



# ***RESTORE DIRECT COMPONENT***

***PROPOSER / SUBRECIPIENT  
QUESTIONNAIRE***

## RESTORE Direct Component Proposer / Subrecipient Questionnaire

Okaloosa County may at times, decide to engage the services of another entity to assist the county in carrying out projects under its federal or state financial assistance award. The County can do so by entering into a subrecipient or contractor (vendor) relationship. This document is intended to assist a Program Manager that is contemplating entering into a subaward agreement to pass-through federal or state financial assistance funds to a subrecipient. It describes the pre-award risk assessment that a Program Manager must conduct with respect to a subrecipient pursuant to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200 (the Uniform Guidance) prior to entering into a subaward agreement. Based on the results of the pre-award risk assessment, the Program Manager will enter into a subaward agreement that implements appropriate oversight and monitoring mechanisms to ensure that the subrecipient uses the funds for authorized purposes and in compliance with all applicable laws.

### Subrecipient vs. Contractor Determination

Because different rules govern the process by which the County selects a subrecipient or contractor and the level of oversight the Program Manager is required to perform, it is important to determine whether the party receiving the County's federal or state funds is a subrecipient or a contractor. The County must evaluate each agreement on a case-by-case basis, and the Uniform Guidance provides a list of factors that describe each relationship. The substance of the relationship, however, is determinative, and the County should use judgment in classifying each agreement as a subaward or procurement contract, as not all characteristics listed below will be present in every relationship.

A **subrecipient** is an entity that receives a subaward from a pass-through entity to carry out part of a federal or state program (but does not include an individual who is a beneficiary of the program). Factors suggesting that the entity is a **subrecipient** include:

- the entity determines who is eligible to receive what federal or state assistance;
- the entity's performance is measured in relation to whether objectives of a federal or state program were met;
- the entity has responsibility for programmatic decision making;
- the entity is responsible for adherence to applicable federal and state program requirements specified in the federal or state award; and
- in accordance with its agreement, the entity uses the federal or state funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.<sup>1</sup>

An example of a subrecipient: (i) an entity that provides supervised visitation of children in a safe environment; and (ii) a housing assistance program that provides financial assistance for qualified applicants. **If the County determines the entity to be a subrecipient, the County must conduct the pre-award risk assessment described in this tool prior to entering into a subaward agreement with the subrecipient.**

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<sup>1</sup> 2 C.F.R. §200.330(a), F.S. 215.97



A **contractor**, on the other hand, is an entity that is defined as a dealer, distributor, merchant or other seller providing goods or services that is required to carry out a project or program under a federal award.

Factors suggesting that an entity is a **contractor** for goods or services include:

- the entity provides the goods and services within normal business operations;
- the entity provides similar goods or services to many different purchasers;
- the entity normally operates in a competitive environment;
- the entity provides goods or services that are ancillary to the operation of the federal or state program; and
- the entity is not subject to compliance requirements of the federal or state program as a result of the agreement, though similar requirements may apply for other reasons.<sup>2</sup>

Common examples of contractors are entities or individuals providing design and maintenance services for a county's website or engineering design services. **If the County determines the entity to be a contractor, the County must follow its procurement procedures and policy to select the contractor.**

### **Pre-Award Risk Assessment**

To determine whether to make a subaward and the appropriate level of monitoring to undertake if an award is made, the Program Manager must first evaluate each subrecipient's risk of noncompliance with federal and/or state statutes, regulations, and the terms and conditions of the subaward.<sup>3</sup> In doing so, the Program Manager will need to consider factors such as: (i) the subrecipient's prior experience with the same or similar subawards; (ii) the results of previous audits; (iii) whether the subrecipient has new personnel or new or substantially changed systems; and (iv) if the subrecipient receives direct federal or state awards, the extent and results of the federal or state awarding agency's monitoring process.<sup>4</sup>

A pre-award risk assessment questionnaire based on the requirements of the Uniform Guidance, 2 C.F.R. § 200.331, is provided in **Exhibit A**. **All potential subrecipients must complete this questionnaire prior to entering into a subaward agreement.** This document will be maintained as part of the Subrecipient Monitoring file.

Based upon the results of the pre-award risk assessment, Program Managers should consider imposing specific subaward conditions upon a subrecipient, as appropriate.<sup>5</sup>

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<sup>2</sup> 2 C.F.R. §200.330(b), F.S. 215.97

<sup>3</sup> 2 C.F.R. §200.331(b).

<sup>4</sup> 2 C.F.R. §200.331(b).

<sup>5</sup> 2 C.F.R. §200.331(c).

These additional subaward conditions may include items such as the following:<sup>6</sup>

1. Requiring payments as reimbursements rather than advance payments;
2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3. Requiring additional, more detailed financial reports;
4. Requiring additional project monitoring;
5. Requiring the non-Federal entity to obtain technical or management assistance; or
6. Establishing additional prior approvals.

If the Program Manager imposes additional subaward conditions, it must notify the subrecipient as to:<sup>7</sup>

- The nature of the additional requirements;
- The reason why the additional requirements are being imposed;
- The nature of the action needed to remove the additional requirement, if applicable;
- The time allowed for completing the actions if applicable, and
- The method for requesting reconsideration of the additional requirements imposed.

Any specific conditions must be promptly removed once the conditions that prompted them have been corrected.<sup>8</sup>

### **Monitoring a Subrecipient**

At a minimum, all Program Managers subawarding federal or state financial assistance funds are required to conduct the following monitoring activities during their relationship with their subrecipients: (i) review financial and performance reports required under the subaward agreement; (ii) verify that an audit or other on-site review is being performed pursuant to the Uniform Guidance and that the subrecipient receives a Single Audit if expects to expend \$750,000 or more in federal awards during its fiscal year; or if state financial assistance in accordance with Florida Single Audit Act if expects to expend \$500,000 or more (iii) follow up to ensure that the subrecipient takes appropriate action on any audit findings and deficiencies; and (iv) issue a management decision on audit findings relating to the federal or state funds awarded to the subrecipient.<sup>9</sup> Depending on the results of the initial risk assessment, Program Managers may also need to provide subrecipients with on-site training and technical assistance on program-related matters, perform on-site reviews of the subrecipient's program operations or arrange for agreed-upon procedures to monitor the subrecipient.<sup>10</sup>

### **Terms and Conditions of the Subaward Agreement**

As the recipient of the federal or state award, the County is solely responsible to the federal or state awarding agency for the execution of the award. The recipient is also required in accordance with 2 CFR §200.331 to include certain data elements as part of all subaward agreements.

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<sup>6</sup> 2 C.F.R. §200.207(b).

<sup>7</sup> 2 C.F.R. §200.207(c).

<sup>8</sup> 2 C.F.R. §200.207(d).

<sup>9</sup> 2 C.F.R. §200.331; 31 U.S.C. §7501 et seq., F.S. 215.97

<sup>10</sup> 2 C.F.R. §200.331(e), F.S. 215.97

Under the Uniform Guidance or F.S. 215.97, the County is required to monitor the activities of their subrecipients to ensure that subawards are used for authorized purposes and in compliance with applicable federal or state law and the terms and conditions of the subawards.<sup>11</sup>

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<sup>11</sup> 2 C.F.R. §200.331(d), F.S. 215.97



## Exhibit A

### Internal Controls Questionnaire

**How to Use:** This questionnaire is used to help determine a potential subrecipient's or entity's financial and management strength, which helps assess risk and dictates the monitoring plan for subrecipients. **This questionnaire must be completed prior to entering into a subaward agreement.** The County may follow up with the potential subrecipient/entity regarding the responses to this questionnaire.

#### Entity Contact Information

Full Legal Organization/Business Name:

Address:

Telephone number:

Name of person completing this form:

E-mail address:

Website:

Incorporated in:       Incorporation Date:

Number of employees:

DUNS number:

EIN (Employer Federal ID Number):

Fiscal Year End (Month/Year):

#### Entity Type of Organization (select one):

Government     
  Nonprofit     
  Corporation     
  Other

#### Entity Personnel Contact Information

Program Manager/Director for Subaward

Name:

Title:

Telephone Number:

E-mail Address:

Additional Contact for Subaward

Name: Crystal Weatherington  
Title: Engineer/Project Manager  
Telephone Number: 850-496-3116  
E-mail Address: weatheringtonc@preble-rish.com

**GENERAL ASSESSMENT**

**1. Is this grant large in terms of percentage of overall funds for the entity?**

Yes  No

**2. Is the entity new to operating or managing state and/or federal funds (has not done so within the past five years)?**

Yes  No

**3. Is this program new for the entity (managed for less than three years)?**

Yes  No

**4. In the last 12 months, has the entity hired new senior management personnel (e.g., Executive Director/CEO, Finance Director/CFO) and/or program personnel who would be working on this proposed subaward? If yes, please explain.**

Yes  No If yes, explain

**5. Are the staff assigned to the program inexperienced with the program (worked with the program for less than two funding cycles)?**

Yes  No

**6. Is the program unusually complex (e.g. programmatic, funding, matching requirements)?**

Yes  No

**7. Does the entity have effective procedures and controls?**

Yes  No

**8. Has the entity received a subaward from the County in the past two years?**

Yes  No

**LEGAL ASSESSMENT**

**1. Is the entity currently or previously been debarred or suspended?**

Yes  No If yes, explain

**2. Have any organization staff been jailed, convicted of a felony or are currently under criminal investigation?**

Yes  No If yes, explain

**3. If you anticipate using a subrecipient or contractor, have you determined if they are debarred or suspended?**

Yes  No

**FINANCIAL & INFORMATION SYSTEM ASSESSMENT**

**1. Does the entity have a financial management system in place to track and record the program expenditures? (Example, Quickbooks, Peachtree or Custom Proprietary System)**

Yes  No If yes, System name

Quickbooks



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**2. In the last 12 months, has the entity implemented new or substantially changed systems related to its federal grant management? If yes, explain.**

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No

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**3. Does the accounting system identify the receipts and expenditures of the program funds separately for each grant award?**

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Yes  No

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**4. Will the accounting system provide for the recording of expenditures for each grant award by the budget cost categories shown in the approved budget?**

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Yes  No

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**5. Does the time and accounting system track effort by cost objective? (i.e. time spent on each grant award vs time spent on non-grant activities when combined total 100% of the employees hours worked or effort)**

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Yes  No

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**6. If charging indirect cost to grant awards does the accounting system track direct costs and indirect costs separately?**

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Yes  No

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**7. Information systems and accounting systems are in place and designed to meet all federal program requirements, including reporting and record retention requirements?**

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Yes  No

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**8. Access to data, including Personal Identification Information, is protected against unauthorized access and is limited to appropriate individuals based on job functions.**

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Yes  No

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**OPERATIONS ASSESSMENT**

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**1. Do policies, procedures and processes for managing federal grant funds meet the requirements of OMB 2 CFR Chapter I and Chapter II, Uniform Administrative Requirements Cost Principles and**

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**Audit Requirements for Federal Awards?**

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Yes  No

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**2. Are the entity's internal controls in compliance with guidance in "Standards for Internal Controls in the Federal Government" (GAO-14-704G) issued by the U.S. Government Accountability Office (Green Book) and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSCO)?**

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Yes  No

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**3. Does the entity have a formalized risk assessment process in place specifically for federal grant programs, including standard forms and checklists for program regulatory compliance and monitoring contractor's or subrecipient's performance?**

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Yes  No

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**4. Is anti-fraud awareness training conducted at least annually that is evidenced by attendance sheets or other mechanisms?**

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Yes  No

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**5. Are there formal policies and procedures in place for employees to confidentially report suspected violations of policies and or suspected instances of fraud or other criminal activity, including specifically those related to federal grant programs?**

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Yes  No

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**6. Are breaches of policy and/or instances of fraud or other criminal activity addressed by management including taking steps to prevent future violations? Does the policy include notification to the appropriate federal agency in cases of confirmed fraud related to federal funds?**

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Yes  No

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**7. Does the entity have a system in place to provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of 2 CFR 200 and with parties that are not debarred or suspended?**

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Yes  No

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**8. Does the entity have a system in place to provide reasonable assurance that contractors and subcontractors subject to the Davis-Bacon Act requirements are properly notified of the requirement and that the required certified payrolls are submitted to the entity?**

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Yes  No

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**9. Does the entity have a system in place to provide reasonable assurance that federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audits are completed when required, any audit findings are resolved, and the impact of any subrecipient noncompliance on the entity is evaluated?**

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Yes  No

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**10. Does the entity complete criminal and financial background checks on employees?**

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Yes  No

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**11. Are all bank accounts reconciled monthly?**

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Yes  No

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**12. Does the entity have a financial management system that provides detail records that can identify the source and application of funds for award-supported activities?**

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Yes  No

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**13. Are all disbursements properly documented with evidence of receipt of goods or performance of services?**

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Yes  No

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**14. Does the entity have a process in place to provide reasonable assurance that the (1) drawdown of federal cash is only for immediate need, (2) reimbursement is requested only after costs have been incurred, (3) comply with applicable subaward agreements, and (4) limit payments to subrecipients to immediate cash need?**

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Yes  No

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**15. Does the entity have an effective system in place to provide reasonable assurance that costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles?**

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Yes  No

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**16. Does the entity have a system in place to provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements?**

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Yes  No

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**17. Does the entity have a system in place to determine that it has met its cost sharing, level of effort, or earmarking requirements are met using only allowable funds or costs which are properly**

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calculated and valued?

