

AGENDA

December 12, 1996

Council Meeting

6 P.M., Town Hall

Town of Cinco Bayou, FL

THE MAYOR AND COUNCILMEMBERS WELCOME YOU TO THIS MEETING

1. Mayor calls the meeting to order. Stand for silent prayer and Pledge of Allegiance.
2. Roll call of Councilmembers
 - Bryan Beard
 - Rene' Chamberlain
 - Jim Kendrick**
 - Carolynn Leach
 - Joseph Skelly
 - Mayor Drabczuk
3. Council Approval of Agenda
4. Consent Calendar:
 - A. Minutes of November 14, 1996, Council Meeting
 - B. Financial Statement for November 1996
5. Action Items:
 - A. Approve Contract with Town Engineer
 - B. Approve Contract with Fritz Tree Service
 - C. Approve 1996 Fiscal Year Audit
6. Engineer's Report
7. Attorney's Report
8. Manager's Report
9. Public Comments. Please limit individual presentations to three minutes.
10. Councilmembers Comments/Reports
11. Correspondence
12. Mayor's Announcements
 - Action Item: Christmas bonuses
13. Adjourn

Town of Cinco Bayou, FL
Regular Council Meeting Minutes
December 12, 1996

1. Mayor Drabczuk called the meeting to order at 6:00 P.M. this date. Following silent prayer and the pledge of allegiance to the flag, roll call was taken.

2. Present: Bryan Beard
Jim Kendrick
Carolynn Leach
Rene' Chamberlain
Mayor Randall Drabczuk

Absent: Joseph Skelly

Also present: Town Manager Elvin C. Bell, Secretary Faye Payne and Counsel Jeff
McInnis

Councilman Skelly arrived at 6:03 P.M.

3. Council Approval of Agenda

Councilman Kendrick made a motion to approve the Consent Calendar, seconded by Councilwoman Chamberlain. During Council discussion, Councilwoman Leach amended the motion to move the Consent Calendar to Action Items. Her motion was seconded by Councilman Skelly. The vote to approve the motion was 3 to 2 with Councilmembers Chamberlain and Kendrick opposed.

4. Consent Calendar (Moved to Item No. 5 as D and E).

5. Action Items

A. Approve Contract with Town Engineer

Manager Bell and Counsel McInnis explained the Town Engineer's Contract that was negotiated by Mr. Bell and reviewed by Counsel. They recommended approval. On a motion by Councilman Kendrick to approve the Contract, seconded by Councilwoman Chamberlain, the vote to approve was unanimous.

B. Approve Contract with Fritz Tree Service

During the review of the Tree Contract by Manager Bell and Counsel McInnis, Mr. Bell explained to the Council that the Contract should not be construed as an exclusive contract in the event of a disaster such as a hurricane. In a disaster, he explained, competitive bids must be obtained except in instances when an emergency exists and the community's interest, convenience and necessity require immediate action to save life and property. On a motion to approve the Tree Contract by Councilwoman Chamberlain, seconded by Councilman Kendrick, the vote to approve was unanimous.

C. Approve 1996 Fiscal Year Audit

Mr. Kevin D. Bowyer, a Certified Public Accountant who represents the Town's Accounting Firm, Creel, Bryan & Gallagher, presented his firm's audit of the Town's 1996 Fiscal Year. After responding to questions from the Council, a motion to accept and approve the audit was offered by Councilwoman Chamberlain, seconded by Councilman Kendrick. The motion carried by a unanimous vote.

D. Minutes of November 14, 1996, Council Meeting

On a motion to approve the Minutes by Councilwoman Chamberlain, seconded by Councilman Kendrick, the vote to approve was unanimous.

E. Financial Statement for November 1996

After lengthy discussion, a motion was offered by Councilwoman Chamberlain to approve the Financial Statement. The motion was seconded by Councilman Kendrick. The vote was 3 to 2 against the motion with Councilmembers Chamberlain and Kendrick in the minority. The Mayor announced the motion was defeated. After more discussion, a motion to approve the November deposits and expenditures was offered by Councilman Kendrick, seconded by Councilwoman Chamberlain. The vote was approved by a unanimous vote. Following the vote, the Manager explained that he will work with Mr. Bowyer and develop a new format for the monthly statement of deposits and expenditures.

6. Engineer's Report

No report.

7. Attorney's Report

Counsel McInnis reported that the Town's contract with Municipal Code Corporation is now complete, the amended sheets are ready for the Code binders, and recommend that it would be proper to prepare an ordinance to adopt the Codes as prepared. He requested the Council authorize the Town Manager to advertise the first reading of the Ordinance for the January meeting. On a motion by Councilwoman Chamberlain, seconded by Councilwoman Leach, Counsel's recommendation was approved by a unanimous vote.

8. Manager's Report

Mr. Bell reported the Boy Scout Eagle Award Project has started at Glenwood Park and is expected to be completed within three months.

The Manager distributed to Councilmembers a photograph he had taken of Town Hall.

9. Public Comments

None

10. Councilmembers Comments/Reports

Councilwoman Leach mentioned that with Christmas only two weeks away, she was concerned about the Town looking nice for visitors. She also called for a Council policy on how the Mayor and Councilmembers should respond to constituent correspondence. Counsel McInnis explained a Council policy would be inappropriate insofar as such correspondence is the individual prerogative and responsibility of persons in public office. Councilwoman Leach then asked Manager Bell for an update on the landscaping project at Cinco Baptist Church. The Manager provided the Council with a progress report on the church's landscaping effort.

General discussion followed on Code enforcement and private property upkeep and maintenance. The Manager reported he would have a written report on Code enforcement and private property maintenance efforts at the next Council meeting.

Councilmembers expressed their season's greetings to each other and to staff.

11. Correspondence

Manager Bell explained that all correspondence had been placed in each Councilmember's mail box.

12. Mayor's Announcements.

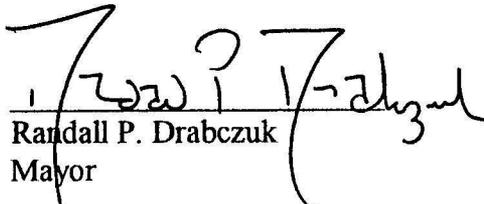
The Mayor announced that he would like to see a community awards program to acknowledge outstanding examples of commercial and private property beautification. After Counsel McInnis explained such a project fell within the Mayor's purview to designate, the Mayor asked the Manager to develop such a program. The Mayor also explained that the Council should address the Capital Improvement Expenditure Listing that had been submitted to the Council several months ago by the Manager. The Mayor said the Council should make a decision on which priorities will be established for improvements. He directed the item be placed on the January Council agenda.

Action Item: Christmas bonuses

Councilwoman Leach explained that she polled 12 residents for their input on providing Christmas bonuses to Town employees and the 12 persons polled were generally opposed to awarding bonuses. After she explained her position, she made a motion to award each staff member a Christmas bonus of \$25.00 each. After hearing no second to the motion, the Mayor declared the motion died for lack of a second. Councilman Skelly explained his position on Christmas bonuses, and followed his explanation with a motion to award each Town employee a ham or turkey of his/her choice, and \$300.00 to the Town Manager and \$250.00 each to the Secretary and Maintenance Supervisor. A second was offered by Councilwoman Chamberlain. The motion was approved on a vote of 4 to 1 with Councilwoman Leach opposed.

13. Adjourn

The Mayor asked if there was any further business to come before the Council, and hearing none, adjourned the meeting at 7:15 P.M.


Randall P. Drabczuk
Mayor

Attest:

Elvin C. Bell
Manager/Clerk

**STATE OF FLORIDA
COUNTY OF OKALOOSA**

AGREEMENT

THIS AGREEMENT made and entered into this date between the Town of Cinco Bayou, Florida, party of the first part, (hereinafter called the Town), and Smith and Gillespie Engineers, Inc., party of the second part, (hereinafter called the ENGINEER).

