

**CINCO BAYOU
COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of
Cinco Bayou, Florida)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2023

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cinco Bayou Community Redevelopment Agency

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Cinco Bayou Community Redevelopment Agency (the CRA), a component unit of the Town of Cinco Bayou, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CRA'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 the General Fund of the CRA, 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 CRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 auditors' 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 CRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the respective budgetary comparison for the General Fund, 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 CRA'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Warren Ancelet, LLC

Fort Walton Beach, Florida
December 20, 2023

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities by \$745,733 (net position), which represents an increase of \$87,499 from the prior year.
- The CRA's General Fund reported ending fund balance of \$354,222, which represents an increase of \$102,774 from the prior year. The ending fund balance in the General Fund is restricted for specific redevelopment projects in accordance with state statutes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

Designed to be corporate-like, the government-wide financial statements provide readers with a broad overview of the CRA's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared using the accrual basis of accounting.

The statement of net position presents information on all of the CRA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference among the components reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the CRA.

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

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The CRA's government-wide financial statements present functions of the CRA that are principally supported by tax increment revenues (governmental activities). The governmental activities of the CRA include general government activities and community redevelopment. The CRA has no business-type activities.

Governmental 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 CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The CRA utilizes one fund (General Fund) to account for redevelopment activities. The governmental fund financial statements are prepared using the modified accrual basis of accounting.

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

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 the governmental fund 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 11 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. The CRA's assets exceeded its liabilities by \$745,733, as reported in Table 1. The largest portion of the CRA's net position, \$391,511 (or 52.5%), reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, and equipment) less any related debt still outstanding that was used to acquire those assets. The CRA uses these capital assets to provide services to residents within the CRA's boundaries; consequently, these assets are not available for future spending. The remaining balance of \$354,222 is restricted for specific redevelopment projects as determined by the CRA's Board of Directors.

**CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**TABLE 1
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities	
	2023	2022
Current and other assets	\$ 371,717	\$ 265,244
Capital assets	391,511	406,786
Total assets	763,228	672,030
Current and other liabilities	17,495	13,796
Net position		
Net investment in capital assets	391,511	406,786
Restricted	354,222	251,448
Total net position	\$ 745,733	\$ 658,234

Reported in Table 2 are the key elements of the increase in net position for the current and prior fiscal year.

**TABLE 2
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities	
	2023	2022
REVENUES		
General revenues		
Tax increment for redevelopment	\$ 111,679	\$ 84,250
Investment earnings	25	21
TOTAL REVENUES	111,704	84,271
EXPENSES		
Economic environment	24,205	22,344
Increase in net position	87,499	61,927
NET POSITION, BEGINNING	658,234	596,307
NET POSITION, ENDING	\$ 745,733	\$ 658,234

**CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Current Year Impacts

Governmental activities increased the CRA's net position by \$87,499 for the fiscal year ended September 30, 2023. Key elements of this change are as follows:

- Tax increment revenues for redevelopment increased by \$27,429, or 32.6%, which is primarily attributable to an increase in the assessed value of taxable property within the CRA's boundaries.
- Economic environment expenses were consistent with the previous fiscal year.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

The focus of the CRA's governmental fund is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the CRA's financing requirements. Ending 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 CRA's governmental fund has a fund balance of \$354,222, an increase of \$102,774 from the prior year. The CRA's ending fund balance is fully restricted for specific redevelopment projects.

The increase in the CRA's fund balance is primarily attributable to an increase in incremental tax revenues, as the result of increases in taxable values of the underlying properties, and delays in planned capital expenditures.

BUDGETARY HIGHLIGHTS

A schedule showing the original budget, the final budget, the actual results and the variance from the final budget to the actual results is included for the General Fund on page 18 of the financial statements.

Actual results, when compared to the final budget, show a variance of \$102,149 for expenditures. This variance is primarily due to delays in the commencement of planned capital projects, which have been included in the CRA's adopted budget for fiscal year 2024.

CAPITAL ASSETS

The CRA's investment in capital assets as of September 30, 2023, was \$391,511 (net of accumulated depreciation). This represents a decrease of \$15,725, or 3.8%. Capital assets that are outdated, unserviceable, and no longer used are systematically disposed of on an annual basis. Table 3 highlights the overall changes in capital assets. Additional information on the CRA's capital assets can be found in Note 4 of this report on page 17.

**CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic indicators and factors that are useful for evaluating the framework within which the CRA operates are discussed below.