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Yes  No

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**18. Does the entity have a system in place to provide reasonable assurance that federal funds are used only during the authorized period of performance?**

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Yes  No

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**19. Describe the method used to support labor and benefit charges.**

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Timesheets, Payroll is done in Quickbooks

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**20. Does the entity have a system in place to provide reasonable assurance of compliance with the real property acquisition, appraisal, negotiation, and relocation requirements in 42 USC Ch. 61?**

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Yes  No

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**21. Explain the system that is in place to authorize and approve expenditures and maintain records of capital equipment and real property?**

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Invoices and Checks are all done in Quickbooks, Mayor and Town Manager both have to sign all checks and are reconciled monthly. All Records are audited annually.

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**22. Does the entity maintain detailed records of individual capital assets and periodically reconcile such records with the general ledger accounts?**

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Yes  No

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**23. Does the entity have effective procedures for authorizing and accounting for the disposal of property and equipment?**

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Yes  No

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**24. Does the entity periodically check its detailed property records against physical inventory?**

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Yes  No

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**25. Does the entity have an indirect cost rate that is approved and current?**

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Yes  No If yes, who approved the rate?

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**26. Does the entity have written policies that address the following?**

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Pay Rates and Benefits	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Time and Attendance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Leave	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Discrimination	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Conflicts of Interest	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Travel	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Purchasing/Procurement	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Capitalization/Depreciation	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**27. Is the entity required to comply with the Single Audit requirements of the Uniform Guidance (2 C.F.R. Part 200, Subpart F; required if Subrecipient expends \$750,000 or more in federal awards in a fiscal year) or if (State \$500,000 F.S. 215.97)?**

Yes  No

Audit Contact Name and Title:

**28. Has the entity's annual financial statements been audited by an independent audit firm? If yes, provide a copy of the statements for the last two (2) fiscal years.**

Yes  No

**29. If the answers to Questions 27 or 28 is yes, were there any findings or questioned costs in the last two (2) fiscal years? If yes, please explain any findings or questioned costs with respect to an award or subaward to conduct programs similar to those covered by this proposed subaward agreement.**

Yes  No If yes, Explain below:

**30. Other than financial statements, has any aspect of the entity's activities been subject to an audit, examination, or monitoring within the last two (2) years by a governmental agency (e.g., Inspector General, state or local government auditors, etc.)? If yes, please explain any audit or monitoring findings or deficiencies with respect to an award or subaward to conduct programs similar to those covered by the proposed subaward agreement.**

Yes  No If yes, Explain below:


**31. Attachments: Please attach the following or check N/A if not applicable.**

	<u>Document</u>	<u>Attached</u>	<u>N/A</u>
a.	Articles of Incorporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b.	Bylaws	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c.	IRS Determination Letter (recognizing the entity as exempt from income taxes under IRC Section 501(c)(3))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d.	Form 990 or 990-EZ from the last two (2) years, including Form	<input type="checkbox"/>	<input checked="" type="checkbox"/>



	990-T (if applicable) and all supporting schedules and attachments		
e.	Copies of audit reports and management letters received during the last two (2) fiscal years from the entity's independent auditors (including all reports associated with a Single Audit pursuant to 2 C.F.R. Part 200, Subpart F)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f.	Copies of results from audits, examinations, or monitoring procedures performed during the last two (2) years on any direct federal award received by the entity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g.	Indirect cost rate agreement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h.	List of all subawards to the entity from the County during the past two (2) years	<input checked="" type="checkbox"/>	<input type="checkbox"/>
i.	List of all subawards to conduct programs similar to those covered under this proposed subaward agreement to the entity from any funder during the past two (2) years	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**By its authorized signatory below, I hereby certify and attest to the accuracy of the above responses and all corresponding information attached.**

Signature: 

Printed Name: Keith Williams

Title: Town Manager / Clerk

Date: March 26, 2018



# TOWN OF CINCO BAYOU

10 YACHT CLUB DRIVE  
CINCO BAYOU, FLORIDA 32548-4436  
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**Mayor**  
JEAN HOOD  
**Mayor Pro Tem**  
PAULA ANDREWS  
**Council Members**  
NICK CHUBB  
LAURA DRIVER  
PAULA ANDREWS  
DANNY DILLARD  
TATIANA ABERNATHY  
**Town Manager/Clerk**  
KEITH WILLIAMS  
**Town Attorney**  
C. JEFFREY MCINNIS  
**Town Planner**  
JACK DORMAN  
**Town Engineer**  
CRYSTAL WEATHERINGTON

## PART I - CHARTER AND RELATED LAWS

### Subpart A - CHARTER<sup>11</sup>

Footnotes:

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**Editor's note**— Printed herein is the charter of the Town of Cinco Bayou, as adopted at a meeting of citizens residing within the proposed corporate limits of the town on July 3, 1950. Amendments to the charter are indicated by parenthetical history notes following amended provisions. The absence of a history note indicates that the provision remains unchanged from the original charter. Obvious misspellings have been corrected without notation. For stylistic purposes, a uniform system of headings, catchlines and citations to state statutes has been used. Additions made for clarity are indicated by brackets.

Section I. - [Town created; to have perpetual succession; may have common seal, contract and sue and be sued.]

There is hereby created and established a municipal corporation under the name of Town of Cinco Bayou, Okaloosa County, Florida, within the boundaries hereinafter designated. The said municipal corporation shall have perpetual succession, may use a common seal, may contract and be contracted with and may sue and be sued and be impleaded in all the courts of this state and in all matters whatsoever.

Section II. - [Boundaries.]

The boundaries of Town of Cinco Bayou in Okaloosa County, Florida, shall be as follows: Beginning at a point on the West line of Section 12, Township 2 South, Range 24 West, Tallahassee Meridian, at the head of Bayou DeKidd (or Irwin's Bayou) thence South to the Southwest corner of Section 12; thence East 160 rods; thence North on the Half Section line to the water of Five Mile Bayou; thence in a Westerly direction with the waters of Five Mile Bayou and the waters of Bayou DeKidd (or Irwin's Bayou) to the point of beginning.

Section III. - [General powers.]

**Editor's note**— Section III has been deleted editorially as repealed by, or not necessary in light of, F.S. § 166.021.

Section IV. - [Town government.]

- (a) The town council shall consist of five (5) members, qualified in accordance with the provisions of Section 165.04, Florida Statutes 1941, as amended [now repealed], who shall be elected by the majority of the people in the corporate limits, and who shall have and exercise the powers vested in them by general statutes and/or by this charter.

- (b) The members of the council elected at the organization meeting of the town shall hold office for a period of one (1) year from the date of their election, or until their successors are elected and qualified.
- (c) The term of the council shall be two (2) years from the date they are sworn in, subsequent to the expiration of the first term.
- (d) The council shall provide by ordinance for holding an election of members of the council to succeed the councilmen originally elected at the organization meeting.
- (e) (1) The mayor shall be elected by the people in the incorporated limits, at an election to be held subsequent to the expiration of his original term and shall hold office for such period as the council shall by ordinance provide.
- (2) That a town clerk shall be appointed by the town council of Cinco Bayou, Florida, to perform such administrative duties for such term and for such compensation as the council by ordinance shall provide.
- (3) That a town marshal shall be appointed by the town council of Cinco Bayou, Florida, to perform such duties for such term and for such compensation as the council by ordinance shall provide.
- (f) All provisions of the general laws of the State of Florida with reference to the passage of ordinances and resolutions, shall apply to and bind the town under this charter, and the town shall act through the town council.

(Ord. of 9-26-74, § 1; Ord. No. 57, § 2, 9-15-77)

Section V. - [Elections.]

- (a) [Deleted]
- (b) [Deleted]
- (c) Except as herein modified or altered[,], the provisions of the general laws of the State of Florida pertaining to general elections, registrations, manner of voting, qualifications of electors, duties of election officers, canvassing returns and general management of elections shall apply.
- (d) All candidates for elective office shall be qualified electors of the town.
- (e) Any qualified elector of the town may become a candidate for elective office by filing with the mayor...a nominating petition signed by three (3) qualified electors.
- (f) All elected officials shall take the oath of office prescribed by general law.

**Editor's note**— The provisions of subsections (a) and (b), pertaining to registration of voters, have been deleted as superseded by the provisions of F.S. § 166.032 et seq. Language has been deleted from the provisions of subsection (e) that specified that the petition had to be filed at least 15 days prior to the election, as superseded by Laws of Fla., ch. 92-270, § 2. See subpart B hereof.

Section VI. - [Municipal court.]

**Editor's note**— Section VI has been editorially deleted as municipal courts have been abolished. See Fla. Const. art. V, § 20(d)(4).

Section VII. - [Fiscal affairs.]



**Editor's note**— Section VII has been deleted as repealed by, or not necessary in light of, F.S. § 166.021.

Section VIII. - [Severability.]

If any section or part of a section of this charter is invalid or unconstitutional, same shall not be held to invalidate or impair the validity, force or effect of any other section or part of the charter.

Subpart B - RELATED LAWS

ARTICLE II. - ELECTIONS<sup>(1)</sup>

CHAPTER 92-270  
House Bill No. 2141

An act relating to the Cities of Cinco Bayou, Crestview, Destin, Fort Walton Beach, Laurel Hill, Mary Esther, and Shalimar, Okaloosa County; providing legislative intent; providing uniform filing and election dates for municipal elections in those municipalities; providing for conduct of such municipal elections by the Okaloosa County Supervisor of Elections; providing for reimbursement of costs; providing that the candidate with the highest number of votes shall be the winner and take office within a specified period after the election, with the specific day provided by ordinance; providing for application to present terms of office; providing for correspondence of subsequent terms of office to the common dates provided in the act; providing for composition and duties of canvassing boards; providing for special elections; providing that general law for absentee ballots shall apply to absentee ballots in such municipal elections; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Footnotes:

--- (1) ---

**Editor's note**— Printed herein is Laws of Fla., ch. 92-270. Amendments to the act are indicated by parenthetical history notes following amended provisions. The absence of a history note indicates that the provision remains unchanged from the original act. Obvious misspellings have been corrected without notation. For stylistic purposes, a uniform system of headings, catch lines and citations to state statutes has been used. Additions made for clarity are indicated by brackets.

Section 1. - [Intent.]

It is the intent of this act to provide for uniform filing and election dates for all municipal elections to elect municipal officers in the Cities of Cinco Bayou, Crestview, Destin, Fort Walton Beach, Laurel Hill, Mary Esther, and Shalimar in Okaloosa County. It is not the intent of this act to determine the length of term of any such municipal office.

Section 2. - [Filing date; certification of candidates.]