WITNESSETH:

WHEREAS, it may be necessary that the Town retain professional engineering services to facilitate improvements and expansions to the infrastructure and to provide for the technical requirements of the Town in planning, maintenance and operation of Town facilities and functions which are generally described as: staff reviewing, attending meetings and conferences; representing the Town as a technical agent; conducting engineering studies; preparing of state and federal permit applications; preparing contract documents; administering contracts; providing for engineer review and resident inspection of construction; and

WHEREAS, the Town is in continuous need of such professional services; and

WHEREAS, the Town has complied with Section 287.055 of Florida Statutes pertaining to the Consultant's Competitive Negotiations Act; and

WHEREAS, the Town is negotiating this contract under Chapter 287.055, Florida Statutes, for a "continuing contract" as allowed under said statute; and

WHEREAS, the Engineer has been selected under the provisions and procedures of said statute;

NOW THEREFORE, for valuable consideration mutually received, the parties hereby enter into a contract for services to be rendered the Town by the ENGINEER.

ARTICLE I
CONTINUING CONTRACT FOR PROFESSIONAL
ENGINEERING SERVICES

A. The parties hereby enter into a continuing contract under the provisions of Section 287.055 and specifically defined in Section 287.055 (2) (g), Florida Statutes, wherein the ENGINEER shall provide professional services to the Town as needed during the term of this contract. Letters of Agreement and work orders shall be utilized between the parties from time to time to describe the ENGINEER'S responsibilities for particular projects and assignments. Routine assignments may be made by oral or written instruction from the Town Manager. ENGINEER agrees to donate to the Town one (1) hour of said ENGINEER'S time per month to attend Council meetings (one per month).

B. Such services shall include all professional engineering as required by the Town and within the technical and professional capacities of the ENGINEER for the term of this agreement. Professional services hereunder exclude projects for which either party concludes the ENGINEER lacks professional capacity or proficiency. The ENGINEER is encouraged to advise the Town, with impunity, when requests for services exceed the professional capacity or proficiency of the ENGINEER. Any services performed under the

continuing contract that exceed \$500,000 in construction cost or study activities exceeding \$25,000 will be governed by the applicable procedures under Chapter 287.055 of Florida Statutes.

C. Projects may be divided into phases to accommodate Town priorities and budgetary allocations. In this connection, a good faith effort to comply with the provisions and intent of Chapter 287.055, Florida Statutes, shall be made. Phases will generally be classified as preliminary phase, design phase and construction phase.

ARTICLE II
COMPENSATION FOR SERVICES.

Compensation for services requested and satisfactorily performed in a timely manner shall be made on the following basis: Fees for those projects for which the estimated Engineering costs are less than \$1,500.00 shall be based upon the hourly rate schedule herein. Fees for those projects in which the estimated Engineering costs are greater than \$1,500.00 shall be negotiated on a project by project basis, and shall be agreed upon by both Parties prior to the Engineer commencing work on any assignment. The ENGINEER shall periodically render detailed invoices for fees, costs and expenses for services satisfactorily and timely performed.

A. <u>Service Rate:</u>	1996 Per Hour	1997 Per Hour
Project Manager (P.E.).....	\$90	\$93
Project Manager (P.E.).....	\$75	\$77
Staff Engineer (E.I.).....	\$59	\$61
Technician.....	\$51	\$52
Drafter/CAD Operator.....	\$35	\$35
Graphics Technician.....	\$37	\$37
Clerical.....	\$27	\$27
CAD.....	\$12	\$12

Fees for design projects shall be based on the FMHA Form 442-19 (Table II) for large and small projects with the understanding of a mutually agreed upon construction cost estimate for the fee determination.

B. Mileage: No mileage will be charged for trips made to and from Cinco Bayou, Florida. Other Mileage will be charged at the CITY'S established rate.

C. TRAVEL: Overnight travel expenses outside Okaloosa County will be charged and billed by expenditure invoices.

D. PRINTING: Document printing and copying, long distance telephone and telecopying will be billed at the ENGINEER'S established rates.

E. Outside Services: If the Town authorizes the ENGINEER to contract for outside services, applicable fees shall be negotiated at that time. A supplemental agreement shall be prepared and executed by ENGINEER and Town.

F. **Special Circumstances:** In special circumstances, such as projects involving grants, the parties acknowledge that lump sum fee arrangements may be mandated and in such cases the parties will negotiate fees therefor.

ARTICLE III
COPIES OF REPORTS, PLANS AND SPECIFICATIONS.

A. **Supply of Documents:** Unless otherwise instructed, the ENGINEER will furnish the Town with up to three (3) sets of all plans, blueprints, reports, specifications, contract documents, and final record drawings, Additional sets requested will be furnished at cost as provided in Article II D above.

B. **MAINTENANCE OF DOCUMENTS:** The ENGINEER agrees to maintain accounts and records, including personnel, property and financial records, adequate to identify and account for all fees, costs, and expenses pertaining to services rendered to the town a minimum of three (3) years to assure proper accounting for all funds. These records will be available for audit purposes to the Town or the State or any other authorized representative, and will be retained for three (3) years after contract completion unless permission to destroy them is granted by the Town. Moreover, the Town, State, or any authorized representative and the public shall have access to any books, documents, papers and records of the ENGINEER which are directly pertinent to services rendered hereunder for the purpose of making examination, excerpts and transcripts at no cost to ENGINEER with such access to be during normal business hours at ENGINEER'S business address.

C. **OWNERSHIP OF DOCUMENTS:** All reports, estimates, original drawings, specifications, contract documents, blueprints, and other materials prepared or executed relating to services rendered hereunder shall be the property of the Town and shall be delivered to the Town on demand, provided payment of applicable fees has been received by the ENGINEER in accordance with the terms of this agreement.

D. **REUSE OF DOCUMENT:** The Town shall not reuse the documents and drawings of ENGINEER without the specific written consent, which will not be unreasonably withheld, of ENGINEER. The Town agrees to hold harmless and indemnify the ENGINEER from and against any claims, demands, actions or causes of action as a result of the Town's reuse of the documents and drawings if done without ENGINEER'S permission.

ARTICLE IV.
TERM.

The term of this agreement is for one year during which term the parties agree to fully perform the agreements and covenants herein contained. Agreement may be canceled with or without cause by either party after a 60 day written Notice of Cancellation. This Contract may be renewed annually with consent of both parties.

ARTICLE V.
TOWN'S RESPONSIBILITY.

Town agrees to:

A. Furnish agreed upon information and render approvals and decisions as expeditiously as possible for the orderly progress of the ENGINEER'S services and of the work.

ARTICLE VI.
CONTROLLING LAW.

It is agreed that this Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Florida. It is further agreed that jurisdiction for any claims or actions under this Agreement shall be in the First Judicial Circuit in and for the State of Florida with the specific venue lying in the courts in and for Okaloosa County, Florida for any such proceeding.

ARTICLE VII.
COMPLIANCE AND NON-DISCRIMINATION.

The ENGINEER agrees to comply with Title VI of the Civil Rights Act of 1964, the Davis-Bacon Act, the Copeland Anti-Kickback Act, the Contact Work Hours Standard Act, the Health and Safety Standard Act, Section 109 of the Housing and Community Development Act of 1974, Section 3 Compliance in the Provision of Training, Employment and Business Opportunities. ENGINEER further agrees not to maintain or provide for its employees any facilities that are segregated on a basis of race, color, creed, national origin, handicap, religion, ancestry, sex or age.

ARTICLE VIII.
INSURANCE.

A. The ENGINEER shall purchase and maintain, at its own expense, the following types and amounts of insurance, in form and with companies satisfactory to the Town.

1. **WORKERS' COMPENSATION INSURANCE:** The ENGINEER shall maintain Workers' Compensation Insurance at statutory limits, including a minimum of \$100,000 of Employer's Liability Insurance for all its employees and shall require all its subcontractors to maintain Worker's Compensation Insurance at statutory limits.

2. **LIABILITY INSURANCE:** General liability insurance is required, such that coverage is provided on either an "occurrence" or "claims made" basis. the general liability insurance shall include coverage for premises/operations, products/complete operations, independent contractors and personal injury. Automobile liability insurance is required which shall insure claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle by the ENGINEER at the site of the project or in any way connected with the work which is the subject of this agreement. The limits of liability shall be no less than \$300,000. The limit of liability for personal injury shall be no less than \$300,000.

3. **ERRORS AND OMISSIONS:** The ENGINEER shall maintain errors and omissions insurance in amounts not less than \$250,000 per occurrence and \$500,000 per year covering services performed for the Town.

