

Fort Walton Beach, Florida

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Community Redevelopment Agency Financial Statements

**CITY OF FORT WALTON BEACH, FL
WITH COMPLIANCE MATTERS AND
RESPONSES FISCAL YEAR ENDED
SEPT. 30, 2024**



**FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2024

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Walton Beach Community Redevelopment Agency

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Fort Walton Beach Community Redevelopment Agency (the CRA), a component unit of the City of Fort Walton Beach, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the CRA, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information for the general fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2025, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
March 5, 2025

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

As management of Fort Walton Beach Community Redevelopment Agency (the CRA), we offer readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities by \$15.3 million (net position), which represents an increase of \$1.9 million from the prior year.
- The CRA's general fund reported ending fund balance of \$5.2 million, which represents a decrease of \$993,615 from the prior year. The ending fund balance in the general fund is restricted for the Fort Walton Beach Landing project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

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

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Governmental Fund Financial Statements

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

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

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

Notes to the Financial Statements

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 12 of this report are the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The CRA's assets exceeded its liabilities by \$15.3 million, as reported in Table 1. A substantial portion of the CRA's net position, \$9.7 million (or 63.3%), reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, and equipment) less any related debt still outstanding that was used to acquire those assets. The CRA uses these capital assets to provide services to residents within the CRA's borders; consequently, these assets are not available for future spending. The remaining balance of \$5.6 million is restricted for the FWB Landing Project, which is currently in process as of September 30, 2024.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Table 1
Statement of Net Position
As of September 30

	Governmental Activities	
	2024	2023
<i>Current & Other</i>	\$ 5,715,041	\$ 6,458,399
<i>Capital Assets</i>	10,029,815	7,151,930
<i>Total Assets</i>	15,744,856	13,610,329
<i>Current Liabilities</i>	482,775	232,518
<i>Net Position</i>		
<i>Net Investment in Capital Assets</i>	9,656,122	7,151,930
<i>Restricted</i>	5,605,959	6,225,881
<i>Total Net Position</i>	\$ 15,262,081	\$ 13,377,811

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

Table 2
Statement of Activities
For Year Ended September 30

	Governmental Activities	
	2024	2023
Revenues		
Program Revenue:		
<i>Charges for Services</i>	\$ 48,266	\$ 47,806
<i>Capital Grants & Contributions</i>	579,012	1,100,140
General Revenue:		
<i>Tax Increments for Redevelopment</i>	2,842,113	2,668,386
<i>Interest & Investment Earnings</i>	288,061	116,156
<i>Other Revenue</i>	90	-
Total Revenues	3,757,542	3,932,488
Expenses		
Primary Government		
<i>Public Safety</i>	388,400	333,462
<i>Economic Environment</i>	1,484,872	1,116,460
Total Expenses	1,873,272	1,449,922
Increase in Net Position	1,884,270	2,482,566
Net Position – Beginning	13,377,811	10,895,245
Net Position – Ending	\$ 15,262,081	\$ 13,377,811

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Current Year Impacts

Governmental activities increased the CRA's net position by \$1.9 million for the fiscal year ended September 30, 2024. Key elements of this change are as follows:

- Tax increment revenues increased by \$173,727, or 6.5%, which is primarily attributable to an increase in the taxable value of property assessed within the CRA's boundaries.
- Interest and investment income increased by \$171,905, which is the result of an increase in market interest rates during fiscal year 2024. Additional information on the CRA's investments can be found in Notes 3 and 4 to the financial statements.
- Economic environment expenses increased by \$368,412, or 33.0%, which is primarily due to an increase in costs incurred for professional services related to engineering, planning, and design activities necessary to implement the City of Fort Walton Beach's (the City) Downtown Master Plan.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

As of September 30, 2024, the CRA's governmental fund has a fund balance of \$5.2 million, a decrease of \$993,615 from the prior year. The CRA's ending fund balance is fully restricted for specified redevelopment projects.