Candidates for any municipal office of a municipality listed in section 1 shall file papers and pay such fees or submit such petitions as may be required by the applicable municipality with the main or any branch office of the Okaloosa County Supervisor of Elections no earlier than noon of the 50th day prior to the date of the election and no later than noon of the 46th day prior to the date of the election. The names of all candidates and the offices for which they have filed shall be certified to their respective municipal clerks, along with any qualifying fees, within 5 days after the close of qualifying. The supervisor of elections shall also certify the candidates and transmit all election assessments to the Division of Elections of the Department of State as required by law.

Section 3. - [Election date.]

Any election relating to a municipal office of a municipality listed in section 1, other than a special election, shall be held on the second Tuesday in March.

Section 4. - [Conduct of election; reimbursement of costs.]

The supervisor of elections shall be responsible for conducting all municipal elections in the municipalities listed in section 1 as provided by the Florida Election Code and any other applicable laws, through its main and branch offices, and shall be reimbursed by the applicable municipality for the actual cost of conducting the election for that municipality.

Section 5. - [Winner of election; date for taking office.]

Under the provisions of this act, the candidate or candidates, placed on the applicable ballot according to that municipality's charter requirements, who receive the highest number of votes in the election shall be the winners. Such duly elected municipal officers shall take office within 30 days after the election, with the specific day to be decided by applicable local ordinance.

Section 6. - [Application to present terms of office.]

Initially, any municipal officer of a municipality listed in section 1 whose term of office expires subsequent to January 1 in any calendar year shall stand for reelection in March of that calendar year and shall continue in office until the election of his or her successor.

Section 7. - [Application following present terms of office.]

The provisions of section 6 shall apply only to the initial election for each office to be held under the provisions of this act. Thereafter, the terms of all municipal offices shall correspond to the dates provided pursuant to this act.

Section 8. - [Canvassing boards.]

Each municipal election held under the provisions of this act shall be canvassed by a board composed of representatives of each municipality, as provided by each municipalities' charter whose ballots are being counted at counting centers which centers are established by the supervisor of elections, and the supervisor of elections or a designated deputy supervisor. The canvassing board may include a judge, if requested by any municipality. Each such canvassing board shall certify the election results to its municipal clerk within 5 days after the election and to the Division of Elections of the Department of State as required by law.

Section 9. - [Special elections.]

In the event that the municipal charter of a municipality listed in section 1 provides for calling a special election, the governing body of that municipality shall, in conjunction with the supervisor of elections, set the date for such election, taking into consideration the availability of voting equipment and services that the supervisor of elections provides.

Section 10. - [Absentee ballots.]

The general law in regard to absentee ballots shall apply to all absentee ballots for municipal elections held under the provisions of this act, and the supervisor of elections shall handle such absentee ballots in the main and branch offices.

Section 11. - [Effective date.]

This act shall take effect January 1, 1993.

Became a law without the Governor's approval April 11, 1992.

Filed in Office Secretary of State April 10, 1992.

Section 12. - 2008 election date.

The 2008 municipal election shall be held on January 29, 2008 notwithstanding any provisions of the Town of Cinco Bayou Code of Ordinances to the contrary.

(Ord. No. 216, § 4, 9-13-07)

Section 13. - Qualifying period for 2008 election date.

The qualifying period for the 2008 municipal election shall commence at noon on Monday, November 19, 2007 and shall terminate at noon on the December 3, 2007.

(Ord. No. 216, § 5, 9-13-07)

Section 14. - Beginning date for term of office.

The term of office for those persons elected in the 2008 municipal elections shall begin within 30 days of March 11, 2008.

(Ord. No. 216, § 6, 9-13-07)

#### CHARTER AND RELATED LAWS COMPARATIVE TABLE - ACTS

This table shows the location within this Charter and Related Laws of the Laws of Florida.

Laws of Fla. Chapter	Section	Section this Charter, Related Laws
92-270	R L arts. I, II	R L Arts. I, II



CHARTER AND RELATED LAWS COMPARATIVE TABLE - ORDINANCES

This table shows the location within this Charter and Related Laws of the town ordinances.

Ordinance Number	Date	Section	Section this Charter, Related Laws
	9-26-74(Ord.)	1	Char. § IV
57	9-15-77	2	Char. § IV
216	9-13-07	4—6	R. L. § 12—14

*A PURPLE HEART COMMUNITY*



## Consumer's Certificate of Exemption

DR-14  
R. 10/15

Issued Pursuant to Chapter 212, Florida Statutes

85-8012644105C-8	01/31/2017	01/31/2022	COUNTY GOVERNMENT
Certificate Number	Effective Date	Expiration Date	Exemption Category

This certifies that

TOWN OF CINCO BAYOU  
10 YACHT CLUB DR NE  
FORT WALTON BEACH FL 32548-4436

is exempt from the payment of Florida sales and use tax on real property rented, transient rental property rented, tangible personal property purchased or rented, or services purchased.



## Important Information for Exempt Organizations

DR-14  
R. 10/15

1. You must provide all vendors and suppliers with an exemption certificate before making tax-exempt purchases. See Rule 12A-1.038, Florida Administrative Code (F.A.C.).
2. Your *Consumer's Certificate of Exemption* is to be used solely by your organization for your organization's customary nonprofit activities.
3. Purchases made by an individual on behalf of the organization are taxable, even if the individual will be reimbursed by the organization.
4. This exemption applies only to purchases your organization makes. The sale or lease to others of tangible personal property, sleeping accommodations, or other real property is taxable. Your organization must register, and collect and remit sales and use tax on such taxable transactions. Note: Churches are exempt from this requirement except when they are the lessor of real property (Rule 12A-1.070, F.A.C.).
5. It is a criminal offense to fraudulently present this certificate to evade the payment of sales tax. Under no circumstances should this certificate be used for the personal benefit of any individual. Violators will be liable for payment of the sales tax plus a penalty of 200% of the tax, and may be subject to conviction of a third-degree felony. Any violation will require the revocation of this certificate.
6. If you have questions regarding your exemption certificate, please contact the Exemption Unit of Account Management at 800-352-3671. From the available options, select "Registration of Taxes," then "Registration Information," and finally "Exemption Certificates and Nonprofit Entities." The mailing address is PO Box 6480, Tallahassee, FL 32314-6480.

**TOWN OF CINCO BAYOU, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017**



**TOWN OF CINCO BAYOU, FLORIDA  
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SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

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

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 7, 2017, on our consideration of the Town of Cinco Bayou, Florida'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 included under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements performed in accordance with Government Auditing Standards*". 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 Town of Cinco Bayou, Florida's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
December 7, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Cinco Bayou, Florida (the Town), we offer readers of the Town of Cinco Bayou, Florida's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended September 30, 2017.

### **FINANCIAL HIGHLIGHTS**

The assets of the Town of Cinco Bayou, Florida exceeded its liabilities and deferred inflows of resources by \$2,460,243 (net position), and represent an increase of \$152,633 from the prior year. Of this amount, \$1,745,005 represents the Town's net investment in capital assets (e.g. land, infrastructure, building, machinery, construction in progress, and equipment), \$111,413 is restricted for transportation and economic development, and \$603,825 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$562,152. The fund balance increased by \$86,222 during fiscal year 2017.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The focus of the Governmental Accounting Standards Board (GASB) Statement No. 34 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 of Cinco Bayou, Florida's basic financial statements. The Town of Cinco Bayou, Florida'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 of Cinco Bayou, Florida'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 of Cinco Bayou, Florida'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 of Cinco Bayou, Florida.

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 of Cinco Bayou, Florida 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 of Cinco Bayou, Florida currently does not have any business-type activities. The governmental activities of the Town of Cinco Bayou, Florida include public safety, transportation (road and street facilities), physical environment (general maintenance, culture and recreation), 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 of Cinco Bayou, Florida, 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 of Cinco Bayou, Florida maintains two governmental funds (General Fund and Special Revenue 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 Special Revenue Fund.

The Town of Cinco Bayou, Florida adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

## 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 of Cinco Bayou, Florida, assets exceeded liabilities and deferred inflows of financial resources by \$2,460,243 (net position) for the fiscal year ended 2017, as reported in Table 1.

Approximately 71% of the Town of Cinco Bayou, Florida's net position, or \$1,745,005, 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, 2017, the Town of Cinco Bayou, Florida has \$94,667 of outstanding debt relating to capital assets. The Town of Cinco Bayou, Florida 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, 2017 AND 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 749,212	\$ 710,618
Capital assets	1,839,672	1,812,574
<b>Total assets</b>	<b>2,588,884</b>	<b>2,523,192</b>
Long-term liabilities outstanding	104,994	132,060
Other liabilities	18,607	80,582
<b>Total liabilities</b>	<b>123,601</b>	<b>212,642</b>
<b>Total deferred inflows of resources</b>	<b>5,040</b>	<b>2,940</b>
Net position		
Net investment in capital assets	1,745,005	1,688,101
Restricted	111,413	92,306
Unrestricted	603,825	527,203
<b>Total net position</b>	<b>\$ 2,460,243</b>	<b>\$ 2,307,610</b>

### GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town of Cinco Bayou, Florida's net position by \$152,633. 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, 2017 AND 2016**

	<b>Primary Government</b>	
	<b>Total</b>	
	<b>2017</b>	<b>2016</b>
<b>REVENUES</b>		
<b>Program revenues</b>		
Charges for services	\$ 59,080	\$ 55,018
Capital grants and contributions	66,816	75,324
<b>General revenues</b>		
Property taxes	121,062	124,473
Other taxes	168,531	167,995
Franchise fees	62,249	62,549
Tax increments for redevelopment	47,250	39,561
Other revenue	51,884	39,912
<b>TOTAL REVENUES</b>	<b>576,872</b>	<b>564,832</b>
<b>EXPENSES</b>		
<b>Primary government</b>		
General government	230,370	228,092
Public safety	815	1,519
Economic environment	502	25
Physical environment	39,741	39,457
Transportation	94,675	87,035
Human services	667	1,700
Culture and recreation	52,742	46,661
Debt service interest	4,727	10,197
<b>TOTAL EXPENSES</b>	<b>424,239</b>	<b>414,686</b>
<b>CHANGE IN NET POSITION</b>	<b>152,633</b>	<b>150,146</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>2,307,610</b>	<b>2,157,464</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 2,460,243</b>	<b>\$ 2,307,610</b>



## 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 non-recurring): Certain recurring revenues (state revenue sharing) may experience significant changes periodically while non-recurring (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 38% 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

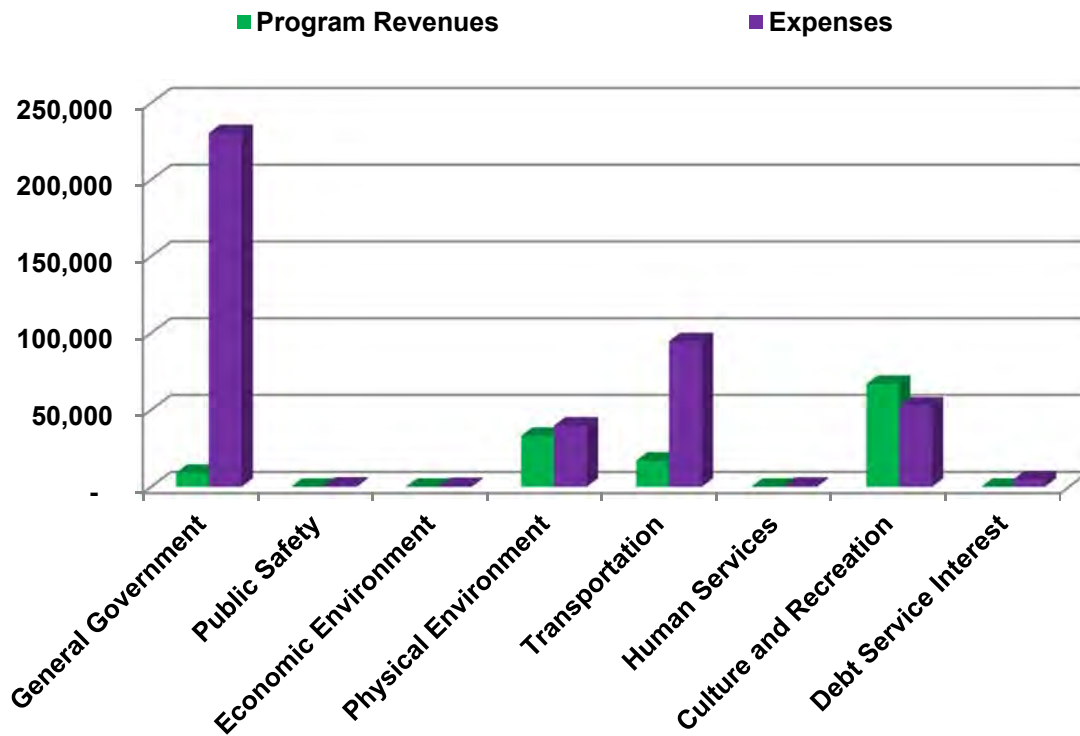
- Capital grants totaling approximately \$67,000 earned during the year were primarily related to grant funded Winn Davis Park improvements, where as in the prior year the approximately \$75,000 in capital grants related primarily to paving projects.

