

**CITY OF SEBRING COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)**

FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2020



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**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
City of Sebring Community
Redevelopment Agency
Sebring, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the City of Sebring Community Redevelopment Agency (CRA), a component unit of the City of Sebring, Florida as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CRA'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 the general fund of the CRA as of September 30, 2020, and the respective changes in financial position and budgetary comparison for the general fund thereof 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 the management's discussion and analysis on pages 3 through 7 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 May 28, 2021, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

As management of the City of Sebring Community Redevelopment Agency (CRA), we offer the readers of the CRA's basic financial statements this narrative overview and analysis of the financial activities of the CRA for the year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the CRA's financial statements.

Financial Highlights

- The assets of the CRA exceeds its liabilities as of September 30, 2020 by \$1,677,266 (Net Position).
- The CRA's total assets as of September 30, 2020 were \$1,730,835.
- The CRA's total revenue was \$796,234, consisting primarily of CRA Incremental Tax Revenue.
- The CRA's total expenses came to \$789,181.
- The increase in net position was \$7,053.

Overview of Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the CRA's finances using the accrual basis of accounting. The CRA's government-wide financial statements include the following:

- Statement of Net Position – reports the CRA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the fiscal year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- Statement of Activities – reports the results of activity over the course of the fiscal year. It details the costs associated with operating the CRA and how those costs were funded. It also provides an explanation of the change in net position from the previous fiscal year-end to the current fiscal year-end.
- The basic financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

The analysis of net position, revenue, and expenses are detailed and provide a comprehensive portrayal of financial conditions and related trends. The analysis includes all assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned or incurred regardless of when cash is received or paid.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
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CITY OF SEBRING, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Our analysis presents the CRA's net position, which can be thought of as the difference between what the CRA owns (assets) and what the CRA owes (liabilities). The net position analysis will allow the reader to measure the health or financial position of the CRA. The CRA's net position consists of restricted net position that can only be spent for specific purposes because of constraints imposed by external sources (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

Over time, significant changes to the CRA's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any CRA, the reader must also consider other nonfinancial factors such as fluctuations in the local economy.

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The CRA is accounted for as a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The CRA adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 11 of this report

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-Wide Financial Analysis

Summary of Net Position:

	2020	2019
ASSETS		
Current Assets	\$ 1,730,835	\$ 1,700,735
LIABILITIES		
Total Liabilities	53,569	30,522
Net Position		
Restricted for Community Redevelopment	\$ 1,677,266	\$ 1,670,213

Assets increased \$30,100 from the prior year related to an increase in accounts payable at year-end. Liabilities increased by \$23,047 from the prior year related to projects in progress at year-end. There was an increase in net position of \$7,053 in the current year.

Summary of Revenues, Expenses, and Changes in Net Position:

	2020	2019
REVENUES		
Taxes	\$ 775,657	\$ 832,346
Investment Earnings	19,577	42,721
Miscellaneous	1,000	-
Total Revenues	796,234	875,067
EXPENSES		
Economic Development	789,181	803,707
CHANGE IN NET POSITION	7,053	71,360
Net Position - Beginning of Year	1,670,213	1,598,853
NET POSITION - END OF YEAR	\$ 1,677,266	\$ 1,670,213

In fiscal year 2020, total revenue was \$796,234, while total expenses were \$789,181. This resulted in a total net position of \$1,677,266.

The taxable value of property located within the CRA District decreased \$4,302,824 in fiscal year 2020 resulting in Ad Valorem proceeds decreasing \$56,689 over the previous year. Investment earnings decreased \$23,144 due to a drop in interest rates, for a total fiscal year 2020 revenue decrease of \$78,883.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
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CITY OF SEBRING, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Expenses decreased \$14,526 in fiscal year 2020 due largely to increased expenses for contributions toward the City's capital projects, offset by a decrease in grants awarded during the year. A comparison of expenses by category is as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Contributions to the City's			
Capital Projects	\$ 311,383	\$ 185,899	\$ 125,484
Other Projects	40,000	40,000	-
Grant Programs	99,426	192,913	(93,487)
Other	338,372	384,895	(46,523)
Total Expenses	<u>\$ 789,181</u>	<u>\$ 803,707</u>	<u>\$ (14,526)</u>

Governmental Fund Financial Analysis

General Fund

The general fund reported ending fund balance of \$1,688,818, an increase of \$11,493 over the prior year. The entire fund balance is restricted for community redevelopment. The changes in general fund activity are discussed in the government-wide analysis above.

