

TOWN OF CALLAHAN, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2025

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INTRODUCTORY SECTION



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Town Council
Town of Callahan, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Callahan, Florida, (The Town) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town'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, the business-type activities, each major fund and the aggregate remaining fund information of the Town, 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 the *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 Town, 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 Town'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 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 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 Town'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 aggregate, that raise substantial doubt about the Town'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 require that the management's discussion and analysis, budgetary comparison information, and certain pension schedules 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 and *Government Auditing Standards*, which consisted of inquiries of management about preparation of the information and comparing the information for consistency with 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.

Supplementary Information

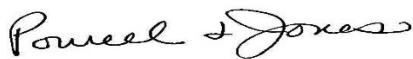
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information includes Management's response to findings 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 26, 2026, on our consideration of the Town of Callahan'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 Town of Callahan'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 the Town of Callahan's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
June 26, 2026

FINANCIAL SECTION

TOWN OF CALLAHAN, FLORIDA

Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the Town of Callahan (the Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as fire control, public works, parks and recreation, community development and general governmental administration. The Town's water and sewer services are reported as a business-type activity. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town has two major governmental funds, the General Fund and an Impact Fee Fund for Streets and Parks, which are presented in separate columns. A budgetary comparison is presented for each of the governmental funds. Statements for the Town's proprietary funds, which include a Water and Sewer Fund and a Residential Impact Fee fund presented in two separate columns, follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows. The Town also maintains a fiduciary fund used to account for resources held for the benefit of the Nassau County School Board. This fund is not reported in the government-wide financial statements because its resources are not available to support the Town's own programs. The accounting for this fund is similar to that used in the proprietary funds.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition. The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

Town as a Whole
Government-wide Financial Statements
A condensed version of the Statement of Net Position follows:
Net Position at September 30, 2025 and 2024

	Governmental	Business-type	Total Government	
	Activities	Activities	2025	2024
Assets				
Cash and investments	\$ 445,711	\$ 5,016,479	\$ 5,462,190	\$ 5,018,963
Other current assets	54,346	205,690	260,036	953,058
Capital assets, net	1,125,960	23,041,459	24,167,419	23,708,375
Interfund balances	2,127,743	(2,127,743)	-	-
Total assets	3,753,760	26,135,885	29,889,645	29,680,396
Deferred outflows	69,989	31,444	101,433	135,025
Liabilities				
Current liabilities	60,723	1,423,351	1,484,074	2,374,995
Long term liabilities	315,275	984,063	1,299,338	1,433,834
Total liabilities	375,998	2,407,414	2,783,412	3,808,829
Deferred Inflows	84,273	37,862	122,135	90,487
Net Position				
Net investments in capital assets	1,125,960	22,148,631	23,274,591	22,770,149
Restricted	134,797	120,000	254,797	-
Unrestricted	2,102,721	1,453,422	3,556,143	3,145,956
Total net position	\$ 3,363,478	\$ 23,722,053	\$ 27,085,531	\$ 25,916,105

86% of the Town's net position reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position of \$3,556,143 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position. The increase during the year in net position is due primarily to less current year expenditure and increased grant activities.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2025 and 2024

	Governmental Activities	Business-type Activities	Total Government	
			2025	2024
Revenues				
Program revenues				
Charges for services	\$ 21,209	\$ 1,248,429	\$ 1,269,638	\$1,178,934
Grants and contributions	50,000	872,165	922,165	8,403,976
General revenues				
Property taxes	324,622	-	324,622	292,689
Nonproperty taxes	564,108	-	564,108	529,906
Licenses and permits	74,573	-	74,573	90,758
Intergovernmental revenues	245,386	-	245,386	235,651
Franchise fees	182,949	-	182,949	186,308
Fines and forfeitures	2,028	-	2,028	5,815
Miscellaneous revenues	146,285	154,179	300,464	443,748
Total revenues	<u>1,611,160</u>	<u>2,274,773</u>	<u>3,885,933</u>	<u>\$11,367,785</u>
Expenses				
General government	645,456	-	645,456	604,014
Public safety	163,548	-	163,548	153,211
Economic environment	2,885	-	2,885	-
Transportation	353,996	-	353,996	436,197
Culture/recreation	45,872	-	45,872	105,639
Water/sewer, solid waste	-	1,504,750	1,504,750	1,295,464
Total expenses	<u>1,211,757</u>	<u>1,504,750</u>	<u>2,716,507</u>	<u>2,594,525</u>
Change in net position	399,403	770,023	1,169,426	8,773,260
Beginning net position	<u>2,964,075</u>	<u>22,952,030</u>	<u>25,916,105</u>	<u>17,142,845</u>
Ending net position	<u>\$ 3,363,478</u>	<u>\$ 23,722,053</u>	<u>\$ 27,085,531</u>	<u>\$ 25,916,105</u>

Governmental activities:

Taxes provide 55% of the revenues for Governmental Activities, while franchise fees provide 11%, and intergovernmental revenues provide 15%. Most of the Governmental Activities resources are spent for General Government (53%), and Transportation (29%).

Business-type activities:

Business-type activities increased the Town's net position by \$770,023. Key element of this increase are as follows:

- Grant revenues awarded for the DEO water and sewer project were recorded while all related expenses were capitalized to construction in progress. Excluding the effect of these grant revenues the Town would have had an decrease of net position of \$102,142.

Budgetary Highlights

In total, the General Fund's expenditures and transfers out were \$442,906 less than budgeted, and revenues exceeded budgeted amounts by \$31,088. The overall favorable result was due to lower than expected expenditures in transportation and culture/recreation, most specifically for purchases of capital outlay.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2025, the Town had \$24,167,419 invested in capital assets, including buildings, streets, water facilities, and park and recreation facilities. This amount represents a net increase (additions, deductions, and depreciation) of \$553,829 or 2% more than last year.

Capital Assets at September 30, 2025 and 2024

	Governmental		Business-type		Totals	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land	\$ 363,780	\$ 363,780	\$ 85,441	\$ 85,441	\$ 449,221	\$ 449,221
Construction in progress	-	-	17,897,192	17,004,256	17,897,192	17,004,256
Buildings, improvements, and equipment	2,633,120	2,594,747	13,269,495	13,187,931	15,902,615	15,782,678
Subtotal	2,996,900	2,958,527	31,252,128	30,277,628	34,249,028	33,236,155
Accumulated depreciation	(1,870,940)	(1,757,530)	(8,210,669)	(7,770,250)	(10,081,609)	(9,527,780)
Capital assets, net	<u>\$1,125,960</u>	<u>\$1,200,997</u>	<u>\$23,041,459</u>	<u>\$22,507,378</u>	<u>\$24,167,419</u>	<u>\$23,708,375</u>

Debt Outstanding

At year-end, the Town had \$1,367,587 in debt outstanding versus \$1,502,109 last year, a decrease of \$134,522. This decrease was primarily due to the payment of principal amounts on debt balances outstanding.

Debt Outstanding at September 30, 2025 and 2024

	Total Government	
	2025	2024
Bonds & notes payable	\$ 892,828	\$ 938,226
Compensated absences	49,227	30,798
Net pension liability	425,532	533,085
Total	<u>\$ 1,367,587</u>	<u>\$ 1,502,109</u>

More detailed information on the Town long-term liabilities is presented in the notes to the financial statements.

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current estimated unemployment rate for the Town was 4.2%, which is relatively unchanged from last year's rate.
- The estimated population for the Town in 2025 was 1,830 and is estimated to be slightly higher in 2026.
- The Town's ad valorem tax rate for the 2025 fiscal year was 1.7814 mills.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Manager at 542300 US-1, Callahan, FL 32011, or may be e-mailed pwd@townofcallahan-fl.gov.