## FINANCIAL IMPACTS – CONTINUED

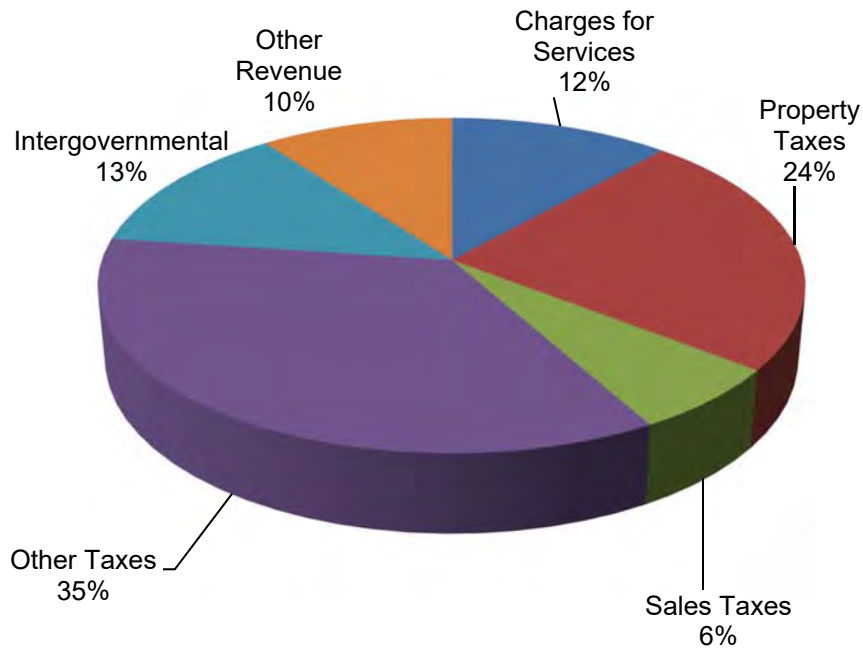
### Current Year Impacts – Governmental Activities – Continued

- Other revenues increased by approximately \$12,000 (30%), due to insurance proceeds related to damage incurred to two light poles.
- Transportation and culture and recreation expenses increased due to increased depreciation charges associated with the completion of the boat launch and paving projects in the current year.

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 of Cinco Bayou, Florida uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

The focus of the Town of Cinco Bayou, Florida'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 of Cinco Bayou, Florida's financing requirements. In particular, an unreserved 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 the end of the current fiscal year, the Town of Cinco Bayou, Florida's governmental funds reported ending fund balance of \$725,565, an increase of \$98,469 in comparison with the prior year. Of the total fund balance, \$52,000 is assigned fund balance, \$111,413 is restricted, and \$562,152 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town of Cinco Bayou, Florida. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 127% of the current year's total operating expenditures of the General Fund.

During the current fiscal year, the fund balance of the Town of Cinco Bayou, Florida's General Fund increased by \$86,222.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the current year, miscellaneous revenues were slightly greater than expected, due to the receipt of insurance proceeds while intergovernmental revenue was under budget by approximately \$51,000 due to the timing of grant funds. Expenditures were under budget by over \$102,981 primarily related to a storm water drainage project that was not completed in 2017 as originally planned and approximately \$30,000 of contingency expenses that were budgeted but not needed in fiscal year 2017 operations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Town of Cinco Bayou, Florida's investments in capital assets for its governmental activities as of September 30, 2017, amount to \$1,839,672 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, construction in progress, machinery and equipment, park facilities, roads, highways, etc. In the current year, there was \$122,291 in net additions and to the Town of Cinco Bayou, Florida's investment in capital assets, the net increase in accumulated depreciation totaled \$95,193.

**Table 3**  
**TOWN OF CINCO BAYOU, FLORIDA**  
**CAPITAL ASSETS**  
**(net of depreciation)**  
**AS OF SEPTEMBER 30, 2017 AND 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 14,730	\$ 14,730
Buildings	212,922	212,922
Improvements other than buildings	2,793,615	2,596,830
Machinery and equipment	67,887	67,887
Construction in progress	25,140	99,634
Less accumulated depreciation	<u>(1,274,622)</u>	<u>(1,179,429)</u>
<b>Total</b>	<b><u>\$ 1,839,672</u></b>	<b><u>\$ 1,812,574</u></b>

Additional information on the capital assets of the Town of Cinco Bayou, Florida can be found in Note 5 of this report.



## CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

### Outstanding Debt

At the end of the current fiscal year, the Town of Cinco Bayou, Florida had debt outstanding, consisting of compensated absences and a note payable relating to the Eglin Corridor project.

**Table 4**  
**TOWN OF CINCO BAYOU, FLORIDA**  
**OUTSTANDING DEBT**  
**AS OF SEPTEMBER 30, 2017 AND 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Note payable	\$ 94,667	\$ 124,473
Compensated absences	10,327	7,587
<b>Total</b>	<b>\$ 104,994</b>	<b>\$ 132,060</b>

Additional information on the Town of Cinco Bayou, Florida's long-term debt can be found in Note 9 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, 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 non-recurring 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.

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 27,000 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 \$52 billion annual impact on 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.

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

The FY 2017-2018 budget for the Town of Cinco Bayou, Florida's General fund reflects an operating fund budget decrease of approximately \$32,000 over the prior year. The major item contributing to the decrease is the completion of the Winn Davis Park project improvements which were grant funded in 2017.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Cinco Bayou, Florida'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 the Town of Cinco Bayou, Florida, 10 Yacht Club Drive, Cinco Bayou, Florida 32548. The Town's website address is [www.cincobayou.com](http://www.cincobayou.com).

**TOWN OF CINCO BAYOU, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 679,083
Receivables	9,227
Due from other governments	60,902
Capital assets	
Non-depreciable	39,870
Depreciable, net	1,799,802
<b>TOTAL ASSETS</b>	<b>2,588,884</b>
<b>LIABILITIES</b>	
Accounts payable	15,967
Accrued liabilities	2,640
Non-current liabilities	
Due within one year	
Note payable	19,003
Due in more than one year	
Compensated absences	10,327
Note payable	75,664
<b>TOTAL LIABILITIES</b>	<b>123,601</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	5,040
<b>NET POSITION</b>	
Net investment in capital assets	1,745,005
Restricted	111,413
Unrestricted	603,825
<b>TOTAL NET POSITION</b>	<b>\$ 2,460,243</b>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 230,370	\$ 9,004	\$ -	\$ -	\$ (221,366)
Public safety	815	-	-	-	(815)
Economic environment	502	-	-	-	(502)
Physical environment	39,741	33,098	-	-	(6,643)
Transportation	94,675	16,978	-	-	(77,697)
Human services	667	-	-	-	(667)
Culture and recreation	52,742	-	-	66,816	14,074
Interest on long-term debt	4,727	-	-	-	(4,727)
<b>Total governmental activities</b>	<b>\$ 424,239</b>	<b>\$ 59,080</b>	<b>\$ -</b>	<b>\$ 66,816</b>	<b>\$ (298,343)</b>
General revenues					
Taxes					
Property taxes					\$ 121,062
Sales taxes					32,291
Utility service taxes					72,124
Tax increments for redevelopment					47,250
Franchise fees					62,249
Intergovernmental, unrestricted					64,116
Investment earnings					113
Rental income					33,119
Miscellaneous					18,652
Total general revenues					450,976
<b>CHANGE IN NET POSITION</b>					152,633
<b>NET POSITION AT BEGINNING OF YEAR</b>					2,307,610
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 2,460,243</b>

See notes to the financial statements.



**TOWN OF CINCO BAYOU, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Community Redevelop- ment Special Revenue Fund</u>	<u>Total Governmen- tal Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 593,649	\$ 85,434	\$ 679,083
Receivables	9,227	-	9,227
Due from other governments	60,902	-	60,902
<b>TOTAL ASSETS</b>	<u>\$ 663,778</u>	<u>\$ 85,434</u>	<u>\$ 749,212</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 15,967	\$ -	\$ 15,967
Accrued liabilities	2,640	-	2,640
Total liabilities	<u>18,607</u>	<u>-</u>	<u>18,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>5,040</u>	<u>-</u>	<u>5,040</u>
<b>FUND BALANCE</b>			
Restricted for			
Capital improvements/redevelopment	-	85,434	85,434
Transportation	25,979	-	25,979
Assigned	52,000	-	52,000
Unassigned	<u>562,152</u>	<u>-</u>	<u>562,152</u>
Total fund balance	<u>640,131</u>	<u>85,434</u>	<u>725,565</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 663,778</u>	<u>\$ 85,434</u>	<u>\$ 749,212</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, 2017**

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Fund balance, total governmental funds (page 15)		\$ 725,565
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 non-depreciable assets	39,870	
Governmental depreciable assets	3,074,424	
Less accumulated depreciation	<u>(1,274,622)</u>	
		1,839,672
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Note payable	(94,667)	
Compensated absences	<u>(10,327)</u>	
		<u>(104,994)</u>
Net position of governmental activities (page 13)		<u><u>\$ 2,460,243</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, 2017**

	<u>General</u>	<u>Community Redevelop- ment Special Revenue Fund</u>	<u>Total Governmen- tal Funds</u>
<b>REVENUES</b>			
Taxes	\$ 233,263	\$ 22,282	\$ 255,545
Permits and fees	62,784	-	62,784
Intergovernmental	131,519	24,968	156,487
Charges for services	50,076	-	50,076
Fines	333	-	333
Miscellaneous	51,615	32	51,648
Total revenues	<u>529,590</u>	<u>47,282</u>	<u>576,873</u>
<b>EXPENDITURES</b>			
Current			
General governmental services	225,150	-	225,151
Public safety	815	-	815
Economic environment	-	502	502
Physical environment	41,421	-	41,421
Transportation	22,738	-	22,738
Human services	667	-	667
Culture and recreation	30,286	-	30,286
Capital outlay	122,291	-	122,291
Debt service			
Principal	-	29,806	29,806
Interest	-	4,727	4,727
Total expenditures	<u>443,368</u>	<u>35,035</u>	<u>478,404</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	86,222	12,247	98,469
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>553,909</u>	<u>73,187</u>	<u>627,096</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 640,131</u>	<u>\$ 85,434</u>	<u>\$ 725,565</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, 2017**

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Net change in fund balance – governmental funds (page 17)	\$	98,469
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Expenditures for capital assets	122,291	
Less current year depreciation	<u>(95,193)</u>	27,098
<p>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.</p>		
Change in long-term compensated absences		(2,740)
Principal payments		<u>29,806</u>
Change in net position of governmental activities (page 14)	\$	<u><u>152,633</u></u>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**Description of Town**

The Town of Cinco Bayou, Florida's (the Town) present form of government was created, established, and organized under Chapter 57-1577, Laws of the State of Florida, on July 3, 1950. The Town operates under a council form of government and provides the following services: public safety (law enforcement), 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 (GAAP) in the United States of America 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**

The Town is governed by a five member elected council and mayor. The powers of this council are regulated by ordinances and resolutions of the Town, Okaloosa County, and the Statutes of the State of Florida.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Cinco Bayou, Florida as the primary government. 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 includable within the Town's financial statements. Management utilized criteria set forth in GASB No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 61, the Town (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 Town. 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.