The decrease in the CRA's fund balance is primarily attributable to an increase in capital outlay as a result of prior year delays incurred for planned capital projects, most notably, the Landing Improvements project and the Heritage Center and Cultural Park museum addition.

BUDGETARY HIGHLIGHTS

A schedule showing the original budget, the final budget, the actual results and the variance from the final budget to the actual results is included for the general fund on page 22 of this report. The difference between the original budget and the final budget for expenditures was an increase of \$1.7 million. Significant information related to this difference is summarized as follows:

- Increase of \$634,893 for construction change orders for the Landing Phase I improvements.
- Increase of \$881,567 for construction costs related to the Landing Phase II improvements.
- Increase of \$100,000 for Around the Mound project design costs.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Actual results, when compared to the final budget, show a variance of \$1.7 million for expenditures. This variance is primarily attributable to the construction projects progressing slower than expected, as capital outlay expenditures fell short of budgetary expectations by \$1.6 million.

CAPITAL ASSETS

The CRA’s investment in capital assets as of September 30, 2024 was \$10.0 million (net of accumulated depreciation). This represents an increase of \$2.9 million, or 40.2%. Capital assets that are outdated, unserviceable, and no longer used are systematically disposed of on an annual basis.

Table 3 below highlights the overall changes in capital assets. Additional information on the CRA’s capital assets can be found in Note 6 of this report on page 20.

Table 3
Total Capital Assets, Net of Accumulated Depreciation
As of September 30

	Governmental Activities	
	2024	2023
<i>Land</i>	\$ 1,159,373	\$ 1,159,373
<i>Buildings</i>	1,031,456	1,069,203
<i>Improvements other than Buildings</i>	2,768,872	2,966,932
<i>Machinery & Equipment</i>	129,492	134,706
<i>Construction in Progress</i>	4,940,622	1,821,716
	\$ 10,029,815	\$ 7,151,930

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Economic indicators and factors that are useful for evaluating the framework within which the City operates are discussed below.

- The Consumer Price Index (CPI) is 2.1% higher than a year ago for the Southern Region. This indicator is a widely used gauge of inflation and translates into a higher cost of providing services to residents.
- Moderate increases in property tax revenues are anticipated by most regional municipalities. Tax increment revenues from the CRA are expected to increase by 1.5% as compared to fiscal year 2024 tax revenues due to an increase in the assessed value of taxable property within the CRA.

These financial metrics were considered in addition to other factors when adopting the CRA’s budget for fiscal year 2025. The CRA’s budget for fiscal year 2025 is \$6.4 million, which is \$17,352 more than the fiscal year 2024 final budget.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Fort Walton Beach Community Redevelopment Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Growth Management Department, City Hall Annex, 105 Miracle Strip Parkway S.W., City of Fort Walton Beach, Florida, 32548. This document and other financial information are available on the City's website at www.fwb.org. Inquiries may also be sent via email to the Finance Department at finance@fwb.org.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 1,021,667	\$ -	\$ 1,021,667
Investments	2,868,916	-	2,868,916
Receivables	78	-	78
Due from other governments	1,824,380	-	1,824,380
Capital assets			
Non-depreciable	-	6,099,995	6,099,995
Depreciable, net	-	3,929,820	3,929,820
TOTAL ASSETS	<u>\$ 5,715,041</u>	<u>10,029,815</u>	<u>15,744,856</u>
LIABILITIES			
Accounts payable	463,267	-	463,267
Accrued liabilities	19,508	-	19,508
Total liabilities	<u>482,775</u>	<u>-</u>	<u>482,775</u>
FUND BALANCE			
Restricted - FWB Landing Project	<u>5,232,266</u>	(5,232,266)	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,715,041</u>		
NET POSITION			
Net investment in capital assets		9,656,122	9,656,122
Restricted - FWB Landing Project		<u>5,605,959</u>	<u>5,605,959</u>
TOTAL NET POSITION		<u>\$ -</u>	<u>\$ 15,262,081</u>