General Fund Budgetary Highlights

The General Fund budget to actual statement is presented in the basic financial statements. The schedule shows the original adopted budget, the final budget, actual results, and the positive or negative variance between the final budget and actual results. After the original budget is approved, it may be amended for various reasons such as unanticipated revenues, unforeseen expenditures, or new grant awards.

- The actual net change in the fund balance of the General Fund compared to the final budget was a positive variance of \$729,909.
- General Fund revenues were \$15,576 more than the final budgeted amount.
- Actual expenditures in the General Fund were \$714,333 less than the final budget. Significant variances are due to other projects that were budgeted but did not occur in the current year.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Economic Factors and Next Year's Budget and Rates

The City of Sebring Community Redevelopment Agency (CRA) is reported as a discretely presented component unit of the City of Sebring. Its annual budget was approved on September 14, 2020. The following factors were considered in preparing the CRA's budget for the 2021 fiscal year:

- The City of Sebring is the largest city in Highlands County.
- An economic forecast estimates the City's population growth to be 4.6% per year for the remainder of the decade.
- Property values are forecast to increase by 8.5% in fiscal year 2021.

The CRA is committed to the redevelopment of the downtown district and undertaking initiatives that augment the permanent and visiting populace in order to compete with surrounding markets. The CRA has taken a progressive approach to redevelopment in the area by focusing their efforts on the acquisition and redevelopment of prime properties within the district. At present the CRA has acquired (4) parcels that are poised for redevelopment, has (1) additional property under contract, and has plans to acquire additional properties. The CRA also recently secured \$1.5 million dollars in debt service to be used for additional property acquisitions and renovations, and has plans to secure up to an additional \$5 million dollars in debt service within the next year to invest into the district.

Two projects also of high importance to the CRA at the moment is redevelopment master plan update, and the design of the waterfront redevelopment project. An updated master plan will extend the operations of the CRA for an additional 20 years, as well as incorporate updated projects, initiatives and objectives to progress the district. The CRA is working with S&ME to undertake the plan update and intends to complete the project by the summer.

The waterfront redevelopment project is a key revitalization effort for the CRA. Currently the existing waterfront is underutilized due to inadequate design and discordant features. Lake Jackson is the centerpiece of Sebring, the waterfront bookend of the Sebring Circle, and the focus of the waterfront redevelopment project in order to offer the community a variety of commercially standard recreational amenities. The goal of the project is to create a focal waterfront amenity for Sebring, and create a public space for recreation that is a connection to downtown. The CRA is currently embarking on the design phase of the project with Kimley Horn, and intends to complete the initial design process by the end of 2021.

Requests for Information

This financial report is designed to provide a general overview of the CRA's finances for all those with an interest. Questions concerning any of the information provided on this report or requests for additional information should be addressed as follows:

Kristie Vazquez
Executive Director
City of Sebring Community
Redevelopment Agency
309 Circle Park Drive
Sebring, Florida 33870.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

ASSETS

Cash and Investments	\$ 1,404,256
Accounts Receivable	495
Assets Available for Sale	<u>326,084</u>
Total Assets	<u>1,730,835</u>

LIABILITIES

Accounts Payable	35,716
Accrued Liabilities	1,775
Due to the City of Sebring	4,526
Noncurrent Liabilities:	
Due Within One Year:	
Compensated Absences	<u>11,552</u>
Total Liabilities	<u>53,569</u>

NET POSITION

Restricted for Community Redevelopment	<u>1,677,266</u>
Total Net Position	<u><u>\$ 1,677,266</u></u>

See accompanying Notes to Financial Statements.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

EXPENSES

Economic Development	\$	789,181
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GENERAL REVENUES

Taxes		775,657
Investment Earnings		19,577
Miscellaneous		1,000
Total General Revenues		796,234

CHANGE IN NET POSITION

7,053

Net Position - Beginning of Year

1,670,213

NET POSITION - END OF YEAR

\$ 1,677,266

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2020**

ASSETS

Cash and Investments	\$ 1,404,256
Accounts Receivable	495
Assets Available for Sale	<u>326,084</u>
 Total Assets	 <u><u>\$ 1,730,835</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts Payable	\$ 35,716
Accrued Liabilities	1,775
Due to the City of Sebring	<u>4,526</u>
Total Liabilities	42,017

Fund Balance:	
Restricted for Community Redevelopment	<u>1,688,818</u>

Total Liabilities and Fund Balance	<u><u>\$ 1,730,835</u></u>
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RECONCILIATION OF FUND BALANCE TO NET POSITION

