



**City of Lake  
Wales  
Community  
Redevelopment  
Agency**

A Component Unit of the City of Lake Wales, Florida

Financial Statements and Independent Auditor's Reports  
Fiscal year ended September 30, 2025

# City of Lake Wales Community Redevelopment Agency

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## FINANCIAL SECTION



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## **INDEPENDENT AUDITOR’S REPORT**

To the Honorable Mayor and  
Members of the City Commission and Citizens  
Of the City of Lake Wales, Florida  
City of Lake Wales Community Redevelopment Agency

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Lake Wales Community Redevelopment Agency, Florida (the “CRA”), 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 major fund of the City of Lake Wales Community Redevelopment Agency, Florida, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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.

#### **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 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, 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 budgetary comparison information 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 Information**

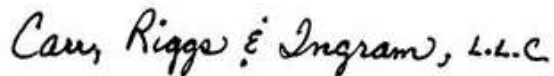
Management is responsible for the other information included in the annual report. The other information comprises the budget variance report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work

performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 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.



CARR, RIGGS & INGRAM, LLC

Orlando, Florida

May 28, 2026

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Management's Discussion and Analysis

September 30, 2025

The Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the financial activities of the City of Lake Wales Community Redevelopment Agency ("CRA"), a component unit of the City of Lake Wales, Florida ("City"). The analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the CRA's financial activity, identify the changes in the CRA's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues of concern.

## Financial Highlights

- The assets of the CRA were *less than* its liabilities at the close of the most recent fiscal year by \$12,497,771 (*net position deficit*). In the prior year the CRA reported a positive net position of \$3,031,620 which was restated in 2025 to \$3,587,160.
- The CRA reported a restricted net position deficit of \$13,822,633 at the end of the current fiscal year, compared with a deficit of \$2,590,702 in the prior year. The prior-year deficit primarily resulted from outstanding long-term debt issued to finance improvements within the CRA districts that were not reported as CRA assets because the related improvements were made to City-owned property and infrastructure. The deficit increased in the current year as additional debt-funded projects were undertaken that likewise did not produce CRA-reported assets, since the improvements either related to City assets or became City assets upon completion.
- The CRA's total net position decreased by \$16,084,931 or 339% of current year total revenue compared to an increase of \$2,069,296 in the prior year which was 45% of prior year revenue.
- As of the close of the current fiscal year, the CRA's governmental funds reported combined ending fund balances of \$5,944,728; a decrease of \$2,887,599 for the year. All of the CRA's fund balance is restricted to community redevelopment purposes. The decrease is mainly caused by the use of bond proceeds recognized as an other financing source in a prior year.
- The previously reported land balance within capital assets has been restated to include CRA-owned land that was omitted in a prior year. See Note V to the financial statements for additional information. As a result, beginning capital assets and beginning net position, specifically the net investment in capital assets component, increased by \$555,540.

## Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the CRA's basic financial statements. The CRA's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the CRA's (1) assets and deferred outflows, (2) liabilities, and deferred inflows with the residual measure between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CRA is improving or deteriorating.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Management's Discussion and Analysis

September 30, 2025

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 flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the CRA that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of its costs through user fees and charges (*business-type activities*). The CRA does not engage in business-type activities and as such, no business-type activities are reported in the financial statements.

The government-wide financial statements can be found by referencing the table of contents of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental-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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The CRA maintains only one fund, a major governmental fund designated as the general fund.

The governmental financial statements can be found by referencing the table of contents of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found by referencing the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's general fund budgetary comparison. Required supplementary can be found by referencing the table of contents of this report.

**City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Management's Discussion and Analysis

September 30, 2025

**Government-wide Financial Analysis**

Statement of Net Position - The following table reflects the condensed statement of net position for the current year, as compared to the prior year. For more detailed information see the statement of net position which can be located by referencing the table of contents of this report.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

	<b>Summary Statements of Net Position</b>	
	<b>Governmental Activities</b>	
	<u>2025</u>	<u>2024 (*)</u>
Current and other assets	\$ 6,227,213	\$ 10,653,709
Capital assets, net of depreciation	<u>2,118,190</u>	<u>15,428,953</u>
<b>Total assets</b>	<u>8,345,403</u>	<u>26,082,662</u>
Current and other liabilities	326,948	1,336,242
Long-term liabilities	<u>20,516,226</u>	<u>21,159,260</u>
<b>Total liabilities</b>	<u>20,843,174</u>	<u>22,495,502</u>
Net Position:		
Net investment in capital assets	1,324,862	996,458
Restricted	<u>(13,822,633)</u>	<u>2,590,702</u>
<b>Total net position</b>	<u>\$ (12,497,771)</u>	<u>\$ 3,587,160</u>

(\*) – The previously reported capital assets and net position – net investment in capital asset amounts were restated to include land owned by and titled to the CRA that had been omitted in a prior year. See Note V to the financial statements for additional information.

On September 30, 2025, the CRA's net position reports a restricted *deficit* net position of (\$13,822,633) compared to a positive net position of \$2,590,702 as of the end of the previous year. The reason for the deficit in the current year is due to the long-term liabilities of the CRA, whose proceeds were used for City improvements and while generating a long-term obligation of the CRA, did not result in CRA capital assets. The capital assets generated were capitalized by the City.

