

**DEFUNIAK SPRINGS
COMMUNITY REDEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022



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The report accompanying this deliverable was issued
by Warren Averett, LLC.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
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SEPTEMBER 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of the
DeFuniak Springs Community
Redevelopment Agency Board

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the City as of September 30, 2022, and the respective changes in financial position, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for a reasonable period of time.

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

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 February 20, 2024 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
February 20, 2024

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, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities by \$283 thousand (net position), which represents an increase of \$168 thousand from the prior year.
- The CRA's general fund reported ending fund balance of \$283 thousand, which represents an increase of \$168 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, 2022

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.

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 \$283 thousand, as reported in Table 1. The largest portion of the CRA's net position, \$283 thousand is restricted for future redevelopment projects.

Table 1
Statement of Net Position
As of September 30

	Governmental Activities	
	2022	2021
Current & Other	\$ 283,406	\$ 115,267
Total Assets	283,406	115,267
Net Position		
Restricted	283,406	115,267
Total Net Position	\$ 283,406	\$ 115,267

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, 2022

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	
	2022	2021
	<u> </u>	<u> </u>
Revenues		
General Revenue:		
Tax Increments for Redevelopment	\$ 186,908	\$ 79,771
Total Revenues	<u>186,908</u>	<u>79,771</u>
Expenses		
Primary Government		
General government	18,769	254
Total Expenses	<u>18,769</u>	<u>254</u>
Change in net position before transfers	168,139	79,517
Transfer In	<u>-</u>	<u>35,750</u>
Change in net position	168,139	115,267
Net Position – Beginning	<u>115,267</u>	<u>-</u>
Net Position – Ending	<u><u>\$ 283,406</u></u>	<u><u>\$ 115,267</u></u>

Current Year Impacts

Governmental activities increased the CRA's net position by \$168 thousand for the fiscal year ended September 30, 2022 due to increases in ad valorem tax revenues.

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, 2022, the CRA's governmental fund has a fund balance of \$283 thousand, an increase of \$168 thousand from the prior year. The CRA's ending fund balance is fully restricted for 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, 2022**

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, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 283,406	\$ -	\$ 283,406
TOTAL ASSETS	<u>\$ 283,406</u>	<u>-</u>	<u>283,406</u>
FUND BALANCE			
Restricted	<u>283,406</u>	<u>(283,406)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 283,406</u>		
NET POSITION			
Restricted - Redevelopment		<u>283,406</u>	<u>283,406</u>
TOTAL NET POSITION		<u>\$ -</u>	<u>\$ 283,406</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, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
General revenues:			
Tax increment revenues	\$ 186,908	\$ -	\$ 186,908
Total revenues	186,908	-	186,908
EXPENSES / EXPENDITURES			
Current			
General government	18,769	-	18,769
Total expenses / expenditures	18,769	-	18,769
EXCESS OF REVENUES OVER EXPENDITURES	<u>168,139</u>		
CHANGE IN NET POSITION			168,139
NET CHANGE IN FUND BALANCE	168,139		
FUND BALANCE / NET POSITION AT BEGINNING OF YEAR	<u>115,267</u>		<u>115,267</u>
FUND BALANCE / NET POSITION AT END OF YEAR	<u>\$ 283,406</u>		<u>\$ 283,406</u>

See notes to the financial statements.

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 169,000	\$ 169,000	\$ 186,908	\$ 17,908
Total revenues	169,000	169,000	186,908	17,908
EXPENDITURES				
Current				
General government	169,000	169,000	18,769	150,231
Total expenditures	169,000	169,000	18,769	150,231
EXCESS OF REVENUES OVER				
 EXPENDITURES	-	-	168,139	(132,323)
CHANGE IN FUND BALANCE	-	-	168,139	168,139
FUND BALANCE AT				
 BEGINNING OF YEAR	-	-	115,267	115,267
FUND BALANCE AT				
 END OF YEAR	\$ -	\$ -	\$ 283,406	\$ 283,406

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, 2022

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, 2022, 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, 2022

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, 2022

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 2022 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, 2022

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, 2022, the CRA's fund balance is fully restricted.