Fund Balance - General Fund	\$ 1,688,818
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Compensated absence are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(11,552)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,677,266</u></u>
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**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020**

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 780,658	\$ 780,658	\$ 775,657	\$ (5,001)
Miscellaneous:				
Investment Earnings	-	-	19,577	19,577
Other	-	-	1,000	1,000
Total Revenues	<u>780,658</u>	<u>780,658</u>	<u>796,234</u>	<u>15,576</u>
EXPENDITURES				
Current:				
Personnel Expenditures	187,324	187,659	192,704	(5,045)
Professional Services	25,000	10,552	9,361	1,191
Operating Expenditures	103,300	125,013	60,713	64,300
Events	23,000	38,283	21,897	16,386
Promotional Marketing	60,000	75,373	49,257	26,116
Payments to the City - Operating	40,000	40,000	40,000	-
Grant Programs	180,000	317,629	99,426	218,203
Payments to the City - Capital Projects	710,000	704,565	311,383	393,182
Total Expenditures	<u>1,328,624</u>	<u>1,499,074</u>	<u>784,741</u>	<u>714,333</u>
NET CHANGE IN FUND BALANCE	(547,966)	(718,416)	11,493	729,909
Fund Balance - Beginning of Year	<u>1,677,325</u>	<u>1,677,325</u>	<u>1,677,325</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,129,359</u>	<u>\$ 958,909</u>	<u>\$ 1,688,818</u>	<u>\$ 729,909</u>

See accompanying Notes to Financial Statements.

CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balance - General Fund	\$	11,493
<p>Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net Change in Accrued Compensated Absences		(4,440)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	7,053

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Sebring Community Redevelopment Agency (CRA), a component unit of the City of Sebring, was established by City Resolution on September 1, 1981, as authorized by Chapter 163, Florida Statutes, to grow and develop the City of Sebring. The CRA's mission is:

- To bring about the economic revitalization of an established target area.
- To create a re-investment environment that attracts private investors into the area.
- To promote improvements within the redevelopment area through renovation and restoration of buildings, as well as to encourage new construction.
- To acquire the funding necessary to make the infrastructure improvements necessary to attract investment dollars and improve the assessed taxable value of district properties.
- To assist the Chamber of Commerce and Downtown Merchants in their efforts to market the downtown businesses.

The CRA district encompasses the downtown circle extending to the lake front; includes the blocks on either side of South Commerce Street to Highlands Avenue; extends north to Eucalyptus Street encompassing Park, Maple, Pomegranate, North Ridgewood, Grapefruit and Lemon Avenues; and jumps across the rail line to include much of the Washington Heights neighborhood. The area also includes nearby industrial uses and deteriorated residential areas in need of redevelopment in the vicinity of downtown Sebring. The district is approximately 650 acres which includes streets and rights-of-way.

The CRA is governed by a board that is comprised of seven community members that live or work in the City of Sebring. The commissioners are appointed by the City of Sebring City Council. Staff of the CRA are employed by the City of Sebring. The CRA is considered to be a discretely presented component unit in the City's financial statements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the CRA and component units for which the CRA is financially accountable. The application of these criteria provides for identification of any entities for which the CRA is financially accountable and other organizations that the nature and significance of their relationship with the CRA are such that exclusion would cause the CRA's basic financial statements to be misleading or incomplete. Based on the application of these criteria, the CRA has determined that there are no component units.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accounts of the CRA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Currently, the CRA has only one fund, the General Fund. The General Fund is a major fund and is the operating fund of the CRA. It is used to account for all financial resources and expenditures.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on activities of the CRA. The CRA reports only governmental activities; it does not have any business-type activities.

Government-Wide and Fund Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consist of charges for services, grants and contributions that are restricted to meeting an operational or capital requirement of a particular function. Payments received from taxes, insurance proceeds and other items not properly included as program revenues are reported as general revenues.

Separate financial information is provided for the governmental fund.

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. 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 CRA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Data

The Following are the procedures in establishing the budget:

The CRA's executive director prepares the annual fiscal operating budget. The proposed budget is then presented to the CRA's board of directors for changes and final approval. Once adopted, the budget serves as legal authorization for expenditures.

Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Incremental Property Tax Revenue

The CRA's primary source of revenue is tax-increment funding. This revenue is computed by applying the respective tax rates for the City and Highlands County (County) multiplied by the increased value of property tax located within the boundaries of the redevelopment areas of the CRA in excess of the base property value.