Basic Financial Statements

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 338,788	\$ 3,617,690	\$ 3,956,478
Accounts receivable, net	6,429	100,483	106,912
Internal balances	2,127,743	(2,127,743)	-
Due from other governmental units	47,917	-	47,917
Inventories	-	105,207	105,207
Total current assets	<u>2,520,877</u>	<u>1,695,637</u>	<u>4,216,514</u>
Noncurrent assets			
Restricted assets			
Cash	106,923	1,398,789	1,505,712
Total restricted assets	<u>106,923</u>	<u>1,398,789</u>	<u>1,505,712</u>
Capital assets			
Nondepreciable capital assets	363,780	17,982,633	18,346,413
Depreciable capital assets, net	762,180	5,058,826	5,821,006
Total capital assets	<u>1,125,960</u>	<u>23,041,459</u>	<u>24,167,419</u>
Total noncurrent assets	<u>1,232,883</u>	<u>24,440,248</u>	<u>25,673,131</u>
Total assets	<u>3,753,760</u>	<u>26,135,885</u>	<u>29,889,645</u>
DEFERRED OUTFLOWS	<u>69,989</u>	<u>31,444</u>	<u>101,433</u>
LIABILITIES			
Current liabilities			
Accounts payable	28,149	27,898	56,047
Accrued liabilities	7,248	5,648	12,896
Due to other governments	18,106	-	18,106
Compensated absences	7,220	8,140	15,360
Deferred grant revenue	-	1,278,789	1,278,789
Bonds and notes payable, current	-	52,889	52,889
Total current liabilities (payable from current assets)	<u>60,723</u>	<u>1,373,364</u>	<u>1,434,087</u>
Current liabilities (payable from restricted assets)			
Deposits	-	49,987	49,987
Total current liabilities	<u>60,723</u>	<u>1,423,351</u>	<u>1,484,074</u>
Noncurrent liabilities			
Compensated absences	21,658	12,209	33,867
Bonds and notes payable	-	839,939	839,939
Net pension liability	293,617	131,915	425,532
Total noncurrent liabilities	<u>315,275</u>	<u>984,063</u>	<u>1,299,338</u>
Total liabilities	<u>375,998</u>	<u>2,407,414</u>	<u>2,783,412</u>
DEFERRED INFLOWS	<u>84,273</u>	<u>37,862</u>	<u>122,135</u>
NET POSITION			
Net investment in capital assets	1,125,960	22,148,631	23,274,591
Restricted	134,797	120,000	254,797
Unrestricted	2,102,721	1,453,422	3,556,143
Total net position	<u>\$ 3,363,478</u>	<u>\$ 23,722,053</u>	<u>\$ 27,085,531</u>

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs	Expenses						
Governmental activities							
General government	\$ 645,456	\$ -	\$ 50,000	\$ -	\$ (595,456)	\$ -	\$ (595,456)
Public safety	163,548	21,209	-	-	(142,339)	-	(142,339)
Economic environment	2,885	-	-	-	(2,885)	-	(2,885)
Transportation	353,996	-	-	-	(353,996)	-	(353,996)
Culture/recreation	45,872	-	-	-	(45,872)	-	(45,872)
Total governmental activities	1,211,757	21,209	50,000	-	(1,140,548)	-	(1,140,548)
Business-type activities							
Water	1,046,552	717,065	-	190,864	-	(138,623)	(138,623)
Sewer	350,728	422,724	-	681,301	-	753,297	753,297
Garbage and solid waste	107,470	108,640	-	-	-	1,170	1,170
Total business-type activities	1,504,750	1,248,429	-	872,165	-	615,844	615,844
Total government	\$ 2,716,507	\$ 1,269,638	\$ 50,000	\$ 872,165	\$ (1,140,548)	\$ 615,844	\$ (524,704)
General revenues							
Property taxes					324,622	-	324,622
Nonproperty taxes					564,108	-	564,108
Licenses and permits					74,573	-	74,573
Intergovernmental revenues					245,386	-	245,386
Franchise fees					182,949	-	182,949
Fines and forfeitures					2,028	-	2,028
Miscellaneous revenues					120,410	-	120,410
Interest income					25,875	154,179	180,054
Total general revenues					1,539,951	154,179	1,694,130
Change in net position					399,403	770,023	1,169,426
Net position at beginning of year					2,964,075	22,952,030	25,916,105
Net position at end of year					3,363,478	23,722,053	27,085,531

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2025

	General Fund	Non-major Impact Fees Fund	Total
ASSETS			
Cash	\$ 338,788	\$ -	\$ 338,788
Accounts receivable, net	6,429	-	6,429
Due from other funds	2,127,743	-	2,127,743
Due from other governments	47,917	-	47,917
Total unrestricted assets	2,520,877	-	2,520,877
Restricted assets			
Restricted cash	18,106	88,817	106,923
Total assets	2,538,983	88,817	2,627,800
LIABILITIES			
Accounts payable	28,149	-	28,149
Accrued liabilities	7,248	-	7,248
Due to other governments	18,106	-	18,106
Total liabilities	53,503	-	53,503
FUND BALANCE			
Restricted	45,980	88,817	134,797
Unassigned	2,439,500	-	2,439,500
Total fund balance	2,485,480	88,817	2,574,297
Total liabilities and fund balance	\$ 2,538,983	\$ 88,817	\$ 2,627,800

Total fund balance reported above 2,574,297

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. 1,125,960

Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds 69,989

Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds (84,273)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (322,495)

Net Position of Governmental Activities \$ 3,363,478

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2025

	General Fund	Non-major Impact Fees Fund	Total
Revenues			
Property taxes	\$ 324,622	\$ -	\$ 324,622
Nonproperty taxes	564,108	-	564,108
Licenses and permits	70,373	-	70,373
Intergovernmental revenues	295,386	-	295,386
Franchise fees	182,949	-	182,949
Impact fees	-	4,200	4,200
Charges for services	21,209	-	21,209
Fines and forfeitures	2,028	-	2,028
Miscellaneous revenues	143,588	2,697	146,285
Total revenues	1,604,263	6,897	1,611,160
Expenditures			
Current			
General government	625,317	-	625,317
Public safety	131,437	-	131,437
Economic environment	2,885	-	2,885
Transportation	315,741	-	315,741
Culture/recreation	24,016	-	24,016
Capital outlay	38,373	-	38,373
Total expenditures	1,137,769	-	1,137,769
 Net change in fund balance	 466,494	 6,897	 473,391
 Fund balance at beginning of year	 2,018,986	 81,920	 2,100,906
Fund balance at end of year	\$ 2,485,480	\$ 88,817	\$ 2,574,297

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

Net change in fund balance - total governmental funds		\$ 473,391
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense		
Expenditures for capital assets	\$ 38,373	
Less current year depreciation	<u>(113,410)</u>	(75,037)
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds		
Net change in pension liability	52,888	
Net change in compensated absences	<u>(8,606)</u>	44,282
Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.		
Net change in deferred outflows	(17,777)	
Net change in deferred inflows	<u>(25,456)</u>	(43,233)
Change in net position of governmental activities		<u>\$ 399,403</u>
See notes to financial statements.		