4. **PROOF OF INSURANCE:** The ENGINEER shall not commence work under this contract until it has obtained all the insurance required under this contract and such insurance has been filed with and approved by the Town. The ENGINEER shall furnish evidence of all required insurance in the forms of certificates of insurance which shall clearly outline all hazards covered as itemized above, the amounts of insurance applicable to each hazard, the expiration dates, and shall contain the following language as to cancellation:

In the event of cancellation of this policy by the insurer or any insured, this company shall give not less than thirty (30) days advance written notice to: Town Manager, Town of Cinco Bayou, 10 Yacht Club Drive, Fort Walton Beach, Fl 32548.

If requested by the Town, the ENGINEER will furnish copies of the insurance contracts to support the certificates of insurance and the copies of said insurance must be acceptable to the Town. The ENGINEER shall refile replacement certificates thirty (30) days prior to expiration or termination of the required insurance occurring prior to the date the insurance may be terminated pursuant to Item (C) (Maintenance and Termination, Insurance). In the event such insurance shall lapse, the Town expressly reserves the right to renew the insurance at the ENGINEER'S expense.

C. **MAINTENANCE AND TERMINATION OF INSURANCE:** The ENGINEER must maintain the insurance required by this agreement and may not cancel or let the insurance lapse until all work performed pursuant to this agreement is completed, and formally accepted by the Town.

ARTICLE IX.
DISCLOSURE.

ENGINEER warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the ENGINEER to solicit or secure this Agreement and that it has not paid or agreed to pay any person, company, corporation, individual, or firm, other than a bona fide employee working solely for the ENGINEER any fee, commission, percentage, gift, or other consideration contingent upon or resulting from the award or making of this Agreement.

ARTICLE X.
NOTICES.

Notices hereunder for the Town shall be addressed to:

Town Manager
Town of Cinco Bayou
10 Yacht Club Drive
Ft. Walton Beach, Fl 32548

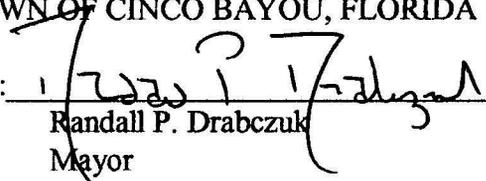
and notices for the ENGINEER shall be addressed to:

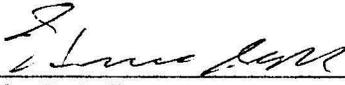
Richard F. Griswold, P.E.
Regional Manager
Smith and Gillespie Engineers, Inc.
1234 Airport Road, suite 225
Destin, Florida 32541

IN WITNESS WHEREOF, this instrument is executed in duplicate, one copy being held by each party, on the 12 day of December, 1996.

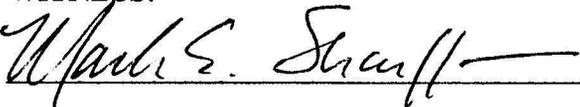
TOWN OF CINCO BAYOU, FLORIDA

ATTEST:

BY: 
Randall P. Drabczuk
Mayor


Elvin C. Bell
Town Manager/Clerk

WITNESS:


Mark E. Shaeffer, Project Manager
(PRINTED NAME AND TITLE)

SMITH AND GILLESPIE ENGINEERS, INC.


Richard F. Griswold
Regional Manager

SERVICES CONTRACT

THIS AGREEMENT, made effective as of the 12th day of December, 1996 by and between **THE TOWN OF CINCO BAYOU, FLORIDA**, a Florida Municipal Corporation whose address is 10 Yacht Club Drive, Fort Walton Beach, Fl 32548 (hereinafter referred to as ("TOWN") and **FRITZ TREE SERVICE, Inc.**, whose address is 498 Carmel Drive, Fort Walton Beach, Fl 32547 (hereinafter referred to as "CONTRACTOR").

WITNESSETH:

WHEREAS, TOWN desires to provide for fertilizing, pruning, topping, tree trimming, tree and stump removal, and removal of debris from such services on both a routine and an emergency basis within the corporate limits of TOWN; and,

WHEREAS, the CONTRACTOR has experience in the area of tree services to include tree trimming and tree and stump removal and desires to provide such services under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the parties do agree as follows:

SECTION ONE
SCOPE OF SERVICES

The work to be performed by CONTRACTOR under this Agreement includes the providing of professional tree service within the corporate limits of the Town of Cinco Bayou, Florida at the request of TOWN to include fertilizing, pruning, tipping, tree trimming, tree and stump removal and removal of debris from such services. Services shall be available on request and the CONTRACTOR IS obligated to respond promptly 24 hours a day to meet emergency requirements of TOWN.

SECTION TWO
PAYMENTS

For the services specified in this Agreement, TOWN shall, upon inspection and approval by the Town of Cinco Bayou, pay CONTRACTOR on an hourly basis for services performed in accordance with the following schedule:

TIME PERIODS	TYPE OF CREW SERVICE	RATES
Monday - Friday 0700-1700	3 man bucket crew w/Chipper & stumper	\$120.00 per hour
Monday - Friday 1700-0700	3 man bucket crew w/chipper & stumper	\$150.00 per hour
Saturday - all day	3 man bucket crew w/chipper & stumper	\$150.00 per hour
Sunday & Federal Holidays	3 man bucket crew w/chipper & stumper	\$225.00 per hour
Monday - Friday 0700-1700	4 man bucket crew w/chipper & stumper	\$160.00 per hour
Monday - Friday 1700-0700	4 man bucket crew w/chipper & stumper	\$190.00 per hour
Saturday - all day	4 man bucket crew w/chipper & stumper	\$225.00 per hour
Sunday & Federal Holidays	4 man bucket crew w/chipper & stumper	\$265.00 per hour

Anytime	Tree Watering	\$4.00 per tree application
	Tree Fertilizer (Deep Root)	\$6.00 per tree application

CONTRACTOR agrees that this hourly rate schedule is valid and will not be changed for the period of this Agreement, to include four one-year renewable options. CONTRACTOR shall be fully responsible for the withholding of State or Federal Income Taxes, and any and all other tax liabilities imposed upon him as a result of this Agreement and hereby covenants to save TOWN harmless from any and all liability for any such payments of obligations that may be imposed upon TOWN during the term of this Agreement or subsequent to its termination.

SECTION THREE
TERM OF AGREEMENT

CONTRACTOR is subject to perform services as described herein at the request of TOWN, effective upon the date of this Agreement. This Agreement shall be an annual continuing contract for an initial term of one (1) year, renewable for four one-year terms by mutual agreement of Parties. This Agreement may be terminated by either Party, with or without cause, by giving the other Party thirty (30) days written notice of such termination.

SECTION FOUR
RELATIONSHIP OF PARTIES

Neither CONTRACTOR nor his employees shall be considered as agents or employees of TOWN for any purpose and will not be entitled to any of the benefits TOWN provides for its employees, including but not limited to health insurance coverage, workers compensation insurance coverage, and unemployment insurance.

SECTION FIVE
FURNISHING OF EQUIPMENT

CONTRACTOR shall furnish, at CONTRACTOR'S own expense, all equipment and vehicles necessary to carry out the terms of this Agreements.

SECTION SIX
LIABILITY

The work to performed under this Agreement will be performed entirely at the CONTRACTORS risk, and CONTRACTOR assumes all responsibility for the safety and protection in the performance of this Agreement of himself and his employees.

SECTION SEVEN
NO ASSIGNMENT

Neither this Agreement nor any of the duties and responsibilities or interests therein, or any claim reunder, sahl be assigned or transferred by CONTRACTOR to any Party or Parties.

SECTION EIGHT

INSURANCE AND INDEMNIFICATION

A. CONTRACTOR shall maintain, at his sole expense, a policy of general liability insurance with minimum aggregate coverage in the amount of 500,000.00. CONTRACTOR shall provide TOWN annually with a certificate evidencing such coverage on a continuous basis during the initial term and any renewals of this Agreement. CONTRACTOR shall provide Workman's compensation coverage consistent with Florida Law.