- The Consumer Price Index (CPI) is 4.2% higher than a year ago for the Southern Region. This indicator is a widely used gauge of inflation and translates into a lower cost of providing services to residents.
- Tax increment revenues are expected to increase by \$24,213, or 21.8%, for fiscal year 2024, which is primarily attributable to an increase in the assessed value of taxable real property in the CRA.

These financial metrics were considered in addition to other factors when adopting the CRA's budget for fiscal year 2024. The CRA's adopted budget for fiscal year 2024 is \$135,292, which is \$24,213 higher than the fiscal year 2023 final budget. The increase in budgeted appropriations is attributable to anticipated construction costs for the Troy Street improvement project.

REQUESTS FOR INFORMATION

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

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET
SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 371,717	\$ -	\$ 371,717
Capital assets			
Depreciable, net	-	391,511	391,511
TOTAL ASSETS	<u>371,717</u>	<u>391,511</u>	<u>763,228</u>
LIABILITIES			
Due to other governments	<u>17,495</u>	-	<u>17,495</u>
FUND BALANCE			
Restricted - redevelopment projects	<u>354,222</u>	<u>(354,222)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 371,717</u>		
NET POSITION			
Net investment in capital assets		391,511	391,511
Restricted - redevelopment projects		<u>354,222</u>	<u>354,222</u>
TOTAL NET POSITION		<u>\$ -</u>	<u>\$ 745,733</u>

See notes to the financial statements.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
General revenues:			
Tax increment revenues	\$ 111,679	\$ -	\$ 111,679
Investment earnings	25	-	25
Total revenues	<u>111,704</u>	<u>-</u>	<u>111,704</u>
EXPENSES / EXPENDITURES			
Current			
Economic environment	<u>8,930</u>	<u>15,275</u>	<u>24,205</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>102,774</u>	<u>(102,774)</u>	<u>-</u>
CHANGE IN NET POSITION		87,499	87,499
NET CHANGE IN FUND BALANCE	102,774		
FUND BALANCE / NET POSITION AT BEGINNING OF YEAR	<u>251,448</u>		<u>658,234</u>
FUND BALANCE / NET POSITION AT END OF YEAR	<u>\$ 354,222</u>		<u>\$ 745,733</u>

See notes to the financial statements.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Community Redevelopment Agency

The Cinco Bayou Community Redevelopment Agency (the CRA) was established in 2002 by the Town of Cinco Bayou, Florida (the Town) pursuant to Chapter 163 Part III, Florida Statutes (the Community Redevelopment Act). The specific and primary purpose for which the CRA was formed was to address deteriorating, blighted, and underperforming areas within the Town.

The Town Council serves as the Board of Directors of the CRA and has all rights, powers, duties, privileges, and immunities offered by the Community Redevelopment Act. The community redevelopment plan (the Plan) adopted by the Board of Directors identified five sub-districts within the CRA's boundaries. The Plan outlines unique objectives and strategies for each of the following sub-districts: 1) publicly owned property; 2) Eglin Parkway corridor; 3) commercial zoning areas; 4) mobile home park; and 5) Glenwood Park corridor.

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

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

The Reporting Entity

In evaluating the CRA as a reporting entity, management has considered all potential component units for which the CRA may or may not be financially accountable and, as such, be included within the CRA's financial statements. Management utilized criteria set forth in the GASB literature for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB guidance, the CRA (primary government) 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 CRA. 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 CRA had no component units required to be presented in the CRA's financial statements.

For financial reporting purposes, the CRA is a blended component unit of the primary government of the Town, and therefore, is included in the Town's financial statements as a special revenue fund.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the CRA 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 non-fiduciary activities of the CRA. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The CRA has no business-type activities.

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

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

The 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 CRA 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 recognized under the modified accrual basis of accounting when the fund liability is incurred.

The Okaloosa County Tax Collector bills and collects property taxes for the CRA 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 1st, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

The following is the current 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 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 CRA's financial records and accounts are maintained in accordance with the principles of "fund accounting," whereby resources are classified for accounting and reporting purposes into funds to ensure compliance with any special restrictions or limitations on the use of such resources. The financial transactions of the CRA are recorded in the General Fund.

The General Fund is currently the CRA's only governmental fund. It is the primary operating fund and is used to account for all financial resources of the CRA, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

For financial reporting purposes, the CRA 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 CRA'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 CRA's deposits are fully insured by the Public Deposits Trust Fund.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Deposits and Investments

The CRA 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.

Payables

Transactions with the Town are reflected as loans, services provided, or reimbursements. Loans from the Town outstanding at the end of the fiscal year are referred to as either "due to other governments" or "due from other governments".