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2025

	Water and Sewer Fund	Non-major Impact Fees Fund	Total
ASSETS			
Current assets			
Cash	\$ 3,617,690	\$ -	\$ 3,617,690
Accounts receivable, net	100,483	-	100,483
Inventory	105,207	-	105,207
Total current assets	3,823,380	-	3,823,380
Noncurrent assets			
Restricted assets			
Cash	1,398,789	-	1,398,789
Total restricted assets	1,398,789	-	1,398,789
Capital assets			
Nondepreciable capital assets	17,982,633	-	17,982,633
Depreciable capital assets, net of depreciation	5,058,826	-	5,058,826
Total capital assets	23,041,459	-	23,041,459
Total noncurrent assets	24,440,248	-	24,440,248
Total assets	28,263,628	-	28,263,628
DEFERRED OUTFLOWS	31,444	-	31,444
LIABILITIES			
Current liabilities			
Accounts payable	27,898	-	27,898
Accrued payroll liabilities	5,648	-	5,648
Notes payable	52,889	-	52,889
Deferred grant revenue	1,278,789	-	1,278,789
Due to other funds	2,127,743	-	2,127,743
Compensated absences	8,140	-	8,140
Total current liabilities	3,501,107	-	3,501,107
Current liabilities payable from restricted assets			
Deposits	49,987	-	49,987
Noncurrent liabilities			
Compensated absences	12,209	-	12,209
Notes payable	839,939	-	839,939
Net pension liability	131,915	-	131,915
Total noncurrent liabilities	984,063	-	984,063
Total liabilities	4,535,157	-	4,535,157
DEFERRED INFLOWS	37,862	-	37,862
NET POSITION			
Net invested in capital assets	22,148,631	-	22,148,631
Restricted	120,000	-	120,000
Unrestricted	1,453,422	-	1,453,422
Total net position	\$ 23,722,053	\$ -	\$ 23,722,053

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund	Non-major Impact Fees Fund	Total
Operating revenues			
Physical environment			
Water and sewer utility revenue			
Water sales	406,147	\$ -	\$ 406,147
Sewer charges	422,724	-	422,724
Connection fees and penalties	38,737	-	38,737
Residential impact fees	-	33,000	33,000
Electric and propane	238,030	-	238,030
Miscellaneous revenue	1,151	-	1,151
Total water utility revenue	<u>1,106,789</u>	<u>33,000</u>	<u>1,139,789</u>
Solid waste revenue			
Sanitation fees	108,640	-	108,640
Total solid waste revenues	<u>108,640</u>	<u>-</u>	<u>108,640</u>
Total operating revenues	<u>1,215,429</u>	<u>33,000</u>	<u>1,248,429</u>
Operating expenses			
Water utility services:			
Personnel services	264,968	-	264,968
Operating expenses	341,164	-	341,164
Depreciation expense	440,420	-	440,420
Total water utility services	<u>1,046,552</u>	<u>-</u>	<u>1,046,552</u>
Sewer utility services:			
Operating expenses	350,728	-	350,728
Solid waste services:			
Contracted services	107,470	-	107,470
Total operating expenses	<u>1,504,750</u>	<u>-</u>	<u>1,504,750</u>
Operating income (loss)	<u>(289,321)</u>	<u>33,000</u>	<u>(256,321)</u>
Non-operating revenues/(expenses)			
Interest revenue	154,179	-	154,179
Net interfund transfers	33,000	(33,000)	-
Total non-operating revenues	<u>187,179</u>	<u>(33,000)</u>	<u>154,179</u>
Capital contributions			
Grant revenue	<u>872,165</u>	<u>-</u>	<u>872,165</u>
Change in net position	770,023	-	770,023
Net position at beginning of year	22,952,030	-	22,952,030
Net position at end of year	<u>\$ 23,722,053</u>	<u>\$ -</u>	<u>\$ 23,722,053</u>

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund	Non-major Impact Fees Fund	Total
Cash flows from operating activities:			
Cash received from customers, including deposits	\$ 1,170,155	\$ 33,000	\$ 1,203,155
Cash paid to employees	(285,155)	-	(285,155)
Cash paid to suppliers	(950,501)	-	(950,501)
Net cash provided by operating activities	(65,501)	33,000	(32,501)
Cash flows from non-capital related financing activities:			
Transfers from other funds	853,581	(33,000)	820,581
Net cash provided by (used in) non-capital related financing activities	853,581	(33,000)	820,581
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(974,501)	-	(974,501)
Grant contributions	832,447	-	832,447
Interest paid on long-term debt	(45,398)	-	(45,398)
Net cash used in capital and related financing activities	(187,452)	-	(187,452)
Cash flows from investing activities:			
Interest revenue	154,179	-	154,179
Net cash provided by investing activities	154,179	-	154,179
Net decrease in cash	754,807	-	754,807
Cash at beginning of year	4,261,672	-	4,261,672
Cash at end of year	\$ 5,016,479	\$ -	\$ 5,016,479
Reported as:			
Cash	3,617,690	-	3,617,690
Restricted cash	1,398,789	-	1,398,789
	\$ 5,016,479	\$ -	\$ 5,016,479

(Continued)

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS (concluded)
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund	Non-major Impact Fees Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (289,321)	\$ 33,000	\$ (256,321)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	440,420	-	440,420
Interfund transfer	(33,000)	-	(33,000)
Changes in assets decrease (increase) and liabilities increase (decrease)			
Accounts receivable	(8,899)	-	(8,899)
Accounts payable	(151,101)	-	(151,101)
Accrued payroll liabilities	2,610	-	2,610
Compensated absences	9,823	-	9,823
Deferred outflows	15,815	-	15,815
Deferred inflows	6,192	-	6,192
Deposits	(3,375)	-	(3,375)
Change in net pension liability	(54,665)	-	(54,665)
Net cash provided by operating activities	<u>\$ (65,501)</u>	<u>\$ 33,000</u>	<u>\$ (32,501)</u>

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2025

	Custodial Fund
ASSETS	
Due from other governments	\$ 18,106
Total assets	<u>18,106</u>
LIABILITIES	
Due to other governments	<u>18,106</u>
Total liabilities	<u>18,106</u>
NET POSITION	
Total net position	<u><u>\$ -</u></u>

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended September 30, 2025

	Custodial Fund
ADDITIONS	
Fees collected on behalf of other governments	\$ 27,153
Total additions	<u>27,153</u>
DEDUCTIONS	
Remittances of fees to other governments	27,153
Total deductions	<u>27,153</u>
Change in net position	-
Net position at beginning of year	-
Net position at end of year	<u><u>\$ -</u></u>

See notes to financial statements.

TOWN OF CALLAHAN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Callahan (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis – for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The Town has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The Town of Callahan, Florida is a municipality created pursuant to provisions of Chapter 165, *Florida Statutes*, and specifically Chapter 6732, *Laws of Florida*. It is governed by a Town Council, all individually elected. It is controlled by the Florida Constitution and various Florida Statutes, as well as its own local charter, ordinances and policies.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Town, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

B. Measurement Focus and Basis of Accounting - The basic financial statements of the Town are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the Town also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

2. Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Town's governmental and proprietary fund are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and proprietary fund.

Governmental Funds - 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town 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. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Fund - The Town's enterprise fund is the proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and proprietary combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has two major funds as follows:

- 1. Governmental Major Funds:**
General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.
- 2. Proprietary Major Funds:**
Water and Sewer Fund - This enterprise fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water and sewer services.