The tax levy is established prior to October 1 of each year and the Highlands County Property Appraiser incorporates the millages established by the City and County into the total tax levy. All property is reassessed according to its fair value on January 1 of each year. All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of up to 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Assets Available for Sale

Assets available for sale including land, buildings and improvements are recorded at the lower of cost or net realizable value. Cost is determined by acquisition price if purchased, or at estimated acquisition value at the date of contribution, if contributed.

At September 30, 2020, \$326,084 represents the value of the property that is held for resale.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the CRA's policy to permit full-time employees to accumulate limited amounts of earned vacation leave and earned sick leave. Upon separation from service, employees receive payment for all unused vacation leave. No sick leave benefits of any kind are granted upon termination of employment and therefore no liability is recorded for unpaid accumulated sick leave. Vacation pay is reported as an expense and liability when earned by the employee in the government-wide and proprietary fund financial statements and is considered a current liability. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded.

Fund Balances

Governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and generally long-term items such as advances to other funds or amounts that are required to be maintained intact (corpus of a permanent fund).

Restricted – Amounts that can be spent only for specific purposes stipulated by (a) external resources providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by a formal action (resolution) of the Board, the CRA's highest level of decision making authority. Commitments may be changed or lifted only by the Board taking the same formal action (resolution) that imposed the constraints originally. Resources accumulated pursuant to stabilization arrangements are reported in this category only if they are specific and nonrecurring.

Assigned – Amounts intended to be used by the CRA for specific purposes. According to the CRA's fund balance policy, this includes spendable fund balance amounts established by the Board or CRA Management that are neither restricted nor committed. The CRA's fund balance policy does not describe the specific action required to assign fund balance.

Unassigned – Includes the residual classification for the general fund. This classification represents fund balance that is spendable and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the CRA considers restricted to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the CRA considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The CRA's fund balance is restricted for community redevelopment.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the CRA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Cash and cash equivalents as of September 30, 2020 consisted of:

Deposits	\$ 15,740
Florida PRIME	1,388,516
Total	<u>\$ 1,404,256</u>

Custodial Credit Risk is defined as the risk that, in the event of failure of the counterparty, the CRA will not be able to recover the value of its deposits and securities that are in the possession of an outside party. Bank balances of the CRA's deposits at September 30, 2020 were \$15,740.

All balances in excess of the Federal Deposit Insurance Corporation (FDIC) for demand and time deposits are fully collateralized pursuant to Chapter 280, Florida Statutes. The City's investment policy requires that the deposit be entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss. Other than the preceding, the CRA has no policy on custodial credit risk.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The CRA invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration, under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Throughout the year and as of September 30, 2020, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three-month London Interbank Offered Rate (LIBOR) rates. These investments represented 17.8% of Florida PRIME's portfolio at September 30, 2020.

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, as a cash equivalent.

The dollar weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2020 was 48 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2020 was 63 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2020, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days."

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2020, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

NOTE 3 COMMITMENTS

The following is a summary of the projects in process and other commitments remaining at September 30, 2020:

	Commitment Authorized	Expended to September 30, 2020	Remaining Commitment
General Fund:			
Parking Lot Improvements	\$ 114,738	\$ 43,254	\$ 71,484
West Center Road and Sidewalk Improvements	179,684	175,626	4,058
Total	\$ 294,422	\$ 218,880	\$ 75,542

Other significant commitments include encumbrances outstanding totaling \$138,593.

NOTE 4 PERSONNEL COMMITMENTS

CRA personnel, employees of the City of Sebring, earn annual leave and sick leave in varying amounts. In the event of retirement or termination of employment, an employee is paid for vested accumulated unused annual leave. The cash benefit of compensated absences is determined by multiplying the employee's current wage rate by the number of hours of unused annual leave.

The following shows a change in compensated absences for the fiscal year ended September 30, 2020:

Compensated Absences - September 30, 2019	\$ 7,112
Additions to Compensated Absences	8,482
Reductions from Compensated Absences	(4,042)
Compensated Absences - September 30, 2020	\$ 11,552

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5 RISK MANAGEMENT

The CRA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect against this risk the CRA is insured through the City's policy with Public Risk Management of Florida (PRM). The CRA is liable for the risk of loss of \$10,000 per occurrence. Insurance settlements have not exceeded insurance coverage in any of the three prior fiscal years.

NOTE 6 BUDGETARY COMPLIANCE

The CRA's actual expenditures for personnel services exceeded the final budget by \$5,045. This is due primarily to the CRA's portion of the additional City's health insurance fund true up at year-end

NOTE 7 SUBSEQUENT EVENTS

On December 23, 2020, the CRA entered into a direct placement agreement with a financial institution for \$1.5 million. The coupon rate on the bond is 1.82%. Interest is payable monthly, with four annual principal installments beginning April 1, 2021, with a final payment due April 1, 2024.

