

City of Laurel Hill, Florida

Annual Financial Statements September 30, 2025

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**CITY OF LAUREL HILL, FLORIDA
SEPTEMBER 30, 2025**

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**CITY OF LAUREL HILL, FLORIDA
SEPTEMBER 30, 2025**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the
Of the City Council
City of Laurel Hill, 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 City of Laurel Hill, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Laurel Hill'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 City of Laurel Hill, 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 City of Laurel Hill 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 City of Laurel Hill'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 City of Laurel Hill'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 City of Laurel Hill's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, be presented to supplement the basic financial statements. Such information, 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report January 6 2026, on our consideration of the City of Laurel Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laurel Hill internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
Apalachicola, Florida
January 6, 2026

Management's Discussion and Analysis

The City of Laurel Hill's (the City) management discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns.

Since management's discussion and analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total cash balance decreased by \$169,860. General fund cash decreased by \$115,500 and Water Fund cash decreased by \$54,360. The City has total cash of \$1,888,733.
- Total net position decreased by \$102,704 in the General Fund and increased by \$845,202 in the Water Fund.
- The General Fund liabilities decreased by \$14,960 due to a decrease in accounts payable and accrued payroll.
- The Water Fund liabilities decreased by \$3,736 due to paying down the loan associated with bond issuances.

Overview of the Financial Statements

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

This discussion and analysis is intended to serve as an introduction to the City of Laurel Hill's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on major funds, rather than fund types.

The statement of net position presents information on all of the City 's assets and liabilities, with the difference between the two reported as net position. The focus on the statement of net position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decrease in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City 's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and business-type activities.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, administration, economic environment, streets and highways, public safety, and culture and recreation. The business-type activities of the City include water utilities.

The government-wide financial statements include the City of Laurel Hill (known as the primary government).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

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

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 City 's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the special revenue fund. Only the general fund is a major fund.

The City adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains three proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Infrastructure Assets

Generally, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc.) are neither reported nor depreciated in governmental fund financial statements. Standards require that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its costs of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$4,963,779.

The following table reflects the condensed Statement of Net Position for the current and prior years. For more detailed information, see the Statement of Net Position.

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current & Other	\$ 1,162,912	\$ 779,774	\$ 1,942,686
Capital Assets	1,791,896	1,487,887	3,279,783
Non-Current	<u>22,882</u>	<u>—</u>	<u>22,882</u>
Total Assets	<u>2,977,690</u>	<u>2,267,661</u>	<u>5,245,351</u>
LIABILITIES			
Current	3,981	73,382	77,363
Non-Current	<u>—</u>	<u>170,600</u>	<u>170,600</u>
Total Liabilities	<u>3,981</u>	<u>243,982</u>	<u>247,963</u>
DEFERRED INFLOW OF RESOURCES			
Leases Receivable	<u>33,609</u>	<u>—</u>	<u>33,609</u>
Total Deferred Inflow of Resources	<u>33,609</u>	<u>—</u>	<u>33,609</u>
NET POSITION			
Net investment in capital assets	1,791,896	1,293,687	3,085,583
Restricted	384,874	181,846	566,720
Unrestricted	<u>763,330</u>	<u>548,146</u>	<u>1,311,476</u>
Total Net Position	<u>2,940,100</u>	<u>2,023,679</u>	<u>4,963,779</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,977,690</u>	<u>\$ 2,267,661</u>	<u>\$ 5,245,351</u>

The following schedule provides a summary of the changes in net position for the years ended September 30, 2025:

	Governmental Activities	Business-type Activities	Total
REVENUES			
Charges for Services	\$ 38,812	\$ 466,549	\$ 505,361
Taxes	426,743	—	426,743
Interest	13,945	—	13,945
Grants and Other	39,307	500,000	539,307
Total Revenues	<u>518,807</u>	<u>966,549</u>	<u>1,485,356</u>
EXPENSES			
General Government	282,422	—	282,422
Public Safety	43,042	—	43,042
Streets	122,296	—	122,296
Culture and Recreation	4,469	—	4,469
Water and Garbage	—	382,418	382,418
Total Expenses	<u>452,229</u>	<u>382,418</u>	<u>834,647</u>
TRANSFERS	<u>(261,071)</u>	<u>261,071</u>	<u>—</u>
NET POSITION			
Increase (Decrease) in Net Position	(194,493)	845,202	650,709
Net Position, Beginning of Year	<u>3,134,593</u>	<u>1,178,477</u>	<u>4,313,070</u>
Net Position, End of Year	<u>\$ 2,940,100</u>	<u>\$ 2,023,679</u>	<u>\$ 4,963,779</u>

Financial Analysis of the City 's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Capital Assets

The City 's investment in fixed assets for its governmental and business-type activities as of September 30, 2025 amounts to \$3,279,783 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment and improvements, water distribution system.