D. Assets, Liabilities and Net Position or Equity

- 1. Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
- 2. Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2025, the Town's cash consisted solely of checking accounts and money market accounts; it has no cash equivalents.
- 3. Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
- 4. Inventories** - Inventories are valued at cost, which approximates market, using the "first-in, first-out" method of accounting. Supplies inventories of certain governmental funds are recorded as expenditures when consumed rather than when purchased.
- 5. Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.
- 6. Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, rights-of-way, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads

and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	15 - 40
Machinery and equipment	3 - 20
Street and related infrastructure	20 - 40

7. **Capitalization of Interest** - Interest related to borrowings is capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments.
8. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent revenues received but not earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting.
9. **Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absence amounts for governmental and proprietary funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
10. **Prepaid Items** - Significant payment made to vendors for goods or services that will benefit periods beyond September 30, 2025, are recorded as prepaid items.
11. **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. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement

date are also deferred and reduce net pension liability in the subsequent year.

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 government has only one type of item, which is related to pensions. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

12. Fund Balances

A. Governmental Funds

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Commission. The Commission is the highest level of decision-making Town for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2025, fund balances are composed of the following:

	Governmental Funds
Restricted	\$ 134,797
Unassigned	2,439,500
Total	<u>\$ 2,574,297</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commission has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2025, net position balances are composed of the following:

	Amount
Net invested in capital assets	\$ 22,148,631
Restricted	120,000
Unrestricted	1,453,422
	<u>\$ 23,722,053</u>

13. GASB Statement No. 101 – Compensated Absences

During the fiscal year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences and requires liabilities for leave that has not been used to be recognized when earned if the leave is attributable to services already rendered and is more likely than not to be used or otherwise paid or settled.

The implementation of GASB Statement No. 101 was evaluated and did not result in a material change to the recognition of compensated absences liabilities. Accordingly, no prior period adjustment was required, and the adoption of the standard did not have a material impact on the beginning net position reported in the accompanying financial statements.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

“Total fund balances” of the Town’s governmental funds \$2,524,297 differs from “net position” of governmental activities \$ 3,363,478 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 2,996,900
Accumulated depreciation	(1,870,940)
	<u>\$ 1,125,960</u>

Long-term debt transactions

Long-term liabilities to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2025 were:

Compensated absences	\$ (28,878)
Net pension liability	(293,617)
	<u>\$ (322,495)</u>

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred outflows of resources - pensions	\$ 69,989
Deferred inflows of resources - pensions	(84,273)
	<u>\$ (14,284)</u>

TOWN OF CALLAHAN, FLORIDA

Note 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

A. Explanation of Differences Between Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 445,711	\$ -	\$ -	\$ -	\$ 445,711
Accounts receivable	6,429	-	-	-	6,429
Due from other governments	47,917	-	-	-	47,917
Due from other funds	2,127,743	-	-	-	2,127,743
Capital assets - net	-	1,125,960	-	-	1,125,960
Total assets	<u>\$ 2,627,800</u>	<u>\$ 1,125,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,753,760</u>
DEFERRED OUTFLOWS	<u>-</u>	<u>-</u>	<u>69,989</u>	<u>-</u>	<u>69,989</u>
LIABILITIES AND FUND BALANCE/NET POSITION					
Liabilities:					
Accounts payable	\$ 28,149	\$ -	\$ -	\$ -	\$ 28,149
Accrued liabilities	7,248	-	-	-	7,248
Due to other governments	18,106	-	-	-	18,106
Compensated absences	-	-	-	28,878	28,878
Net pension liability	-	-	-	293,617	293,617
Total liabilities	<u>53,503</u>	<u>-</u>	<u>-</u>	<u>322,495</u>	<u>375,998</u>
DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>84,273</u>	<u>-</u>	<u>84,273</u>
Fund balance/net position	<u>\$ 2,574,297</u>	<u>\$ 1,125,960</u>	<u>\$ (14,284)</u>	<u>\$ (322,495)</u>	<u>\$ 3,363,478</u>

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds of \$473,391 differs from the “change in net position” for governmental activities \$399,403 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ 38,373
Depreciation expense	(113,410)
Difference	<u>\$ (75,037)</u>

Other items

Recognition of certain obligations related to prior and subsequent periods are not recognized in the governmental funds.

Net change in deferred inflows	\$ (25,456)
Net change in deferred outflows	(17,777)
	<u>\$ (43,233)</u>

Long-term debt related items

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in compensated absences	\$ (8,606)
Net change in pension liability	52,888
	<u>\$ 44,282</u>

TOWN OF CALLAHAN, FLORIDA

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Differences Between the Government Fund's Statement of Revenues, Expenses, and Changes in Fund Balance and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
REVENUES					
Taxes	\$ 888,730	\$ -	\$ -	\$ -	\$ 888,730
Licenses and permits	70,373	-	-	-	70,373
Intergovernmental	295,386	-	-	-	295,386
Franchise fees	182,949	-	-	-	182,949
Impact fees	4,200	-	-	-	4,200
Charges for services	21,209	-	-	-	21,209
Fines and forfeitures	2,028	-	-	-	2,028
Miscellaneous	146,285	-	-	-	146,285
Total revenues	<u>1,611,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,611,160</u>
EXPENDITURES					
Current expenditures					
General government	625,317	21,188	43,233	(44,282)	645,456
Public safety	131,437	32,111	-	-	163,548
Economic environment	2,885	-	-	-	2,885
Transportation	315,741	38,255	-	-	353,996
Culture/recreation	24,016	21,856	-	-	45,872
Capital outlay	38,373	(38,373)	-	-	-
Total expenditures	<u>1,137,769</u>	<u>75,037</u>	<u>43,233</u>	<u>(44,282)</u>	<u>1,211,757</u>
Excess of revenues over (under) expenditures	<u>473,391</u>	<u>(75,037)</u>	<u>(43,233)</u>	<u>44,282</u>	<u>399,403</u>
OTHER FINANCING SOURCES (USES)					
Net interfund transfers	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	473,391	(75,037)	(43,233)	44,282	399,403
Fund balance/net position, beginning of year	<u>2,100,906</u>	<u>1,200,997</u>	<u>28,949</u>	<u>(366,777)</u>	<u>2,964,075</u>
Fund balance/net position, end of year	<u>\$ 2,574,297</u>	<u>\$ 1,125,960</u>	<u>\$ (14,284)</u>	<u>\$ (322,495)</u>	<u>\$ 3,363,478</u>

3. LEGAL COMPLIANCE–BUDGETS

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Town Manager develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the Town Commission through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Commission.
5. Budgets for all Town funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Commission. Individual amendments were not material in relation to the original appropriations which were amended.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the Town deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund and other similar funds. The Town had no investments as of September 30, 2025.