B. Further, CONTRACTOR shall indemnify TOWN against all liability or loss, and against all claims or actions based upon or arising out of damage or injury (including death), to persons or property caused or sustained in connection with the performance of this Agreement or by conditions created thereby, or based upon any violation of any statute, ordinance, or regulation and the defense of any such claims or actions including the reimbursement to TOWN of any court costs and attorneys fees it may incur in defending such actions. CONTRACTOR shall also indemnify TOWN against all liability and loss in connection with, and shall assume full responsibility for, payment of all Federal, State and local taxes or contributions imposed or required under Unemployment Insurance, Social Security, and Income Tax laws, with respect to CONTRACTORS compensation under this Agreement.

SECTION NINE
NOTICES

Any notice provided for or concerning this Agreement shall be in writing and be deemed sufficiently given when sent by certified or registered mail if sent to the respective address of each Party as set forth at the beginning of this Agreement or such other address as may be hereafter be specified by notice in writing.

SECTION TEN
MODIFICATION OF AGREEMENT

Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement shall be binding only if evidenced in writing signed by each Party or an authorized representative of each Party.

SECTION ELEVEN
GOVERNING LAW

It is agreed that this Agreement shall be governed by, construed, ;and enforced in accordance with the laws of the State of Florida. It is further agreed that jurisdiction for any claims or actions under this Agreement shall be in the First Judicial Circuit in and for the State of Florida with the specific venue lying in the courts in and for Okaloosa County, Florida for any such proceeding.

SECTION TWELVE
ATTORNEYS FEES AND COURT COSTS

In any action, suit or proceeding to enforce or interpret the terms of this Agreement, or to collect any amount due hereunder, the prevailing Party shall be entitled to reimbursement for all costs and expenses reasonably incurred in enforcing, defending or interpreting its rights hereunder, including, but not limited to, all collection and court cost, and all attorney's fees, whether incurred out of court, in the trial, on appeal, or at bankruptcy or administrative proceedings.

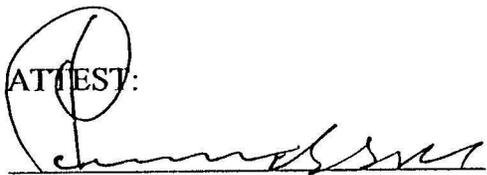
SECTION THIRTEEN
ENTIRE AGREEMENT

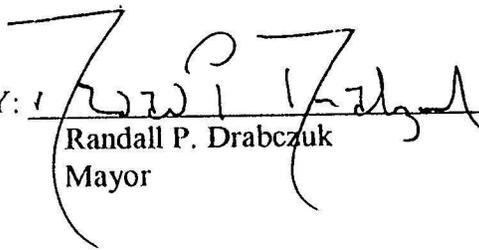
Original document is skewed

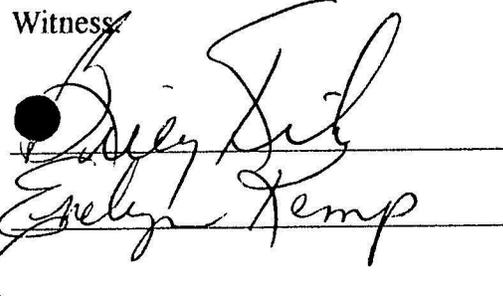
This Agreement shall constitute the entire Agreement between the Parties and any prior understanding or representation of any kind preceding the date of this Agreement shall not be finding upon either Party except to the extent incorporated in this Agreement.

IN WITNESS WHEREOF, each Party to this Agreement has caused it to be executed on the date indicated below to be effective on the date and year first above written.

THE TOWN OF CINCO BAYOU, FLORIDA

ATTEST:

Elvin C. Bell
Town Manager/Clerk

BY: 
Randall P. Drabczuk
Mayor

Witness:

Evelyn Kemp

FRITZ TREE SERVICE, INC

Les Fritz,
President

TOWN OF CINCO BAYOU, FLORIDA

**Financial Statements
and Supplemental Information**

Year Ended September 30, 1996

Town Of Cinco Bayou, Florida
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
Year Ended September 30, 1996

Original document is skewed

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/ Statement</u>
INDEPENDENT AUDITORS' REPORT	1	
GENERAL PURPOSE FINANCIAL STATEMENTS		
Combined Balance Sheet - All Fund Types and Account Groups	2	I
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	3	II
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	4	III
Notes to Financial Statements	5	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	15	A
SINGLE AUDIT AND OTHER REPORTS		
Independent Auditors' Report on Schedule of Federal and State Financial Assistance	20	
Schedule of Federal and State Financial Assistance	21	
COMPLIANCE		
Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22	
Independent Auditors' Report on Compliance With the General Requirements Applicable to Federal Financial Assistance Programs	23	
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions and State Grants and Aid Appropriations	25	

Town Of Cinco Bayou, Florida
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
Year Ended September 30, 1996

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/ Statement</u>
INTERNAL CONTROL		
Independent Auditors' Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27	
Independent Auditors' Report on Internal Control Structure Used in Administering Federal Financial Assistance Programs.	29	
MANAGEMENT LETTER	33	



CREEL BRYAN & GALLAGHER

CERTIFIED PUBLIC ACCOUNTANTS • A PROFESSIONAL ASSOCIATION

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

J. STEVE JAY, CPA
MARJORIE L. CUMMINS, CPA
GENE G. BARKER, CPA
JOSEPH W. HENDERSON, CPA
R. BRENTWOOD BRYAN, CPA
CONSULTANT

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the year ended September 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Cinco Bayou, Florida's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget (OMB) Circular A-128, "*Audits of State and Local Governments*." Those standards and the provisions of OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Cinco Bayou, Florida, as of September 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 1996 on our consideration of the Town of Cinco Bayou, Florida's internal control structure and a report dated November 13, 1996 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Cinco Bayou, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996

GENERAL PURPOSE FINANCIAL STATEMENTS

Town of Cinco Bayou, Florida
COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 September 30, 1996

(With Comparative Totals for Fiscal Year Ended September 30, 1995)

	Governmental		<u>Totals (Memorandum Only)</u>	
	<u>Fund Types</u>	<u>Account Group</u>	<u>1996</u>	<u>1995</u>
	<u>General</u>	<u>General Fixed Assets</u>		
ASSETS				
Cash	\$ 15,126.89	\$ 0.00	\$ 15,126.89	\$ 78,210.79
Investments	143,655.53	0.00	143,655.53	77,473.25
Receivables				
Taxes	6,696.19	0.00	6,696.19	6,758.62
Interest	0.00	0.00	0.00	533.79
Due from other governments	27,461.99	0.00	27,461.99	6,110.99
Fixed assets	<u>0.00</u>	<u>528,044.48</u>	<u>528,044.48</u>	<u>525,898.50</u>
Total assets	<u>\$ 192,940.60</u>	<u>\$ 528,044.48</u>	<u>\$ 720,985.08</u>	<u>\$ 694,985.94</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 22,184.78	\$ 0.00	\$ 22,184.78	\$ 5,391.80
Accrued expenses payable				
Salaries and wages	1,055.07	0.00	1,055.07	0.00
Payroll taxes	317.60	0.00	317.60	1,042.80
Annual leave	2,212.15	0.00	2,212.15	287.15
Revenues collected in advance	<u>5,983.88</u>	<u>0.00</u>	<u>5,983.88</u>	<u>3,194.00</u>
Total liabilities	<u>31,753.48</u>	<u>0.00</u>	<u>31,753.48</u>	<u>9,915.75</u>
FUND EQUITY				
Investment in general fixed assets	0.00	528,044.48	528,044.48	525,898.50
Fund balance				
Unreserved	<u>161,187.12</u>	<u>0.00</u>	<u>161,187.12</u>	<u>159,171.69</u>
Total fund equity	<u>161,187.12</u>	<u>528,044.48</u>	<u>689,231.60</u>	<u>685,070.19</u>
Total liabilities and fund equity	<u>\$ 192,940.60</u>	<u>\$ 528,044.48</u>	<u>\$ 720,985.08</u>	<u>\$ 694,985.94</u>

The accompanying notes are an integral part of these financial statements.