The Town of Cinco Bayou, Florida established the Town of Cinco Bayou Community Redevelopment Agency (the Agency) as a separate legal entity in accordance with Florida Statutes 163, Section III. The Agency was established by the Town to prepare a community redevelopment plan for a designated geographic area within the Town boundaries. The Town Council is designated as the board of the Agency. All expenditures of the Agency must be approved by the Town Council. The Agency is reported in the financial statements of the primary government as a "blended component unit" as defined by GASB Statement No. 61. The Agency is classified as a governmental fund and is presented as a special revenue fund type. Separate financial statements of the Agency are not prepared.



**TOWN OF CINCO BAYOU, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF 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. Likewise, the primary government (General Fund) is reported separately from the legally separate component unit (Special Revenue Fund) for which the primary government is financially accountable.

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.

**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 taxes, business taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF 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 current property tax calendar:

Lien Date	January 1, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Discounts of 1% for each month taxes are paid prior to March 2017, are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2017 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 the General Fund. 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 there in, 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.

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

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

**Basis of Presentation – Continued**

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. 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. This fund is a major governmental fund.

*Community Redevelopment Agency - special revenue fund* – This fund is used to account for funds relating to the Town of Cinco Bayou Community Redevelopment activities. This fund is a major governmental fund.

**Cash and Cash Equivalents**

Each fund's cash on hand, demand deposits, and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**Deposits and Investments**

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds 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 Mortgage 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. The Town adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which requires the Town to maintain deposits only with "Qualified Public Depositories." The Town maintains cash and money market deposit accounts in each of the Town's individual funds, which are stated at fair value.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

**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 non-current 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.

**Capital Assets**

Capital assets, which include land, buildings, improvements and equipment, are reported in the governmental activities columns in the government-wide financial statements. The Town is in Phase III of the required implementation time of GASB 34; accordingly, they are not required to retroactively record infrastructure assets. Therefore, purchases of infrastructure assets subsequent to October 1, 2003, are reported 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 fair market value at 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:

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, 2017**

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

**Compensated Absences**

It is the Town's policy to permit employees to 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 earns ten hours per month; and an employee with over 36 months earns thirteen and one-third hours per month. Employees are fully compensated for accumulated leave upon termination, up to 160 hours.

*Sick Leave* – The policy of the Town for sick leave is that all paid employees will 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Town had no deferred outflows of resources as of September 30, 2017.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Town had \$5,040 of deferred inflows of resources as of September 30, 2017.

**TOWN OF CINCO BAYOU, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**Classification of Fund Balance**

GASB Statement No.54 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, under GASB 54, are comprised of the following:

- *Nonspendable* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- *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 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* – comprises amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Town Council or (b) a body (for example: 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.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the 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 place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In all other funds, unassigned classification is limited to negative residual fund balance.

The Town uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. The Town does not have a formal minimum fund balance policy.



**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

**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**

Management has evaluated events and transactions that occurred between September 30, 2017 through December 7, 2017, 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**

**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 reservations of 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 Florida Statute 218.415 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.

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 for 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.

The Town's deposits at September 30, 2017, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, has no custodial risk. At September 30, 2017, the reported amount of the Town's deposits was \$679,083 and the bank balance was \$686,721, consisting entirely of deposits with financial institutions in checking and money market deposit accounts.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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**4. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

Receivables at September 30, 2017, were as follows:

**Accounts Receivable**

Due from Gulf Power and Okaloosa Gas – franchise and utility taxes	<u>\$ 9,227</u>
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**Due from Other Governments**

Florida Recreation Development Assistance Program – grant receivable	\$ 50,000
City of Fort Walton Beach – fees and taxes	<u>10,902</u>

Total due from other governments	<u>\$ 60,902</u>
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**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**5. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 14,730	\$ -	\$ -	\$ 14,730
Construction in progress	99,634	13,580	(88,074)	25,140
	<u>114,364</u>	<u>13,580</u>	<u>(88,074)</u>	<u>39,870</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings	212,922	-	-	212,922
Improvements other than buildings	2,596,830	196,785	-	2,793,615
Furniture and equipment	67,887	-	-	67,887
	<u>2,877,639</u>	<u>196,785</u>	<u>-</u>	<u>3,074,424</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings	(194,202)	(787)	-	(194,989)
Improvements other than buildings	(923,292)	(92,713)	-	(1,016,005)
Furniture and equipment	(61,935)	(1,693)	-	(63,628)
	<u>(1,179,429)</u>	<u>(95,193)</u>	<u>-</u>	<u>(1,274,622)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>1,698,210</u>	<u>101,592</u>	<u>-</u>	<u>1,799,802</u>
<b>Governmental activities, net</b>	<u>\$ 1,812,574</u>	<u>\$ 115,172</u>	<u>\$ (88,074)</u>	<u>\$ 1,839,672</u>

Depreciation expense for the year ended September 30, 2017 was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 2,480
Transportation	71,937
Physical environment	2,720
Culture and recreation	18,056
Total depreciation expense – governmental activities	<u>\$ 95,193</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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**6. DEFERRED COMPENSATION PLAN**

The Town of Cinco Bayou, Florida offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Town of Cinco Bayou, Florida's financial statements.

The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the Town has no liability for investment losses. The Town matches employee contributions up to 4%. During 2017, the plan members and the Town each made contributions of \$3,124.

**7. RISK MANAGEMENT**

The Town of Cinco Bayou, Florida 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 for which the Town carries commercial insurance.

**8. RENTAL ACTIVITIES**

The Town leases land to an unrelated party for the purpose of accommodating a communications facility. The communications facility lease agreement calls for monthly rents of \$1,458, with an 8% increase every five year term (next increase on August 1, 2021). In addition, if the lessee subleases any part of the land, the Town is entitled to 15% of all rental payments and charges related to the sublease. The rental income related to this lease, for the year ending September 30, 2017, totaled \$30,799.

Minimum lease payments to be received for the lease is as follows:

2018	\$ 17,496
2019	17,496
2020	17,496
2021	17,496
Total	<u>\$ 69,984</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**9. 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, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Note payable	\$ 124,473	\$ -	\$ (29,806)	\$ 94,667	\$ 19,003
Compensated absences	7,587	9,526	(6,786)	10,327	-
Total long-term debt	<u>\$ 132,060</u>	<u>\$ 9,526</u>	<u>\$ (36,592)</u>	<u>\$ 104,994</u>	<u>\$ 19,003</u>

**Description of Long-Term Debt Outstanding**

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>Governmental Activities</b>			
<b><i>Note Payable</i></b>			
\$237,500 note payable to a bank, due in quarterly installments including interest at 3.98%, secured by a lien upon the pledge of designated revenues. Final payment is due October 1, 2022.	\$ 19,003	\$ 75,664	\$ 94,667
<b><i>Accrued Compensated Absences</i></b>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	-	10,327	10,327
Total long-term debt	<u>\$ 19,003</u>	<u>\$ 85,991</u>	<u>\$ 104,994</u>

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2017, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 19,003	\$ 3,818
2019	19,770	3,051
2020	20,569	2,252
2021	21,400	1,421
2022	13,925	557
	<u>\$ 94,667</u>	<u>\$ 11,099</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**10. FUND BALANCE**

As of September 30, 2017, governmental fund balances consisted of the following:

<u>Classification</u>	<u>General Fund</u>	<u>CRA Fund</u>	<u>Total Governmental Funds</u>
Restricted for:			
Transportation	\$ 25,979	\$ -	\$ 25,979
Economic development	-	85,434	85,434
Total restricted	<u>25,979</u>	<u>85,434</u>	<u>111,413</u>
Assigned for:			
Infrastructure capital improvements	<u>52,000</u>	-	<u>52,000</u>
Unassigned	<u>562,019</u>	-	<u>562,019</u>
Total fund balance	<u>\$ 639,998</u>	<u>\$ 85,434</u>	<u>\$ 725,432</u>

**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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 226,496	\$ 226,496	\$ 233,263	\$ 6,767
Permits and fees	55,800	56,300	62,784	6,484
Intergovernmental	176,186	182,625	131,519	(51,106)
Charges for services	49,609	50,478	50,076	(402)
Fines	100	100	333	233
Miscellaneous	30,350	30,350	51,615	21,265
Total revenues	<u>538,541</u>	<u>546,349</u>	<u>529,590</u>	<u>(16,759)</u>
<b>EXPENDITURES</b>				
Current				
General governmental services	264,146	267,953	225,150	42,803
Public safety	71,575	7,543	815	6,728
Physical environment	37,350	38,150	41,421	(3,271)
Transportation	24,631	25,493	22,738	2,755
Human services	1,700	1,700	667	1,033
Culture and recreation	37,600	38,500	30,286	8,214
Capital outlay	166,000	167,010	122,291	44,719
Total expenditures	<u>603,002</u>	<u>546,349</u>	<u>443,368</u>	<u>102,981</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(64,461)</u>	<u>-</u>	<u>86,222</u>	<u>86,222</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(64,461)</u>	<u>-</u>	<u>86,222</u>	<u>86,222</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>64,461</u>	<u>-</u>	<u>553,909</u>	<u>553,909</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 640,131</u>	<u>\$ 640,131</u>

See notes to the required supplementary information.

**TOWN OF CINCO BAYOU, FLORIDA  
COMMUNITY REDEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 22,282	\$ 22,282	\$ 22,282	\$ -
Intergovernmental	25,482	25,482	24,968	(514)
Miscellaneous	34	34	32	(2)
Total revenues	<u>47,798</u>	<u>47,798</u>	<u>47,282</u>	<u>(516)</u>
<b>EXPENDITURES</b>				
Current				
Economic environment	13,247	13,247	502	12,745
Debt service				
Principal	29,029	29,029	29,806	(777)
Interest	5,522	5,522	4,727	795
Total expenditures	<u>47,798</u>	<u>47,798</u>	<u>35,035</u>	<u>12,763</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>12,247</u>	<u>12,247</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>12,247</u>	<u>12,247</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>73,187</u>	<u>73,187</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,434</u>	<u>\$ 85,434</u>

See notes to the required supplementary information.

**TOWN OF CINCO BAYOU, FLORIDA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2017**

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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 revision to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements 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.

**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, each major fund, and the aggregate remaining fund information of the Town of Cinco Bayou, Florida, as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Cinco Bayou, Florida's basic financial statements and have issued our report thereon dated December 7, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town of Cinco Bayou, Florida'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 of Cinco Bayou, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Cinco Bayou, Florida'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 7, 2017

**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 compliance with Florida Statute 218.415 in regards to the investments for the fiscal year ended September 30, 2017. Management is responsible for the Town of Cinco Bayou, Florida's compliance with this requirement. Our responsibility is to express an opinion on the Town of Cinco Bayou, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town of Cinco Bayou, Florida's compliance with this requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Cinco Bayou, Florida's compliance with specified requirements.

In our opinion, the Town of Cinco Bayou, Florida complied, in all material respects, with the aforementioned requirement for the fiscal year ended September 30, 2017.

Our report on compliance 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 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 7, 2017

## 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 as of and for the year ended September 30, 2017, and have issued our report thereon dated December 7, 2017.

### **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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed 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 7, 2017, 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.

### **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.

### **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we 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 identification of 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.



### **Financial Condition and Management – CONTINUED**

Pursuant to Sections 10.554(a)(i)5.c. and 10.556(8)., Rules of the Auditor General, we applied financial condition assessment procedures. 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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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 7, 2017

## LOCAL GOVERNMENTAL ENTITY AUDIT REPORT SUBMITTAL CHECKLIST

Entity Name: Town of Cinco Bayou, Florida

Contact Person Name and Title: Keith Williams, Town Clerk

Contact Person Mailing Address: 10 Yacht Club Drive Fort Walton Beach, FL 32548

Contact Person Phone Number: 850-833-3405

Contact Person E-mail Address: keith@cincobayou.com

Fiscal Year Audited: September 30, 2016

Date the auditor delivered the audit report to the entity: December 13, 2016

Does the audit report include the following items required by Section 10.557(3), Rules of the Auditor General:

Required for municipalities, special districts, the county as a whole, and county agencies \*\*



The financial statements described in Sections 10.556(3) and (4), Rules of the Auditor General, as applicable, together with related notes to financial statements?