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2024-2025 fiscal year were levied in October 2024. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year-end.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Capital assets not being depreciated:				
Land	\$ 363,780	\$ -	\$ -	\$ 363,780
Total non-depreciable capital assets	363,780	-	-	363,780
Depreciable capital assets:				
Building and improvements	1,318,478	18,720	-	1,337,198
Equipment	1,276,269	19,653	-	1,295,922
Total depreciable capital assets	2,594,747	38,373	-	2,633,120
Less accumulated depreciation				
Total accumulated depreciation	(1,757,530)	(113,410)	-	(1,870,940)
Total depreciable capital assets, net	837,217	(75,037)	-	762,180
Governmental activities capital assets, net	<u>\$ 1,200,997</u>	<u>\$ (75,037)</u>	<u>\$ -</u>	<u>\$ 1,125,960</u>
<u>Business-type activities:</u>				
Capital assets:				
Capital assets not being depreciated:				
Land	\$ 85,441	\$ -	\$ -	\$ 85,441
Construction in progress	17,004,256	892,936	-	17,897,192
Total non-depreciable capital assets	17,089,697	892,936	-	17,982,633
Depreciable capital assets:				
Buildings, improvements, and equipment	13,187,931	81,564	-	13,269,495
Total depreciable capital assets	13,187,931	81,564	-	13,269,495
Less accumulated depreciation				
Buildings, improvements, and equipment	(7,770,250)	(440,419)	-	(8,210,669)
Total accumulated depreciation	(7,770,250)	(440,419)	-	(8,210,669)
Total depreciable capital assets, net	5,417,681	(358,855)	-	5,058,826
Business-type activities capital assets, net	<u>\$ 22,507,378</u>	<u>\$ 534,081</u>	<u>\$ -</u>	<u>\$ 23,041,459</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental activities:	
General government	\$ 21,188
Public safety	32,111
Transportation	38,255
Culture/recreation	21,856
Total depreciation expense - governmental activities	<u>\$ 113,410</u>
Total depreciation expense - business-type activities	<u>\$ 440,419</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2025.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 2,127,743	\$ -
Water and sewer	-	2,127,743
	<u>\$ 2,127,743</u>	<u>\$ 2,127,743</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES**Receivables**

Receivables at September 30, 2025, were as follows:

	<u>Accounts</u>	<u>Due from Other Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:			
General	\$ 6,429	\$ 47,917	\$ 54,346
Business-type activities:			
Water and sewer	100,483	-	100,483
	<u>\$ 106,912</u>	<u>\$ 47,917</u>	<u>\$ 154,829</u>

There was an allowance for uncollectible amounts related to the Water and Sewer Fund's accounts receivable in the amount of \$17,709 for the year ending September 30, 2025.

Payables

Payables at September 30, 2025, were as follows:

	<u>Vendors</u>
Governmental activities:	
General	<u>\$ 28,149</u>
Business activities:	
Water and sewer	<u>\$ 27,898</u>

NOTE 9. GENERAL LONG-TERM DEBT

A summary of the Town's long-term debt outstanding at September 30, 2025, is as follows:

Summary of changes in governmental activities long-term liabilities:

The following summarizes the changes in the Town's governmental long-term liabilities during the year ended September 30, 2025:

	Balance on October 31, 2024	Increase	Decrease	Balance on September 30, 2025	Due within one year
Compensated absences	\$ 20,272	\$ 8,606	\$ -	\$ 28,878	\$ 7,220
Net pension liability	346,505	-	(52,888)	293,617	-
	<u>\$ 366,777</u>	<u>\$ 8,606</u>	<u>\$ (52,888)</u>	<u>\$ 322,495</u>	<u>\$ 7,220</u>

Business-type Activities

Summary of Changes in Business-type Activities Long-term Liabilities

Note Payable – FDOT ARI # 10008

In October 2009, the Town incurred debt in the amount of \$100,000. This loan has annual principal payments of \$5,000 with no interest. Payments are being made from Water and Sewer Fund revenues and Callahan has no pledge of collateral. In the event of default, the Town of Callahan shall pay all costs, expenses, and attorneys and other fees paid or incurred by the Florida Department of Transportation, or adjudged by a court, as a consequence of such nonpayment. Future payments are as follows:

Fiscal Year Ended September 30	Principal	Total
2026	5,000	5,000
2027	5,000	5,000
2028	5,000	5,000
2029	5,000	5,000
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

Note Payable – Rural Development Bonds Payable

In 2008 the Town of Callahan received a water and sewer bond of \$1,434,000 for the construction of a wastewater treatment facility. The bonds annual installments vary from \$15,000 to \$57,000 plus interest at 4.375% through September 2040. The revenues from the water and sewer system are pledged as collateral. The approximate amount of the pledge is equal to the remaining principal of approximately \$627,411. Future payments are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2026	30,000	27,449	57,449
2027	31,000	26,137	57,137
2028	32,000	24,781	56,781
2029	33,000	23,381	56,381
2030	34,000	21,937	55,937
2031-2035	185,000	85,496	270,496
2036-2040	282,411	48,208	330,619
Total	<u>\$ 627,411</u>	<u>\$ 257,389</u>	<u>\$ 884,800</u>

In the event of default, the bond holder has the right to take whatever action necessary to collect the amount due.

Note Payable – State Revolving Loan Agreement

In 2020 the Town received a loan for the amount of \$49,000 from the Department of Environmental Protection at 1.39% interest. The note is payable in semiannual payments through 2030 from the Water and Sewer fund. The approximate amount of the pledge is equal to the remaining principal of approximately \$26,014.

Future payments are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2026	5,060	344	5,404
2027	5,130	274	5,404
2028	5,202	202	5,404
2029	5,296	108	5,404
2030	5,326	78	5,404
Total	<u>\$ 26,014</u>	<u>\$ 1,006</u>	<u>\$ 27,020</u>

Note Payable – State Revolving Loan Agreement

In 2020 the Town received a loan for the amount of \$244,791 from the Department of Environmental Protection at 0.08% interest. The note is payable in semiannual payments through 2042 from the Water and Sewer fund. The approximate amount of the pledge is equal to the remaining principal of approximately \$219,403. Future payments are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2026	12,829	168	12,997
2027	12,839	158	12,997
2028	12,849	147	12,997
2029	12,860	137	12,997
2030	12,870	127	12,997
2031-2035	63,506	479	64,985
2036-2040	64,763	220	64,985
2041-2042	26,887	16	32,493
Total	\$ 219,403	\$ 1,451	\$ 220,854

Summary of Changes in Business-type Activities Long-term Liabilities

The following summarizes the changes in the Town's business activities long-term liabilities during the period ended September 30, 2025:

	Balance on October 31, 2024	Increase	Decrease	Balance on September 30, 2025	Due within one year
Rural Development bonds	656,411	\$ -	\$ (29,000)	\$ 627,411	\$ 30,000
2009 DOT note payable	25,000	-	\$ (5,000)	20,000	5,000
2020 SRF note payable	31,004	-	\$ (4,990)	26,014	5,060
2021 SRF note payable	225,811	-	\$ (6,408)	219,403	12,829
Compensated absences	10,526	9,823	\$ -	20,349	8,140
Net pension liability	186,580	-	\$ (54,665)	131,915	-
	<u>\$ 1,135,332</u>	<u>\$ 9,823</u>	<u>\$ (100,063)</u>	<u>\$ 1,045,092</u>	<u>\$ 61,029</u>

NOTE 10. LINE OF CREDIT

In February 2023 the Town took out a line of credit with First Federal Bank. The purpose of the borrowing was to make payments on the Water Plant project while awaiting reimbursement from the State for qualifying expenses. Once the reimbursement was received the Town paid off the outstanding balance on the line of credit. During the year ending September 30, 2025, with no remaining balance outstanding, the Town closed the line of credit.