**City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Management's Discussion and Analysis

September 30, 2025

Statement of Activities - The following table reflects a summary of the statement of activities compared to the prior year. The statement of activities can be found by referencing the table of contents of this report.

		<b>City of Lake Wales</b>	
		<b>Changes in Net Position</b>	
		<u>Governmental Activities</u>	
		<u>2025</u>	<u>2024</u>
<b>Revenues:</b>			
Program Revenues:			
Operating grants and contributions	\$	550,052	\$ 329,470
Capital grants and contributions		22,500	292,000
General Revenues:			
Property taxes		3,990,689	3,571,030
Other		187,320	449,698
<b>Total Revenues</b>		<u>4,750,561</u>	<u>4,642,198</u>
<b>Expenses:</b>			
Governmental Activities:			
Economic environment		20,014,204	1,728,231
Interest on long-term debt		821,288	844,671
<b>Total Expenses</b>		<u>20,835,492</u>	<u>2,572,902</u>
Change in net position		(16,084,931)	2,069,296
Beginning net position		3,031,620	962,324
Restatement		555,540	-
Ending net position		<u>\$ (12,497,771)</u>	<u>\$ 3,031,620</u>

**Governmental activities:** During 2025, governmental activities' net position decreased by \$16,084,931 compared to an increase of \$2,069,296 in the prior year. The main reason for the current year changes are as follows:

- Property taxes (City and County) increased by \$419,659 or 12% due to increased property values and tax rates within the CRA district.
- Operating grants and contributions increased by \$220,582, or 67%, due to higher recognition of grant revenue related to the CRA's Community Development Block Grant (CDBG) activities in 2025 compared with 2024.
- Capital grants and contributions decreased by \$269,500, or 92%, in 2025 because capital grant-funded activity was significantly lower than in the prior year.
- Total expenses increased by \$18,262,590, or 709%, primarily due to several CRA-funded projects involving City assets that were financed with loan proceeds issued in a prior year. Because these projects improved City-owned assets, or became the responsibility of the City upon completion, they are required to be reported as capital assets in the City's financial statements rather than in the CRA's standalone financial statements. Accordingly, these amounts were reported as functional expenses in the CRA's standalone financial report. For the year ended September 30, 2025, completed projects transferred to the City and recognized as functional expense totaled approximately \$17,312,200.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Management's Discussion and Analysis

September 30, 2025

## Financial Analysis of the CRA's Funds

Governmental funds: The focus of the CRA's governmental fund (general fund) statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the CRA's financing requirements.

As of the end of the current fiscal year, the CRA's sole fund, the general fund, reported ending fund balances of \$5,944,728, a decrease of \$2,887,599 in comparison with the previously reported balance in the prior year of \$8,832,327. The entire fund balance of the CRA's general fund is restricted for community development expenditures.

Significant changes from the prior year are as follows:

- Total revenue decreased by \$445 or <1% due to the following:
  - Property taxes (City and County) increased by \$419,659 or 12% due to increased property values and tax rates within the CRA district.
  - Investment earnings decreased by \$380,563 or 85% due to decreased cash balances earning interest.
- Expenditures decreased by \$2,886,220 or 25% due to the following:
  - Capital expenditures on projects within the CRA district decreased by \$3,711,578 or 42% funded mainly by the issuance of the Redevelopment Revenue Note, Series 2023 in the prior year.
  - Economic environment expenditures increased by \$830,379 or 69% due mainly to the following:
    - Main Street Façade improvements and business incentive expenditures increased by approximately \$192,350
    - Development incentive expenditures increased by approximately \$210,000
    - Irrigation and landscaping maintenance, repair and improvement expenditures increased by approximately \$269,000.
    - Legal expenditures increased by approximately \$142,000 or 134%.
    - Sales of capital assets increased by approximately \$910,400 because the CRA sold several parcels of land in 2025, significantly exceeding the amount of land sales recognized in 2024.

## General Fund Budgetary Highlights

Actual resources (revenues and other financing sources) were less than budgeted resources by \$6,365,512 and actual charges to appropriations were \$11,285,555 less than budgeted resulting in an overall favorable budget variance of \$4,920,043. The general fund budget was amended during the year by increasing expected capital asset sale proceeds by \$800,000. The CRA budgeted revenues and expenditures were not amended.

Actual revenues were less than budgeted mainly due to budgeted grant funding of \$5,432,620 for which \$575,522 was recognized as revenue during 2025 because of timing of project expenditures and reimbursements.

Actual expenditures were less than budgeted mainly due to lower than anticipated capital outlay activity (\$9,966,686).

**City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Management's Discussion and Analysis

September 30, 2025

**Capital Asset and Debt Administration**

**Capital Assets.** The CRA's investment in capital assets for its governmental activities as of September 30, 2025 is \$2,118,190. This investment in capital assets is comprised of CRA funded projects that are in progress at year-end as well as land owned by the CRA. The net decrease (additions less retirements and depreciation) in the CRA's investment in capital assets was \$13,310,763, a decrease of 86%.

Information on the City's capital assets is summarized in the following table.

**Capital Asset Activity, net of accumulated depreciation as of September 30,**

	Governmental Activities	
	<u>2025</u>	<u>2024 (*)</u>
Land	\$ 605,409	\$ 966,637
Construction in progress	<u>1,063,349</u>	<u>14,462,316</u>
<b>Total</b>	<b>2,121,967</b>	<b>15,428,953</b>
Less: accumulated depreciation	<u>(3,777)</u>	<u>-</u>
Capital assets, net	<u><b>\$ 2,118,190</b></u>	<u><b>\$ 15,428,953</b></u>

(\*) – The previously reported land balance within capital assets was restated to include land owned by and titled to the CRA that had been omitted in a prior year. See Note V to the financial statements for additional information.