Town of Cinco Bayou, Florida
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
Fiscal Year Ended September 30, 1996

(With Comparative Totals for Fiscal Year Ended September 30, 1995)

	<u>General Fund 1996</u>	<u>General Fund 1995</u>
REVENUES		
Taxes	\$ 133,794.84	\$ 121,847.95
Licenses and permits	7,665.90	7,162.25
Intergovernmental	124,385.56	48,428.00
Fines and forfeits	321.25	520.51
Miscellaneous	<u>8,855.22</u>	<u>7,575.88</u>
TOTAL REVENUES	<u>275,022.77</u>	<u>185,534.59</u>
EXPENDITURES		
Current		
General government	149,422.41	94,151.05
Public safety	16,200.00	16,200.00
Physical environment	7,718.24	0.00
Transportation	35,430.83	19,236.45
Human services	437.25	495.32
Culture/recreation	51,416.26	33,032.43
Capital outlay		
Park improvements	585.00	1,904.00
Machinery and equipment	<u>11,797.35</u>	<u>0.00</u>
TOTAL EXPENDITURES	<u>273,007.34</u>	<u>165,019.25</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,015.43	20,515.34
FUND BALANCE - OCTOBER 1	<u>159,171.69</u>	<u>138,656.35</u>
FUND BALANCE - SEPTEMBER 30	<u>\$ 161,187.12</u>	<u>\$ 159,171.69</u>

The accompanying notes are an integral
part of these financial statements.

Town of Cinco Bayou, Florida

GENERAL FUND

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Fiscal Year Ended September 30, 1996

(With Comparative Totals for Fiscal Year Ended September 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
REVENUES				
Taxes	\$ 121,206.00	\$ 133,794.84	\$ 12,588.84	\$ 121,847.95
Licenses and permits	7,000.00	7,665.90	665.90	7,162.25
Intergovernmental	45,442.00	124,385.56	78,943.56	48,428.00
Fines and forfeits	1,000.00	321.25	(678.75)	520.51
Miscellaneous	<u>5,200.00</u>	<u>8,855.22</u>	<u>3,655.22</u>	<u>7,575.88</u>
TOTAL REVENUES	<u>179,848.00</u>	<u>275,022.77</u>	<u>95,174.77</u>	<u>185,534.59</u>
EXPENDITURES				
Current				
General government	105,531.00	149,422.41	(43,891.41)	94,151.05
Public safety	16,200.00	16,200.00	0.00	16,200.00
Physical environment	1,000.00	7,718.24	(6,718.24)	0.00
Transportation	25,160.00	35,430.83	(10,270.83)	19,236.45
Human services	1,000.00	437.25	562.75	495.32
Culture/recreation	13,710.00	51,416.26	(37,706.26)	33,032.43
Capital outlay				
Street improvements	5,000.00	0.00	5,000.00	0.00
Park improvements	0.00	585.00	(585.00)	1,904.00
Machinery and equipment	0.00	11,797.35	(11,797.35)	0.00
Contingencies	<u>12,247.00</u>	<u>0.00</u>	<u>12,247.00</u>	<u>0.00</u>
TOTAL EXPENDITURES	<u>179,848.00</u>	<u>273,007.34</u>	<u>(93,159.34)</u>	<u>165,019.25</u>
EXCESS OF REVENUES OVER EXPENDITURES	0.00	2,015.43	2,015.43	20,515.34
FUND BALANCE - OCTOBER 1	<u>0.00</u>	<u>159,171.69</u>	<u>159,171.69</u>	<u>138,656.35</u>
FUND BALANCE - SEPTEMBER 30	<u>\$ 0.00</u>	<u>\$ 161,187.12</u>	<u>\$ 161,187.12</u>	<u>\$ 159,171.69</u>

The accompanying notes are an integral
part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Background of Town

The Town of Cinco Bayou, Florida (hereinafter referred to as Town) was established under Chapter 57-1577, Laws of the State of Florida, on July 3, 1950. The Town operates under a council form of government and provides the following services: public safety (law enforcement), physical environment (waste recycling), transportation (road and street facilities), culture and recreation (parks and recreation), and general government services.

The accounting policies of the Town conform to generally accepted accounting principles applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. This uniform classification of accounts (utilized in these financial statements) is designed to standardize financial reporting among local units of government within the State of Florida. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

b. The Reporting Entity

In evaluating how to define the Town for financial statement purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, "The Financial Reporting Entity," under which the financial statements include all the organizations, activities, functions, and component units for which the Town (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the Town's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Town. Management determined that there were no other government units located within the geographic boundaries of the Town and, thus, no potential component units were evaluated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Fund Accounting

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in another fund.

Account groups are used to record fixed assets and long-term liabilities which are not accounted for in the governmental fund types. These groups reflect only measurement of financial position and not results of operations.

The general fixed assets account group is used to maintain control and cost information on Town-owned property, plant, equipment and construction in progress acquired with general government resources.

The general long term debt account group is used to account for all long-term debt which is either backed by the full faith and credit of the Town or is secured by specific revenues of governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are franchise taxes, licenses, and interest revenue. Current year property taxes uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility and are not recorded as a receivable on the balance sheet.

Sales tax, gasoline taxes and other intergovernmental revenues collected and held by the state at year end on behalf of the Town are also recognized as revenue.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the annual operating budget.

1. Budget preparation begins in May when the Town Manager/Clerk prepares an initial operating budget indicating the detailed financial requirements according to their appropriate account classification. This budget proposal is presented to the Town Council during June.
2. During July, the county Property Appraiser provides the Certificate of Taxable Values for the Town and using this information, a proposed ad valorem tax millage rate is prepared and is the basis for determining the ad valorem tax to be collected. Anticipated revenue from all sources is estimated and when added to the estimated ad valorem tax, becomes the total revenue to support the annual operating budget.
3. During July and August, the Town Council conducts workshops as required to make any necessary adjustments to balance the budget. In addition, capital improvements are added to the budget at this time. All workshops are open to the public.
4. Public hearings are conducted during August and September to present the proposed millage rate and budget to the public for their review, inputs, and comments. At a public hearing during late September, the final ad valorem tax millage rate is formally adopted by ordinance and the annual operating budget adopted by resolution.
5. The Town Manager monitors all expenditures for budgetary limitations, recommends required budget revisions to the Council, prepares a monthly listing of checks and their purpose for the Council's review and approval, and prepares a quarterly report comparing budget to actual expenditures for each line item.

Town of Cinco Bayou, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Budgets and Budgetary Accounting (Continued)

6. The Town Manager/Clerk is authorized to purchase equipment, materials, maintenance and repair services valued at \$500.00 or less with the provision that such expenditures are within adopted budgeted funding for the specific item or service. Purchase of items or services over \$500.00 will be an agenda item for a Town Council meeting.

For the year ended September 30, 1996, expenditures exceeded appropriations in the general fund by \$93,159.34. This over expenditure was funded primarily by intergovernmental revenue (FEMA).

f. Encumbrances

All appropriations lapse at fiscal year end, even if encumbered. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund. Encumbrances at fiscal year end do not constitute expenditures since the commitments will be honored during the subsequent year. The Town did not have any encumbrances outstanding as of September 30, 1996.

g. Cash and Investments

Chapter 166.261, Florida Statutes, require the investment of surplus public funds and prescribe the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government, interest-bearing time deposits or savings accounts, obligations of the federal farm credit banks, the Federal Home Loan Mortgages Corporation, the Government National Mortgage Association, and the Federal National Mortgage Association. The Town adheres strictly to the provisions of those cited statutes. The Town maintains cash, and certificates of deposit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Accumulated Annual and Sick Leave

The policy of the Town for annual and sick leave is based on length of employment with the Town. An employee with less than 18 months earns one and one-half hours of annual leave and one and one-half hours of sick leave biweekly; an employee with 18 months to 42 months earns three and one-third hours annual leave and three and one-third hours sick leave biweekly; an employee with over 42 months earns four and two-thirds hours annual leave and four and two-thirds hours sick leave biweekly. Upon termination, the employee will be paid for all accumulated annual leave, but all accumulated sick leave will be forfeited.

The total amounts of accumulated annual and sick leave as of September 30, 1996 were \$2,212.15 and \$1,652.25, respectively. Sick leave is not recorded when accrued, but rather charged to salaries expense when paid.

i. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

j. Total Columns on Combined Statement - General Purpose Financial Statements

Total columns on the Combined Statements - General Purpose Financial Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the General Fixed Assets Account Group are not depreciated.

l. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

At fiscal year end, the carrying amount of the Town's deposits was \$158,782.42, and the bank balance was \$155,546.66. These deposits were secured as described in the following paragraphs.