NOTE 11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets, and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

NOTE 12. DEFINED BENEFIT/DEFINED CONTRIBUTION PENSION PLANS AND COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

General Information - All of the Town's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, which include the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees who work in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

A. Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. This amount increases with every year of additional service up to a maximum of 1.68% of the final average compensation of their five highest years for each year of credited service at age 65 with 33 or more years of service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service (age 52 if credited service includes at least four years of wartime military service)

or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, beginning at 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service and increasing to a maximum of 1.68% for of with each year up to age 58 (55 with wartime service) and 28 years of special risk service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 (age 52 with wartime experience) with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before August 1, 2011, the annual cost-of-living adjustment is three percent per year. The cost-of-living adjustment for participants with a retirement date or DROP participation date after August 1, 2011 is determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement and multiplying by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025, respectively, were as follows:

Class	October 1, 2024	July 1, 2025
	June 30, 2025	September 30, 2025
Regular class	13.63%	14.03%
Special risk class	32.79%	35.19%
Special risk class Administrative Support	39.82%	39.48%
County Elected Officers	58.68%	54.57%
Senior Management class	34.52%	33.24%
Deferred Retirement Option Program (DROP)	21.13%	22.02%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the Town reported a liability of \$290,482 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Town's proportionate share of the net pension liability was based on the Town's 2024-25 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.000935978 percent, which was a decrease of 0.91% percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the Town recognized pension expense of \$31,198. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,027	\$ -
Changes in assumptions	33,732	-
Net difference between projected and actual earnings on Pension Plan investments	-	48,499
Changes in proportion and differences between the Town's Pension Plan contributions and proportionate share of contributions	13,615	18,460
Town Pension Plan contributions subsequent to the measurement date	15,501	-
Total	<u>\$ 93,875</u>	<u>\$ 66,959</u>

The deferred outflows of resources related to the Pension Plan, totaling \$15,501 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	33,047
2027	(5,872)
2028	(8,787)
2029	(6,973)
Thereafter	-
	<u>\$ 11,415</u>

Actuarial Assumptions – The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Discount rate	6.70%

Mortality rates were based on the PUB-2010 base table, generational mortality using the gender specific MP 2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.20%	3.20%	1.10%
Fixed income	29.0%	5.50%	5.40%	4.00%
Global equities	45.0%	8.50%	6.90%	18.30%
Real estate	12.0%	8.40%	7.10%	16.80%
Private equity	11.0%	12.40%	8.80%	28.40%
Strategic investments	2.0%	6.50%	6.10%	8.70%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.5%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.70%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Town's proportionate share of the net pension liability	\$ 570,066	\$ 290,482	\$ 56,082

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

B. HIS Plan

Plan Description – The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution for the period October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025 was 2.00%. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the Town reported a liability of \$135,050 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Town's proportionate share of the net pension liability was based on the Town's 2024-25 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.001053646 percent, which was a decrease of 5.73 percent from its proportionate share measured as of June 30, 2025.

For the fiscal year ended September 30, 2025, the Town recognized a pension expense of \$308. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 806	\$ 214
Changes in assumptions	1,195	32,665
Net difference between projected and actual earnings on HIS Plan investments	-	112
Changes in proportion and differences between Town's HIS Plan contributions and proportionate share of contributions	3,019	22,185
Town HIS Plan contributions subsequent to the measurement date	2,538	-
Total	<u>\$ 7,558</u>	<u>\$ 55,176</u>

The deferred outflows of resources related to the HIS Plan, totaling \$2,538 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2026	\$ (11,064)
2027	(13,247)
2028	(11,153)
2029	(8,938)
2030	(5,754)
Thereafter	-
	<u>\$ (50,156)</u>

Actuarial Assumptions – The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	5.20%

Mortality rates were based on the Generational PUB-2010 based tables generational mortality using gender specific MP-2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

Discount Rate - The discount rate used to measure the total pension liability was 5.20%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
Town's proportionate share of the net pension liability	\$ 152,292	\$ 135,050	\$ 120,591

Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

B. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected District Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan,

including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts at the end of the 2024 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 11.57%, Special Risk Administrative Support class 37.76%, Special Risk class 30.73%, Senior Management Service class 32.46% and District Elected Officers class 56.62%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

The Town is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the Town or the retiree. Participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retirees are receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the Town's younger and statistically healthier active employees. Current GASB reporting requirements necessitate the reporting of various OPEB-related components and disclosures in its financial statements.

Due to the fact that there were no retirees participating in the plan during the year, it is anticipated that this situation will continue in the future. Because most employees work until they are eligible for Medicare benefits, management had determined that the Town's OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and continue to take appropriate steps to properly comply with this GASB Statement.

Required Supplementary Information

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem taxes	\$ 318,814	\$ 318,814	\$ 324,622	\$ 5,808
Non property taxes				
Local option gas tax/alternative fuel	35,360	35,360	34,818	(542)
Franchise fees				
Electricity	135,000	135,000	182,949	47,949
Discretionary sales tax	308,147	308,147	341,756	33,609
Communications service tax	185,552	185,552	187,534	1,982
Total taxes	982,873	982,873	1,071,679	88,806
 Licenses and permits				
Building and zoning permits	65,000	65,000	70,373	5,373
Total licenses and permits	65,000	65,000	70,373	5,373
 Intergovernmental				
State revenue sharing	66,189	66,189	67,904	1,715
Mobile home licenses	500	500	5,215	4,715
Alcoholic beverage licenses	2,500	2,500	2,346	(154)
Local government half-cent sales tax	134,213	134,213	141,466	7,253
Road maintenance agreements	28,100	28,100	28,455	355
Capital grants	-	-	50,000	50,000
Total intergovernmental	231,502	231,502	295,386	13,884
 Charges for services				
Fire safety inspections	4,500	4,500	12,409	7,909
Rent	26,400	26,400	8,800	(17,600)
Total charges for services	30,900	30,900	21,209	(9,691)
 Fines and forfeitures				
Fines and forfeitures	2,000	2,000	2,028	28
	2,000	2,000	2,028	28

See following notes.

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Miscellaneous				
Donations and contributions	205,500	205,500	-	(205,500)
Interest income	8,400	8,400	25,875	17,475
Fire department fair	9,000	9,000	26,578	17,578
Rents and royalties	33,000	33,000	61,053	28,053
Other miscellaneous revenue	5,000	5,000	30,082	25,082
Total miscellaneous	260,900	260,900	143,588	(117,312)
Total revenues	1,573,175	1,573,175	1,604,263	31,088
Expenditures				
General government				
Legislative				
Personnel services	35,879	35,879	36,600	(721)
Total legislative	35,879	35,879	36,600	(721)
Executive				
Personnel services	9,411	9,411	9,600	(189)
Total executive	9,411	9,411	9,600	(189)
Financial and administrative				
Personnel services	152,361	152,361	155,422	(3,061)
Operating expenses	14,805	14,805	15,102	(297)
Total financial and administrative	167,166	167,166	170,524	(3,358)
Other general government				
Personnel services	123,267	123,267	125,744	2,477
Legal counsel	7,267	7,267	7,413	146
Operating expenses	270,011	270,011	275,436	(5,425)
Total other general government	400,545	400,545	408,593	(5,425)
Total general government	613,000	613,000	625,317	12,317
Public safety				
Personnel services	27,265	27,265	34,966	(7,701)
Operating expenses	75,225	75,225	96,471	(21,246)
Total public safety	102,490	102,490	131,437	(28,947)

See following notes.

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Transportation				
Personnel services	304,086	304,086	167,937	136,149
Operating expenses	267,631	267,631	147,804	119,827
Capital outlay	69,483	69,483	38,373	31,110
Total transportation	641,200	641,200	354,114	287,086
Economic environment				
Operating expenses	9,138	9,138	2,885	6,253
Total economic environment	9,138	9,138	2,885	6,253
Culture/recreation				
Operating expenses	42,000	42,000	24,016	17,984
Capital outlay	200,000	200,000	-	200,000
Total culture/recreation	242,000	242,000	24,016	217,984
Total expenditures	1,607,828	1,607,828	1,137,769	494,693
Other financing sources/(uses)				
Net interfund transfers	-	-	-	-
Total other financing sources/(uses)	-	-	-	-
Excess of revenues over (under) expenditures	(34,653)	(34,653)	466,494	501,147
Net change in fund balance	(34,653)	(34,653)	466,494	501,147
Fund balance at beginning of year	2,018,986	2,018,986	2,018,986	-
Fund balance at end of year	<u>\$ 1,984,333</u>	<u>\$ 1,984,333</u>	<u>\$ 2,485,480</u>	<u>\$ 501,147</u>

See following notes.