Capital asset additions during the current fiscal year included the following:

Governmental Activities:

- CWIP – Park Avenue – Design/Construction - \$2,768,198.
- CWIP – First Street – Design/Construction - \$102,597.
- CWIP – Sidewalks – Design/Construction - \$575,959.
- CWIP – Downtown Improvements - \$71,771.
- CWIP – Orange Street Design/Construction - \$86,715.
- CWIP – Crystal Lake Connector Trail - \$47,173.
- CWIP – Crystal Lake – Design/Construction - \$87,935.
- CWIP – Recreation Master Plan - \$15,574.
- CWIP – Grand Wales Hotel - \$62,633.
- CWIP – Lincoln Avenue Streetscape - \$63,104.
- CWIP – Central Avenue Streetscape - \$31,552.

**City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Management’s Discussion and Analysis

September 30, 2025

**Debt.** At the end of the current fiscal year the CRA had total debt outstanding of \$20,516,226. The debt obligations are secured by the CRA’s tax increment revenues and any non-ad valorem revenues budgeted and appropriated. Total long-term debt decreased by \$643,034 or 3% during 2025 due the payment of normally scheduled principal payments.

**The CRA’s Outstanding Debt as of September 30,**

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Notes payable	\$ 20,516,226	\$ 21,159,260
Total debt obligations	<u>\$ 20,516,226</u>	<u>\$ 21,159,260</u>

**Economic Factors and Next Year’s Budget and Rates**

The following significant items will affect the 2026 fiscal year:

- The approved budget for the fiscal year 2025-2026 provides the following:
  - Budgeted tax increment revenues (City and County) increased by \$783,745 (20%) when compared to the actual 2025 tax increment revenues due to increased property values within the CRA districts.
  - Budgeted expenses totaled approximately \$23,881,144 an increase of approximately \$15,342,784 or over 180% when compared to 2025 actual expenditures due to an increase in planned capital projects within the CRA districts mainly funded by expected grant revenues budgeted at approximately \$14,000,000 for 2026.

**Requests for Information**

The financial report is designed to provide a general overview of the CRA’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Finance Director, City of Lake Wales, 201 Central Avenue, Lake Wales, Florida 33859. Information is also available on our website at [www.cityoflakewales.com](http://www.cityoflakewales.com).

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Statement of Net Position

September 30, 2025

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,069,924
Receivable	8,681
Intergovernmental receivables	8,750
Note receivable	77,161
Prepaid items	62,697
Capital assets:	
Nondepreciable	1,668,758
Depreciable, net	449,432
<b>Total assets</b>	<b>8,345,403</b>
<b>Liabilities</b>	
Accounts payable	180,894
Construction payable	29,313
Accrued liabilities	9,581
Accrued interest	107,160
Noncurrent liabilities:	
Due within one year	607,890
Due in more than one year	19,908,336
<b>Total liabilities</b>	<b>20,843,174</b>
<b>Net position</b>	
Net investment in capital assets	1,324,862
Restricted for:	
Community redevelopment	(13,822,633)
<b>Total net position</b>	<b>\$ (12,497,771)</b>

The notes to financial statements are an integral part of this statement

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Statement of Activities

For the Year Ending September 30, 2025

Functions/Programs	Program Revenues			Net Revenue /	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) and Changes in Net Position Governmental Activities
Governmental activities:					
Community redevelopment	\$ 20,014,204	\$ -	\$ 550,052	\$ 22,500	\$ (19,441,652)
Interest on long-term debt	821,288	-	-	-	(821,288)
<b>Total governmental activities</b>	20,835,492	-	550,052	22,500	(20,262,940)
<b>General revenues</b>					
Taxes:					
Property taxes, levied for community redevelopment					3,990,689
Investment earnings					69,135
Gain on disposal of capital assets					117,946
Miscellaneous revenues					239
<b>Total general revenues</b>					4,178,009
<b>Change in net position</b>					(16,084,931)
<b>Net position, beginning of year - previously reported</b>					3,031,620
Restatement of beginning net position					555,540
<b>Net position, beginning of year - restated</b>					3,587,160
<b>Net position, end of year</b>					\$ (12,497,771)

The notes to financial statements are an integral part of this statement

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Balance Sheet - Governmental Fund

September 30, 2025

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,069,924
Accounts receivable	8,681
Intergovernmental receivables	8,750
Note receivable	<u>77,161</u>
Total assets	<u>\$ 6,164,516</u>
<b>Liabilities and fund balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 180,894
Accrued liabilities	9,581
Construction payable	<u>29,313</u>
Total liabilities	<u>219,788</u>
<b>Fund balances</b>	
Restricted for:	
Community redevelopment	<u>5,944,728</u>
Total fund balance	<u>5,944,728</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,164,516</u>

The notes to financial statements are an integral part of this statement

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

## Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position September 30, 2025

<b>Total fund balances of the governmental fund</b>	\$ 5,944,728
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	2,118,190
Prepaid bond insurance is a long-term asset that is not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.	62,697
Interest payable on long-term debt does not require current financial resources and, therefore, interest payable is not reported as a liability in the governmental fund balance sheet.	(107,160)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet.	(20,516,226)
<b>Net position of governmental activities</b>	<u><u>\$ (12,497,771)</u></u>