The Town is authorized to invest surplus public funds under Florida Statute 166.261. The Town maintains its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the State Treasurer, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

In the event of default by a Qualified Public Depository, the state treasurer, will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the Town's deposits, including certificates of deposit, are fully insured or collateralized with collateral held by the State Treasurer in the Town's name. This is the highest level of security as defined by Governmental Accounting Standards Board Statement Number 3.

NOTE 3 - RECEIVABLES - TAXES

The Town's taxes receivable is composed of utility taxes and franchise fees.

The Town's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with the Laws of the State of Florida. The Town Council retains the right and duty to set the millage. No accrual has been made for 1996 because, though legally assessed as of January 1, 1996, they are not due and payable until after the close of the fiscal year ended September 30, 1996.

The following is the current property tax calendar.

Lien Date	January 1, 1996
Levy Date	November 1, 1996
Due Date	November 1, 1996
Delinquent Date	April 1, 1997

Discounts of 1% for each month taxes are paid prior to March 1, 1996, are granted.

The balance of taxes receivable is comprised of the following.

Utility taxes - September, 1996	\$ 4,341.41
Franchise fees - July, 1996 - September, 1996	<u>2,354.78</u>
	<u>\$ 6,696.19</u>

Town of Cinco Bayou, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 1996

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of September 30, 1996 are as follows.

Local government half-cent sales tax	\$ 1,848.34
Cigarette tax	147.73
Local option gas tax	1,613.92
Federal and State disaster relief grants	<u>23,852.00</u>
Total due from other governments	<u>\$ 27,461.99</u>

NOTE 5 - FIXED ASSETS

A summary of changes in general fixed assets follows.

	Balance 10/01/95	Additions	Deletions	Balance 09/30/96
Land	\$ 14,730.00	\$ 0.00	\$ 0.00	\$ 14,730.00
Buildings	180,300.42	0.00	0.00	180,300.42
Improvements				
Park	87,858.57	585.00	0.00	88,443.57
Streets	156,892.06	0.00	0.00	156,892.06
Storm sewer system	41,717.91	0.00	0.00	41,717.91
Equipment	44,399.54	11,797.35	10,236.37	45,960.52
Totals	<u>\$ 525,898.50</u>	<u>\$ 12,382.35</u>	<u>\$ 10,236.37</u>	<u>\$ 528,044.48</u>

NOTE 6 - REVENUES COLLECTED IN ADVANCE

Revenues collected in advance, \$5,983.88, represent collections on fiscal year 1997 occupational licenses. The revenue will be recognized in 1997.

Town of Cinco Bayou, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 1996

NOTE 7 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the Town carries commercial insurance.

NOTE 8 - FEMA

In September and October of 1995, the Town sustained extensive damage due to Hurricanes Erin and Opal. Public assistance from the Federal Emergency Management Agency was received to help fund 75% of the cost of removal of wreckage and debris, performance of protective measure on public and private land, emergency transportation and communication and restoration of eligible facilities. The state will fund the remaining 25% through the Department of Community Affairs. The total cost to the Town to be reimbursed by the two agencies will be \$83,129.00.

Original document is skewed

Town of Cinco Bayou, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended September 30, 1996

(With Comparative Amounts for Fiscal Year Ended September 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
REVENUES				
Taxes				
Ad valorem taxes (net)	\$ 59,106.00	\$ 56,548.83	\$ (2,557.17)	\$ 53,791.53
Sales and use taxes				
Local Option Gas Tax	8,500.00	8,352.90	(147.10)	8,661.41
Franchise fees				
Franchise fees - electricity	16,500.00	21,515.53	5,015.53	17,644.48
Franchise fees - natural gas	2,100.00	4,217.86	2,117.86	2,468.09
Franchise fees - cable television	1,800.00	3,346.99	1,546.99	1,698.89
Utility services taxes				
Utility service tax - electricity	17,500.00	22,648.87	5,148.87	21,940.95
Utility service tax - telephone	8,700.00	9,555.67	855.67	7,998.81
Utility service tax - water	3,200.00	4,843.18	1,643.18	4,492.68
Utility service tax - natural gas	<u>3,800.00</u>	<u>2,765.01</u>	<u>(1,034.99)</u>	<u>3,151.11</u>
Total taxes	<u>121,206.00</u>	<u>133,794.84</u>	<u>12,588.84</u>	<u>121,847.95</u>
Licenses and permits				
Regulatory licenses	<u>7,000.00</u>	<u>7,665.90</u>	<u>665.90</u>	<u>7,162.25</u>
Intergovernmental revenues				
Federal grants				
Economic environment				
Disaster relief	0.00	60,611.70	60,611.70	2,340.00
State grants				
Economic environment				
Disaster relief	0.00	19,396.90	19,396.90	780.40
State shared revenues				
Cigarette tax	1,200.00	1,367.81	167.81	1,399.42
Revenue sharing proceeds	21,997.00	21,997.00	0.00	22,128.74
Mobile home licenses	100.00	60.25	(39.75)	38.50
Alcoholic beverage license	980.00	908.83	(71.17)	908.83
Local government half-cent sales tax	20,765.00	19,741.17	(1,023.83)	19,806.10
Other local units shared revenues				
Occupational licenses - County	<u>400.00</u>	<u>301.90</u>	<u>(98.10)</u>	<u>1,026.01</u>
Total intergovernmental revenues	<u>45,442.00</u>	<u>124,385.56</u>	<u>78,943.56</u>	<u>48,428.00</u>

Continued ...

The accompanying notes are an integral
part of these financial statements.

Town of Cinco Bayou, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended September 30, 1996

(With Comparative Amounts for Fiscal Year Ended September 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
Fines and forfeits				
Court fines	1,000.00	173.25	(826.75)	354.51
Other fines and/or forfeits	0.00	148.00	148.00	166.00
Total fines and forfeits	<u>1,000.00</u>	<u>321.25</u>	<u>(678.75)</u>	<u>520.51</u>
Miscellaneous revenues				
Interest earnings	4,000.00	3,960.88	(39.12)	6,142.18
Other miscellaneous revenue	1,200.00	4,894.34	3,694.34	1,433.70
Total miscellaneous revenues	<u>5,200.00</u>	<u>8,855.22</u>	<u>3,655.22</u>	<u>7,575.88</u>
TOTAL REVENUES	<u>179,848.00</u>	<u>275,022.77</u>	<u>95,174.77</u>	<u>185,534.59</u>
EXPENDITURES				
Current				
General government services				
Financial and administrative				
Personal services				
Salaries and wages	50,590.00	58,037.15	(7,447.15)	41,497.44
FICA taxes	3,890.00	3,245.68	644.32	3,577.78
Hospital tax	8,610.00	12,042.55	(3,432.55)	7,105.32
Workers' compensation	1,000.00	728.00	272.00	756.00
Total personal services	<u>64,090.00</u>	<u>74,053.38</u>	<u>(9,963.38)</u>	<u>52,936.54</u>
Operating expenditures				
Accounting and auditing	6,200.00	6,923.00	(723.00)	4,800.00
Total financial and administrative	<u>70,290.00</u>	<u>80,976.38</u>	<u>(10,686.38)</u>	<u>57,736.54</u>
Legal counsel				
Operating expenditures				
Professional services	5,000.00	11,647.70	(6,647.70)	6,745.20

Continued ...

The accompanying notes are an integral
part of these financial statements.