Required supplementary information (RSI) such as the management's discussion and analysis (not required for county agencies), or the budgetary comparison schedule (required as RSI if not presented as part of the financial statements)?



The auditor's report on the financial statements?



The auditor's report on compliance and internal control?



The management letter defined in Section 10.554(1)(i), Rules of the Auditor General?



The written statement of explanation or rebuttal, including corrective action to be taken, required by Section 10.558(1), Rules of the Auditor General?



The auditor's report based on an examination conducted in accordance with *AICPA Professional Standards*, prepared in accordance with AT Sections 601.55 and 601.56, promulgated by the American Institute of Certified Public Accountants, regarding the compliance requirements referenced in Section 10.556(10), Rules of the Auditor General?

N/A

For entities that had an impact fee adopted by ordinance on their behalf, an affidavit signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public) stating that the ordinance complied with the restrictions of Section 163.31801, Florida Statutes.

\*\* Pursuant to Section 218.39(2), Florida Statutes, an audit of the board of county commissioners is not required. However, if the county report includes an audit of the board of county commissioners, it should include the items required by Section 10.557(3), Rules of the Auditor General.

Required for municipalities, special districts, and the county as a whole

N/A If applicable, the auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); or other applicable Federal law?

N/A Any auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* (see Section 10.557(3)(e), Rules of the Auditor General)?

✓ For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a schedule of receipts and expenditures of such funds required by Section 10.557(3)(n), Rules of the Auditor General?

✓ For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a report that includes an opinion (or disclaimer of opinion) as to whether the schedule of receipts and expenditures of such funds required by Section 10.557(3)(n), Rules of the Auditor General, is presented fairly in all material respects in relation to the financial statements taken as a whole. The report shall be prepared in accordance with AICPA Professional Standards, AU-C Section 725, promulgated by the American Institute of Certified Public Accountants. (see Section 10.557(3)(f)), Rules of the Auditor General?

In addition to the above, have the following requirements been complied with:

✓ Are all of the above elements of the audit report included in a **single document** as required by Section 10.557(3), Rules of the Auditor General?

✓ Are **one** paper copy and **one** electronic copy of the audit report being submitted as required by Section 10.558(3), Rules of the Auditor General?

✓ Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf? Counties should include the word "county" in the entity name; however, it is not necessary for municipalities to include "city of," "town of," etc. in the entity name. For example, the converted document for the 2015-16 fiscal year for Alachua County should be named 2016 alachua county.pdf while the converted document for the 2015-16 fiscal year for the City of Alachua should be named 2016 alachua.pdf.

✓ Was the audit report being submitted within 45 days after receipt of the audit report from the auditor, but no later than **9 months** after the end of the fiscal year? **NOTE:** There is no provision in law authorizing an extension for filing the audit report.

N/A If the audit report is for a county or municipality, and a dependent special district was audited as part of the county or municipality audit, did the notes to financial statements clearly indicate that the special district had been included as part of the county's or municipality's reporting entity? **NOTE:** Pursuant to Section 218.39(3), Florida Statutes, an independent special district may not be audited as part of a county or municipality audit. When a dependent special district is audited as part of the county or municipality audit, the county or municipality notes to financial statements should clearly disclose that the special district is a component unit included within the county's or municipality's reporting entity.

**This checklist should accompany the audit report.** It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

Auditor General  
Local Government Audits/342  
Claude Pepper Building, Room 401  
111 West Madison Street  
Tallahassee, FL 32399-1450

Telephone: (850) 412-2881

Fax: (850) 488-6975

E-mail Address: [flaudgen\\_localgovt@aud.state.fl.us](mailto:flaudgen_localgovt@aud.state.fl.us)

Web site Address: [www.myflorida.com/audgen](http://www.myflorida.com/audgen)

**TOWN OF CINCO BAYOU, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2016**

**TOWN OF CINCO BAYOU, FLORIDA  
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SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

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

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

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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Town of Cinco Bayou, Florida, as of September 30, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 13, 2016, on our consideration of the Town of Cinco Bayou, Florida'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 included under the heading "*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements performed in accordance with Government Auditing Standards*". 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 Town of Cinco Bayou, Florida's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
December 13, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Cinco Bayou, Florida (the Town), we offer readers of the Town of Cinco Bayou, Florida's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended September 30, 2016.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town of Cinco Bayou, Florida exceeded its liabilities and deferred inflows of resources by \$2,307,610 (net position), and represent an increase of \$150,146 (or approximately 7%) from the prior year. Of this amount, \$1,688,101 represents the Town's net investment in capital assets (e.g. land, infrastructure, building, machinery, construction in progress, and equipment), \$92,306 is restricted for transportation and economic development, and \$527,203 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$488,790. The fund balance increased by \$101,890 (or approximately 21%) during fiscal year 2016.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The focus of the Governmental Accounting Standards Board (GASB) Statement No. 34 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 of Cinco Bayou, Florida's basic financial statements. The Town of Cinco Bayou, Florida'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 of Cinco Bayou, Florida'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 of Cinco Bayou, Florida'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 of Cinco Bayou, Florida.

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 of Cinco Bayou, Florida 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 of Cinco Bayou, Florida currently does not have any business-type activities. The governmental activities of the Town of Cinco Bayou, Florida include public safety, transportation (road and street facilities), physical environment (general maintenance, culture and recreation), 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 of Cinco Bayou, Florida, 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 of Cinco Bayou, Florida maintains two governmental funds (General Fund and Special Revenue 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 Special Revenue Fund.

The Town of Cinco Bayou, Florida adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

## 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 of Cinco Bayou, Florida, assets exceeded liabilities and deferred inflows of financial resources by \$2,307,610 (net position) for the fiscal year ended 2016, as reported in Table 1.

Approximately 73% of the Town of Cinco Bayou, Florida's net position, or \$1,688,101, 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, 2016, the Town of Cinco Bayou, Florida has \$124,473 of outstanding debt relating to capital assets. The Town of Cinco Bayou, Florida 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, 2016 AND 2015**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 710,618	\$ 588,411
Capital assets	1,812,574	1,794,586
<b>Total assets</b>	<b>2,523,192</b>	<b>2,382,997</b>
Long-term liabilities outstanding	132,060	218,015
Other liabilities	80,582	3,303
<b>Total liabilities</b>	<b>212,642</b>	<b>221,318</b>
<b>Total deferred inflows of resources</b>	<b>2,940</b>	<b>4,215</b>
Net position		
Net investment in capital assets	1,688,101	1,655,759
Restricted	92,306	58,173
Unrestricted	527,203	443,532
<b>Total net position</b>	<b>\$ 2,307,610</b>	<b>\$ 2,157,464</b>

### GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town of Cinco Bayou, Florida's net position by \$150,146. 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, 2016 AND 2015**

	<b>Primary Government</b>	
	<b>Total</b>	
	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>		
<b>Program revenues</b>		
Charges for services	\$ 55,018	\$ 45,127
Operating grants and contributions	-	1,076
Capital grants and contributions	75,324	-
<b>General revenues</b>		
Property taxes	124,473	97,113
Other taxes	167,995	165,250
Franchise fees	62,549	64,259
Tax increments for redevelopment	39,561	36,499
Other revenue	39,912	44,078
<b>TOTAL REVENUES</b>	<b>564,832</b>	<b>453,402</b>
<b>EXPENSES</b>		
<b>Primary government</b>		
General government	228,092	224,352
Public safety	1,519	700
Economic environment	25	421
Physical environment	39,457	37,874
Transportation	87,035	89,937
Human services	1,700	1,700
Culture and recreation	46,661	49,950
Debt service interest	10,197	1,639
<b>TOTAL EXPENSES</b>	<b>414,686</b>	<b>406,573</b>
<b>CHANGE IN NET POSITION</b>	<b>150,146</b>	<b>46,829</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>2,157,464</b>	<b>2,110,635</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 2,307,610</b>	<b>\$ 2,157,464</b>

## 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 non-recurring):** Certain recurring revenues (state revenue sharing) may experience significant changes periodically while non-recurring (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 38% 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

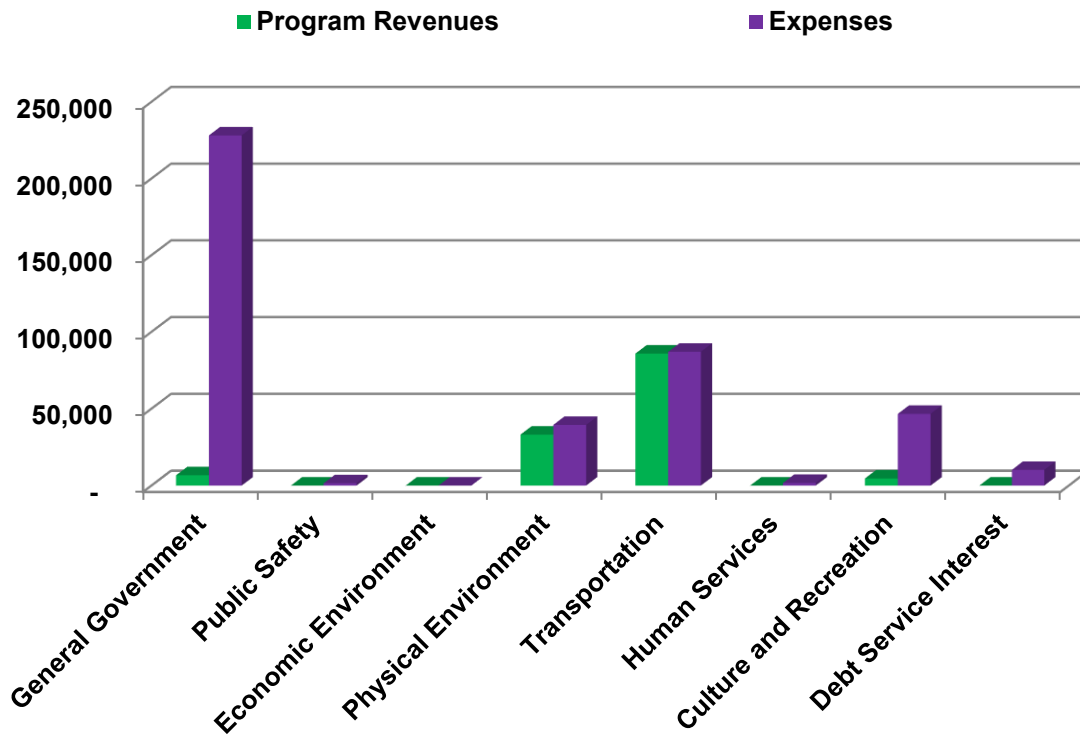
- Capital grants funds in the amount of \$70,701 were earned during the year ended September 30, 2016. The grant funds were received in the prior year and were recognized as the paving project related to the grant was performed in 2016.

