2025

City of DeFuniak Springs
Community Redevelopment Agency

Financial Statements and Independent Auditor's Report

September 30, 2025

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

CITY OF DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
DEFUNIAK SPRINGS, FLORIDA

SEPTEMBER 30, 2025

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To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison schedule of the General Fund of the DeFuniak Springs Community Redevelopment Agency (the CRA), a component unit of the City of DeFuniak Springs, Florida, as of and for the year ended September 30, 2025, 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, 2025, and the respective changes in financial position and budget comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

INDEPENDENT AUDITOR'S REPORT

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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

To the Board Members
Community Redevelopment Agency
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INDEPENDENT AUDITOR'S REPORT

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 June 16, 2026, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Purvis Gray

June 16, 2026
Tallahassee, Florida

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

As management of DeFuniak Springs Community Redevelopment Agency (the CRA), we offer readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities by $2,141,823 (net position), which represents an increase of $985,835 from the prior year.

- The CRA's general fund reported an ending fund balance of $1,871,499, which represents an increase of $1,057,315 from the prior year. The ending fund balance in the general fund is restricted for redevelopment projects.

OVERVIEW OF 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 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.

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 of 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.

Budgetary Highlights
During the fiscal year 2025, the total revenues exceeded the final budget by $51,080. Total expenditures were $1,820,419 less than the final budgeted appropriations for the year ended September 30, 2025. This was largely due to slower than expected progress on incentive grants and capital expenditures.

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 $2,141,823, as reported in Table 1. Of this amount, $1,871,499 is restricted for future redevelopment projects.

Table 1
Statement of Net Position
As of September 30

	Governmental Activities	
	2025	**2024**
Current and Other	$ 2,220,872	$ 1,171,039
Total Assets	2,220,872	1,171,039
Current and Other	79,049	15,051
Total Liabilities	79,049	15,051
Net Position:		
Net Investment in Capital Assets	270,324	341,804
Restricted	1,871,499	814,184
Total Net Position	$ 2,141,823	$ 1,155,988

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 the Year Ended September 30

	Governmental Activities	
	2025	**2024**
Revenues:		
General Revenues	$ 1,563,025	$ 1,074,968
Total Revenues	1,563,025	1,074,968
Expenses:		
Primary Government	577,190	313,702
Total Expenses	577,190	313,702
Change in Net Position	985,835	761,266
Net Position, Beginning	1,155,988	394,722
Net Position, Ending	$ 2,141,823	$ 1,155,988

Current-Year Impacts

Governmental activities increased the CRA's net position by $985,835 for the fiscal year ended September 30, 2025, primarily due to increases in ad valorem tax revenues.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

As of September 30, 2025, the CRA's governmental fund has a fund balance of $1,871,499, an increase of $1,057,315 from the prior year. The CRA's ending fund balance is fully restricted for redevelopment projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the CRA's finances and to demonstrate the CRA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information, should be addressed to the Community Redevelopment Agency, 1350 Baldwin Avenue, DeFuniak Springs, Florida 32435.

BASIC FINANCIAL STATEMENTS

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and Cash Equivalents	$ 1,950,548	$ -	$ 1,950,548
Capital Assets, Net	-	270,324	270,324
Total Assets	1,950,548	270,324	2,220,872
Liabilities			
Accounts Payable and Other Liabilities	3,760	-	3,760
Due to Primary Government	75,289	-	75,289
Total Liabilities	79,049	-	79,049
Fund Balance			
Restricted	1,871,499	-	
Total Liabilities and Fund Balance	$ 1,950,548		
Net Position			
Net Investment in Capital Assets		270,324	270,324
Restricted - Redevelopment		-	1,871,499
Total Net Position		$ -	$ 2,141,823

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total Fund Balances of Governmental Funds	$ 1,871,499
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	270,324
Net Position of Governmental Activities	$ 2,141,823

See accompanying notes.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Activities
Revenues			
General Revenues:			
Tax Increment Revenues	$ 1,511,945	$ -	$ 1,511,945
Interest Income	50,983	-	50,983
Miscellaneous	59,677	(59,580)	97
Total Revenues	1,622,605	(59,580)	1,563,025
Expenses/Expenditures			
Current:			
General Government	565,290	11,900	577,190
Total Expenses/Expenditures	565,290	11,900	577,190
Excess of Revenues Over Expenditures	1,057,315		
Changes in Net Position			985,835
Net Change in Fund Balance	1,057,315		
Fund Balance/Net Position At Beginning of Year	814,184		1,155,988
Fund Balance/Net Position At End of Year	$ 1,871,499		$ 2,141,823

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Total Change in Fund Balance - General Fund	$ 1,057,315
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures and disposals as inflows. In the Statement of Activities, however, the cost of those assets is depreciated over their estimated useful lives, and gains or losses on disposals are recognized.	
Disposal of Asset and Loss on Disposal	(61,120)
Depreciation	(10,360)
Change in Net Position of Governmental Activities	$ 985,835

See accompanying notes.