The notes to financial statements are an integral part of this statement

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund For the Year Ended September 30, 2025

	<b>General Fund</b>
<b>Revenues</b>	
Taxes	\$ 2,059,213
Intergovernmental	2,548,163
Investment earnings	69,135
Miscellaneous	35,076
Total revenues	<u>4,711,587</u>
<b>Expenditures</b>	
Current:	
Economic environment	2,031,355
Capital outlay	5,033,314
Debt Service	1,473,691
Total expenditures	<u>8,538,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,826,773)</u>
<b>Other financing sources (uses)</b>	
Sale of capital assets	939,174
Total other financing (uses) sources	<u>939,174</u>
Net change in fund balances	(2,887,599)
<b>Fund balances, beginning of year</b>	<u>8,832,327</u>
<b>Fund balances, end of year</b>	<u>\$ 5,944,728</u>

The notes to financial statements are an integral part of this statement

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities For the Year Ended September 30, 2025

**Net change in fund balances of the governmental fund** \$ (2,887,599)

**Amounts reported for governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.

Capital asset additions	4,366,420
Capital asset disposals	(17,673,406)
Depreciation	(3,777)

Governmental funds report the effect of prepaid bond insurance when the debt is first issued, whereas these amounts are reported as a prepaid asset on the statement of net position and amortized in the statement of activities.

This is the bond insurance costs amortized in the statement of activities in the current year	(3,492)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred.

This item represents the change caused by the "available" revenue recognition criteria.	(538,972)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes resources of the governmental funds. Neither transaction, however, has any effect on the change in net position.

Principal paid.	643,034
-----------------	---------

Other obligations are reported in the government-wide statement of net position as liabilities, but not at the fund level as they do not require the use of current financial resources and therefore are reported as revenues when received and expenditures when paid:

Decrease in interest accrued on long-term debt.	12,861
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**Change in net position of governmental activities** \$ (16,084,931)

The notes to financial statements are an integral part of this statement

# **City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## **I. Summary of significant accounting policies**

The City of Lake Wales Community Redevelopment Agency's ("CRA") financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the CRA are discussed below.

### **A. Reporting entity**

The CRA is a dependent special district created in 1999 by the City of Lake Wales, Florida (the "City") under Chapter 163, Part III, of the Florida Statutes. The CRA was created with the intent to undertake projects and programs in the CRA District that enhance beautification, infrastructure, and economic development. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Board of the CRA is comprised of the five members of the City Commission.

While the City and the CRA are separate legal entities, the parties share the mutual goal of redeveloping the CRA areas. The City provides administrative support services in the same manner as provided by the City in the conduct of its own affairs or as otherwise provided by the CRA Plan. City Management has operational responsibility for the CRA.

For the year ended September 30, 2025, the City allocated four full-time employees to the CRA to provide administrative support services. The cost for these personnel services was approximately \$205,748 for the year ended September 30, 2025. The City also allocates a proportionate share of City-wide general governmental administrative expenditures which include the allocable costs of the City Manager, City Clerk and the Finance and Human Resources departments. These allocated expenditures totaled approximately \$316,463 for the year ended September 30, 2025. The City also allocated a portion of the police department (\$65,200) and code enforcement (\$65,000) expenditures.

The accompanying financial statements present the CRA and its component units, entities for which the CRA is financially accountable. Criteria for determining if other entities are potential component units of the CRA which should be reported with the CRA's basic financial statements are identified and described in the GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The application of these criteria provides for identification of any entities for which the CRA is financially accountable and other organizations for which the nature and significance of their relationship with the CRA are such that exclusion would cause the CRA's basic financial statements to be misleading or incomplete. Based on these criteria, the financial reporting entity does not include or exclude any component units.

The City is financially accountable for the CRA and as such, the CRA is reported as a blended component unit in the City's basic financial statements.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## B. Government-wide and fund financial statements

**Government-wide Financial Statements** - The required government-wide financial statements are the statement of net position and the statement of activities, which report information on all the nonfiduciary activities of the CRA. The effects of interfund activity would have been removed from these statements if there were any interfund activity. 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 does not engage in any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment, including depreciation. 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.

**Fund Financial Statements** - The financial transactions of the CRA are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. Due to the CRA's fund structure, there were no non-major funds.

The financial activities of the CRA are reported in a single governmental "general" fund. There are no other governmental funds, no proprietary funds nor any fiduciary funds.

## C. Measurement focus, basis of accounting, and financial statement presentation

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 the 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.

Governmental 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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under lease agreements or information technology arrangements are reported as other financing sources.

# **City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the CRA.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions are reported as liabilities until the eligibility requirements (excluding time requirements) are met and as deferred inflows if received before time requirements are met and all other eligibility requirements have been satisfied.

## **D. Assets, liabilities, and net position or equity**

### *1. Deposits and investments*

#### **Cash and Cash Equivalents and Investments**

The City maintains a cash and investment pool, which is available for use by all funds and component units, including the CRA. The City considers all investments with an original maturity of three months or less (these include investments with the State Board of Administration, amounts invested in repurchase agreements, and money market mutual funds) to be cash equivalents. The City's cash and investment pool essentially allows individual funds and component units, at any time, to deposit additional cash or make withdrawals without prior notice or penalties. Investment earnings are distributed monthly in accordance with the participating funds' relative percentage of the pool.

