

Town of Esto
Financial Statements
September 30, 2025

Town of Esto

Table of Contents

Page No.

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities.....	10
Governmental Fund Financial Statements	
Balance Sheet.....	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Fund.....	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements	18
Required Supplementary Information	
Budgetary Comparison Schedule – Governmental Funds.....	24
Budgetary Comparison Schedule – Proprietary Fund.....	25
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26
Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes, <i>Local Government Investment Policies</i>	28
Independent Auditors' Management Letter	29



To the Mayor and Town Council of
The Town of Esto, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Esto as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Esto'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 and each major fund of the Town of Esto, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Esto 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 of Esto'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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Esto's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Esto's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 24-25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2026, on our consideration of the Town of Esto'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 Esto's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Esto's internal control over financial reporting and compliance.



Ferguson, Sizemore & Associates
 Certified Public Accountants
 Dothan, Alabama
 July 6, 2026

Management's Discussion and Analysis

The Town of Esto's (the "Town") discussion and analysis is a narrative overview designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (revealing the ability to address future challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Town for the fiscal years ended September 30, 2025. Please consider the information in this MD&A in conjunction with the transmittal letter at the front of this report and the Town's financial statements.

Financial Highlights

The Town obtained a stormwater grant during the previous year. Most of the funding and expense related to the grant will take place in the fiscal years ended September 30, 2025 and 2026.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the Town's finances, in a manner to resemble private-sector business. In these statements, all governmental and business-type activities are consolidated into columns, which are added to a total for the Town or primary government.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information focused on both gross and net costs and shows how the Town's net position changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (business-type activities). The governmental activities of the Town include general government, public safety, streets and

highways, culture, and recreation. The business-type activities of the Town reflect private sector type operations (water sales).

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. This focus is on major funds, rather than (the previous model's statements prior to implementation of GASB 34 in fiscal year 2003) fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types.

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

The governmental major fund is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources.

The Town maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Town maintains one proprietary fund for water services. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the business-type fund financial statements is the same as the business-type column on the government-wide financial statement, the governmental major funds total column requires a reconciliation because of the difference measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect debt proceeds and inter-fund transfers as other financial sources as well as capital expenditures and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column (in the government-wide statements).

Notes to the Financial Statements. The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Town's net position decreased by \$185,845 during the audit period. Management will continue to monitor net position because the variance is a useful indicator of the Town's financial position.

The following table reflects the condensed Statement of Net Position compared to prior year.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 168,042	\$ 188,513	\$ 24,150	\$ 29,846	\$ 192,192	\$ 218,359
Capital assets	801,826	886,686	1,794,567	1,864,864	2,596,393	2,751,550
Total assets	969,868	1,075,199	1,818,717	1,894,710	2,788,585	2,969,909
Current liabilities	90,508	77,928	17,529	18,038	108,037	95,966
Long-term liabilities	47,402	49,808	14,025	19,169	61,427	68,977
Total liabilities	137,910	127,736	31,554	37,207	169,464	164,943
Net assets:						
Investment in capital	790,486	875,346	1,780,542	1,845,695	2,571,028	2,721,041
Restricted	-	-	11,895	11,645	11,895	11,645
Unrestricted	41,472	72,117	(5,274)	163	36,198	72,280
Total net assets	\$ 831,958	\$ 947,463	\$ 1,787,163	\$ 1,857,503	\$ 2,619,121	\$ 2,804,966

By far the largest portion of the Town's net position reflects the total investment in capital assets (e.g. land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens. 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 pay for or liquidate these liabilities. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

Normal Impacts Affecting the Statement of Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net position and increase invested in capital assets, net of debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase invested in capital assets, net of debt.

Reduction of Capital Assets Through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

The government's net position decreased by \$185,845 during the current fiscal year. This increase resulted primarily from capital grants.

While the results of operations is a significant measure of the Town's activities, the explanation of changes in unrestricted net position provides a clear measure of change in the Town's financial position.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of year-end are given in the table below. This investment in capital assets includes land, buildings, infrastructure, water system, and equipment.

