

**DEFUNIAK SPRINGS
COMMUNITY REDEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(THIS PAGE INTENTIONALLY LEFT BLANK)

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
TABLE OF CONTENTS
SEPTEMBER 30, 2021

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Fund Balance Sheet	7
Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	9
Notes to the Financial Statements	10
COMPLIANCE SECTION	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Independent Accountants’ Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	18
Management Letter	19

INDEPENDENT AUDITORS' REPORT

To the Members of the
DeFuniak Springs Community
Redevelopment Agency Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the DeFuniak Springs Community Redevelopment Agency (the CRA), a component unit of the City of DeFuniak Springs, Florida, as of and for the year ended September 30, 2021, 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 DeFuniak Springs Community Redevelopment Agency, as of September 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 July 27, 2022, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
July 27, 2022

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

As management of DeFuniak Springs Community Redevelopment Agency (the CRA), we offer readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities by \$115 thousand (net position), which represents an increase of \$115 thousand from the prior year.
- The CRA's general fund reported ending fund balance of \$115 thousand, which represents an increase of \$115 thousand from the prior year. The ending fund balance in the general fund is restricted for the redevelopment projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the 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.

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

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Governmental Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The CRA utilizes one governmental fund (general fund) to account for redevelopment activities. The governmental fund financial statements are prepared using the modified accrual basis of accounting.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 11 of this report are the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The CRA's assets exceeded its liabilities and deferred inflows of resources by \$115 thousand, as reported in Table 1. The largest portion of the CRA's net position, \$115 thousand is restricted for future redevelopment projects.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Table 1
Statement of Net Position
As of September 30

	Governmental Activities	
	2021	2020
Current & Other	\$ 115,267	\$ -
Total Assets	<u>115,267</u>	<u>-</u>
Net Position		
Restricted	<u>115,267</u>	<u>-</u>
Total Net Position	<u><u>\$ 115,267</u></u>	<u><u>\$ -</u></u>

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

Table 2
Statement of Activities
For Year Ended September 30

	Governmental Activities	
	2021	2020
Revenues		
General Revenue:		
Tax Increments for Redevelopment	\$ 79,771	\$ -
Total Revenues	<u>79,771</u>	<u>-</u>
Expenses		
Primary Government		
General government	<u>254</u>	<u>-</u>
Total Expenses	<u>254</u>	<u>-</u>
Change in net position before transfers	79,517	-
Transfers	<u>35,750</u>	<u>-</u>
Change in net position	115,267	-
Net Position – Beginning	<u>-</u>	<u>-</u>
Net Position – Ending	<u><u>\$ 115,267</u></u>	<u><u>\$ -</u></u>

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Current Year Impacts

Governmental activities increased the CRA's net position by \$115 thousand for the fiscal year ended September 30, 2021. Key elements of this change are as follows:

- Tax revenue of approximately \$79 thousand received by the CRA during the year.
- Transfers from the City of DeFuniak Springs to fund initial operations of approximately \$36 thousand.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

As of September 30, 2021, the CRA's governmental fund has a fund balance of \$115 thousand, an increase of \$115 thousand from the prior year. The CRA's ending fund balance is fully restricted for redevelopment projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the DeFuniak Springs Community Redevelopment Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information, should be addressed to the Community Redevelopment Agency, City Hall, 71 US Highway 90 West, DeFuniak Springs, Florida, 32433.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 115,267	\$ -	\$ 115,267
TOTAL ASSETS	<u>\$ 115,267</u>	<u>-</u>	<u>115,267</u>
FUND BALANCE			
Restricted	<u>115,267</u>	<u>(115,267)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 115,267</u>		
NET POSITION			
Restricted - Redevelopment		<u>115,267</u>	<u>115,267</u>
TOTAL NET POSITION		<u>\$ -</u>	<u>\$ 115,267</u>

See notes to the financial statements.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
General revenues:			
Tax increment revenues	\$ 79,771	\$ -	\$ 79,771
Total revenues	79,771	-	79,771
EXPENSES / EXPENDITURES			
Current			
General government	254	-	254
Total expenses / expenditures	254	-	254
EXCESS OF REVENUES OVER EXPENDITURES	79,517		
TRANSFERS IN	35,750	-	35,750
CHANGE IN NET POSITION			115,267
NET CHANGE IN FUND BALANCE	115,267		
FUND BALANCE / NET POSITION AT BEGINNING OF YEAR	-		-
FUND BALANCE / NET POSITION AT END OF YEAR	<u>\$ 115,267</u>		<u>\$ 115,267</u>

See notes to the financial statements.

(THIS PAGE INTENTIONALLY LEFT BLANK)

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 50,000	\$ 50,000	\$ 79,771	\$ 29,771
Total revenues	50,000	50,000	79,771	29,771
EXPENDITURES				
Current				
General government	50,000	50,000	254	49,746
Total expenditures	50,000	50,000	254	49,746
EXCESS OF REVENUES OVER EXPENDITURES	-	-	79,517	(19,975)
OTHER FINANCING SOURCES				
Transfers in	-	-	35,750	35,750
Total other financing sources	-	-	35,750	35,750
CHANGE IN FUND BALANCE	-	-	115,267	115,267
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 115,267	\$ 115,267

See notes to the financial statements.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Community Redevelopment Agency

The DeFuniak Springs Community Redevelopment Agency (the CRA) was established in 2018 pursuant to Chapter 163 Part III, Florida Statutes (the Community Redevelopment Act) to improve and eliminate slum and blight conditions in the City of DeFuniak Springs, Florida (the City), for which the redevelopment, conservation, or a combination thereof, of these areas was necessary in the interest of public health, safety, morals or welfare of the residents of the City.