Additional information on the City 's capital assets can be found in the Notes to Financial Statements in this report.

Long-Term Debt

As of fiscal year, ending September 30, 2025 the City had an outstanding loan payable totaling \$194,200 for the water system.

Next Year's Budgets and Rates

The state of Florida, by constitution, does not have a state personal income tax: therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise and occupational license) for their governmental activities. There is a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal Governments, which provide funding for specific programs, projects, or activities. The City can also generate revenue through rental agreements, fund raising, and donations. For business-type activities and certain governmental activities (permitting and recreational programs), the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services has an impact on the City's specific competitive ability to encourage development and redevelopment (office, retail, residential, and industrial) for those businesses that choose to locate in our jurisdiction. As the City has limited growth potential, it places a great emphasis on redevelopment.

Request for Information

This financial report is designed to give a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City Clerk, Ms. Nita Miller, 8209 Florida 85, Laurel Hill, FL 32567, or by calling (850) 652-4441.

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash, unrestricted	\$ 738,463	\$ 498,961	\$ 1,237,424
Receivables, net	—	28,867	28,867
Prepaid expenses	—	10,086	10,086
Lease receivable - current	15,000	—	15,000
Restricted asset:			
Cash	409,449	241,860	651,309
Total current assets	<u>1,162,912</u>	<u>779,774</u>	<u>1,942,686</u>
Noncurrent assets			
Capital assets, net of depreciation			
Land	69,897	4,700	74,597
Buildings and improvements	502,786	—	502,786
Improvements other than buildings	33,314	1,477,282	1,510,596
Machinery and equipment	18,078	5,905	23,983
Infrastructure	1,167,821	—	1,167,821
Total capital assets net	<u>1,791,896</u>	<u>1,487,887</u>	<u>3,279,783</u>
Lease receivable – long-term	22,882	—	22,882
Total non-current assets	<u>1,814,778</u>	<u>1,487,887</u>	<u>3,302,665</u>
Total Assets	<u>2,977,690</u>	<u>2,267,661</u>	<u>5,245,351</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,844	15,123	17,967
Accrued liabilities	1,137	—	1,137
Liabilities payable from restricted assets:			
Current portion of revenue bonds	—	23,600	23,600
Customer deposits	—	33,809	33,809
Accrued interest	—	850	850
Total current liabilities	<u>3,981</u>	<u>73,382</u>	<u>77,363</u>
Noncurrent liabilities			
Revenue bonds payable	—	170,600	170,600
Total non-current liabilities	<u>—</u>	<u>170,600</u>	<u>170,600</u>
Total Liabilities	<u>3,981</u>	<u>243,982</u>	<u>247,963</u>
DEFERRED INFLOW OF RESOURCES			
Deferred lease income	33,609	—	33,609
Total Deferred Inflow of Resources	<u>33,609</u>	<u>—</u>	<u>33,609</u>
NET POSITION			
Investment in capital assets, net of related debt	1,791,896	1,293,687	3,085,583
Restricted for:			
Public safety	384,874	—	384,874
Revenue bond retirement	—	33,562	33,562
Impact fees	—	148,284	148,284
Unrestricted	763,330	548,146	1,311,476
Total Net Position	<u>2,940,100</u>	<u>2,023,679</u>	<u>4,963,779</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,977,690</u>	<u>\$ 2,267,661</u>	<u>\$ 5,245,351</u>

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 282,422	\$ 24,618	\$ 35,385	\$ —	\$ (222,419)	\$ —	\$ (222,419)
Public safety	43,042	1,270	—	—	(41,772)	—	(41,772)
Streets	122,296	12,924	—	—	(109,372)	—	(109,372)
Culture and recreation	4,469	—	—	—	(4,469)	—	(4,469)
Total governmental activities	<u>452,229</u>	<u>38,812</u>	<u>35,385</u>	<u>—</u>	<u>(378,032)</u>	<u>—</u>	<u>(378,032)</u>
Business-Type Activities							
Water Utility	<u>382,418</u>	<u>466,549</u>	<u>—</u>	<u>500,000</u>	<u>—</u>	<u>584,131</u>	<u>584,131</u>
Total business-type activities	<u>382,418</u>	<u>466,549</u>	<u>—</u>	<u>500,000</u>	<u>—</u>	<u>584,131</u>	<u>584,131</u>
Total Primary Government	<u>\$ 834,647</u>	<u>\$ 505,361</u>	<u>\$ 35,385</u>	<u>\$ 500,000</u>	(378,032)	584,131	206,099
General Revenues:							
Taxes:							
Property tax					99,961	—	99,961
Sales tax and other shared revenues					265,838	—	265,838
Other taxes					60,944	—	60,944
Investment earnings					13,945	—	13,945
Miscellaneous					3,922	—	3,922
Transfers					(261,071)	261,071	—
Total General Revenues					<u>183,539</u>	<u>261,071</u>	<u>444,610</u>
Changes in Net Position					(194,493)	845,202	650,709
Net Position – Beginning of Year					<u>3,134,593</u>	<u>1,178,477</u>	<u>4,313,070</u>
Net Position – End of Year					<u>\$ 2,940,100</u>	<u>\$ 2,023,679</u>	<u>\$ 4,963,779</u>