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 117,762	\$ 117,762	\$ 1,250	\$ 1,250	\$ 119,012	\$ 119,012
Buildings	483,961	483,961	-	-	483,961	483,961
Water system	-	-	2,175,388	2,175,388	2,175,388	2,175,388
Infrastructure	512,051	512,051	-	-	512,051	512,051
Equipment	683,462	683,462	622,698	622,698	1,306,160	1,306,160
	<u>\$ 1,797,236</u>	<u>\$ 1,797,236</u>	<u>\$ 2,799,336</u>	<u>\$ 2,799,336</u>	<u>\$ 4,596,572</u>	<u>\$ 4,596,572</u>

Debt Outstanding

As of fiscal year ends, the Town's outstanding debt was as follows:

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2025	2024	2025	2024	2025	2024
Notes payable	<u>\$ 47,402</u>	<u>\$ 49,808</u>	<u>\$ 14,025</u>	<u>\$ 19,169</u>	<u>\$ 61,427</u>	<u>\$ 68,977</u>

Statement of Activities

The following schedule compares the revenues and expenses for the current and previous year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
2024			
Revenues:			
Charges for services	\$ -	\$ 89,665	\$ 89,665
Operating grants	116,931	-	116,931
Capital grants	-	-	-
General revenue:			
Taxes	122,174	-	122,174
Interest	2,168	2	2,170
Miscellaneous	19,379	5,083	24,462
Expenses:			
Governmental activities:			
General government	79,986	-	79,986
Mayor and council	3,950	-	3,950
Public safety	35,335	-	35,335
Highways and streets	23,017	-	23,017
Cultural and recreation	63,446	-	63,446
Depreciation	83,296	70,297	153,593
Interest	2,453	657	3,110
Business-type activities:			
Water department	-	90,131	90,131
Transfers	4,785	(4,785)	-
Net change	<u>\$ (25,961)</u>	<u>\$ (71,120)</u>	<u>\$ (97,081)</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
2023			
Revenues:			
Charges for services	\$ 20,065	\$ 91,561	\$ 111,626
Operating grants	104,793	-	104,793
Capital grants	-	-	-
General revenue:			
Taxes	128,497	-	128,497
Interest	1,552	1	1,553
Miscellaneous	6,027	6,620	12,647
Expenses:			
Governmental activities:			
General government	160,436	-	160,436
Mayor and council	3,500	-	3,500
Public safety	34,031	-	34,031
Highways and streets	28,342	-	28,342

Cultural and recreation	54,553	-	54,553
Depreciation	84,860	70,297	155,157
Interest	2,070	505	2,575
Business-type activities:			
Water department	-	106,372	106,372
Transfers	(8,652)	8,652	-
Net change	<u>\$ (115,505)</u>	<u>\$ (70,340)</u>	<u>\$ (185,845)</u>

Business-type activities decreased the Town's net position a total of \$70,340 during the audit period.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$77,534. Of this total fund balance, \$77,534 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$76,377, while total fund balance was also \$76,377. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. This is very useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Economic Factors

The Town relies on taxes (sales, property, gasoline, franchise, etc.) and fees (licenses, permits, etc.) for its governmental activities. The primary source of revenue is state revenue sharing. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both state and federal governments.

In the business-type and certain governmental activities (water fees), the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services have a direct bearing on the Town's ability to (a) annex additional land into its corporate limits and (b) encourage development to choose to be located in the Town's jurisdiction

Financial Information Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, 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, contact the Town Clerk at 3312 2nd Avenue South, Esto, Florida.