The City Council appoints the members of the CRA Board, who has all rights, powers, duties, privileges and immunities offered by the Community Redevelopment Act. The community redevelopment plan (the Plan) adopted by the members of the CRA Board identified outlines unique objectives and strategies for each of the following: 1) an incentive plan for more diverse housing options; 2) completion of renovations to the Hall of Brotherhood; 3) a comprehensive infrastructure, streetscape and gateway plan; 4) a master plan for economic development; 5) a new or renovated municipal complex and 6) a new or renovated amphitheater.

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

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

The Reporting Entity

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

As of September 30, 2021, the CRA had no component units required to be presented in the CRA's financial statements.

For financial reporting purposes, the CRA is a blended component unit of the primary government of the City of DeFuniak Springs, Florida (the City), and therefore, is included in the City's comprehensive annual financial report as a special revenue fund.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the CRA as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the CRA. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The CRA has no business-type activities.

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

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recognized under the modified accrual basis of accounting when the fund liability is incurred.

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

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

The following is the current property tax calendar:

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

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

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2021 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Basis of Presentation

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

The general fund is currently the CRA's only governmental fund. It is the primary operating fund and is used to account for all financial resources of the CRA.

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

Cash and Cash Equivalents

The CRA defines cash and cash equivalents as cash held at a depository and cash on hand for operating purposes and those investments, which are short term and highly liquid. Generally, those investments have maturities of three (3) months or less on the date of acquisition. The CRA pools its cash with the City's cash deposits at banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The CRA's cash deposits are fully insured by the Public Deposits Trust Fund.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Classification of Fund Balance

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

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally 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 be changed or lifted only with the consent of resource providers.
- Committed – includes amounts that can only be used for specific purposes determined by a formal action of the CRA's highest level of decision-making authority, the CRA Board. Commitments may be changed or lifted only by the CRA taking the same formal action that imposed the constraint originally by the same level of decision-making authority (the CRA Board).
- Assigned – comprises amounts intended to be used by the CRA for specific purposes that are neither restricted nor committed.
- Unassigned – is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. In circumstances in which amounts are available in multiple fund balance classifications, fund balance is generally considered to be spent from the most restrictive classification first. As of September 30, 2021, the CRA's fund balance is fully restricted.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Net Position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – component of net position that consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any debt attributable to the acquisition, construction or improvement of those assets.
- Restricted – component of net position that consists of restricted assets, other than capital assets, reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted – component of net position that consists of the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. As of September 30, 2021, the CRA had no unrestricted net position.

The CRA considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The CRA has evaluated events and transactions that occurred between September 30, 2021 and July 27, 2022, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets for all funds. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

Budgetary data reflected in the financial statements are established by the following procedures. Before the end of each September, management determines the CRA's proposed expenditures or requested appropriations. These proposed expenditures, along with all estimated receipts and balances expected to be brought forward are presented to the CRA Board for approval.

The Board-approved proposed budget is forwarded to the City and dates are established for tentative and final public budget hearings as prescribed by Florida Statutes. Proposed budgets are advertised by newspapers of general circulation in the City. Public hearings are conducted for the purpose of hearing requests and complaints from the public. The final budget is adopted by ordinance. Budget amounts reflected in the financial statements are originally adopted amounts as amended by the CRA Board and City Council.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The City Manager and/or Finance Director are authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the CRA Board and the City Council.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is a form of budgetary control to ensure that appropriations are not exceeded. Encumbrances outstanding at year-end are reported as assignments of fund balance in the fund financial statements.

3. DEPOSITS AND INVESTMENTS

The CRA participates in a cash and investment management pool with the City. The pooled resources are managed and operated by the City's finance department. Under the pooling arrangement, the CRA's share of cash and investments includes pooled cash maintained in interest-bearing demand deposit accounts and pooled investments managed by a financial institution. Investment income (including unrealized gains and losses) is distributed monthly based on the CRA's average balances.

Deposits

Custodial Credit Risk – It is the CRA's policy to maintain its deposits only 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 place with (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all CRA deposits, including certificates of deposit, are considered fully insured.

(THIS PAGE INTENTIONALLY LEFT BLANK)

COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the
DeFuniak Springs Community
Redevelopment Agency Board

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and the general fund of the DeFuniak Springs Community Redevelopment Agency (the CRA), a component unit of the City of DeFuniak Springs, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated July 27, 2022.

Internal Control over Financial Reporting

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

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

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

Destin, Florida
July 27, 2022

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

To the Members of the
DeFuniak Springs Community
Redevelopment Agency Board

We have examined the DeFuniak Springs Community Redevelopment Agency's (the CRA), a component unit of the City of DeFuniak Springs, Florida, compliance with the following requirements for the year ended September 30, 2021:

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

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CRA complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination of the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

Warren Averett, LLC

Destin, Florida
July 27, 2022

(THIS PAGE INTENTIONALLY LEFT BLANK)

MANAGEMENT LETTER

Members of the Board of the
DeFuniak Springs Community Redevelopment Agency

Report on the Financial Statements

We have audited the financial statements of the DeFuniak Springs Community Redevelopment Agency (the CRA), a component unit of the City of DeFuniak Springs, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated July 27, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated July 27, 2022, 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. This is the first year that the CRA was audited as a standalone entity.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the CRA has been disclosed in Note 1 to the financial statements. The CRA has no component units.

Financial Condition and Management

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

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

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)(6), *Rules of the Auditor General*, the DeFuniak Springs Community Redevelopment Agency reporting:

- a. The CRA did not have any employees compensated in the last pay period of the CRA's fiscal year.
- b. The CRA did not have any independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year.
- c. The CRA did not have any compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency.
- d. The CRA did not have any compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency.
- e. The CRA did not have any construction projects with a total cost of at least \$65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$115,267.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Warren Averett, LLC

Destin, Florida
July 27, 2022