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

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.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Capital Assets

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

Assets	Years
Buildings	5-50 Years
Improvements other than buildings	20-50 Years
Furniture and equipment	5-10 Years

Classification of Fund Balance

GASB guidance clarifies governmental fund balance classifications and fund type definitions. This statement 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 the 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 be changed or lifted only with the consent of resource providers.
- **Committed** - includes amounts that can only be used for specific purposes determined by a formal action of the CRA's highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the CRA taking the same formal action that imposed the constraint originally by the same level of decision-making authority (the Board of Directors).
- **Assigned** - comprises amounts intended to be used by the CRA for specific purposes that are neither restricted nor committed. Intent is expressed by the Board of Directors or a body or official to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes to the CRA Director.
- **Unassigned** - is the residual classification for the General Fund and includes all amounts not contained in other classifications. 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.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Net Position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and 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 CRA considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events

The CRA has evaluated events and transactions that occurred between September 30, 2023, and 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.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

3. CASH DEPOSITS – CONTINUED

The CRA 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 CRA held deposits of \$369,775, 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. CHANGES IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Improvements other than buildings	\$ 546,127	\$ -	\$ -	\$ 546,127
Less accumulated depreciation				
Improvements other than buildings	(139,341)	(15,275)	-	(154,616)
Capital assets, net	<u>\$ 406,786</u>	<u>\$ (15,275)</u>	<u>\$ -</u>	<u>\$ 391,511</u>

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

Governmental activities	
Economic environment	<u>\$ 15,275</u>

REQUIRED SUPPLEMENTARY INFORMATION

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the Town of Cinco Bayou, Florida)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget -
				Positive
				(Negative)
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	59,914	59,914	-	59,914
Total expenditures	<u>111,079</u>	<u>111,079</u>	<u>8,930</u>	<u>102,149</u>
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.

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the 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. 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 Board of Directors
Cinco Bayou Community Redevelopment Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and the General Fund of the Cinco Bayou Community Redevelopment Agency (the CRA), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CRA'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, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control.

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

Our consideration of internal control 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 CRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

Cinco Bayou Community Redevelopment Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the CRA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The CRA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

CINCO BAYOU COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Cinco Bayou, Florida)
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2023

FINDING 2023-001 – COMMUNITY REDEVELOPMENT PLAN REVIEW

Criteria

Chapter 163, Florida Statutes, requires that the community redevelopment plans be sufficiently detailed to include planned projects and uses of redevelopment trust fund moneys for those projects. The CRA plan must specifically identify any publicly funded capital projects to be undertaken with the community redevelopment area, and the amount to be expended on those projects.

Condition

The adopted CRA plan does not provide the degree of specificity of requirements mandated by Florida Statutes.

Cause

The CRA plan in effect as of September 30, 2023, was adopted in May 2002 and has not been updated to reflect changes in circumstances and conditions of the CRA. The CRA plan expressly states that it focuses primarily on the first five years of the plan's implementation and should be periodically reviewed and amended at least every five years.

Effect

The lack of periodic reviews and updates of the CRA plan combined with the lack of specificity regarding planned projects increases the risk that actual CRA expenditures may not be spent in accordance with Section 163.387(6), Florida Statutes.

Recommendation

We recommend that the CRA engage a contractor to assist management with reviewing and updating the CRA plan, in accordance with the timeline established in the originally adopted CRA plan.

Management's Response

Management is in agreement with the finding and plans to engage a contractor to assist with reviewing and updating the CRA plan.

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

Board of Directors
Cinco Bayou Community Redevelopment Agency

We have examined the Cinco Bayou Community Redevelopment Agency's (the CRA) compliance with the following requirements for the year ended September 30, 2023:

- 1) Section 218.415, Florida Statutes, in regard to investments, and
- 2) Section 163.387(6) and (7), Florida Statutes, in regard to community redevelopment agencies

Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CRA complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including the 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 of the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the specified requirements for the year ended September 30, 2023.

Warren Averett, LLC

Fort Walton Beach, Florida
December 20, 2023

MANAGEMENT LETTER

Board of Directors
Cinco Bayou Community Redevelopment Agency

Report on the Financial Statements

We have audited the financial statements of the Cinco Bayou Community Redevelopment Agency (the CRA), as of and for the fiscal 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 the Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination 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 annual financial audit report. There were no findings or recommendations made in the preceding annual 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. The official title and legal authority for the CRA has been disclosed in Note 1 to the financial statements. The CRA has no component units.

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 CRA 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 CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the CRA. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the 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, other than the items reported in the accompanying schedule of findings and responses, we did not have any such recommendations.

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 CRA reported has reported the required information in the Town of Cinco Bayou, Florida's audit report.

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 CRA Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Fort Walton Beach, Florida
December 20, 2023