Town of Esto
Statement of Net Position
September 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 161,294	\$ 2,212	\$ 163,506
Accounts receivable	-	7,507	7,507
Grant receivable	-	3,134	3,134
Due from other governments	6,748	-	6,748
Noncurrent restricted assets	-	11,297	11,297
Capital assets			
Land	117,762	1,250	119,012
Buildings and improvements	143,131	-	143,131
Water system	-	2,175,388	2,175,388
Improvements	340,830	-	340,830
Infrastructure	512,051	-	512,051
Machinery and equipment	683,462	622,698	1,306,160
Accumulated depreciation	(995,410)	(1,004,769)	(2,000,179)
Total capital assets	<u>801,826</u>	<u>1,794,567</u>	<u>2,596,393</u>
Total Assets	<u>969,868</u>	<u>1,818,717</u>	<u>2,788,585</u>
Liabilities			
Accounts payable and accrued expenses	86,335	4,201	90,536
Customer deposits	-	11,895	11,895
Payroll liabilities	1,039	1,433	2,472
Deferred grant revenue	-	-	-
Interfund payable	3,134	-	3,134
Long-term liabilities			
Portion due or payable within one year			
Notes payable	2,510	5,301	7,811
Portion due or payable after one year			
Notes payable	44,892	8,724	53,616
Total Liabilities	<u>137,910</u>	<u>31,554</u>	<u>169,464</u>
Net Position			
Net investment in capital assets	790,486	1,780,542	2,571,028
Restricted for:			
Customer deposits	-	11,895	11,895
Unrestricted	41,472	(5,274)	36,198
Total Net Position	<u>\$ 831,958</u>	<u>\$ 1,787,163</u>	<u>\$ 2,619,121</u>

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Activities
September 30, 2025

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 245,296	\$ 5	\$ 104,793	\$ -	\$ (140,498)	\$ -	\$ (140,498)
Mayor and council	3,500	-	-	-	(3,500)	-	(3,500)
Public safety	34,031	-	-	-	(34,031)	-	(34,031)
Highways and streets	28,342	-	-	-	(28,342)	-	(28,342)
Cultural and recreation	54,553	20,065	-	-	(34,488)	-	(34,488)
Interest and fiscal charges	2,070	-	-	-	(2,070)	-	(2,070)
Total governmental activities	367,792	20,070	104,793	-	(242,929)		(242,929)
Business-type:							
Water	177,174	91,561	-	-	-	(85,613)	(85,613)
Total business-type activities	177,174	91,561	-	-	-	(85,613)	(85,613)
Total Town of Esto	<u>\$ 544,966</u>	<u>\$ 111,631</u>	<u>\$ 104,793</u>	<u>\$ -</u>	<u>(242,929)</u>	<u>(85,613)</u>	<u>(328,542)</u>
General revenues:							
Property taxes					23,933	-	23,933
Franchise and public service taxes					25,616	-	25,616
Other taxes					78,948	-	78,948
Interest income					1,552	1	1,553
Miscellaneous					6,027	6,620	12,647
Transfers					(8,652)	8,652	-
Total general revenues and transfers					127,424	15,273	142,697
Change in net position					(115,505)	(70,340)	(185,845)
Net position - beginning					947,463	1,857,503	2,804,966
Net position - ending					<u>\$ 831,958</u>	<u>\$ 1,787,163</u>	<u>\$ 2,619,121</u>

See accompanying notes and independent auditors' report.

Town of Esto
Balance Sheet
September 30, 2025

	General	Volunteer Fire Department	Capital Improvement	Recreation Center	Total
Assets					
Cash	\$ 157,900	\$ 3,394	\$ -	\$ -	\$ 161,294
Grant receivable	-	-	-	-	-
Due from other governments	6,748	-	-	-	6,748
Total assets	<u>\$ 164,648</u>	<u>\$ 3,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,042</u>
Liabilities					
Accounts payable and accrued expenses	\$ 84,098	\$ 2,237	\$ -	\$ -	\$ 86,335
Payroll liabilities	1,039	-	-	-	1,039
Deferred grant revenue	-	-	-	-	-
Interfund payable	3,134	-	-	-	3,134
Total liabilities	<u>88,271</u>	<u>2,237</u>	<u>-</u>	<u>-</u>	<u>90,508</u>
Fund Balances					
Assigned	-	-	-	-	-
Unassigned	76,377	1,157	-	-	77,534
Total Liabilities and Fund Balances	<u>\$ 164,648</u>	<u>\$ 3,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,042</u>

See accompanying notes and independent auditors' report.