DEFUNIAK SPRINGS COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of DeFuniak Springs, Florida)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 1,511,945	$ 1,511,945	$ 1,511,945	$ -
Interest Income	-	-	50,983	50,983
Miscellaneous	-	59,580	59,677	97
Total Revenues	1,511,945	1,571,525	1,622,605	51,080
Expenditures				
Current:				
General Government	1,911,945	2,385,709	565,290	1,820,419
Total Expenditures	1,911,945	2,385,709	565,290	1,820,419
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400,000)	(814,184)	1,057,315	1,871,499
Change in Fund Balance	(400,000)	(814,184)	1,057,315	1,871,499
Fund Balance at Beginning of Year	400,000	814,184	814,184	-
Fund Balance at End of Year	$ -	$ -	$ 1,871,499	$ 1,871,499

See accompanying notes.

Note 1 - Summary of Significant Accounting Policies

Description of the Community Redevelopment Agency

The DeFuniak Springs Community Redevelopment Agency (the CRA) was established in 2018 pursuant to Florida Statute 166.021, Chapter 163, Part III (the Community Redevelopment Act) to improve and eliminate slum and blight conditions in the City of DeFuniak Springs, Florida (the City), for which the redevelopment, conservation, or a combination thereof, of these areas was necessary in the interest of public health, safety, morals, or welfare of the residents of the City.

The City Council appoints the members of the CRA Board, who have all rights, powers, duties, privileges, and immunities offered by the Community Redevelopment Act. The community redevelopment plan (the Plan) adopted by the members of the CRA Board outline the following goals: 1) blight elimination; 2) economic revitalization; 3) housing rehabilitation; 4) infrastructure improvement; 5) preservation of historical assets and community; and 6) enhanced public services, quality of life, community engagement, and inclusion. The Plan's objectives are to revitalize infrastructure, stimulate prosperity, enhance livability, invest in infrastructure, safeguard cultural heritage, and empower holistic wellbeing.

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 can 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, 2025, 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 and, therefore, is included in the City's comprehensive annual financial report as a special revenue fund.

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

The following is the current property tax calendar:

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

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

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2025 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 uncollectability and, therefore, are not recorded as a receivable on the balance sheet date.

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

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

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

Cash and Cash Equivalents
The CRA defines cash and cash equivalents as cash held at a depository for operating purposes and any investments, which are short-term and highly liquid. Generally, those investments, if any, have maturities of three (3) months or less on the date of acquisition. The CRA's deposits at banks 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.

Capital Assets
The CRA pays for certain infrastructure improvements within the designated redevelopment area; however, these improvements are generally considered property of the City and, therefore, are included as capital assets in the City's government-wide financial statements. However, the CRA does hold title to some capital assets.

Capital assets titled to the CRA, if any, are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Compensation Costs
The CRA has no employees of its own, and reimburses the City for the portion of salaries and benefits attributable to CRA activities based on the estimated time spent on those activities as projected during the annual budget process. Any long-term payroll and benefit liabilities such as compensated absences, other postemployment benefits, or pension liabilities are reported on the City's financial statements.

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:

- Non-Spendable – includes amounts that are: (a) not in spendable form, or (b) legally contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.
- Committed – includes amounts that can only be used for specific purposes determined by a formal action of the CRA's highest level of decision-making authority, the CRA Board. Commitments may be changed or lifted only by the CRA taking the same formal action that imposed the constraint originally by the same level of decision-making authority (the CRA Board).
- Assigned – comprises amounts intended to be used by the CRA for specific purposes that are neither restricted nor committed.
- Unassigned – is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. These classifications reflect not only the nature of funds but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. In circumstances in which amounts are available in multiple fund balance classifications, fund balance is generally considered to be spent from the most restrictive classification first.