See notes to the financial statements.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Program revenues:			
Charges for services	\$ 48,266	\$ -	\$ 48,266
Capital grants and contributions	579,012	-	579,012
General revenues:			
Tax increment revenues	2,842,113	-	2,842,113
Miscellaneous	90	-	90
Interest and investment earnings	288,061	-	288,061
Total revenues	<u>3,757,542</u>	<u>-</u>	<u>3,757,542</u>
EXPENSES / EXPENDITURES			
Current			
Public safety	388,400	-	388,400
Economic environment	1,095,482	389,390	1,484,872
Capital outlay	3,267,275	<u>(3,267,275)</u>	<u>-</u>
Total expenses / expenditures	<u>4,751,157</u>	<u>(2,877,885)</u>	<u>1,873,272</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(993,615)</u>		
CHANGE IN NET POSITION			1,884,270
NET CHANGE IN FUND BALANCE	(993,615)		
FUND BALANCE / NET POSITION AT BEGINNING OF YEAR	<u>6,225,881</u>		<u>13,377,811</u>
FUND BALANCE / NET POSITION AT END OF YEAR	<u>\$ 5,232,266</u>		<u>\$ 15,262,081</u>

See notes to the financial statements.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Community Redevelopment Agency

The Fort Walton Beach Community Redevelopment Agency (the CRA) was established in 1977 pursuant to Chapter 163 Part III, Florida Statutes (the Community Redevelopment Act) to improve and eliminate slum and blight conditions in the City of Fort Walton Beach, Florida (the City) for which the redevelopment, conservation, or a combination thereof, of these areas was necessary in the interest of public health, safety, morals, or welfare of the residents of the City.

The City Council serves as the Board of Directors of the CRA and has all rights, powers, duties, privileges, and immunities offered by the Community Redevelopment Act. The community redevelopment plan (the Plan) adopted by the Board of Directors identified seven sub-districts (or “character districts”) within the CRA’s boundaries. The Plan outlines unique objectives and strategies for each of the following character districts: 1) Downtown Core; 2) West Waterfront District; 3) South Beal Parkway Corridor; 4) Eglin Commercial Corridor; 5) Uptown Industrial District; 6) Health and Wellness Neighborhood; and 7) Central Residential District.

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

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

The Reporting Entity

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

As of September 30, 2024, the CRA had no component units required to be presented in the CRA's financial statements.

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

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Government-Wide and Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

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

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

The following is the current property tax calendar:

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

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

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2024 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

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

Basis of Presentation

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

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

Assets, Liabilities and Net Position or Fund Balance

Cash and Cash Equivalents

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

Investments

Investments for the CRA are reported at fair value (generally based on quoted market prices). The CRA pools its investments with the City's surplus funds. Investment earnings are distributed to the CRA in accordance with its pro-rata share of invested capital. Allowable investments, with the appropriate minimum rating requirements, can consist of certificates of deposit, Local Government Surplus Funds Trust Fund, other intergovernmental investment pools, SEC registered money market funds, United States government securities, repurchase agreements, banker's acceptances, commercial paper, United States government agencies, federal instruments, securitized issues, corporate notes and state or local government taxable or tax-exempt debt.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems and similar items) are reported in the governmental activities columns in the government-wide financial statements.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Capital assets are defined by the CRA as assets with an initial cost more than the following:

Land	All
Buildings and improvements	\$ 10,000
Improvements – other	\$ 10,000
Equipment, vehicles, computers	\$ 1,000

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their acquisition value on the date of donation.

Property and equipment of the CRA is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-50 Years
Improvements other than buildings	7-40 Years
Machinery and equipment	3-10 Years

Classification of Fund Balance

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

- Nonspendable - includes amounts that are (a) not in spendable form, or (b) legally contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- Restricted - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.
- Committed - includes amounts that can only be used for specific purposes determined by a formal action of the CRA's highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the CRA taking the same formal action that imposed the constraint originally by the same level of decision-making authority (the Board of Directors).
- Assigned - comprises amounts intended to be used by the CRA for specific purposes that are neither restricted nor committed. Intent is expressed by the Board of Directors or a body or official to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes. The CRA has delegated authority to the City Manager and Finance Director.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

- Unassigned - is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. In circumstances in which amounts are available in multiple fund balance classifications, fund balance is generally considered to be spent from the most restrictive classification first. As of September 30, 2024, the CRA's fund balance is fully restricted.