## FINANCIAL IMPACTS – CONTINUED

### Current Year Impacts – Governmental Activities – Continued

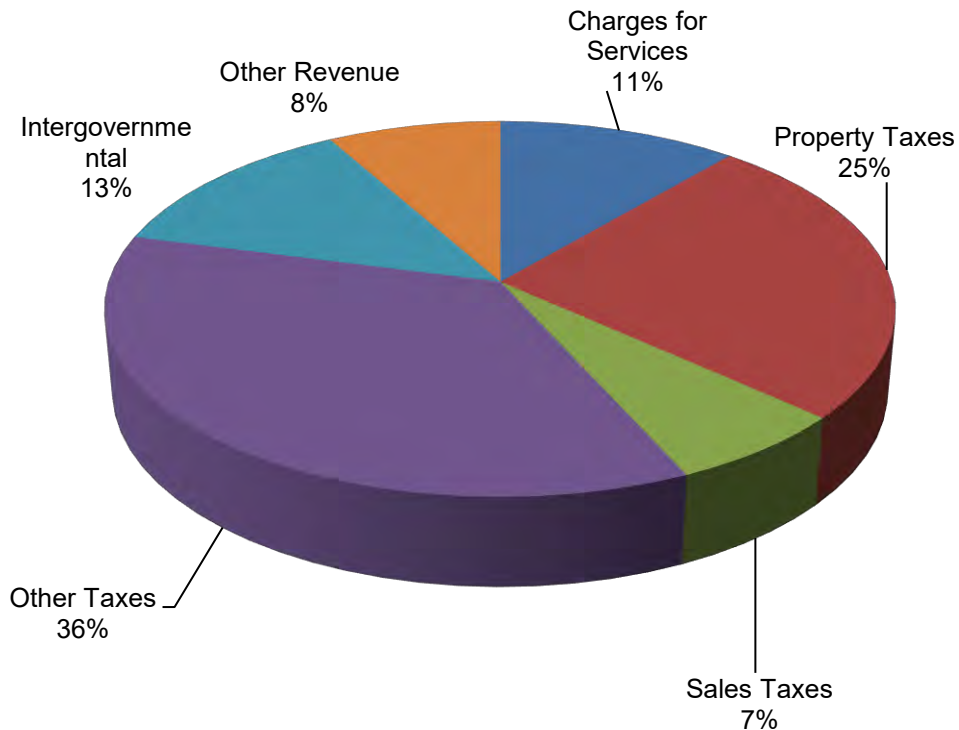
- Charges for services increased by \$9,871 (18%), due to an increase in revenues received from the State of Florida for increased State highway services provided by the Town.

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 of Cinco Bayou, Florida uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

The focus of the Town of Cinco Bayou, Florida'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 of Cinco Bayou, Florida's financing requirements. In particular, an unreserved 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 the end of the current fiscal year, the Town of Cinco Bayou, Florida's governmental funds reported ending fund balance of \$627,096, an increase of \$116,904 in comparison with the prior year. Of the total fund balance, \$46,000 is assigned fund balance, \$92,306 is restricted, and \$488,790 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town of Cinco Bayou, Florida. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 115% of the current year's total operating expenditures of the General Fund.

During the current fiscal year, the fund balance of the Town of Cinco Bayou, Florida's General Fund increased by \$101,890.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the current year, miscellaneous revenues were slightly greater than expected, due to the receipt of insurance proceeds while intergovernmental revenue was under budget by approximately \$57,000 due to the timing of grant funds. Expenditures were under budget by over \$156,311 primarily related to paving projects, the storm water drainage project and boat launch improvement projects that were not completed in 2016 as originally planned and approximately \$30,000 of contingency expenses that were budgeted but not needed in fiscal year 2016 operations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Town of Cinco Bayou, Florida's investments in capital assets for its governmental activities as of September 30, 2016, amount to \$1,812,574 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, construction in progress, machinery and equipment, park facilities, roads, highways, etc. In the current year, there was \$72,813 in net additions and to the Town of Cinco Bayou, Florida's investment in capital assets, the net increase in accumulated depreciation totaled \$54,825.

**Table 3**  
**TOWN OF CINCO BAYOU, FLORIDA**  
**CAPITAL ASSETS**  
**(net of depreciation)**  
**AS OF SEPTEMBER 30, 2016 AND 2015**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 14,730	\$ 14,730
Buildings	212,922	212,922
Improvements other than buildings	2,596,830	2,609,003
Machinery and equipment	67,887	82,535
Construction in progress	99,634	-
Less accumulated depreciation	<u>(1,179,429)</u>	<u>(1,124,604)</u>
<b>Total</b>	<b><u>\$ 1,812,574</u></b>	<b><u>\$ 1,794,586</u></b>

Additional information on the capital assets of the Town of Cinco Bayou, Florida can be found in Note 5 of this report.

## CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

### Outstanding Debt

At the end of the current fiscal year, the Town of Cinco Bayou, Florida had debt outstanding, consisting of compensated absences and a note payable relating to the Eglin Corridor project.

**Table 4**  
**TOWN OF CINCO BAYOU, FLORIDA**  
**OUTSTANDING DEBT**  
**AS OF SEPTEMBER 30, 2016 AND 2015**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Note payable	\$ 124,473	\$ 138,827
Compensated absences	7,587	8,487
<b>Total</b>	<b>\$ 132,060</b>	<b>\$ 147,314</b>

Additional information on the Town of Cinco Bayou, Florida's long-term debt can be found in Note 9 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, 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 non-recurring 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.

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 27,000 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 \$52 billion annual impact on 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.

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

The FY 2016-2017 budget for the Town of Cinco Bayou, Florida's General fund reflects an operating fund budget increase of approximately \$29,098. The major item contributing to the increase is the storm water repair project budgeted at \$52,000. The budgeted increase will be funded by a cash carry forward totaling approximately \$96,000, of which \$31,000 relates to budgeted grant proceeds for the Kelly Avenue Paving Project, \$15,000 relates to budgeted grant proceeds for the Storm Water Master Plan Project, and \$50,000 in budgeted grant proceeds from the Florida Recreation Development Assistance Program (FRDAP). The FRDAP grant proceeds were ultimately not received in fiscal year 2016.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Cinco Bayou, Florida'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 the Town of Cinco Bayou, Florida, 10 Yacht Club Drive, Cinco Bayou, Florida 32548. The Town's website address is [www.cincobayou.com](http://www.cincobayou.com).

**TOWN OF CINCO BAYOU, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 685,628
Receivables	9,617
Due from other governments	15,373
Capital assets	
Non-depreciable	114,364
Depreciable, net	<u>1,698,210</u>
<b>TOTAL ASSETS</b>	<u><b>2,523,192</b></u>
<b>LIABILITIES</b>	
Accounts payable	77,376
Accrued liabilities	3,206
Non-current liabilities	
Due within one year	
Note payable	18,265
Due in more than one year	
Compensated absences	7,587
Note payable	<u>106,208</u>
<b>TOTAL LIABILITIES</b>	<u><b>212,642</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	<u>2,940</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,688,101
Restricted	92,306
Unrestricted	<u>527,203</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 2,307,610</b></u></u>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 228,092	\$ 6,724	\$ -	\$ -	\$ (221,368)
Public safety	1,519	-	-	-	(1,519)
Economic environment	25	-	-	-	(25)
Physical environment	39,457	33,139	-	-	(6,318)
Transportation	87,035	15,155	-	70,701	(1,179)
Human services	1,700	-	-	-	(1,700)
Culture and recreation	46,661	-	-	4,623	(42,038)
Interest on long-term debt	10,197	-	-	-	(10,197)
<b>Total governmental activities</b>	<b>\$ 414,686</b>	<b>\$ 55,018</b>	<b>\$ -</b>	<b>\$ 75,324</b>	<b>\$ (284,344)</b>
General revenues					
Taxes					
Property taxes					\$ 124,473
Sales taxes					32,219
Utility service taxes					73,193
Tax increments for redevelopment					39,561
Franchise fees					62,549
Intergovernmental, unrestricted					62,583
Investment earnings					118
Rental income					33,136
Miscellaneous					6,658
Total general revenues					434,490
<b>CHANGE IN NET POSITION</b>					150,146
<b>NET POSITION AT BEGINNING OF YEAR</b>					2,157,464
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 2,307,610</b>

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2016**

	<u>General</u>	<u>Community Redevelop- ment Special Revenue Fund</u>	<u>Total Governmen- tal Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 612,441	\$ 73,187	\$ 685,628
Receivables	9,617	-	9,617
Due from other governments	15,373	-	15,373
<b>TOTAL ASSETS</b>	<u>\$ 637,431</u>	<u>\$ 73,187</u>	<u>\$ 710,618</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 77,376	\$ -	\$ 77,376
Accrued liabilities	3,206	-	3,206
Total liabilities	<u>80,582</u>	<u>-</u>	<u>80,582</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>2,940</u>	<u>-</u>	<u>2,940</u>
<b>FUND BALANCE</b>			
Restricted for			
Capital improvements/redevelopment	-	73,187	73,187
Transportation	19,119	-	19,119
Assigned	46,000	-	46,000
Unassigned	<u>488,790</u>	<u>-</u>	<u>488,790</u>
Total fund balance	<u>553,909</u>	<u>73,187</u>	<u>627,096</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 637,431</u>	<u>\$ 73,187</u>	<u>\$ 710,618</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, 2016**

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Fund balance, total governmental funds (page 15)	\$ 627,096
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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 non-depreciable assets	114,364	
Governmental depreciable assets	2,877,639	
Less accumulated depreciation	<u>(1,179,429)</u>	
		1,812,574

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Note payable	(124,473)	
Compensated absences	<u>(7,587)</u>	
		<u>(132,060)</u>

Net position of governmental activities (page 13)	<u><u>\$ 2,307,610</u></u>
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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, 2016**

	<u>General</u>	<u>Community Redevelop- ment Special Revenue Fund</u>	<u>Total Governmen- tal Funds</u>
<b>REVENUES</b>			
Taxes	\$ 235,185	\$ 15,938	\$ 251,123
Permits and fees	63,247	-	63,247
Intergovernmental	138,522	23,623	162,145
Charges for services	48,294	-	48,294
Fines	306	-	306
Miscellaneous	39,687	29	39,717
Total revenues	<u>525,241</u>	<u>39,590</u>	<u>564,832</u>
<b>EXPENDITURES</b>			
Current			
General governmental services	226,512	-	226,513
Public safety	1,519	-	1,519
Economic environment	-	25	25
Physical environment	37,603	-	37,603
Transportation	21,787	-	21,787
Human services	1,700	-	1,700
Culture and recreation	30,346	-	30,346
Capital outlay	103,884	-	103,884
Debt service			
Principal	-	14,354	14,354
Interest	-	10,197	10,197
Total expenditures	<u>423,351</u>	<u>24,576</u>	<u>447,928</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	101,890	15,014	116,904
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>452,019</u>	<u>58,173</u>	<u>510,192</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 553,909</u>	<u>\$ 73,187</u>	<u>\$ 627,096</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, 2016**

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Net change in fund balance – governmental funds (page 17) \$ 116,904

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	103,884	
Less current year depreciation	<u>(85,896)</u>	
		17,988

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		900
Principal payments		<u>14,354</u>

Change in net position of governmental activities (page 14) \$ 150,146

See notes to the financial statements.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**Description of Town**

The Town of Cinco Bayou, Florida's (the Town) present form of government was created, established, and organized under Chapter 57-1577, Laws of the State of Florida, on July 3, 1950. The Town operates under a council form of government and provides the following services: public safety (law enforcement), 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 (GAAP) in the United States of America 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**

The Town is governed by a five member elected council and mayor. The powers of this council are regulated by ordinances and resolutions of the Town, Okaloosa County, and the Statutes of the State of Florida.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Cinco Bayou, Florida as the primary government. 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 includable within the Town's financial statements. Management utilized criteria set forth in GASB No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 61, the Town (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 Town. 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.

The Town of Cinco Bayou, Florida established the Town of Cinco Bayou Community Redevelopment Agency (the Agency) as a separate legal entity in accordance with Florida Statutes 163, Section III. The Agency was established by the Town to prepare a community redevelopment plan for a designated geographic area within the Town boundaries. The Town Council is designated as the board of the Agency. All expenditures of the Agency must be approved by the Town Council. The Agency is reported in the financial statements of the primary government as a "blended component unit" as defined by GASB Statement No. 61. The Agency is classified as a governmental fund and is presented as a special revenue fund type. Separate financial statements of the Agency are not prepared.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF 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. Likewise, the primary government (General Fund) is reported separately from the legally separate component unit (Special Revenue Fund) for which the primary government is financially accountable.

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.

**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 taxes, business taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF 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 current property tax calendar:

Lien Date	January 1, 2016
Levy Date	November 1, 2016
Due Date	November 1, 2016
Delinquent Date	April 1, 2017

Discounts of 1% for each month taxes are paid prior to March 2016, are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2016 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 the General Fund. 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 there in, 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.