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash unrestricted	\$ 738,463
Cash restricted	409,449
Leases receivable	<u>37,882</u>
Total Assets	<u>1,185,794</u>
LIABILITIES DEFERRED INFLOW OF RESOURCES AND FUND BALANCE	
Liabilities:	
Payroll Liabilities Payable	1,137
Accounts Payable	<u>2,844</u>
Total Liabilities	<u>3,981</u>
Deferred Inflow of Resources:	
Deferred lease income	<u>33,609</u>
Total Deferred Inflow of Resources	<u>33,609</u>
Fund Balance:	
Restricted for:	
Public safety	384,874
Assigned for:	
Community development	24,575
Unassigned	<u>738,755</u>
Total Fund Balance	<u>1,148,204</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 1,185,794</u>

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2025

Fund Balances –Governmental Fund \$ 1,148,204

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial
resources; therefore they are not reported in the governmental funds 1,791,896

Net Position of Governmental Activities Per Statement of Net Position **\$ 2,940,100**

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>
REVENUES:	
Ad-Valorem Taxes	\$ 99,961
Alcoholic License Tax	147
Communication Tax	18,423
Electric Franchise & Utility Taxes	60,944
Fire Public Safety Facilities Fee	1,270
Interest Earnings	13,945
Local Government ½ Cent Tax	76,044
Local Option Fuel Tax	43,812
Mobile Home Licenses	381
Occupational & Business Tax	651
Okaloosa ½ Cent Tax	79,760
Lease Revenue	23,997
State Mowing Contract	12,924
State Revenue Sharing	47,148
Traffic Court Fines	240
State Grants	35,385
Miscellaneous	<u>3,775</u>
Total Revenues	<u>518,807</u>
EXPENDITURES	
General Government	269,626
Public Safety	24,430
Streets	65,674
Culture and Recreation	710
Total Expenditures	<u>360,440</u>
Excess (deficit) of revenues over (under) expenditures	<u>158,367</u>
Other financing sources (uses)	
Transfers out	<u>(261,071)</u>
Net Change in Fund Balance	(102,704)
Net Position, beginning of year	<u>1,250,908</u>
Net Position, end of year	<u>\$ 1,148,204</u>

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

Excess revenues over expenditures \$ (102,704)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental fund reports capital outlay as expenditures while governmental
activities reports depreciation expense, (91,789), to allocate capital outlay expenditures,
0, and leases over the life of the assets:

Depreciation expense (91,789)

Change in Net Position of Statement of Activities **\$ (194,493)**

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	<u>Water Fund</u>
ASSETS	
Current Assets:	
Cash unrestricted	\$ 498,961
Accounts receivable	28,867
Prepaid expenses	<u>10,086</u>
Total unrestricted assets	<u>537,914</u>
Restricted Assets:	
Cash, customer deposits	60,014
Cash, impact fees	148,284
Cash, sinking and reserve funds	<u>33,562</u>
Total Restricted Assets	<u>241,860</u>
Total current assets	<u>779,774</u>
Capital Assets:	
Land	4,700
Improvements other than buildings	3,233,766
Machinery and equipment	134,140
Less accumulated depreciation	<u>(1,884,719)</u>
Total Capital Assets (net of depreciation)	<u>1,487,887</u>
Total Assets	<u>2,267,661</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts payable	15,123
Revenue bonds payable (current)	23,600
Accrued interest	850
Customer deposits	<u>33,809</u>
Total Current Liabilities	<u>73,382</u>
Non-Current Liabilities:	
Revenue bonds payable (noncurrent)	<u>170,600</u>
Total Non-Current Liabilities	<u>170,600</u>
Total Liabilities	<u>243,982</u>
NET POSITION	
Invested in capital assets, net of related debt	1,293,687
Restricted for:	
Revenue bond retirement	33,562
Impact fees	148,284
Unrestricted	<u>548,146</u>
Total Net Position	<u>2,023,679</u>
Total Liabilities and Net Position	<u>\$ 2,267,661</u>