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

Total Fund Balance for Governmental Funds	\$	77,534
---	----	--------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$ 117,762	
Buildings and improvements	143,131	
Improvements	340,830	
Infrastructure	512,051	
Machinery and equipment	683,462	
Accumulated depreciation	<u>(995,410)</u>	801,826

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances as of year end are:

Note Payable	<u>(47,402)</u>	<u>(47,402)</u>
--------------	-----------------	-----------------

Total Net Position of Governmental Activities		<u><u>831,958</u></u>
---	--	-----------------------

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Revenues, Expenditures, and Change in Fund Balance
September 30, 2025

	General	Volunteer Fire Department	Capital Improvement	Recreation Center	Total
Revenues					
Taxes	\$ 128,497	\$ -	\$ -	\$ -	\$ 128,497
Parks income	20,065	-	-	-	20,065
Grants	75,000	-	-	-	75,000
Interest income	1,552	-	-	-	1,552
Intergovernmental revenue	9,843	19,950	-	-	29,793
Miscellaneous income	6,027	-	-	-	6,027
	<u>240,984</u>	<u>19,950</u>	<u>-</u>	<u>-</u>	<u>260,934</u>
Expenditures					
Current:					
General government	160,431	-	-	-	160,431
Mayor and council	3,500	-	-	-	3,500
Public safety	15,828	18,203	-	-	34,031
Highways and streets	28,342	-	-	-	28,342
Cultural and recreation	54,553	-	-	-	54,553
Capital outlay	-	-	-	-	-
Debt service:					
Principal payments	2,406	-	-	-	2,406
Interest and fiscal charges	2,070	-	-	-	2,070
	<u>267,130</u>	<u>18,203</u>	<u>-</u>	<u>-</u>	<u>285,333</u>
Revenues Over (Under) Expenditures	(26,146)	1,747	-	-	(24,399)
Other Financing Sources					
Proceeds from long-term debt	-	-	-	-	-
Proceeds from short-term debt	-	-	-	-	-
Transfers	(8,652)	-	-	-	(8,652)
Total other financing sources	<u>(8,652)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,652)</u>
Net Change in Fund Balance	(34,798)	1,747	-	-	(33,051)
Fund Balance - Beginning	<u>111,175</u>	<u>(590)</u>	<u>-</u>	<u>-</u>	<u>110,585</u>
Fund Balance - Ending	<u>\$ 76,377</u>	<u>\$ 1,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,534</u>

See accompanying notes and independent auditors' report.

Town of Esto
Reconciliation of the Governmental Fund Statement of Revenues
Expenditures, and Change in Fund Balance to the Statement of Activities
September 30, 2025

Net Changes in Fund Balances - Total Governmental Funds	\$ (33,051)
---	-------------

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These differences are reflected as follows:

Depreciation expense	(84,860)
Capital outlay	-

Repayment of long-term debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position, and loan proceeds are treated as revenue in the governmental funds but increases the liability in the statement of net position, as reflected as follows:

Proceeds from short-term and long-term debt	-
Principal payments	<u>2,406</u>

Change in Net Position	<u><u>\$ (115,505)</u></u>
------------------------	----------------------------

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Net Position - Proprietary Fund
September 30, 2025

Assets	
Current Assets	
Cash	\$ 2,212
Accounts receivable	7,507
Interfund receivable	3,134
Total Current Assets	<u>12,853</u>
Non-Current Assets	
Restricted cash	11,297
Capital assets	
Land	1,250
Water system	2,175,388
Machinery and equipment	622,698
Accumulated depreciation	(1,004,769)
Total Non-Current Assets	<u>1,805,864</u>
Total Assets	<u>1,818,717</u>
Liabilities	
Current Liabilities	
Accounts payable	4,201
Payroll liabilities	1,433
Current portion of long-term debt	<u>5,301</u>
Total Current Liabilities	<u>10,935</u>
Noncurrent Liabilities	
Notes payable, less current portion	8,724
Customer deposits	<u>11,895</u>
Total Non-Current Liabilities	<u>20,619</u>
Total Liabilities	31,554
Net Position	
Net investment in capital assets	1,780,542
Restricted for:	
Customer deposits	11,895
Unrestricted	(5,274)
Total Net Position	<u>\$ 1,787,163</u>