The City's cash and investment pool includes cash deposits, investments with an original maturity of three months or less and amounts on deposit with paying agents.

The CRA's "share" of these pooled cash and investments is reported as cash and cash equivalents on the accompanying balance sheet/statement of net position.

By Ordinance No. 95-44 and Florida Statutes, the City is authorized to invest in the Florida PRIME Fund; negotiable direct obligations of the United States Government, or obligations unconditionally guaranteed by the U.S. government; bonds, debentures, notes or other indebtedness of U.S. agencies which are backed by the full faith and credit of the U.S. Government; obligations of certain other government agencies (the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation, (FHLMC), and the Student Loan Marketing Association (SLMA). In addition, the City may invest in nonnegotiable interest-bearing time certificates of deposits or repurchase agreements in qualified public depositories, as well as certain banker' acceptances, commercial paper, state and/or local government taxable and tax-exempt debt, general obligation and/or revenue bonds, or fixed income mutual funds, assuming they are rated as specified in the Ordinance.

All investments are reported at fair value or amortized cost, which approximates fair value, which is the price that would be received to sell an investment in an orderly transaction between market participants.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## 2. *Note Receivable*

In 2020, the CRA sold real property for \$575,000 in exchange for a non-interest-bearing promissory note. The note required 20 annual installments of \$28,750 beginning November 1, 2020, and continuing each year thereafter. Because the note did not represent current financial resources until payments were received by the CRA, the outstanding balance was reported as unavailable revenue and recorded as a deferred inflow of resources in the general fund balance sheet, with revenue recognized as payments were collected. During the fiscal year ended September 30, 2025, the CRA Board of Directors forgave the remaining balance of the note, which totaled \$460,000 at the date of forgiveness. The note was forgiven because the borrower satisfied the applicable CRA performance goals and investment requirements within the CRA district.

Periodically the CRA will make loans to property owners to assist with mortgage down payments or to fund property improvements and these loans are secured by first mortgage liens on the related properties with payment terms extending to six years. In some cases, the notes will be forgiven if certain conditions are met by the property owner. The notes, which have a face value of \$270,000, are reduced by an allowance representing management's estimate of uncollectible amounts which totaled \$270,000 on September 30, 2025 resulting in a carrying value of zero on September 30, 2025. The CRA made \$80,000 in downpayment assistance loans during the year ended September 30, 2025.

## 3. *Inventories and prepaid items*

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded using the consumption method of accounting. Under the consumption method, services paid for in advance are reported as an asset until the period in which the services are consumed.

## 4. *Restricted assets*

While all CRA assets are restricted for community redevelopment purposes, any amounts reported as *restricted cash and cash* equivalents have additional restrictions above and beyond the general restriction on CRA assets. The CRA generally uses restricted resources first when an expenditures/expense is incurred for which both restricted and unrestricted resources are available.

## 5. *Capital assets*

In the government-wide financial statements capital assets may include land, buildings, improvements, infrastructure, and furniture and equipment.

The CRA often engages in the construction, renovation, and/or acquisition of capital assets which may include land, buildings, improvements or furniture and equipment. None of these assets are titled to the CRA and the CRA does not have operational oversight nor obligation for ongoing repair and maintenance of the assets rather the assets are transferred to the City upon acquisition or upon completion of construction or renovation.

For long term construction or renovation projects, the costs are capitalized as *construction in progress* in the governmental activities of the CRA and are transferred to the City upon completion. Capital assets that are donated to the CRA are reported as a functional expense in the statement of activities.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

In the event that capital assets are purchased and titled to the CRA or if the CRA is obligated for ongoing operational responsibility of a capital asset, the CRA would report these at historical cost, if purchased and at estimated acquisition value if donated. Capital assets are defined by City ordinance as tangible property with an individual cost of \$5,000 or improvements having an initial cost of \$5,000. Maintenance and repair costs which do not improve or extend the life of the respective assets are charged to expense.

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the CRA's general fund upon acquisition.

## 6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

## 7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as refunding losses, are amortized over the life of the bonds using the bonds outstanding method or the straight-line method, which both approximate the effective interest method. Bonds payable are reported net of the applicable bond premium, discount or refunding loss. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 8. *Interest Costs*

Interest costs are recognized as an expense in the period in which the cost is incurred in the statement of activities or as an expenditure on a basis consistent with governmental fund accounting principles in the statement of revenues, expenditures and changes in fund balance.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## 9. Net Position

The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

*Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions.

*Unrestricted net position* - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position is available for use, it is the CRA's policy to use restricted net position first, and then unrestricted net position as they are needed.

## 10. Fund Balances

In accordance with GASB Cod. Sec 1800, the governmental fund balances are categorized into components that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported, to the extent applicable, in five components – nonspendable, restricted, committed, assigned and unassigned:

- **Nonspendable** – This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted** - This component of fund balances consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed** - This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the CRA's Board of Directors. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) employed to constrain those amounts.
- **Assigned** -This component of fund balance consists of amounts that are constrained by a less-than-formal action of the CRA's Board of Directors, or by an individual or body to whom the Board of Directors has delegated this responsibility. At fiscal year end, the Board of Directors has not delegated this responsibility.
- **Unassigned** -This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

**Flow Assumption** - When both restricted and unrestricted resources are available for use, it is the CRA's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the CRA's policy to use committed resources first, then assigned, and then unassigned as needed.