Net Position

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

- Net investment in capital assets - component of net position that consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted - component of net position that consists of restricted assets, other than capital assets, reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - component of net position that consists of the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. As of September 30, 2024, the CRA had no unrestricted net position.

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

Estimates

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

Subsequent Events

The CRA has evaluated events and transactions that occurred between September 30, 2024, and March 5, 2025, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is a form of budgetary control to ensure that appropriations are not exceeded. Encumbrances outstanding that are not expected to be satisfied by restricted or committed resources are reported as assignments of fund balance in the fund financial statements.

3. DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk - it is the CRA's policy to maintain its deposits only with *Qualified Public Depositories* as defined in Chapter 280, Florida Statutes. The provisions of this statute allow *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must place with (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a *Qualified Public Depository*, excess losses over insurance and collateral will be recovered through assessments to all *Qualified Public Depositories* of the same type as the depository in default. Under this method, all CRA deposits are considered fully insured.

Investments

As of September 30, 2024, the CRA's investments consist of the pooled investments combined with the City's resources to maximize earnings on surplus cash. The types of investments, which can be made by the CRA, are restricted by state statutes and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
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The following schedule shows the CRA's share of the City's total pooled investments (with related maturities) as of September 30, 2024:

	CITY'S TOTAL POOLED INVESTMENTS						CRA'S SHARE
	Fair Value	INVESTMENT MATURITIES (YEARS)					
		<1	1-5	5-10	10-15	15-20	
Investments subject to interest rate risk:							
Corporate debt	\$ 13,445,103	\$ 248,935	\$ 13,196,168	\$ -	\$ -	\$ -	\$ 807,741
Municipal debt	578,550	229,218	349,332	-	-	-	34,758
U.S. Treasury	15,399,936	385,561	14,536,955	477,420	-	-	925,182
U.S. Government agencies	400,337	313,733	86,604	-	-	-	24,051
	<u>29,823,926</u>	<u>\$1,177,447</u>	<u>\$ 28,169,059</u>	<u>\$477,420</u>	<u>\$ -</u>	<u>\$ -</u>	1,791,732
Investments not subject to interest rate risk:							
Money market funds	321,728						19,328
External investment pools	<u>9,068,132</u>						<u>1,057,856</u>
Total	<u>\$ 39,213,786</u>						<u>\$ 2,868,916</u>

Interest Rate Risk - the CRA's investment policy encourages matching investment maturities with known cash needs and anticipated cash flow requirements in order to manage interest rate risk. Investments of current operating funds shall have maturities of no longer than 24 months. Investments of non-operating funds shall have a term appropriate to the need for funds but in no event shall the investment duration of these funds exceed five years.

Credit Rate Risk – the CRA places restrictions on the credit quality of authorized investments in debt securities and external investment pools as outlined below.

- Money market funds – minimum rating of AAAM (or its equivalent) by a nationally recognized statistical rating organization (NRSRO).
- Intergovernmental investment pools – minimum rating of AAA (or its equivalent) by a NRSRO.
- Fixed-income securities – minimum rating of A (or its equivalent) by any two NRSRO's.

Concentration of Credit Risk - the CRA limits the amount that may be invested in any one issuer based on the type of investment. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

4. FAIR VALUE MEASUREMENTS

The CRA measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
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SEPTEMBER 30, 2024

- Level 1 - quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.
- Level 3 - unobservable inputs for an asset.