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, 2022, the CRA had no unrestricted net position.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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.

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.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

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 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, 2022, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated February 20, 2024.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing 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; therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and responses as item 2022-002.

CRA's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Destin, Florida
February 20, 2024

**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, 2022:

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

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

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

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

Our examination does not provide a legal determination on 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, 2022.

Warren Averett, LLC

Destin, Florida
February 20, 2024

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, 2022, and have issued our report thereon dated February 20, 2024.

Auditors' Responsibility

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 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 February 20, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. 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 have reported finding 2022-001.

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 reported on page 10.

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the 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
February 20, 2024

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2022

I. FINDINGS – FINANCIAL STATEMENTS

Material Weakness

FINDING 2022-001 – Material Adjustments And Weaknesses In Internal Controls Over Financial Reporting

Criteria

The accounting for the CRA is managed by the City's Finance Department. The City's internal control over financial reporting should be designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis. An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Condition

During audit fieldwork we identified multiple discrepancies with information provided as support documentation for amounts recorded in the City's general ledger as well as weaknesses in internal control design as summarized as follows:

- The City's previous finance director resigned in June of 2022. The current structure of the City's finance function is not sufficient for the complexity and volume of transactions required to be accounted for based on the services and programs provided to citizens.
- During testing of cash, we observed bank accounts had not been reconciled accurately or timely during the year ended September 30, 2022. Failure to prepare, review and make necessary adjustments to bank reconciliations/general ledger activity in a timely manner could allow misappropriation of assets and or material misstatements to go undetected by management.

Cause

An appropriate system of internal control was not in place during the year ended September 30, 2022, due to finance department vacancies. In addition, the current finance functions lack necessary skills, knowledge and experience for the complexity and volume of transactions required to be accounted for based on the services and programs provided to citizens.

Effect

Without a proper internal control system to ensure timely and accurate financial reporting and maintenance of accounting records, there is increased risk that the financial statements could contain material misstatements and or misappropriation of assets could go undetected. Management and governance also need accurate and timely financial information for informed decision making.

Recommendation

The City should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets and accurate accounting records. The City's finance department should be enhanced to ensure personnel have necessary skills, knowledge and experience to account for the complexity and volume of transactions as well as maintenance of accurate accounting records.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2022

Management's Response

As stated, the finance director position was vacated in June of 2022. During the absence of a finance director, the city contracted with an outside firm to complete bank account reconciliations. Due to the outsourcing of certain functions, and staff shortages in the finance department, internal controls were weak. During fiscal year 2024, additional staffing was approved through the budget process, as well as department restructuring, to accommodate the needs of the city's finance department. With enhanced staffing, it is the goal of the city to establish and implement policies and procedures to ensure internal controls are continuous during key position vacancies.

Compliance Finding

FINDING 2022-002 – Annual Financial Report

Criteria

Section 218.32, Florida Statutes, requires the CRA to submit its annual financial report to the Florida Department of Financial Services within 45 days after delivery of the audit report, but no later than 9 months after the end of the fiscal year of the government entity. In addition, Section 218.39, Florida Statutes, requires the CRA's audited financial statements to be submitted to the Auditor General within 45 days after delivery of the audit report but not later than 9 months after the end of the fiscal year of the governmental entity.

Condition

The CRA did not meet the filing requirements for the fiscal year ended September 30, 2022.

Cause

The accounting for the CRA is managed by the City's Finance Department. As stated in Finding 2022-001, the City lacks the adequate staffing within the Finance Department to effectively implement the necessary internal control system to provide timely and accurate financial reporting.

Effect

The CRA may not be in compliance with Florida Statute requirements.

Recommendation

We recommend the City hire additional support in the finance department or contract with an external provider to provide the necessary assistance to accurately and timely complete the month end and year-end financial accounting and reporting processes.

Management's Response

As acknowledged, staffing of the finance department was limited during the field work for audit under review. Staffing has since been enhanced and key positions have been filled.

It should also be noted that a Member of the audit firm, with five years of historical knowledge and past audit engagements to the City, departed the firm in July of 2023 during the conclusion of field work and testing for the audit year under review.