# **City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## *11. Property Taxes*

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills.

The CRA's primary source of revenue is tax-increment funds. This revenue is computed by applying the respective operating tax rates for the City and Polk County, Florida (the "County") multiplied by the increased value of property located within the boundaries of the redevelopment areas of the CRA in excess of the base property value, minus 5%. The City and County are required to fund this amount annually by January 1 of each year without regard to tax collections or other obligations.

The City and County millage rates in effect for the fiscal year ended September 30, 2025 were 7.0462 and 6.6348, respectively.

The tax levy of the City/County is established by the City/County Commission prior to October 1 of each year. All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Polk County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

## *12. Pension and Other Post-Employment Benefit Plans*

The City accounts for its defined benefit pension plans under GASB Cod. Sec P20. The pension plans cover substantially all of the City's full-time employees. Because the employees allocated to the CRA are City employees and not CRA employees, the CRA does not report pension liabilities or pension related deferred inflows and outflows of resources nor the resulting effect of changes in these pension elements as pension expense.

The City accounts for its other post-employment benefit plans (OPEB) under GASB Cod. Sec P52. The OPEB plan covers substantially all of the City's full-time employees when they retire. Because the employees allocated to the CRA are City employees and not CRA employees, the CRA does not report OPEB liabilities or OPEB related deferred inflows and outflows of resources nor the resulting effect of changes in these OPEB elements as OPEB expense.

## *13. Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## II. Stewardship, compliance, and accountability

### A. Budgetary information

The budget is approved by the Board of Directors of the CRA and then formally adopted by an Ordinance of the City Commission on or before October 1 of each year. Because the City has operational responsibility for the CRA, the CRA utilizes the City's budgetary level of control policy which establishes the legal level of budgetary control at the fund level for all the CRA's funds. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the CRA's Board of Directors; however, any revisions that alter the total expenditure of any fund must be approved by an Ordinance of the City Commission. Budgets for all funds are adopted on the modified basis of accounting.

## III. Detailed notes on all funds

### A. Deposits and investments

#### Deposits

As previously discussed, the amounts reported as cash and cash equivalents, is the CRA's claim on the cash and cash equivalent pool maintained by the City. The remainder of this note refers to City investment and risk policies. Because City Management has operational responsibility for the CRA and because the CRA funds are combined with other City funds for investment purposes, references to the City apply to the CRA because of this arrangement.

All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 50% to 200%, depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

#### Investments – City

The City had no investments as part of the cash and cash equivalents pool used for unspent CRA funds.

#### Investments – Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City reported no investments as part of the cash and cash equivalents pool used for unspent CRA funds.

# **City of Lake Wales Community Redevelopment Agency**

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## **Interest rate risk**

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City limits their exposure to fair value losses arising from rising interest rates by varying investment maturities.

## **Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The City investment policies require that assets be diversified to control the risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

## **Custodial credit risk - deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2025, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "qualified public depositories."

## **Custodial credit risk - investments**

For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policies require that securities and repurchase agreements only be purchased from certain qualified financial institutions or dealers, that repurchase agreements require a master repurchase agreement, and that all securities purchased (or collateral obtained) be properly designated as an asset of the City and held in safekeeping by a qualified third-party custodial bank or institution.

The cash and investment pool of the City that is available to the CRA is comprised entirely of deposits in financial institutions and not subject to interest rate or credit risk.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## B. Capital assets

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

	<u>Beginning Balance (*)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 966,637	\$ -	\$ (361,228)	\$ 605,409
Construction in progress	14,462,316	3,913,211	(17,312,178)	1,063,349
Total capital assets, not being depreciated	<u>15,428,953</u>	<u>3,913,211</u>	<u>(17,673,406)</u>	<u>1,668,758</u>
Capital assets being depreciated:				
Buildings	-	453,209	-	453,209
Total depreciable capital assets	<u>-</u>	<u>453,209</u>	<u>-</u>	<u>453,209</u>
Less accumulated depreciation for:				
Buildings	-	(3,777)	-	(3,777)
Total accumulated depreciation	<u>-</u>	<u>(3,777)</u>	<u>-</u>	<u>(3,777)</u>
Depreciable capital assets, net	<u>-</u>	<u>449,432</u>	<u>-</u>	<u>449,432</u>
Total governmental activities capital assets, net	<u>\$ 15,428,953</u>	<u>\$ 4,362,643</u>	<u>\$ (17,673,406)</u>	<u>\$ 2,118,190</u>

(\*) – The previously reported land balance within capital assets was restated to include land owned by and titled to the CRA that had been omitted in a prior year. See Note V to the financial statements for additional information.

Depreciation expense is allocated entirely to the community redevelopment function.

## C. Long-term debt

Following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Notes and lease obligations payable:					
Series 2007	\$ 2,479,136	\$ -	\$ (585,785)	\$ 1,893,351	\$ 607,890
Series 2023	17,595,000	-	-	17,595,000	-
Premium - Series 2023	1,085,124	-	(57,249)	1,027,875	-
<b>Governmental long-term liabilities</b>	<u>\$ 21,159,260</u>	<u>\$ -</u>	<u>\$ (643,034)</u>	<u>\$ 20,516,226</u>	<u>\$ 607,890</u>

The CRA reports two long-term debt issuance, as follows:

- **Redevelopment Revenue Note, Series 2007** – The note was issued in 2007 for an original amount of \$9,500,000 and the proceeds were used for the acquisition, construction and equipping of various capital improvements of the City within the CRA districts. The note bears interest at 4.34% with interest due semiannually on June 1<sup>st</sup> and December 1<sup>st</sup> with principal due annually on December 1<sup>st</sup>.