Additionally, the CRA purchased two properties within the district in October 2020 and one property in April 2021 that will be held for sale, totaling \$630,000 and \$195,000 respectively.

On November 13, 2020 received a donated property with an estimated land value of \$62,500. That property was subsequently demolished for \$210,288.



**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**

Board of Directors
City of Sebring Community
Redevelopment Agency
Sebring, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the City of Sebring Community Redevelopment Agency (CRA), a component unit of the City of Sebring, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated May 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 CRA’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 CRA’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021



MANAGEMENT LETTER

Board of Directors
City of Sebring Community
Redevelopment Agency
Sebring, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Sebring Community Redevelopment Agency (CRA), a component unit of the City of Sebring, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 28, 2021.

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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's 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 May 28, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. See the schedule of findings and responses for the status of prior year findings.

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. Information regarding the specific legal authority for the entity is contained in Note 1 to the financial statements.

Financial Condition and Management

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

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

Section 10.554(1)(i)(2), Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See finding 2020-001 in the schedule of findings and responses.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The CRA contains no component units.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Matters identified in our audit are reported in the Independent Accountants’ Report on our testing of compliance with Sections 163.387(6) and (7), Florida Statutes.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the CRA’s Board of Directors and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2020**

SUMMARY OF PRIOR YEAR FINDINGS

Prior Year Findings		Current Year Status			Current Year Finding No.	2018-2019 Year Finding No.	2017-2018 Year Finding No.
		Cleared	Partially Cleared	Not Cleared			
Procurement	Deficiency in Internal Control			X	2020-001	2019-001*	N/A

* Procurement finding 2019-001 was reported in the City of Sebring, Florida's September 30, 2019 financial statements.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2020-001 – Procurement

Type of Finding

- Deficiency in Internal Control

Condition: In the prior year, the CRA performed a construction project whereby the engineer for the project procured the subcontractors needed to perform additional services, rather than the CRA procuring the services directly in accordance with the City's purchasing policies. The engineer was not procured for the services provided by the subcontractor, therefore the CRA paid the subcontractor directly. Additionally, the requisition was not entered into the procurement approval process until two days after the work started.

Criteria or specific requirement: Purchasing policies ensure the procurement of services are done using a competitive process to ensure the best quality and cost is obtained when using public funds.

Effect: The CRA incurred expenditures on the project without a competitive procurement process.

Context: Testing of CRA expenditures identified the error. The procurement of the services took place during fiscal year 2019; however, the project expenditures continued into fiscal year 2020.

Cause: A misunderstanding between the CRA and City's purchasing agent in the initial planning meetings with the City for the project. The CRA thought the engineer under continuing contract could be utilized under the City purchasing policy to perform all aspects of the project and the City's purchasing agent was not aware of the dollar amount and types of additional services being provided until receiving the requisition for the services.

Recommendation: Management of the CRA should consult with the City's Finance Department when needed to ensure purchasing is in accordance with the purchasing policy.

**CITY OF SEBRING
COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE
CITY OF SEBRING, FLORIDA)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2020**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2020-001 – Procurement (Continued)

Views of responsible officials and planned corrective actions: Management continues to consult with the City's Finance Department to ensure compliance with the City's purchasing policies.



INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
City of Sebring Community
Redevelopment Agency
and the Florida Auditor General
Sebring, Florida

We have examined the City of Sebring Community Redevelopment Agency's (CRA) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, and Sections 163.387(6) and (7), Florida Statutes, regarding community redevelopment agencies, during the year ended September 30, 2020. Management of the CRA is responsible for the CRA's compliance with the specified requirements. Our responsibility is to express an opinion on the CRA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CRA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

Our examination disclosed that the CRA did not submit the adopted budget to the Board of County Commissioners within 10 days of adoption, as required by Florida Statute 163.387(6)(b); and CRA expenditures exceeded the adopted budget at the legal level of budgetary control, as required by Florida Statute 189.016(3).

In our opinion, except for the items described in the preceding paragraph, the CRA complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds; and Sections 163.387(6) and (7), Florida Statutes, regarding community redevelopment agencies; during the year ended September 30, 2020.

Board of Directors
City of Sebring Community
Redevelopment Agency
and the Florida Auditor General

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sebring, Florida
May 28, 2021