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

Operating Revenues:

Charges for services	\$ 458,225
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Operating Expenses:

Personnel services	157,563
Material and supplies	14,092
Repairs and maintenance	68,289
Utilities	20,013
Other operating expenses	33,451
Depreciation and amortization	<u>77,731</u>
Total Operating Expenses	<u>371,139</u>

Net Operating Income (Loss)	87,086
------------------------------------	--------

Non-Operating Revenues (Expenses)

Interest income	8,324
Interest expense	(11,279)
Transfers in	<u>261,071</u>
Total Non-operating Revenues (Expenses)	<u>258,116</u>

Capital Contribution	500,000
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Income (Loss) and Change in Net Position	845,202
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Net Position – Beginning of Year	<u>1,178,477</u>
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Net Position – End of Year	<u><u>\$ 2,023,679</u></u>
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See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

Cash Flows From Operating Activities

Receipts from customers and users	\$ 455,927
Payments to suppliers	(117,250)
Payments to employees	<u>(157,563)</u>

Net cash provided (used) by operating activities 181,114

Cash Flows From Investing Activities

Interest income	8,324
Purchase of fixed assets	<u>(970,992)</u>

Net cash provided (used) for investing activities (962,668)

Cash Flows From Financing Activities

Capital Contribution	500,000
Transfer in	261,071
Interest paid on long term debt	(11,377)
Principal paid on long term debt	<u>(22,500)</u>
Net cash provided (used) financing activities	<u>727,194</u>

Net increase (decrease) in cash and cash equivalents (54,360)

Cash and cash equivalents, – beginning of year 795,181

Cash and cash equivalents, end of year **\$ 740,821**

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2025

**Reconciliation of operating income/(loss) to
Net cash provided by operating activities:**

Net Income	\$ 87,086
Adjustments to reconcile increase in net assets to net Cash provided by operating activities:	
Depreciation	77,731
Plus decrease (increase) in net assets:	
Accounts receivable, net	(2,298)
Prepaid expenses	(265)
Plus increase (decrease) in liabilities:	
Accounts payable	15,123
Customer deposits	<u>\$ 3,737</u>
Net cash provided (used) by operating activities	<u>\$ 181,114</u>

See accompanying notes to the basic financial statements

CITY OF LAUREL HILL, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Laurel Hill (The City) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body that establishes governmental accounting and financial reporting principles.

This summary of the City 's significant accounting policies is presented to assist the reader in interpreting the financial statements and other information in this report. These policies are essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

The City of Laurel Hill was incorporated under laws and statutes of the state of Florida in 1953. The City operates under a Mayor-Council form of government. As authorized by its charter, the City provides the following services: road and streets, water, culture and recreation, public improvements, and general administrative services.

Component Unit

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. No potential component units were identified.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the City are composed of the following:

Government-wide financial statements
Fund Financial Statements
Notes to financial statements

Government-wide and Fund Financial Statements

The City 's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City 's general and proprietary funds). Both government wide and fund financial statements categorize primary activities as either governmental or business type. The City 's fire protection, parks and recreation, street, gas, and general administration services are classified as governmental activities. In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis, and are reported in full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The City 's net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities. The government-wide Statement of Net Position reports as restricted net assets those resources that are restricted by legislation. The government-wide Statement of Activities reports

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

both gross and net cost of each of the City 's functions and business-type activities: general government, fire, etc. The functions are also supported by general government revenues (Ad valorem Taxes, State Revenue Sharing, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and capital grants. Program revenues must be directly associated with the function or business-type activity. The capital grants reflect capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (Electric Franchise or Utility taxes, Communication Services taxes, etc.). The City does not allocate indirect costs. This government-wide focus is more on the sustainability of the City as an entity and the change in the City 's net assets resulting from current year activities.

Governmental funds are used to account for the general government activities. Governmental fund types use the flow of current financial measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual {i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Ad valorem taxes, reimbursements for incidents and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current period. All other revenue items are considered measurable and available only when cash is received by the City . Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, and all other grant requirements have been met. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that includes assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position, rather than upon net income. The City has two major governmental funds:

General Fund: The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds are used to account for the enterprise activities such as selling water utility services to customers. The focus of proprietary funds is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to private sector business. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result from providing and delivering services in connection with the principal ongoing operation of the fund.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses include all costs associated with providing these services, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Contributions to capital arise from contributions of resources restricted to capital acquisition and construction. The following is a description of the City's enterprise fund:

Water Fund: The water fund is used to account for user charges and expenses associated with providing water services.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities. The City determined that all funds met the criteria of a major fund.