The note does not constitute a general obligation of the City or the CRA but shall be payable solely from the tax increment revenues and the non-ad valorem revenues of the CRA as budgeted and appropriated. There is a “prepayment charge” on the note to compensate the lender for all losses, costs and expenses incurring in connection with such prepayment.

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

The note allows for the lender to take whatever legal actions necessary to collect the amounts due in the event of default and may declare the entire remaining liability balance due and payable and the CRA/City would be obligated to pay all costs of collection and enforcement of the provisions of the note.

- Redevelopment Revenue Note, Series 2023** – The note was issued in 2023 for an original face amount of \$17,595,000 and included an additional \$1,209,365 premium on issuance. The proceeds are being used for the acquisition, construction and equipping of various capital improvements of the City within the CRA districts. The note bears interest at 3.91% with interest due semiannually on March 1<sup>st</sup> and September 1<sup>st</sup> with principal due annually on September 1<sup>st</sup>. The note requires interest only payments until September 1, 2029 at which time principal repayment begins.

The note does not constitute a general obligation of the City or the CRA but shall be payable solely from the tax increment revenues and the non-ad valorem revenues of the CRA as budgeted and appropriated. There is a “prepayment charge” on the note to compensate the lender for all losses, costs and expenses incurring in connection with such prepayment.

The note allows for the lender to take whatever legal actions necessary to collect the amounts due in the event of default and may declare the entire remaining liability balance due and payable and the CRA/City would be obligated to pay all costs of collection and enforcement of the provisions of the note.

All of the CRA’s debt obligations arose through direct borrowings or direct placements.

Annual debt service requirements of the CRA’s debt obligations as of September 30, 2025, are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2026	\$ 607,890	\$ 858,395
2027	630,828	831,295
2028	654,633	803,172
2029	435,000	788,850
2030	455,000	767,100
2031-2035	2,645,000	3,469,750
2036-2040	3,370,000	2,739,750
2041-2045	4,285,000	1,834,400
2046-2050	5,230,000	879,000
2051-2055	1,175,000	47,000
Unamortized premium	1,027,875	-
<b>Total</b>	<b>\$ 20,516,226</b>	<b>\$ 13,018,712</b>

### Future Revenues that are Pledged

The following table provides a summary of the pledged revenues for the CRA’s outstanding debt issue.

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year principal, interest and debt issuance costs paid	Current Year Revenue	% of Revenue to Principal and Interest Paid
CRA Tax Increment Revenues	Series 2007 and 2023	\$ 32,507,063	\$ 1,473,691	\$ 3,990,689	271%

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Notes to the Financial Statements

September 30, 2025

## IV. Other Information

### A. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. 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 amounts, if any, to be immaterial.

### B. Risk Management

During the ordinary course of its operations, the CRA may be exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The CRA is covered by the City's insurance plans. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the CRA.

The CRA may be contingently liable with respect to lawsuits and other claims which arise in the ordinary course of carrying out its public service. Management believes that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims will not be material, with the exception of attorney's fees which are not determinable.

## V. Restatement

During fiscal year 2025, the CRA determined that certain land owned by and titled to the CRA had been omitted from capital assets reported in prior years. The omission resulted from incomplete identification of CRA-owned land when the CRA's standalone financial statements were first prepared. During 2025, management reconciled property records maintained by the Polk County Property Appraiser to the City's capital asset accounting system and identified land that should have been reported in the CRA's financial statements in prior periods.

Accordingly, the CRA corrected this error by restating beginning capital assets and beginning net position for the earliest period presented.

The effect of the restatement is summarized below:

	As previously reported	Restatement	As restated
Capital assets - Land	\$ 411,097	\$ 555,540	\$ 966,637
Net position, beginning	\$ 3,031,620	\$ 555,540	\$ 3,587,160



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**REQUIRED SUPPLEMENTARY INFORMATION**

# City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund  
For the year ended September 30, 2025

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,091,371	\$ 2,091,371	\$ 2,059,213	\$ (32,158)
Intergovernmental	7,446,152	7,446,152	2,548,163	(4,897,989)
Investment earnings	150,000	150,000	69,135	(80,865)
Miscellaneous revenue	1,500,000	1,500,000	35,076	(1,464,924)
<b>Total revenues</b>	<u>11,187,523</u>	<u>11,187,523</u>	<u>4,711,587</u>	<u>(6,475,936)</u>
<b>Expenditures</b>				
Current:				
Economic environment	3,353,574	3,353,574	2,031,355	1,322,219
Capital outlay	15,000,000	15,000,000	5,033,314	9,966,686
Debt Service	1,470,341	1,470,341	1,473,691	(3,350)
<b>Total expenditures</b>	<u>19,823,915</u>	<u>19,823,915</u>	<u>8,538,360</u>	<u>11,285,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,636,392)</u>	<u>(8,636,392)</u>	<u>(3,826,773)</u>	<u>4,809,619</u>
<b>Other financing uses</b>				
Sale of capital assets	28,750	828,750	939,174	110,424
<b>Total other financing uses</b>	<u>28,750</u>	<u>828,750</u>	<u>939,174</u>	<u>110,424</u>
<b>Net change in fund balance</b>	(8,607,642)	(7,807,642)	(2,887,599)	4,920,043
<b>Fund balances, beginning of year</b>	<u>8,832,327</u>	<u>8,832,327</u>	<u>8,832,327</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 224,685</u>	<u>\$ 1,024,685</u>	<u>\$ 5,944,728</u>	<u>\$ 4,920,043</u>