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
September 30, 2025

Operating Revenues	
Charges for services	\$ 91,561
Other income	6,620
	<u>98,181</u>
Operating Expenses	
Advertising	225
Chemicals	1,011
Fuel	1,638
Insurance	11,054
Lab testing	1,930
Fire protection	4,950
Office expenses	1,834
Payroll taxes	8,016
Postage	1,389
Professional fees	7,054
Repairs and maintenance	17,583
Salaries	27,982
Small tools and supplies	1,595
Software	1,050
Utilities	10,811
Water operator	8,250
Depreciation	70,297
Total Operating Expenses	<u>176,669</u>
Operating Loss	(78,488)
Non-Operating Revenue (Expense)	
Interest income	1
Interest expense	<u>(505)</u>
Total Non-Operating Revenue (Expense)	(504)
Income before transfers	(78,992)
Tranfers	<u>8,652</u>
Change in Net Position	(70,340)
Net Position - Beginning	<u>1,857,503</u>
Net Position - Ending	<u><u>\$ 1,787,163</u></u>

See accompanying notes and independent auditors' report.

Town of Esto
Statement of Cash Flows - Proprietary Fund
September 30, 2025

Cash Flows From Operating Activities	
Receipts from customers	\$ 94,182
Other income	6,620
Payments to suppliers/vendors	(70,899)
Payments to employees	(36,232)
Net Cash Used by Operating Activities	<u>(6,329)</u>
Cash Flows From Capital and Related Financing Activities	
Principal payments on long-term debt	(5,144)
Interest payments on long-term debt	(505)
Acquisitions of capital assets	-
Net Cash Used by Non-Capital Financing Activities	<u>(5,649)</u>
Cash Flows From Non-Capital Financing Activities	
Transfers	8,652
Net Cash Provided by Non-Capital Financing Activities	<u>8,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1</u>
Net Cash Provided by Investing Activities	<u>1</u>
Net Change in Cash and Cash Equivalents	(3,325)
Beginning Balance	<u>5,537</u>
Ending Balance	<u><u>\$ 2,212</u></u>
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities:	
Operating Loss	\$ (78,488)
<i>Adjustments to Reconcile Operating Loss to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Depreciation expense	70,297
Change in Assets and Liabilities:	
Accounts receivable	956
Interfund receivable	1,866
Noncurrent restricted assets	(451)
Accounts payable	(1,504)
Payroll liabilities	745
Customer deposits	250
Net Cash Used By Operating Activities:	<u><u>\$ (6,329)</u></u>

See accompanying notes and independent auditors' report.

Town of Esto
Notes to Financial Statements
September 30, 2025

Note A – Summary of Significant Accounting Policies

The Town of Esto (the “Town”) was incorporated in 1963 under the provisions of the State of Florida. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, street maintenance, water and sewer services, public improvements, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity – Basis of Presentation

The accompanying financial statements present the activities of the Town.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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. Non-operating revenues, such as subsidies and investments earnings, result from non-exchange transactions or ancillary activities.

Town of Esto
Notes to Financial Statements
September 30, 2025

The Town reports the following major governmental fund:

General Fund: This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, if the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, excise taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The Town considers cash and cash equivalents in proprietary funds to be cash on hand, certificates of deposit, and demand deposits.

Town of Esto
Notes to Financial Statements
September 30, 2025

Capital Assets and Depreciation

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Some of the Town's general infrastructure, namely roads and bridges, are not reflected in the accompanying financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-50
Equipment	5-20
Improvements	25-50
Water system	40-50

Compensated Absences

It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the Town's service. In governmental and proprietary funds, the cost of vacation leave is recognized when earned.