Basis of accounting refers to the point that revenues and expenditures/expenses are recognized in the accounts and reported in financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, and when they are measurable and available. Measurable means the amount of the transaction is known or can be reasonably estimated. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligations long-term debt are recorded only when payment is due.

Budgets and Budgetary Accounting

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget changes that affect the total of a fund's budget must be approved by the Board.

The budgetary information presented for the general fund and any major governmental funds is prepared on the modified accrual basis. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

Cash and Cash Equivalents

The City considers the following to be cash or cash equivalents: bank deposits, demand deposits, interest bearing accounts such as time deposits and certificates of deposit, and highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivables are recorded at their net realizable value. The balances at September 30, 2025 were \$0 and \$28,867 for governmental activities and business-type activities, respectively.

Internal Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These transactions are classified as "Internal Balances" in the financial statements, and are listed as revenues, expenditures, or reimbursements. Internal Balance transactions that are reimbursements to a fund for expenditures/expenses initially made from it, and that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expense in the fund being reimbursed. The payroll costs for all funds are paid out of the General Fund, and the Water Fund transfers funds to the General Fund to pay for Water Fund payroll costs.

Prepaid Expenses

General fund expenditures for insurance and similar services extended over more than one year are accounted for as expenditures in the year paid. In addition, due to timing of payroll, negative direct deposit liabilities are reclassified as prepaid expenses as of the date of the fiscal year end.

Investment in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rather, that portion of the debt is included in the same net position component as unspent proceeds. Capital assets, which include property and equipment, are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the City as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is recorded on the straight-line basis over the estimated useful lives of assets generally as follows:

Building and improvements	40 years
Improvements other than buildings	10 to 40 years
Machinery and equipment	3 to 20 years
Infrastructure	40 years

Governmental Accounting Standards Board (GASB) statement number 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, drainage systems, water systems, etc.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued No. 87, Leases to better meet the information needs of financial statement users, by improving accounting and financial reporting for leases by governments. GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial assets for a period of time in an exchange or exchange-like transaction. Leases that do not convey a right of control over non-financial assets, (land, buildings, vehicles, equipment), are not considered leases under GASB 87, (i.e. intangible assets, biological assets, inventory, service concessions, and supply contracts). Leases between City entities, leases without stated ending dates, and leases for nominal amounts are also not considered leases under GASB 87. Lease assets and lease receivables are not recorded for short-term leases, (12 months or less), and certain regulated leases. The City implemented GASB Statement No. 87 as of October 1, 2021. In accordance with GASB Statement No. 87, lease assets were recorded based on the present value of future lease payments as of the implementation date.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lessor: The City is a lessor for a lease of real property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue over the life of the lease term.

Key estimates and judgments include how the City determines: (1) the discount rate used to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the period of the lease and any extension periods from options that are reasonably certain of being exercised. Lease receipts included in the measurement of the lease receivable is composed of minimum expected fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report, when applicable, a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, is a consumption of net assets by the government that applies to a future reporting period and so, will not be recognized as an expense/expenditure until then.

The next deferred inflows of resources are reported in the governmental and proprietary funds as deferred inflows related to leases. Deferred inflows related to leases are an aggregate of items related to leases calculated in accordance with GASB Statement No. 87, Leases. The deferred inflows related to leases will be recognized as a reduction to lease revenue in future reporting years. Details on the composition of the deferred inflows related to leases are discussed further in Note 5.

The final deferred inflows of resources arise only under the modified accrual basis of accounting. The unavailable revenue amounts are deferred as of the balance sheet date because they were not collected within the City's period of availability. The deferred amounts will be recognized as an inflow of resources in the period that the amounts become available.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. Commitments may only be modified or removed by formal resolution of the City Council.

Assigned Fund Balance – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City's Council is authorized to make assignments.

Unassigned Fund Balance – is represented by the residual classification of the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes. In the event expenditures exceed available restricted funds, then expenditures will be funded out of restricted funds to the extent of the restricted fund balance, and the remainder will be funded by the unrestricted fund balance.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in unrestricted fund balance classification could be used.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Restricted Assets

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Subsequent events

The City evaluated subsequent events through January 6, 2026, the date which the financial statements were available to be issued. The City did not have any subsequent events requiring disclosure or recording in these financial statements.