As of September 30, 2025, 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, 2025, 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.

Note 2 - Stewardship, Compliance, and Accountability

Budgets

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

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

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

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

Encumbrances

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

Note 3 - Deposits and Investments

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.

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 240,872	$ -	$ (61,120)	$ 179,752
Total Capital Assets Not Being Depreciated	240,872	-	(61,120)	179,752
Capital Assets Being Depreciated:				
Buildings	96,789	-	-	96,789
Machinery and Equipment	20,030	-	-	20,030
Total Capital Assets Being Depreciated	116,819	-	-	116,819
Less Accumulated Depreciation and Amortization:				
Buildings, Machinery and Equipment	(15,887)	(10,360)	-	(26,247)
Total Capital Assets Being Depreciated, Net	100,932	(10,360)	-	90,572
Governmental Activities, Net	$ 341,804	$ (10,360)	$ (61,120)	$ 270,324

Note 5 - Tax Increment Financing Revenue

The CRA is primarily funded through tax increment financing (TIF) revenue. The TIF revenue is calculated by applying the adopted millage rate to the increase in current year taxable assessed valuations within the designated CRA districts, using the year in which they were established as the base year. The City is required to contribute 95% of the incremental property taxes levied each year. Walton County is required to contribute 95% of the incremental property taxes levied each year. The City and County shall continue to contribute the required portion of the incremental property taxes levied until all redevelopment projects included in the CRA's Community Redevelopment Plan are completed and paid for or until legally terminated by ordinance, but not to exceed thirty years.

Note 6 - Risk Management

The CRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors, omissions, and natural disasters. The CRA is covered by its own insurance plans. The CRA purchases commercial insurance against losses for the following types of risks:

- General Liability
- Commercial Crime
- Workers' Compensation
- Health Insurance
- Public Official
- Cyber Liability

The CRA is adequately insured against risk and has not had any claims filed or settled any outstanding claims in any of the past three years.

Note 7 - Subsequent Events

The CRA has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 16, 2026, the date the financial statements were available to be issued.

OTHER REPORTS

INDEPENDENT AUDITOR'S 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 Members
Community Redevelopment Agency
DeFuniak Springs, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the DeFuniak Springs Community Redevelopment Agency (the CRA), a component unit of the City of DeFuniak Springs, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated June 16, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial

To the Board Members
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INDEPENDENT AUDITOR'S 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*

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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Purvis Gray

June 16, 2026
Tallahassee, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

We have examined the DeFuniak Springs Community Redevelopment Agency's (the CRA) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2025, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. 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 requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including the assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

This report 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 and pass-through entities, the CRA Board members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

June 16, 2026
Tallahassee, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 163.387(6) AND (7), FLORIDA STATUTES

To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

We have examined the DeFuniak Springs Community Redevelopment Agency's (the CRA) compliance with Section 163.387(6) and (7), Florida Statutes, as of and for the year ended September 30, 2025, as required by Section 10.556 (10)(f), *Rules of the Auditor General*. 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 non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

This report 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 and pass-through entities, the CRA Board members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

June 16, 2026
Tallahassee, Florida

MANAGEMENT LETTER

To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

Report on the Financial Statements
We have audited the financial statements of the DeFuniak Springs Community Redevelopment Agency (the CRA), a component unit of the City of DeFuniak Springs, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 16, 2026.

Auditor's 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 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 16, 2026, should be considered in conjunction with this management letter.

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

To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

MANAGEMENT LETTER

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 must state as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the CRA's geographical boundaries during the fiscal year under audit. In connection with our audit, the PACE program did not operate within the CRA's geographical boundaries during the fiscal year.

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

Specific Information (Unaudited)
As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)(6), *Rules of the Auditor General*, the CRA reported:

a. The total number of district employees compensated in the last pay period of the district's fiscal year as 0. The CRA has no employees but receives administrative staffing and support from the City. Allocated costs associated with this support are included in the expenses of the CRA.

b. The total number of independent contractors to whom non-employee compensation was paid in the last month of the district's fiscal year as 0.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $0.

d. All compensation earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency as $0.

e. Each construction project with a total cost of at least $65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as $0.

To the Board Members
Community Redevelopment Agency
DeFuniak Springs, Florida

MANAGEMENT LETTER

f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as $473,674. A budget versus actual variance is presented on page 10.

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

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

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

Purvis Gray

June 16, 2026
Tallahassee, Florida

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