Town of Cinco Bayou, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended September 30, 1996

(With Comparative Amounts for Fiscal Year Ended September 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
EXPENDITURES (CONTINUED)				
Current (Continued)				
Other general government services				
Operating expenditures				
Professional services	5,600.00	1,866.75	3,733.25	2,431.00
Other Contractual Services	360.00	1,938.06	(1,578.06)	0.00
Travel and per diem	6,000.00	5,282.13	717.87	5,789.27
Communications services	1,500.00	4,719.46	(3,219.46)	1,586.07
Transportation	425.00	940.00	(515.00)	224.78
Utility services	3,500.00	4,255.19	(755.19)	3,066.26
Insurance	3,000.00	3,241.00	(241.00)	2,523.00
Repair and maintenance services	1,925.00	5,800.96	(3,875.96)	2,257.16
Other current charges and obligations	1,850.00	4,152.20	(2,302.20)	2,293.48
Office supplies	1,200.00	4,402.03	(3,202.03)	1,763.69
Operating supplies	2,500.00	5,603.46	(3,103.46)	3,138.09
Books, publications, and memberships	<u>1,326.00</u>	<u>13,472.09</u>	<u>(12,146.09)</u>	<u>3,475.51</u>
Total operating expenditures	<u>29,186.00</u>	<u>55,673.33</u>	<u>(26,487.33)</u>	<u>28,548.31</u>
Grants and aids				
Aids to private organizations	<u>1,055.00</u>	<u>1,125.00</u>	<u>(70.00)</u>	<u>1,121.00</u>
Total other general government services	<u>30,241.00</u>	<u>56,798.33</u>	<u>(26,557.33)</u>	<u>29,669.31</u>
Total general government services	<u>105,531.00</u>	<u>149,422.41</u>	<u>(43,891.41)</u>	<u>94,151.05</u>
Public safety				
Law enforcement				
Operating expenditures				
Other contractual services	16,200.00	16,200.00	0.00	16,200.00
Fire control				
Operating expenditures				
Other contractual services	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total public safety	<u>16,200.00</u>	<u>16,200.00</u>	<u>0.00</u>	<u>16,200.00</u>
Physical environment				
Utility services				
Operating expenditures	<u>1,000.00</u>	<u>7,718.24</u>	<u>(6,718.24)</u>	<u>0.00</u>

Continued ...

The accompanying notes are an integral
part of these financial statements.

Town of Cinco Bayou, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended September 30, 1996

(With Comparative Amounts for Fiscal Year Ended September 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
EXPENDIURES (CONTINUED)				
Current (Continued)				
Transportation				
Road and street facilities				
Personal services				
Salaries and wages	<u>8,060.00</u>	<u>8,404.36</u>	<u>(344.36)</u>	<u>7,203.25</u>
Operating expenditures				
Professional service	1,500.00	1,791.75	(291.75)	1,172.56
Utility services	6,800.00	5,327.91	1,472.09	6,328.44
Repair and maintenance services	6,500.00	18,054.50	(11,554.50)	2,613.21
Operating supplies	1,000.00	1,398.53	(398.53)	789.44
Road materials and supplies	<u>1,300.00</u>	<u>453.78</u>	<u>846.22</u>	<u>1,129.55</u>
Total operating expenditures	<u>17,100.00</u>	<u>27,026.47</u>	<u>(9,926.47)</u>	<u>12,033.20</u>
Total transportation	<u>25,160.00</u>	<u>35,430.83</u>	<u>(10,270.83)</u>	<u>19,236.45</u>
Human services				
Health - animal control				
Operating expenditures				
Other contractual services	<u>1,000.00</u>	<u>437.25</u>	<u>562.75</u>	<u>495.32</u>
Culture/recreation				
Parks and recreation				
Personal services-salaries and wages	<u>4,030.00</u>	<u>4,030.00</u>	<u>0.00</u>	<u>3,865.00</u>
Operating expenditures				
Other contractual services	4,680.00	34,712.40	(30,032.40)	12,277.60
Utilities	1,200.00	973.90	226.10	679.40
Repair and maintenance	2,500.00	8,531.73	(6,031.73)	14,887.03
Operating supplies	<u>500.00</u>	<u>1,070.67</u>	<u>(570.67)</u>	<u>662.93</u>
Total operating expenditures	<u>8,880.00</u>	<u>45,288.70</u>	<u>(36,408.70)</u>	<u>28,506.96</u>

Continued ...

The accompanying notes are an integral
part of these financial statements.

Town of Cinco Bayou, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended September 30, 1996

(With Comparative Amounts for Fiscal Year Ended September 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995 Actual
	<u>Budget</u>	<u>Actual</u>		
EXPENDITURES (CONTINUED)				
Current (Continued)				
Special events				
Operating expenditures-supplies	<u>800.00</u>	<u>2,097.56</u>	<u>(1,297.56)</u>	<u>660.47</u>
Total culture/recreation	<u>13,710.00</u>	<u>51,416.26</u>	<u>(37,706.26)</u>	<u>33,032.43</u>
Capital outlay				
Street improvements	5,000.00	0.00	5,000.00	0.00
Park improvements	0.00	585.00	(585.00)	1,904.00
Machinery and equipment	<u>0.00</u>	<u>11,797.35</u>	<u>(11,797.35)</u>	<u>0.00</u>
Total capital outlay	<u>5,000.00</u>	<u>12,382.35</u>	<u>(7,382.35)</u>	<u>1,904.00</u>
Contingencies	<u>12,247.00</u>	<u>0.00</u>	<u>12,247.00</u>	<u>0.00</u>
TOTAL EXPENDITURES	<u>179,848.00</u>	<u>273,007.34</u>	<u>(93,159.34)</u>	<u>165,019.25</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0.00	2,015.43	2,015.43	20,515.34
FUND BALANCE - OCTOBER 1	<u>0.00</u>	<u>159,171.69</u>	<u>159,171.69</u>	<u>138,656.35</u>
FUND BALANCE - SEPTEMBER 30	<u>\$ 0.00</u>	<u>\$ 161,187.12</u>	<u>\$ 161,187.12</u>	<u>\$ 159,171.69</u>

The accompanying notes are an integral
part of these financial statements.

SINGLE AUDIT SECTION



J. STEVE JAY, CPA
MARJORIE L. CUMMINS, CPA
GENE G. BARKER, CPA
JOSEPH W. HENDERSON, CPA

R. BRENTWOOD BRYAN, CPA
CONSULTANT

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

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL
AND STATE FINANCIAL ASSISTANCE**

We have audited the general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the year ended September 30, 1996, and have issued our report thereon dated November 13, 1996. These general purpose financial statements are the responsibility of the Town of Cinco Bayou, Florida's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," and Chapter 10.600, Rules of the Auditor General, "Audits of State Grant and Aid Appropriations." Those standards, OMB Circular A-128 and Chapter 10.600 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Town of Cinco Bayou, Florida, taken as a whole. The accompanying Schedule of Federal and State Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996

Town of Cinco Bayou, Florida
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 Fiscal Year Ended September 30, 1996

Funding Agency/Program Title	Federal CFDA Number	Contract or Grant Number	Program or Award Amount	Cash/Accrued or (Deferred) Revenue at 10/01/95	Federal Funds	State Grants and Aids	Total	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at 09/30/96
Federal Assistance									
U.S. Federal Emergency Management Agency Passed through the State Department of Community Affairs Division of Emergency Management Emergency Management Assistance	83.516	96M-6V-01-56-02-043/ FEMA-1069-DR-FL 96RM-5Y-01-56-02-050/ FEMA-1062-DR-FL	\$ 62,952.00	\$ 2,340.30	\$ 42,117.45	\$ 0.00	\$ 42,117.45	\$ 60,611.70	\$ 18,494.25
State Assistance									
Florida Department of Community Affairs State Disaster Assistance	N/A	96M-6V-01-56-02-043/ FEMA-1069-DR-FL 96RM-5Y-01-56-02-050/ FEMA-1062-DR-FL	20,177.00	780.10	0.00	14,039.15	14,039.15	19,396.90	5,357.75
Total Federal and State Assistance			\$ 83,129.00	\$ 3,120.40	\$ 42,117.45	\$ 14,039.15	\$ 56,156.60	\$ 80,008.60	\$ 23,852.00



CREEL BRYAN & GALLAGHER

CERTIFIED PUBLIC ACCOUNTANTS • A PROFESSIONAL ASSOCIATION

J. STEVE JAY, CPA
MARJORIE L. CUMMINS, CPA
GENE G. BARKER, CPA
JOSEPH W. HENDERSON, CPA
R. BRENTWOOD BRYAN, CPA
CONSULTANT

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the year ended September 30, 1996, and have issued our report thereon dated November 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Cinco Bayou, Florida, is the responsibility of the Town of Cinco Bayou, Florida's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Town of Cinco Bayou, in a separate letter dated November 13, 1996.