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

Cost of capital assets	\$ 3,384,760
Less: accumulated depreciation	<u>(1,592,864)</u>
Net capital assets	<u>1,791,896</u>
Net adjustment to increase <i>fund balance</i> – <i>total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 1,791,896</u>

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Explanation of certain differences between the governmental fund's statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities and depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities." The details of this difference are as follows:

Capital expenditures	\$ —
Depreciation expense	<u>(91,789)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (91,789)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the City are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts they are assessed on a pro-rata basis. The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments Policies

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following: The Local government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided sec. 163.01.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest – bearing time deposits or savings accounts in state-certified qualified public depositories as defined in sec. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

Credit Risk

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the City investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risk

At September 30, 2025, the City did not hold any deposits or investments other than those disclosed below that were considered to be an interest rate risk

Custodial Risk

At September 30, 2025, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2025, the City did not hold any investments that were considered to be a concentration of credit risk.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

At September 30, 2025, the City's cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	Total Carrying Amount
Cash	<i>(1)</i>	\$1,888,733	\$ —	\$ 1,888,733
Total		\$1,888,733	—	\$ 1,888,733

(1) These funds are not rated. Investments in these funds are restricted to cash, short term obligations of the U.S. government and government backed securities.

The City does not have a formal policy relating to interest rate risk.

NOTE 4 – ACCOUNTS RECEIVABLE

Proprietary Fund:

Historically the accounts receivable in the Water fund have a five percent uncollectible rate.

Water accounts receivable	\$29,867
Allowance for doubtful accounts	<u>(1,000)</u>
Net accounts receivable	<u>\$28,867</u>

NOTE 5 – LEASES RECEIVABLE

The City leases its real property.

Governmental activities lease receivables are held primarily by nonmajor governmental funds. In fiscal year 2025, the City recognized an initial lease receivable of \$62,518, decreases of \$26,000 for a lease receivable fiscal year ending balance of \$36,518.

The City recognized an initial deferred inflow of resources for governmental activities of \$56,081 and a decrease of \$22,472 for a deferred inflow of resources fiscal year ending balance of \$33,609.

In addition, \$2,207 was recognized as governmental activities lease interest revenue.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LEASES RECEIVABLE (continued)

The current maturities of leases receivable are as follows:

Year Ended September 30,	Total Rent	Receivable Paid	Interest Income	Deferred Inflows
2026	\$ 15,000	\$ 13,636	\$ 1,364	\$ 13,010
2027	15,000	14,262	738	13,010
2028	8,750	8,620	130	7,589
Total	<u>\$ 38,750</u>	<u>\$ 36,518</u>	<u>\$ 2,232</u>	<u>\$ 33,609</u>

NOTE 6 - CAPITAL ASSETS

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

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

	Balance 09/30/24	Additions	Reductions	Balance 09/30/25
<u>Government Activities (General Fund)</u>				
Capital assets, not being depreciated				
Land	\$ 69,897	\$ —	\$ —	\$ 69,897
Total capital assets, not being depreciated	<u>69,897</u>	<u>—</u>	<u>—</u>	<u>69,897</u>
Capital assets, being depreciated				
Buildings	1,004,979	—	—	1,004,979
Improvements other than buildings	100,562	—	—	100,562
Machinery and equipment	437,654	—	—	437,654
Infrastructure	1,771,668	—	—	1,771,668
Total capital assets, being depreciated	<u>3,314,863</u>	<u>—</u>	<u>—</u>	<u>3,314,863</u>
Total cost of capital assets	<u>3,384,760</u>	<u>—</u>	<u>—</u>	<u>3,384,760</u>
<u>Less accumulated depreciation</u>				
Buildings	(480,965)	(21,228)	—	(502,193)
Improvements other than buildings	(64,750)	(2,498)	—	(67,248)
Machinery and equipment	(403,863)	(15,713)	—	(419,576)
Infrastructure	(551,497)	(52,350)	—	(603,847)
Total accumulated depreciation	<u>(1,501,075)</u>	<u>(91,789)</u>	<u>—</u>	<u>(1,592,864)</u>
Total capital assets being depreciated, net	<u>1,813,788</u>	<u>(91,789)</u>	<u>—</u>	<u>1,721,999</u>
Governmental activity, capital assets, net	<u>\$ 1,883,685</u>	<u>\$ (91,789)</u>	<u>\$ —</u>	<u>\$ 1,791,896</u>

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

General Government	\$ 12,796
Public Safety	18,612
Streets	56,622
Culture and Recreation	3,759
	<u>\$ 91,789</u>