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE- BUDGET AND ACTUAL
IMPACT FEES FUND

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Park impact fees	\$ 2,500	\$ 2,500	\$ 3,000	\$ 500
Street impact fees	5,000	5,000	1,200	(3,800)
Interest	-	-	2,697	2,697
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>6,897</u>	<u>(603)</u>
Expenditures				
Culture/recreation	-	-	-	-
Transportation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>7,500</u>	<u>7,500</u>	<u>6,897</u>	<u>(603)</u>
Fund balance at beginning of year	<u>84,363</u>	<u>84,363</u>	<u>81,920</u>	<u>(2,443)</u>
Fund balance at end of year	<u>\$ 91,863</u>	<u>\$ 91,863</u>	<u>\$ 88,817</u>	<u>\$ (3,046)</u>

TOWN OF CALLAHAN, FLORIDA
NOTES TO STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2025

I. Stewardship, Compliance, and Accountability

- A. Budgetary information.** The Town, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The Town prepares a tentative budget, which is used by the Town at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the Town's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Water and Sewer Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Water and Sewer Fund. Estimated beginning fund balances are considered in the budgetary process but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Town Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Town Commission, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

TOWN OF CALLAHAN, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the FRS net pension liability (asset)	0.000935978%	0.000944608%	0.000899375%	0.001031486%	0.001004923%	0.000900000%	0.001100000%	0.001000000%	0.001000000%	0.001000000%
City's proportionate share of the FRS net pension liability (asset)	\$ 290,482	\$ 365,419	\$ 368,372	\$ 383,796	\$ 75,910	\$ 405,546	\$ 366,527	\$ 306,312	\$ 292,504	\$ 250,435
City's proportion of the HIS net pension liability (asset)	0.001053646%	0.001117709%	0.001160733%	0.001242593%	0.001242593%	0.001300000%	0.001200000%	0.001200000%	0.001100000%	0.001100000%
City's proportionate share of the HIS net pension liability (asset)	135,050	167,667	184,340	136,677	152,423	156,268	138,318	123,518	121,608	133,613
City's proportionate share of the total net pension liability (asset)	<u>\$ 425,532</u>	<u>\$ 533,086</u>	<u>\$ 552,712</u>	<u>\$ 520,473</u>	<u>\$ 228,333</u>	<u>\$ 561,814</u>	<u>\$ 504,845</u>	<u>\$ 429,830</u>	<u>\$ 414,112</u>	<u>\$ 384,048</u>
City's covered-employee payroll	\$ 474,022	\$ 467,636	\$ 441,634	\$ 436,200	\$ 441,860	\$ 444,199	\$ 413,442	\$ 381,166	\$ 362,837	\$ 353,914
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.77%	114.00%	125.15%	119.32%	51.68%	126.48%	122.11%	112.77%	114.14%	108.51%
Plan fiduciary net position as a percentage of the total pension liability	82.96%	78.79%	77.04%	79.09%	91.09%	81.85%	85.24%	86.41%	85.53%	85.85%

-5.732% -3.707%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

TOWN OF CALLAHAN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	\$ 63,174	\$ 59,573	\$ 51,193	\$ 50,693	\$ 31,612	\$ 33,705	\$ 31,497	\$ 29,967	\$ 25,514	\$ 25,664
Contractually required HIS contribution	10,645	10,539	9,035	8,993	6,031	7,512	6,889	6,423	6,073	5,931
Total Contractually Required Contributions	73,819	70,112	60,228	59,686	37,643	41,217	38,386	36,390	31,587	31,595
Contributions in relation to the contractually required contribution	(73,819)	(70,112)	(60,228)	(59,686)	(37,643)	41,217	(38,386)	(36,390)	(31,587)	(31,595)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Administration's covered-employee payroll	501,157	436,268	442,204	488,827	444,199	437,723	427,291	386,831	366,080	357,225
Contributions as a percentage of covered-employee payroll	14.73%	16.07%	13.62%	12.21%	8.47%	9.42%	8.98%	9.41%	8.63%	8.84%

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

TOWN OF CALLAHAN, FLORIDA
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND SCHEDULE CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2025

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2025 are shown below:

	FRS	HIS
Total pension liability	\$ 243,620,457,000	\$ 13,687,702,516
Plan fiduciary net position	(212,585,325,722)	(870,258,386)
	<u>\$ 31,035,131,278</u>	<u>\$ 12,817,444,130</u>
Plan fiduciary net position as a percentage of the total pension liability	87.26%	6.36%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2025. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2025. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2018 through 2025, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2025, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's ACFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported, and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2025 for the period July 1, 2018 through June 30, 2025. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.40%. Payroll growth, including inflation, for both Plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Pub-2010 base table.

The following changes in actuarial assumptions occurred in 2025:

- All demographic assumptions and methods were reviewed as part of the 2025 Experience Study. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The coverage election assumptions were updated to reflect the recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

Supplementary Information

TOWN OF CALLAHAN, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2025

<u>GRANTOR/PROGRAM TITLE</u>	<u>ALN/CSFA#</u>	<u>Contract Award Number</u>	<u>Amount</u>	<u>Reported in Prior Years</u>	<u>Current Year Expenditures</u>
Federal Awards					
<i>U.S Department of the Treasury</i>					
passed through the <i>Florida Department of Commerce</i>					
Coronavirus State and Local Fiscal Recovery Relief	21.027	D0253	\$ 3,371,000	\$ 3,292,863	\$ 78,137
passed through the <i>Nassau County Board of County Commissioners</i>					
Coronavirus State and Local Fiscal Recovery Relief	21.027	CM3202	<u>4,500,000</u>	<u>2,509,667</u>	<u>711,544</u>
Total Federal Awards			<u>\$ 7,871,000</u>	<u>\$ 5,802,530</u>	<u>\$ 789,681</u>

** Selected as a major program for Federal Single Audits

See accompanying notes below.

TOWN OF CALLAHAN, FLORIDA
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Single Audit Report for the Town of Callahan have been designed to conform to generally accepted accounting principles as applicable to voluntary health and welfare agencies, including the reporting and compliance requirements of the *Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

A. Reporting Entity

The reporting entity consists of the Town of Callahan. The Town includes a schedule of expenditures of federal awards in the Single Audit and Compliance Section.

B. Basis of Accounting

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

C. Subrecipients

The Town had no subrecipients during the fiscal year.

D. Indirect Cost

The Council did not elect to use the de minimis indirect cost rate the fiscal year ended September 30, 2025.

COMPLIANCE SECTION



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

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 Town Commission
Town of Callahan, Florida

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, the business-type activities, and each major fund of the Town of Callahan (the Town), as of September 30, 2025, and, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 26, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

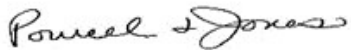
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 determination of financial statement amounts. 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 merited reporting 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Powell & Jones".

Powell and Jones CPA

Lake City, Florida

June 26, 2026



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Mayor and
Members of the Town Commission
Town of Callahan, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Town of Callahan, Florida (the Town) for the year ended September 30, 2025, and have issued our report thereon dated June 26, 2026, which is unmodified.