## **OTHER INFORMATION**

## City of Lake Wales Community Redevelopment Agency

(A Component Unit of the City of Lake Wales, Florida)

Budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes before the beginning of the September 30, 2025 fiscal year.

	<b>Original Budget</b>	<b>Actual Amounts</b>	<b>Variance With Original Budget</b>
<b>Revenues</b>			
Taxes	\$ 2,091,371	\$ 2,059,213	\$ (32,158)
Intergovernmental	7,446,152	2,548,163	(4,897,989)
Investment earnings	150,000	69,135	(80,865)
Miscellaneous revenue	1,500,000	35,076	(1,464,924)
Total revenues	11,187,523	4,711,587	(6,475,936)
<b>Expenditures</b>			
Current:			
Economic environment	3,353,574	2,031,355	1,322,219
Capital outlay	15,000,000	5,033,314	9,966,686
Debt Service	1,470,341	1,473,691	(3,350)
Total expenditures	19,823,915	8,538,360	11,285,555
Excess of revenues over expenditures	(8,636,392)	(3,826,773)	4,809,619
<b>Other financing uses</b>			
Sale of capital assets	28,750	939,174	910,424
Total other financing uses	28,750	939,174	910,424
<b>Net change in fund balance</b>	(8,607,642)	(2,887,599)	5,720,043
<b>Fund balances, beginning of year</b>	8,832,327	8,832,327	-
<b>Fund balances, end of year</b>	\$ 224,685	\$ 5,944,728	\$ 5,720,043

**GOVERNMENT AUDITING SECTION**



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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**

To the Honorable Mayor and  
Members of the City Commission and Citizens  
Of the City of Wales, Florida  
City of Lake Wales Community Redevelopment Agency

We have audited, in accordance with the 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 City of Lake Wales Community Redevelopment Agency (the “CRA”), 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 May 28, 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.

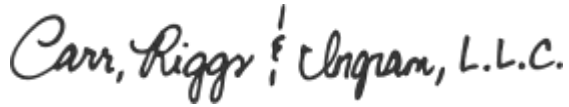
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

**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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." The signature is written in a cursive, flowing style.

CARR, RIGGS & INGRAM, LLC

Orlando, Florida

May 28, 2026



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**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH COMMUNITY TRUST FUND**

To the Honorable Mayor and  
Members of the City Commission and Citizens  
Of the City of Lake Wales, Florida  
City of Lake Wales Community Redevelopment Agency

We have examined the City of Lake Wales Community Redevelopment Agency’s (the “CRA”) compliance with the requirements of Sections 163.387(6) and 163.387(7), Florida Statutes, *Redevelopment Trust Fund*, during the year ended September 30, 2025. Management of the City of Lake Wales Community Redevelopment Agency is responsible for the CRA’s compliance with those requirements. Our responsibility is to express an opinion on the CRA’s compliance with the specified requirements 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 is in accordance with the criteria mentioned above, in all material respects. 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 judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the CRA is presented in accordance with the requirements of Sections 163.387(6) and 163.387(7), Florida Statutes, *Redevelopment Trust Fund*, during the year ended September 30, 2025, in all material respects.

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Orlando, Florida  
May 28, 2026



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

To the Honorable Mayor and  
Members of the City Commission and Citizens  
Of the City of Lake Wales, Florida  
Lake Wales Community Redevelopment Agency

We have examined Lake Wales Community Redevelopment Agency, (the “CRA”), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025. Management is responsible for the CRA’s compliance with the requirements. Our responsibility is to express an opinion on the CRA’s compliance with the specified requirements 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 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 judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination 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 management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Carr, Riggs &amp; Ingram, L.L.C." in a cursive style.

CARR, RIGGS & INGRAM, LLC

Orlando, Florida

May 28, 2026



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## MANAGEMENT LETTER

To the Honorable Mayor and  
Members of the City Commission and Citizens  
Of the City of Lake Wales, Florida  
City of Lake Wales Community Redevelopment Agency

### Report on the Financial Statements

We have audited the financial statements of the City of Lake Wales Community Redevelopment Agency (the "CRA"), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated May 28, 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 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 Auditor General. Disclosures in those reports and schedule, which are dated May 28, 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 annual financial audit report. There were no findings in relation to the prior fiscal year to address.

## **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 of more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions 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. 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 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 note any such findings.

## **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 a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the CRA's geographical boundaries during the fiscal year under audit.

## **Special 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 reported:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year as none.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as three.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as none.
- d) All compensation earned by or awarded to nonemployee 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 shown below:
  - Streetscape and Sidewalk Construction \$1,515,575
- f) 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. The budget was amended, therefore we will report a separate original budget to actual in Required Supplementary Information.

## **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 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Orlando, Florida

May 28, 2026