requests and complaints from the public. The final budget is adopted by ordinance. Any subsequent amendments must be enacted in the same manner as the original budget, except individual line-item transfers, which are approved by the Town Council. The legal level of budgetary control is at the fund level and budgets are adopted on a basis consistent with generally accepted accounting principles. All appropriations lapse at fiscal year-end.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the Town Council. All amendments to originally adopted amounts were made in a legally permissible manner.

COMPLIANCE SECTION

**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 Honorable Mayor and
Members of the Town Council
Town of Cinco Bayou, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and each major fund of the Town of Cinco Bayou, Florida (the Town), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on 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 or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Warren Averett, LLC

Fort Walton Beach, Florida
December 20, 2023

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION
OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor
Members of the Town Council
Town of Cinco Bayou, Florida

We have examined the Town of Cinco Bayou, Florida's (the Town), compliance with Section 218.415, Florida Statutes, in regard to investments for the fiscal year ended September 30, 2023.

Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements 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, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with 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.

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

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

In our opinion, the Town of Cinco Bayou, Florida complied, in all material respects, with the specified requirements listed above for the fiscal year ended September 30, 2023.

Warren Averett, LLC

Fort Walton Beach, Florida
December 20, 2023

MANAGEMENT LETTER

To the Honorable Mayor and
Members of the Town Council
Town of Cinco Bayou, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Cinco Bayou, Florida (the Town), as of and for the year ended September 30, 2023, and have issued our report thereon dated December 20, 2023.

Auditors' Responsibility

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

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*, and Independent Accountants' Report on an Examination of conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated December 20, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information can be found in Note 1 to the financial statements. The Town included the Town of Cinco Bayou Community Redevelopment Agency as a component unit in the accompanying financial statements. Information regarding the specific legal authority for the Town and its component unit can be found in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7)., *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8)., *Rules of the Auditor General*, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

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

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the Town of Cinco Bayou Community Redevelopment Agency (the CRA) reported:

- a) The total number of CRA employees compensated in the last pay period of the CRA's fiscal year as 0.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year as 0.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e) No construction projects with a total cost of at least \$65,000 approved by the CRA that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f) No budget variances or amendments based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported.

The specific information paragraph above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not 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 Town Council, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
December 20, 2023