The following table presents the CRA's share of the City's total pooled investments carried at fair value on September 30, 2024:

	City's Total Pooled Investments				CRA's Share
	Fair Value	Level 1	Level 2	Level 3	
Money market funds	\$ 321,728	\$ -	\$ 321,728	\$ -	\$ 19,328
Debt securities					
U.S. Treasury bonds	15,399,936	15,399,936	-	-	925,182
U.S. Government agency obligations	400,337	-	400,337	-	24,051
Corporate bonds	13,445,103	-	13,445,103	-	807,741
Municipal bonds	578,550	-	578,550	-	34,758
Total debt securities	<u>29,823,926</u>	<u>15,399,936</u>	<u>14,423,990</u>	<u>-</u>	<u>1,791,732</u>
Total investments measured at fair value	30,145,654	<u>\$ 15,399,936</u>	<u>\$ 14,745,718</u>	<u>\$ -</u>	1,811,060
Total investments measured at amortized cost	<u>9,068,132</u>				<u>1,057,856</u>
Total investments at September 30, 2024	<u>\$ 39,213,786</u>				<u>\$ 2,868,916</u>

Money market funds, debt securities, and equity securities classified in Level 2 are determined by broker quotes that utilize matrix pricing models and other observable market inputs.

5. DUE FROM OTHER GOVERNMENTS

The CRA's receivables from other governments were \$1,824,380 on September 30, 2024. Due from other governments consists primarily of state financial assistance related to a grant from the Florida Department of Environmental Protection for enhancements and renovations to the Fort Walton Beach Landing.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 1,159,373	\$ -	\$ -	\$ -	\$ 1,159,373
Construction in progress	1,821,716	3,217,707	-	(98,801)	4,940,622
Total capital assets not being depreciated	<u>2,981,089</u>	<u>3,217,707</u>	<u>-</u>	<u>(98,801)</u>	<u>6,099,995</u>
Capital assets being depreciated					
Buildings	1,283,269	-	-	-	1,283,269
Improvements other than buildings	9,079,711	33,679	(56,572)	98,801	9,155,619
Software	9,570	-	-	-	9,570
Machinery and equipment	401,501	15,889	-	-	417,390
Total capital assets being depreciated	<u>10,774,051</u>	<u>49,568</u>	<u>(56,572)</u>	<u>98,801</u>	<u>10,865,848</u>
Less accumulated depreciation					
Buildings	(214,066)	(37,747)	-	-	(251,813)
Improvements other than buildings	(6,112,779)	(330,540)	56,572	-	(6,386,747)
Software	(9,570)	-	-	-	(9,570)
Machinery and equipment	(266,795)	(21,103)	-	-	(287,898)
Total accumulated depreciation	<u>(6,603,210)</u>	<u>(389,390)</u>	<u>56,572</u>	<u>-</u>	<u>(6,936,028)</u>
Total capital assets being depreciated, net	<u>4,170,841</u>	<u>(339,822)</u>	<u>-</u>	<u>98,801</u>	<u>3,929,820</u>
Capital assets, net	<u>\$ 7,151,930</u>	<u>\$ 2,877,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,029,815</u>

Depreciation expense of \$389,390 was charged to the economic environment function in the statement of activities for fiscal year 2024.

Construction in Progress

The Landing Improvements

In 2021, the City commenced a major project to make improvements to the Fort Walton Beach Landing. The project costs are being funded from several sources including a grant from the Florida Department of Environmental Protection, tourist development tax proceeds, discretionary sales tax surtax proceeds, and tax increment revenues of the CRA. As of September 30, 2024, the CRA has incurred project costs of \$3,514,278 for the design and construction portion of phases I and II of the project, which are expected to be completed in fiscal year 2025.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Heritage Park and Cultural Center Museum Addition

In August 2023, the City broke ground on an expansion to the Heritage Park and Cultural Center museum. The addition will give the museum a new entrance and provide space for a larger gift shop, administrative offices, storage, and an area for specialty programs. The project costs are being funded from several sources including tourist development tax proceeds, discretionary sales surtax proceeds, and tax increment revenues of the CRA. As of September 30, 2024, the CRA has incurred project costs of \$926,343 for design and construction phases of the project. The project is expected to be completed in fiscal year 2025.