	<u>Balance</u> <u>09/30/24</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/25</u>
<u>Business-type Activities (Water Fund)</u>				
Capital assets, not being depreciated				
Land	\$ 4,700	\$ —	\$ —	\$ 4,700
Total capital assets, not being depreciated	<u>4,700</u>	<u>—</u>	<u>—</u>	<u>4,700</u>
Capital assets being depreciated				
Improvements other than buildings	2,266,871	966,895	—	3,233,766
Machinery and equipment	130,043	4,097	—	134,140
Total capital assets, being depreciated	<u>2,396,914</u>	<u>970,992</u>	<u>—</u>	<u>3,367,906</u>
Total cost of capital assets	<u>2,401,614</u>	<u>970,992</u>	<u>—</u>	<u>3,372,606</u>
<u>Less accumulated depreciation</u>				
Improvements other than buildings	(1,683,049)	(73,435)	—	(1,756,484)
Machinery and equipment	(123,939)	(4,296)	—	(128,235)
Total accumulated depreciation	<u>(1,806,988)</u>	<u>(77,731)</u>	<u>—</u>	<u>(1,884,719)</u>
Total capital assets, being depreciated, net	<u>589,926</u>	<u>893,261</u>	<u>—</u>	<u>1,483,187</u>
Business-type activities, capital assets, net	<u>\$ 594,626</u>	<u>\$ 893,261</u>	<u>\$ —</u>	<u>\$ 1,487,887</u>

NOTE 7 - LONG-TERM DEBT

The Governmental Activities General Fund does not have any long-term debt.

The water fund has long term debt due to the U.S. Department of Agriculture (USDA). The City will make annual payments ranging from \$33,861 to \$34,101 at an interest rate of 5.25% until September 2033. Revenues of the City's water system are pledged as collateral. The total balance of the loan as of September 30, 2025 is \$194,200.

There are a number of other limitations and restrictions, pertaining to sinking fund and reserve cash requirements, insurance, user fees, etc. contained in various debt instruments. The City is in compliance with all significant limitations and restrictions.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (continued)

The long-term debt schedule is as follows:

Year Ended September 30,	Principal	Interest	Total
2026	\$ 23,600	\$ 10,196	\$ 33,796
2027	24,900	8,956	33,856
2028	26,200	7,649	33,849
2029	27,600	6,274	33,874
2030	29,000	4,825	33,825
Thereafter	62,900	5,003	67,903
Total	<u>\$ 194,200</u>	<u>\$ 42,903</u>	<u>\$ 237,103</u>

The following is a summary of long-term debt transactions for the year ended September 30, 2025:

	Balance 10/01/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year	Long-Term Portion
<u>Governmental Activities</u>						
None	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<u>Business-type Activities</u>						
Revenue Bonds, Series 1993 (USDA Loan)	<u>216,700</u>	<u>—</u>	<u>22,500</u>	<u>194,200</u>	<u>23,600</u>	<u>170,600</u>
Total – All Funds	<u>\$ 216,700</u>	<u>\$ —</u>	<u>\$ 22,500</u>	<u>\$ 194,200</u>	<u>\$ 23,600</u>	<u>\$ 170,600</u>

NOTE 8 – INTERNAL BALANCES

Internal balances represent expenses paid and revenues received by the general fund, special revenue fund, and the proprietary fund that have not been transferred to the appropriate fund as of the end of the fiscal year. These amounts are displayed on the financial statements as Internal Balances and represent due to and due from amounts to the other fund. Balances as of September 30, 2025 are displayed below:

Governmental Activities

General Fund – Due From Proprietary Fund \$ —

Total Governmental Interfund Balance \$ —

Proprietary Fund

Proprietary Fund – Due To General Fund \$ —

Total Proprietary Interfund Balance \$ —

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAUREL HILL, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budget Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
Revenues:				
Ad Valorem Taxes	\$ 99,305	\$ 99,305	\$ 99,961	\$ 656
Alcohol License Tax	750	750	147	(603)
Communication SCV Taxes	10,000	10,000	18,423	8,423
Electric Franchise Taxes	50,000	50,000	60,944	10,944
Fire Public Safety Facilities Fee	500	500	1,270	770
Interest Earnings	7,500	7,500	13,945	6,445
Local Govt ½ Cent Tax	62,500	62,500	76,044	13,544
Local Option Fuel Taxes	40,000	40,000	43,812	3,812
Mobile Home License	700	700	381	(319)
Occupational Licenses	950	950	651	(299)
Okaloosa ½ Cent Sales Tax	66,500	66,500	79,760	13,260
Rents and Leases	29,500	29,500	23,997	(5,503)
State Moving Contract	9,693	9,693	12,924	3,231
State Revenue Sharing	37,500	37,500	47,148	9,648
Traffic Court Fines	200	200	240	40
State Grants	—	35,385	35,385	—
Other Misc Revenue	—	—	3,775	3,775
Total Revenues	415,598	450,983	518,807	67,824
Expenditures:				
General				
F & A Accounting and Audit	5,000	5,200	9,700	4,500
G & A Communication and Freight	4,250	4,250	4,682	432
G & A Dues and memberships	1,400	1,400	495	(905)
G & A Insurance	40,750	40,750	57,105	16,355
G & A Office Supplies	2,400	2,400	600	(1,800)
G & A Operating Supplies	4,500	4,500	6,288	1,788
G & A Other Contract SVS	250	250	1,781	1,531
G & A Professional SVS	16,500	16,500	6,250	(10,250)
G & A Property Tax	3,500	3,500	3,416	(84)
G & A Repairs and Maintenance	2,500	2,500	631	(1,869)
G & A Sales Tax	900	900	—	(900)
G & A Travel & Per Diem	500	500	107	(393)
G & A Utility Services	27,000	27,000	22,593	(4,407)
Legal Advertising	4,500	4,500	1,544	(2,956)
Other Current Charges	—	—	2,168	2,168
Payroll Expenses	137,573	137,573	106,484	(31,089)
Life & Health Insurance	24,611	24,611	37,859	13,248
IT (Systems Upgrade)	5,000	5,000	7,923	2,923
Scholarship	1,000	1,000	—	(1,000)
G & A Unreserved Funds	1,164	1,164	—	(1,164)
Okaloosa ½ cent tax set aside	66,500	66,500	—	(66,500)
Total General	349,798	349,998	269,626	(80,372)

CITY OF LAUREL HILL, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUND (continued)
YEAR ENDED SEPTEMBER 30, 2025

	Budget Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
Public Safety				
FC Fuel	1,500	1,500	2,277	777
FC Operating Supplies	5,000	5,000	1,264	(3,736)
FC Repair & Maintenance	6,500	6,500	18,789	12,289
FC Special Pay	<u>2,100</u>	<u>2,100</u>	<u>2,100</u>	<u>—</u>
Total Public Safety	<u>15,100</u>	<u>15,100</u>	<u>24,430</u>	<u>9,330</u>
Streets				
R&S Fuel	7,500	7,500	5,990	(1,510)
R&S Operating Supplies	2,500	2,500	1,656	(844)
R&S Repairs & Maintenance	11,000	11,000	5,377	(5,623)
R&S Road Materials	<u>15,000</u>	<u>15,000</u>	<u>2,433</u>	<u>(12,567)</u>
Total Streets	<u>36,000</u>	<u>36,000</u>	<u>15,456</u>	<u>(20,544)</u>
Culture & Recreation				
P&R Operating Supplies	500	500	—	(500)
P & R Repairs and Maintenance	<u>5,500</u>	<u>5,500</u>	<u>710</u>	<u>(4,790)</u>
Total Culture & Recreation	<u>6,000</u>	<u>6,000</u>	<u>710</u>	<u>(5,290)</u>
Capital Outlay				
HWY 2 Waterline	—	45,263	45,263	—
Lead Service Line	—	35,385	35,385	—
IT Equipment	<u>—</u>	<u>8,309</u>	<u>8,309</u>	<u>—</u>
Total Capital Outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures	<u>406,898</u>	<u>407,098</u>	<u>340,483</u>	<u>(46,658)</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>\$ 8,700</u>	<u>\$ 43,885</u>	<u>\$ 158,367</u>	<u>\$ 114,482</u>

COMPLIANCE

Vance CPA LLC
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and Members
of the City Council
City of Laurel Hill

We have examined the City of Laurel Hill's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025, as required by Section 10.556(10)(a) *Rules of the Auditor General*.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City'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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the City'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 City's compliance with specified requirements.

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

Apalachicola, Florida
January 6, 2026

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Vance CPA LLC

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Certified Public Accountants

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and Members
of the City Council
City of Laurel Hill

We have audited the financial statements of the City of Laurel Hill as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated January 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; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor'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 January 6, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings:

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, require 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 statement. This information is disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedure and report the results of our determination as to whether or not the City of Laurel Hill has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Laurel Hill was not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Laurel Hill'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.

Property Assessed Clean Energy (PACE) Programs

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

Other Matters

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

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

Purpose of this Letter

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

Apalachicola, Florida
January 6, 2026



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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

Honorable Mayor and Members
of the City Council
City of Laurel Hill

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 City of Laurel Hill, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Laurel Hill's basic financial statements, and have issued our report thereon dated January 6, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Laurel Hill'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 City of Laurel Hill's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Laurel Hill'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 City of Laurel Hill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Apalachicola, Florida
January 6, 2026

Vance CPA LLC

Vance CPA LLC