Town of Esto
Notes to Financial Statements
September 30, 2025

Note B – Capital Assets

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental Activities				
Non-Depreciated Assets:				
Land	\$ 117,762	\$ -	\$ -	\$ 117,762
Depreciated Assets:				
Buildings	143,131	-	-	143,131
Infrastructure	512,051	-	-	512,051
Improvements	340,830	-	-	340,830
Equipment	683,462	-	-	683,462
	<u>1,679,474</u>	<u>-</u>	<u>-</u>	<u>1,679,474</u>
Accumulated Depreciation				
Buildings	80,255	4,299	-	84,554
Infrastructure	186,615	27,832	-	214,447
Improvements	196,804	11,052	-	207,856
Equipment	446,876	41,677	-	488,553
	<u>910,550</u>	<u>84,860</u>	<u>-</u>	<u>995,410</u>
Net Depreciated Assets	<u>768,924</u>	<u>(84,860)</u>	<u>-</u>	<u>684,064</u>
Total - Governmental Assets	<u>\$ 886,686</u>	<u>\$ (84,860)</u>	<u>\$ -</u>	<u>\$ 801,826</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-Type Activities				
Non-Depreciated Assets:				
Land	\$ 1,250	\$ -	\$ -	\$ 1,250
Depreciated Assets:				
Water system	2,175,388	-	-	2,175,388
Equipment	622,698	-	-	622,698
	<u>2,798,086</u>	<u>-</u>	<u>-</u>	<u>2,798,086</u>
Accumulated Depreciation				
Water system	833,456	58,792	-	892,248
Equipment	101,016	11,505	-	112,521
	<u>934,472</u>	<u>70,297</u>	<u>-</u>	<u>1,004,769</u>
Net Depreciated Assets	<u>1,863,614</u>	<u>(70,297)</u>	<u>-</u>	<u>1,793,317</u>
Total - Business-Type Assets	<u>\$ 1,864,864</u>	<u>\$ (70,297)</u>	<u>\$ -</u>	<u>\$ 1,794,567</u>

Town of Esto
Notes to Financial Statements
September 30, 2025

Depreciation expense was charged to functions as follows:

General government	\$ 84,860
Water fund	\$ 70,297

Depreciation expense charged to separately identifiable business-type activities is evident on the face of the fund financial statements, and therefore is not included here.

Note C – Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note D – Long Term Obligations

The Town’s governmental activities had one outstanding obligation at year-end.

The “Land” note, with Peoples Bank of Graceville, bears interest at 4.25%. The note is payable in 120 monthly installments of \$373 and is due November 15, 2039. The balance of this note at year-end was \$47,402. The note is secured by real property.

Maturities of this obligation are as follows:

Fiscal Year Ending	Land Note	
	Principal	Interest
2026	\$ 2,510	\$ 1,966
2027	2,619	1,965
2028	2,732	1,744
2029	2,851	1,625
Thereafter	36,690	8,445
	<u>\$ 47,402</u>	<u>\$ 15,745</u>

The Town’s business-type activity had one loan at year-end.

The “Well Rehab” note, with the National Rural Water Association, bears interest at 3.00%. The note is payable in 120 monthly payments of \$471 and is due April 1, 2028. The balance of this note at year-end was \$14,025.

Town of Esto
Notes to Financial Statements
September 30, 2025

Maturities of this obligation are as follows:

<u>Fiscal Year Ending</u>	<u>Well Rehab</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 5,301	\$ 348
2027	5,462	187
2028	3,262	33
	<u>\$ 14,025</u>	<u>\$ 568</u>

Note E – Subsequent Events

In preparing these financial statements, the Town's management has evaluated events and transactions for potential recognition or disclosure through July 6, 2026, the date the financial statements were available to be issued.