This report is intended for the information of management, the Town Council, the Auditor General of the State of Florida, and the United States Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996



Original document is skewed

J. STEVE JAY, CPA
MARJORIE L. CUMMINS, CPA
GENE G. BARKER, CPA
JOSEPH W. HENDERSON, CPA

R. BRENTWOOD BRYAN, CPA
CONSULTANT

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have audited the general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated November 13, 1996.

We have applied procedures to test the Town of Cinco Bayou, Florida's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal and State Financial Assistance, for the fiscal year ended September 30, 1996.

- Political activity
- Civil Rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Cinco Bayou, Florida's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Cinco Bayou, Florida, had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

To the Honorable Mayor and Members
of the Town Council
Town of Cinco Bayou, Florida
Independent Auditors' Report on Compliance
with the General Requirements Applicable
to Federal Financial Assistance Programs
Page two

This report is intended for the information of management, the Town Council, the Auditor General of the State of Florida, and the United States Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

Creel, Bryant & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996



Original document is skewed

J. STEVE JAY, CPA
MARJORIE L. CUMMINS, CPA
GENE G. BARKER, CPA
JOSEPH W. HENDERSON, CPA

R. BRENTWOOD BRYAN, CPA
CONSULTANT

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS
AND STATE GRANTS AND AID APPROPRIATIONS**

We have audited the general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the fiscal year ended September 30, 1996, and have issued our audit report thereon dated November 13, 1996.

In connection with our audit of the general purpose financial statements of the Town of Cinco Bayou, Florida, and with our consideration of the Town of Cinco Bayou, Florida's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments", and Chapter 10.600, Rules of the Auditor General, "Audits of State Grant and Aid Appropriations," we selected certain transactions applicable to certain nonmajor federal financial assistance programs and state grant and aid appropriations for the fiscal year ended September 30, 1996. As required by OMB Circular A-128 and Chapter 10.600, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; FEMA claims for administrative expenses; and state grants and aids appropriations requirements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Cinco Bayou, Florida's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Cinco Bayou, Florida, had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

To the Honorable Mayor and Members
of the Town Council
Town of Cinco Bayou, Florida
Independent Auditors' Report on Compliance
with Specific Requirements Applicable to
Nonmajor Federal Financial Assistance
Program Transactions and State Grants and
Aid Appropriations
Page two

This report is intended for the information of management, the Town Council, the Auditor General of the State of Florida, and the United States Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996



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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the year ended September 30, 1996, and have issued our report thereon dated November 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement.

The management of the Town of Cinco Bayou, Florida, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Town of Cinco Bayou, Florida, for the year ended September 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to

To the Honorable Mayor and Members
of the Town Council
Independent Auditors' Report on Internal Control
Structure Based on an Audit of General Purpose
Financial Statements Performed in
Accordance with *Government Auditing Standards*
Page two

provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Town of Cinco Bayou, Florida, in a separate letter dated November 13, 1996.

This report is intended for the information of management, the Town Council, the Auditor General of the State of Florida, and the United States Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996



J. STEVE JAY, CPA
MARJORIE L. CUMMINS, CPA
GENE G. BARKER, CPA
JOSEPH W. HENDERSON, CPA

R. BRENTWOOD BRYAN, CPA
CONSULTANT

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

We have audited the general purpose financial statements of the Town of Cinco Bayou, Florida, as of and for the year ended September 30, 1996, and have issued our report thereon dated November 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit for the year ended September 30, 1996, we considered the internal control structure of the Town of Cinco Bayou, Florida, in order to determine our auditing procedures for the purpose of expressing our opinion on Town of Cinco Bayou, Florida's general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated November 13, 1996.

To The Honorable Mayor and Members
of the Town Council
Town of Cinco Bayou, Florida
Independent Auditors' Report on Internal
Control Structure used in Administering
Federal Financial Assistance Programs
Page two

The management of the Town of Cinco Bayou, Florida is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs into the following categories:

Accounting

- Cash
- Receivables
- Property and equipment
- Payables and accrued liabilities
- Debt and other liabilities
- Fund Balance
- Governmental financial assistance programs

Administrative

- General Requirements
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports

To The Honorable Mayor and Members
of the Town Council
Town of Cinco Bayou, Florida
Independent Auditors' Report on Internal
Control Structure used in Administering
Federal Financial Assistance Programs
Page three

- Allowable costs/cost principles
- Administrative requirements
- Specific Requirements
 - Types of services allowed or unallowed
 - Matching, level of effort, or earmarking
 - Reporting
- Claims for advances and reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1996, the Town of Cinco Bayou, Florida, had no major federal financial assistance programs and expended 100% of its total federal financial assistance under the following nonmajor federal financial assistance program:

Emergency Management Assistance

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

To The Honorable Mayor and Members
of the Town Council
Town of Cinco Bayou, Florida
Independent Auditors' Report on Internal
Control Structure used in Administering
Federal Financial Assistance Programs
Page four

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of the Town of Cinco Bayou, Florida, in a separate letter dated November 13, 1996, entitled Management Letter.

This report is intended for the information of management, the Town Council, the Auditor General of the State of Florida, and the United States Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996



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

MANAGEMENT LETTER

In planning and performing our audit of the general purpose financial statements of the Town of Cinco Bayou, Florida, for the year ended September 30, 1996, we considered its internal control structure in order to plan the audit. We noted several opportunities for strengthening internal control and operating efficiency. We have summarized these comments below.

PRIOR YEAR COMMENTS

1. FIXED ASSET ACCOUNTING

Observation

The Town had not conducted an annual inventory of fixed assets. Further, the Town did not maintain a fixed asset detail schedule. The Rules of the Auditor General Chapter 10.480 Inventory Procedures state "once a year, and whenever there is a change of custodian, each custodian shall inventory all property in his custody." We recommended the Town take steps to fully comply with the Rules of the Auditor General concerning personal property. We also recommended the Town develop and maintain a detailed fixed asset listing.

Status

The Town made substantial progress toward a complete inventory system. The Town staff performed a physical inventory of its fixed assets for 1996. Further, a detailed list of fixed assets was developed, however, the schedule did not contain asset costs. We recommend the Town continue its progress toward a comprehensive fixed asset management system, following the guidelines contained in Chapter 10.450, *Rules of the Auditor General*.

2. PURCHASING POLICY

Observation

During the prior fiscal year test of controls over the cash disbursement process we noted several transactions that did not comply with the Town's policy. These exceptions included invoices not properly canceled, unlocated invoices and disbursements in excess of \$500 for which approval was not documented in the minutes. We recommended a complete invoice packet be prepared and maintained to support each expenditure. We also recommended that the council minutes reflect approval of all expenditures in excess of \$500, and that such approval be noted on the invoice.

2. PURCHASING POLICY (CONTINUED)

Status

During our current year audit we tested 71 transactions. We noted ten (15%) instances where lack of authorization for expenditures in excess of \$500 was not noted in the minutes and two (3%) instances where invoices were not properly canceled. We also noted one instance where the check amount did not agree with the amount recorded in the general ledger. We continue to recommend the minutes of the Town Council reflect authorization for expenditures greater than \$500. We also continue to recommend that all invoices be completely canceled.

CURRENT YEAR COMMENTS

1. BANK RECONCILIATIONS

Observation

We noted current procedures do not require that the Town Manager review bank reconciliations as part of the normal monthly procedures. We further noted that the bank reconciliation for the operating account as of September 30, 1996 did not agree with the balance recorded in the general ledger. The difference between the bank reconciliation and the general ledger was \$1,242.02.

Recommendation

Reconciliation of activity in the bank account with the activity recorded in the general ledger is the cornerstone of the basic system of internal control. A properly completed bank reconciliation provides tangible evidence that all activity has been recorded. If the reconciled bank balance does not agree with the general ledger account balance an error has occurred. It should be researched and corrected immediately. We further recommend that the Town Manager review the reconciliation, agree the balance to the general ledger and initial the reconciliation as evidence of review.

The State of Florida Annual Local Government Financial Report for the fiscal year ended September 30, 1996 filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the Annual Financial Audit Report for the fiscal year ended September 30, 1996.

To the Honorable Mayor and Members
of the Town Council
Management Letter
Page three

As of September 30, 1996, the Town was not in a state of financial emergency.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the Town. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended us during our audit.

Creel, Bryan & Gallagher
CREEL, BRYAN & GALLAGHER
Certified Public Accountants

November 13, 1996