Auditor's Responsibility

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

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 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 and schedule, which are dated June 26, 2026, should be considered in conjunction with this management letter.

PRIOR YEAR 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. The following finding was included in the preceding reports:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2023-24 FY Finding No.	2022-23 FY Finding No.
2025-001	2024-2	2023-2

AUDITOR GENERAL COMPLIANCE MATTERS

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. This information has been disclosed in Note 1 of the financial statements.

Financial Condition Assessment - Sections 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 Town 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 Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554 (1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and 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 had no such recommendations.

Property Assessed Clean Energy Programs (PACE)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Town's geographical boundaries during the fiscal year under audit.

RURAL ECONOMIC AND COMMUNITY DEVELOPMENT REQUIREMENTS

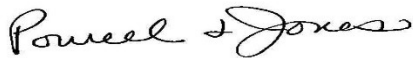
We are providing the following additional information relative to our examination of the financial statements of the Town of Callahan, Florida, for the year ending September 30, 2025 as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the Town have been adjusted to agree with the audited financial statements.

5. The Town's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the Town's insurance coverage is shown in the annual report to USDA-Rural Development.
7. The Town is exempt from Federal Income Tax
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

Purpose of This Letter

Our Management Letter is intended solely for the information of and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town's Council and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
June 26, 2026



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH FLORIDA STATUTES RELATING TO LOCAL GOVERNMENT INVESTMENTS

To the Honorable Mayor and
Members of the Town Commission
Town of Callahan, Florida

We have examined the Town of Callahan, Florida's (the Town) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2025. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town 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 Town of Callahan, Florida and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Powell and Jones CPA
Lake City, Florida
June 26, 2026



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

Schedule of Findings

Findings for Significant Deficiencies

2025-001 – Classification

Condition: During our audit procedures, we identified three items recorded within the miscellaneous line item in the Utility Fund that resulted in the misstatement of Miscellaneous Revenue by \$152,708. These errors were identified during the audit and subsequently corrected through proposed audit adjustments accepted by management.

Criteria: Management is responsible for maintaining accurate accounting records and implementing internal controls to ensure that journal entries are properly reviewed, approved, and recorded in the appropriate accounts. Transactions within the Utility Fund should be accurately classified to ensure the financial statements are fairly presented in accordance with generally accepted accounting principles.

Cause: Adequate review procedures were not in place to detect errors in journal entry postings and account classifications within the Utility Fund on a timely basis. As a result, erroneous entries were recorded and remained undetected until the audit.

Effect: The improper journal entries resulted in a misstatement of Miscellaneous Revenue within the Utility Fund of \$152,708. Had the audit adjustments not been identified and recorded, the Utility Fund's financial statements would have been materially misstated.

Recommendation: We recommend that the Town strengthen its review procedures over journal entries and general ledger activity within the Utility Fund. A monthly review of transactions should be performed by an individual with appropriate accounting knowledge and experience to identify unusual transactions, posting errors, or account misclassifications. Any necessary corrections should be made promptly to ensure the accuracy and reliability of the Utility Fund's financial records and financial reporting.



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

Summary Schedule of Prior Audit Findings

Significant Deficiency 2024-1 – Cutoff

During our audit, we noted several instances where receipts and disbursements were recognized when received or disbursed as opposed to when they were earned or incurred, in accordance with the applicable accrual accounting principles. We recommend that the Town include as a part of its annual closing procedures a review of supporting documentation for substantial receipts and disbursements that occurred after the end of the period in order to determine the appropriate fiscal year for the transaction to be posted.

The circumstances surrounding this finding are substantially corrected by the town.

Significant Deficiency 2024-2 – Classification

The Town had various instances in which entries were misclassified, or input into the improper accounting software account. This deficiency impacted all major classes of transactions and both of the Town's funds. The resulting proposed audit adjustments were all accepted and entered by the Town, however apart from the corrections afforded by the proposed adjustments, the financial statements would have been significantly misstated.

The circumstances surrounding this finding are substantially the same, and this finding has been continued as finding 2025-001.



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

Communication with Those Charged with Governance

Honorable Mayor and
Members of the Town Commission
Town of Callahan, Florida

We have audited the financial statements of the Town of Callahan, Florida (the Town) for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the Town's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Any such misstatements that were identified during our audit have been communicated to management and corrected.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 26, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Other Audit Findings or Issues

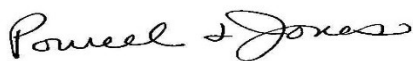
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

This information is intended solely for the use of the Town Council and management of the Town of Callahan, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Powell & Jones".

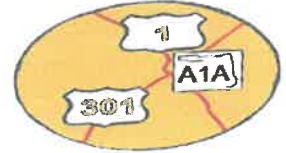
Powell and Jones CPA
Lake City, Florida
June 26, 2026



TOWN OF CALLAHAN

"Crossroads to the Future"

Post Office Box 5016 • Callahan, Florida 32011



June 30, 2026

Audit 24-25 Management Response

2025-001 (Classification)

Condition: During the audit procedures, Auditor identified three items recorded within the miscellaneous line item in the Utility Fund that resulted in the misstatement of miscellaneous Revenue. These errors were identified during the audit and subsequently corrected though proposed audit adjustments accepted by management.

Response: Our CPA firm posted three entries within the miscellaneous revenue line item of the Utility Fund, preparing for audit. We have informed our CPA that all entries will be passed thru town for approval. Additionally, we now require two-person review of monthly statements.

Note 1: Proprietary fund shows due to other fund \$2,127,743, this amount reflects \$1,340,162 from FY 23-24 audit, town transferred \$1,340,162 on October 3rd, 2025, the remaining \$787,581 transferred will reflect on the 25-26 audit. State revenue is received in the Proprietary fund and transfers to General Fund are conducted as needed.

Note 2: The increase in cash under assets on page 20 from prior year resulted in reducing restricted and unrestricted cash. The Town moved financial institutions from Ameris bank to First Federal in February 2025, during this transition most cash was restricted.

Sincerely,

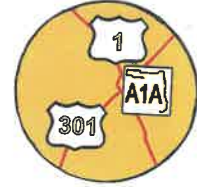
Michael Williams , Town Manager



TOWN OF CALLAHAN

"Crossroads to the Future"

Post Office Box 5016 • Callahan, Florida
32011



BEFORE ME, the undersigned authority, personally appeared Shawna Gugliuzza, Town Clerk for the Town of Callahan, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the Town of Callahan which is a municipal corporation of the State of Florida.
2. The governing body of the Town of Callahan adopted by Ordinance No. 2020-007 on the 6th day of June 2005; implementing an impact fee or authorized the Town of Callahan to receive and expand proceeds of an impact fee to increase Water and Sewer connection fees; to establish an impact fee for streets; to establish a fee for reserving capacity; and providing for an effective date.
3. Town of Callahan has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT

Shawna Gugliuzza

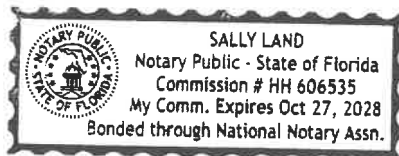
Shawna Gugliuzza, Town Clerk
Town of Callahan

STATE OF FLORIDA
COUNTY OF NASSAU

SWORN TO AND SUBSCRIBED before me this 30th day of June, 2026

Personally known ✓ or produced identification _____

Type of Identification Produced _____



Sally Land
Notary Public

Print Name: Sally Land
My Commission Expires: Oct. 27, 2028