Town of Esto
Budgetary Comparison Schedule - Governmental Funds
For the Year Ended September 30, 2025

	General Fund		
	Budget	Actual	Variance
Revenues			
Taxes	\$ 145,714	\$ 128,497	\$ (17,217)
Parks income	-	20,065	20,065
Grants	-	75,000	75,000
Interest income	-	1,552	1,552
Intergovernmental revenue	3,668	29,793	26,125
Miscellaneous income	17,300	6,027	(11,273)
Total Revenues	166,682	260,934	94,252
Expenditures			
General government	112,603	160,431	(47,828)
Mayor and council	-	3,500	(3,500)
Public safety	29,775	34,031	(4,256)
Highways and street	-	28,342	(28,342)
Cultural and recreation	23,738	54,553	(30,815)
Capital outlay	-	-	-
Principal payments	5,542	2,406	3,136
Interest expense	-	2,070	(2,070)
	171,658	285,333	(113,675)
Excess (Deficit) of Revenues Over (Under) Expenditures	(4,976)	(24,399)	(19,423)
Other Financing Sources (Uses)			
Operating transfers	4,950	(8,652)	(13,602)
	4,950	(8,652)	(13,602)
Excess of Expenditures over Revenues and Other Financing Uses	(26)	(33,051)	(33,025)
Net Position - Beginning of Year	110,585	110,585	-
Net Position - End of Year	\$ 110,559	\$ 77,534	\$ (33,025)

See accompanying notes and independent auditors' report.

Town of Esto
Budgetary Comparison Schedule - Proprietary Funds
For the Year Ended September 30, 2025

	Proprietary Fund		
	Budget	Actual	Variance
Revenues			
Charges for services	\$ 92,917	\$ 91,561	\$ (1,356)
Miscellaneous income	-	6,620	6,620
Total Revenues	92,917	98,181	5,264
Expenditures			
Salaries and benefits	42,068	44,248	(2,180)
Services and supplies	37,475	62,124	(24,649)
Debt service	5,650	-	5,650
Depreciation	-	70,297	(70,297)
	85,193	176,669	(91,476)
Excess (Deficit) of Revenues Over (Under) Expenditures	7,724	(78,488)	(86,212)
Other Financing Sources (Uses)			
Interest expense	-	(505)	(505)
Interest income	-	1	1
Operating transfers	4,950	8,652	3,702
	4,950	8,148	3,198
Excess of Expenditures over Revenues and Other Financing Uses	12,674	(70,340)	(83,014)
Net Position - Beginning of Year	1,857,503	1,857,503	-
Net Position - End of Year	\$ 1,870,177	\$ 1,787,163	\$ (83,014)

See accompanying notes and independent auditors' report.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Mayor and Town Council of
The Town of Esto, 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, each major fund, and the aggregate remaining fund information of the Town of Esto, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Esto's basic financial statements, and have issued our report thereon dated July 6, 2026.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Esto's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
July 6, 2026



**Independent Accountants' Report on Compliance with Section 218.415,
Florida Statutes, *Local Government Investment Policies***

To the Honorable Mayor and Council of
The Town of Esto, Florida

We have examined the compliance of the Town of Esto with Section 218.415, Florida Statutes, for 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes in all material respects. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Town of Esto complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025.

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

Ferguson, Sizemore & Associates

Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
July 6, 2026



Independent Auditors' Management Letter

To the Honorable Council President and Council of
The Town of Esto, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Esto, Florida, as of and for the year ended September 30, 2025, and have issued our report thereon dated July 6, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated July 6, 2026, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

Prior Audit Findings

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting practices, and internal control. In connection with our audit, we do not feel any such communication with management is necessary, nor has any such communication with management been made.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Esto, Florida was established by an incorporating charter under the Florida Statutes. The Town of Esto, Florida has no component units.
- Section 10.554(1)(i)7.a, Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Esto, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b, Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Esto, Florida for the fiscal year ended September 30, 2025, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2025. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i)7.c and 10.556(7), Rules of the Auditor General, requires that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Town of Esto did not have a property assessed clean energy program (PACE) operating within the local government's geographical boundaries during the fiscal year under audit.

This management letter is intended solely for the information of the Town of Esto, Florida and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Ferguson, Sizemore & Associates

Ferguson, Sizemore & Associates
 Certified Public Accountants
 Dothan, Alabama
 July 6, 2026