7. ENCUMBRANCES

The amount of encumbrances outstanding at September 30, 2024 were \$3,206,423. Encumbrances at year end do not constitute expenditures or liabilities; therefore, they are not reflected in the statement of revenues, expenditures, and changes in fund balances.

8. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state or federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the CRA expects such amount, if any, to be immaterial.

9. SUBSEQUENT EVENTS

The Landing Improvements – Phase III

In November 2024, the City awarded a bid to a construction contractor to perform Phase III of the Landing Improvements project for a total contract price of \$638,673. The project will be partially funded with CRA resources. The project scope of Phase III includes the reconstruction and addition of retaining walls, installation of artificial turf, and removal and replacement of park-wide electrical pedestals.

REQUIRED SUPPLEMENTARY INFORMATION

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,555,341	\$ 1,555,341	\$ 1,555,341	\$ -
Intergovernmental	1,292,003	1,409,793	1,865,784	455,991
Investment income	-	-	113,661	113,661
Miscellaneous	-	-	222,756	222,756
Total revenues	<u>2,847,344</u>	<u>2,965,134</u>	<u>3,757,542</u>	<u>792,408</u>
EXPENDITURES				
Current				
Public safety	382,030	382,030	388,400	(6,370)
Economic environment	1,204,757	1,204,757	1,095,482	109,275
Capital outlay	<u>3,126,493</u>	<u>4,821,353</u>	<u>3,267,275</u>	<u>1,554,078</u>
Total expenditures	<u>4,713,280</u>	<u>6,408,140</u>	<u>4,751,157</u>	<u>1,656,983</u>
CHANGE IN FUND BALANCE	(1,865,936)	(3,443,006)	(993,615)	2,449,391
FUND BALANCE AT BEGINNING OF YEAR	<u>1,865,936</u>	<u>3,443,006</u>	<u>6,225,881</u>	<u>2,782,875</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,232,266</u>	<u>\$ 5,232,266</u>

See notes to the required supplementary information.

FORT WALTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Walton Beach, Florida)
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2024

Budgetary data reflected in the financial statements are established by the following procedures:

Before the end of each September, management determines the CRA's proposed expenditures or requested appropriations. These proposed expenditures, along with all estimated receipts and balances expected to be brought forward are presented to the Board of Directors for approval.

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

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

COMPLIANCE SECTION

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

To the Board of Directors
Fort Walton Beach Community Redevelopment Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and the general fund of the Fort Walton Beach Community Redevelopment Agency (the CRA), a component unit of the City of Fort Walton Beach, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated March 5, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Fort Walton Beach, Florida
March 5, 2025

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

Board of Directors
Fort Walton Beach Community Redevelopment Agency

We have examined the Fort Walton Beach Community Redevelopment Agency's (the CRA), a component unit of the City of Fort Walton Beach, Florida, compliance with the following requirements for the year ended September 30, 2024:

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

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

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

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

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

In our opinion, the CRA complied, in all material respects, with the specified requirements for the year ended September 30, 2024.

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



Fort Walton Beach, Florida
March 5, 2025

MANAGEMENT LETTER

Board of Directors
Fort Walton Beach Community Redevelopment Agency

Report on the Financial Statements

We have audited the financial statements of the Fort Walton Beach Community Redevelopment Agency (the CRA), a component unit of the City of Fort Walton Beach, Florida, as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated March 5, 2025.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 5, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the CRA did not operate within its geographical boundaries, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, during the fiscal year under audit.

As required by Section 10.554(1)(i)6.b., *Rules of the Auditor General*, there were no program administrators or third-party administrators for a PACE program operating within the CRA's geographical boundaries. Therefore, no contact information has been provided for each such program administrator or third-party administrator, as there were no applicable PACE programs.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the CRA has reported the required information in the City of Fort Walton Beach, Florida's audit report.

Additional Matters

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

Purpose of this Letter

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

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



Fort Walton Beach, Florida
March 5, 2025