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

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**Basis of Presentation – Continued**

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. 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. This fund is a major governmental fund.

*Community Redevelopment Agency - special revenue fund* – This fund is used to account for funds relating to the Town of Cinco Bayou Community Redevelopment activities. This fund is a major governmental fund.

***Cash and Cash Equivalents***

Each fund's cash on hand, demand deposits, and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

***Deposits and Investments***

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds 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. The Town adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which requires the Town to maintain deposits only with "Qualified Public Depositories." The Town maintains cash, money market deposit accounts, or certificates of deposit in each of the Town's individual funds, which are stated at fair value.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

***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 non-current 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.

***Capital Assets***

Capital assets, which include land, buildings, improvements and equipment, are reported in the governmental activities columns in the government-wide financial statements. The Town is in Phase III of the required implementation time of GASB 34; accordingly, they are not required to retroactively record infrastructure assets. Therefore, purchases of infrastructure assets subsequent to October 1, 2003, are reported 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 fair market value at 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:

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, 2016**

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

***Compensated Absences***

It is the Town's policy to permit employees to 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 earns ten hours per month; and an employee with over 36 months earns thirteen and one-third hours per month. Employees are fully compensated for accumulated leave upon termination, up to 160 hours.

*Sick Leave* – The policy of the Town for sick leave is that all paid employees will 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Town had no deferred outflows of resources as of September 30, 2016.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Town had \$2,940 of deferred inflows of resources as of September 30, 2016.



**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

***Classification of Fund Balance***

GASB Statement No.54 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, under GASB 54, are comprised of the following:

- *Nonspendable* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- *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 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* – comprises amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Town Council or (b) a body (for example: 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.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the 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 place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In all other funds, unassigned classification is limited to negative residual fund balance.

The Town uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. The Town does not have a formal minimum fund balance policy.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**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**

Management has evaluated events and transactions that occurred between September 30, 2016 through December 13, 2016, 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**

**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 reservations of 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 Florida Statute 218.415 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.

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 for 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.

The Town's deposits at September 30, 2016, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, has no custodial risk. At September 30, 2016, the reported amount of the Town's deposits was \$685,628 and the bank balance was \$694,135, consisting entirely of deposits with financial institutions in checking and money market deposit accounts.

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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**4. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

Receivables at September 30, 2016, were as follows:

**Accounts Receivable**

Due from Gulf Power and Okaloosa Gas – franchise and utility taxes	<u>\$ 9,617</u>
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**Due from Other Governments**

Florida Recreation Development Assistance Program – grant receivable	\$ 4,623
City of Fort Walton Beach – fees and taxes	<u>10,750</u>
Total due from other governments	<u>\$ 15,373</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**5. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 14,730	\$ -	\$ -	\$ 14,730
Construction in progress	-	99,634	-	99,634
Total capital assets not being depreciated	<u>14,730</u>	<u>99,634</u>	<u>-</u>	<u>114,364</u>
Capital assets being depreciated				
Buildings	212,922	-	-	212,922
Improvements other than buildings	2,609,003	-	(12,173)	2,596,830
Furniture and equipment	82,535	4,250	(18,898)	67,887
Total capital assets being depreciated	<u>2,904,460</u>	<u>4,250</u>	<u>(31,071)</u>	<u>2,877,639</u>
Less accumulated depreciation				
Buildings	(193,415)	(787)	-	(194,202)
Improvements other than buildings	(852,049)	(83,416)	12,173	(923,292)
Furniture and equipment	(79,140)	(1,693)	18,898	(61,935)
Total accumulated depreciation	<u>(1,124,604)</u>	<u>(85,896)</u>	<u>31,071</u>	<u>(1,179,429)</u>
Total capital assets being depreciated, net	<u>1,779,856</u>	<u>(81,646)</u>	<u>-</u>	<u>1,698,210</u>
<b>Governmental activities, net</b>	<u>\$ 1,794,586</u>	<u>\$ 17,988</u>	<u>\$ -</u>	<u>\$ 1,812,574</u>

Depreciation expense for the year ended September 30, 2016 was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 2,480
Transportation	65,248
Physical environment	2,853
Culture and recreation	15,315
Total depreciation expense – governmental activities	<u>\$ 85,896</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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**6. DEFERRED COMPENSATION PLAN**

The Town of Cinco Bayou, Florida offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Town of Cinco Bayou, Florida's financial statements.

The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the Town has no liability for investment losses. The Town matches employee contributions up to 4%. During 2016, the plan members and the Town each made contributions of \$3,057.

**7. RISK MANAGEMENT**

The Town of Cinco Bayou, Florida 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 for which the Town carries commercial insurance.

**8. RENTAL ACTIVITIES**

The Town leases land to an unrelated party for the purpose of accommodating a communications facility. The communications facility lease agreement calls for monthly rents of \$1,458, with an 8% increase every five year term (next increase on August 1, 2021). In addition, if the lessee subleases any part of the land, the Town is entitled to 15% of all rental payments and charges related to the sublease. The rental income related to this lease, for the year ending September 30, 2016, totaled \$30,316.

Minimum lease payments to be received for the lease is as follows:

2017	\$ 17,496
2018	17,496
2019	17,496
2020	17,496
2021	17,496
Total	<u>\$ 87,480</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**9. 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, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Note payable	\$ 138,827	\$ -	\$ (14,354)	\$ 124,473	\$ 18,265
Compensated absences	8,487	7,041	(7,941)	7,587	-
Total long-term debt	<u>\$ 147,314</u>	<u>\$ 7,041</u>	<u>\$ (22,295)</u>	<u>\$ 132,060</u>	<u>\$ 18,265</u>

**Description of Long-Term Debt Outstanding**

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>Governmental Activities</b>			
<b><i>Note Payable</i></b>			
\$237,500 note payable to a bank, due in quarterly installments including interest at 3.98%, secured by a lien upon the pledge of designated revenues. Final payment is due October 1, 2022.	<u>\$ 18,265</u>	<u>\$ 106,208</u>	<u>\$ 124,473</u>
<b><i>Accrued Compensated Absences</i></b>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	<u>-</u>	<u>7,587</u>	<u>7,587</u>
Total long-term debt	<u>\$ 18,265</u>	<u>\$ 113,795</u>	<u>\$ 132,060</u>

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2016, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 18,265	\$ 4,556
2018	19,003	3,818
2019	19,770	3,051
2020	20,569	2,252
2021	21,400	1,421
Thereafter	<u>25,466</u>	<u>554</u>
	<u>\$ 124,473</u>	<u>\$ 15,652</u>

**TOWN OF CINCO BAYOU, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**10. FUND BALANCE**

As of September 30, 2016, governmental fund balances consisted of the following:

<u>Classification</u>	<u>General Fund</u>	<u>CRA Fund</u>	<u>Total Governmental Funds</u>
Restricted for:			
Transportation	\$ 19,119	\$ -	\$ 19,119
Economic development	-	73,187	73,187
Total restricted	<u>19,119</u>	<u>73,187</u>	<u>92,306</u>
Assigned for:			
Street paving projects	31,000	-	31,000
Stormwater system improvements	15,000	-	15,000
Total restricted	<u>46,000</u>	<u>-</u>	<u>46,000</u>
Unassigned	<u>488,790</u>	<u>-</u>	<u>488,790</u>
Total fund balance	<u>\$ 553,909</u>	<u>\$ 73,187</u>	<u>\$ 627,096</u>

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 230,071	\$ 230,071	\$ 235,185	\$ 5,114
Permits and fees	60,017	60,017	63,247	3,230
Intergovernmental	196,270	196,270	138,522	(57,748)
Charges for services	48,354	48,354	48,294	(60)
Fines	100	100	306	206
Miscellaneous	29,850	29,850	39,687	9,837
Total revenues	<u>564,662</u>	<u>564,662</u>	<u>525,241</u>	<u>(39,421)</u>
<b>EXPENDITURES</b>				
Current				
General governmental services	285,912	285,912	226,512	59,400
Public safety	2,250	2,250	1,519	731
Physical environment	38,025	38,025	37,603	422
Transportation	24,540	24,540	21,787	2,753
Human services	1,700	1,700	1,700	-
Culture and recreation	30,750	30,750	30,346	404
Capital outlay	196,485	196,485	103,884	92,601
Total expenditures	<u>579,662</u>	<u>579,662</u>	<u>423,351</u>	<u>156,311</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>101,890</u>	<u>116,890</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>101,890</u>	<u>116,890</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>15,000</u>	<u>15,000</u>	<u>452,019</u>	<u>437,019</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 553,909</u>	<u>\$ 553,909</u>

See notes to the required supplementary information.

**TOWN OF CINCO BAYOU, FLORIDA  
COMMUNITY REDEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 16,183	\$ 16,183	\$ 15,938	\$ (245)
Intergovernmental	23,626	23,626	23,623	(3)
Miscellaneous	34	34	29	(5)
Total revenues	<u>39,843</u>	<u>39,843</u>	<u>39,590</u>	<u>(253)</u>
<b>EXPENDITURES</b>				
Current				
Economic environment	9,120	9,120	25	9,095
Debt service				
Principal	24,613	24,613	14,354	10,259
Interest	6,110	6,110	10,197	(4,087)
Total expenditures	<u>39,843</u>	<u>39,843</u>	<u>24,576</u>	<u>15,267</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>15,014</u>	<u>15,014</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	15,014	15,014
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	-	-	58,173	58,173
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,187</u>	<u>\$ 73,187</u>

See notes to the required supplementary information.

**TOWN OF CINCO BAYOU, FLORIDA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2016**

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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 revision to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements 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.

**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, each major fund, and the aggregate remaining fund information of the Town of Cinco Bayou, Florida, as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Cinco Bayou, Florida's basic financial statements and have issued our report thereon dated December 13, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town of Cinco Bayou, Florida'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 of Cinco Bayou, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Cinco Bayou, Florida'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 13, 2016

**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 compliance with Florida Statute 218.415 in regards to the investments for the fiscal year ended September 30, 2016. Management is responsible for the Town of Cinco Bayou, Florida's compliance with this requirement. Our responsibility is to express an opinion on the Town of Cinco Bayou, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town of Cinco Bayou, Florida's compliance with this requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Cinco Bayou, Florida's compliance with specified requirements.

In our opinion, the Town of Cinco Bayou, Florida complied, in all material respects, with the aforementioned requirement for the fiscal year ended September 30, 2016.

Our report on compliance 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 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 13, 2016

## 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 as of and for the year ended September 30, 2016, and have issued our report thereon dated December 13, 2016.

### **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 Reports and Schedules**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedules, which are dated December 13, 2016, 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.

### **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.

### **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of 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.

**Financial Condition – CONTINUED**

Pursuant to Sections 10.554(a)(i)5.c. and 10.556(8)., Rules of the Auditor General, we applied financial condition assessment procedures. 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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 13, 2016





## *TOWN OF CINCO BAYOU*

10 YACHT CLUB DRIVE  
CINCO BAYOU, FLORIDA 32548-4436  
850-833-3405  
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**Mayor**  
JEAN HOOD  
**Mayor Pro Tem**  
PAULA ANDREWS  
**Council Members**  
NICK CHUBB  
LAURA DRIVER  
PAULA ANDREWS  
DANNY DILLARD  
TATIANA ABERNATHY  
**Town Manager/Clerk**  
KEITH WILLIAMS  
**Town Attorney**  
C. JEFFREY MCINNIS  
**Town Planner**  
JACK DORMAN  
**Town Engineer**  
CRYSTAL WEATHERINGTON

March 27, 2018

h. The Town of Cinco Bayou has received two subawards from Okaloosa County in the past two years both of being the Florida Boating Improvement Program grants which we received in 2016 and 2017.

i. The Town of Cinco Bayou has received a Florida Recreational Development Assistance Program grant from FDEP. The grant was initially awarded in 2014 but wasn't closed out until 2017.

*A PURPLE HEART COMMUNITY*