Annual Financial Report

September 30, 2025

Town of Montverde, Florida

INTRODUCTORY SECTION

Town of Montverde, Florida

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MAYOR

Joe Wynkoop

TOWN COUNCIL

Carol Womack	Council Vice President
Allan Hartle	Council Member
Joe Morganelli	Council Member
Jim Ley	Council Member

Town Manager	Town Clerk	Finance/Accounting
Paul Larino	Sandy Johnson	Mai Yang

FINANCIAL SECTION

McDirmit Davis

1800 Pembrook Drive, Suite 170
Orlando, Florida 32810
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the *Town of Montverde, Florida,* as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of *Town of Montverde, Florida,* as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison information for the general fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAAS and GAS 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 GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and Supplementary Pension Schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to 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 Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and 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 a report dated June 25, 2026, on our consideration of the Town'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

McDirmit Davis

Orlando, Florida
June 25, 2026

As management of the Town of Montverde, Florida, we offer readers of the Town of Montverde's financial statements this narrative overview and analysis of the financial activities of the Town of Montverde for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of the Town of Montverde exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $14,472,132 (net position). Of this amount, $812,708 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $1,968,614.
- As of the close of the current fiscal year, the Town of Montverde's governmental funds reported combined ending fund balances of $1,605,080, a decrease of $1,108,524 in comparison with the prior year. Approximately 17% of this total amount, $266,690, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $266,690, or 6% of total general fund expenditures.

Overview of the Financial Statements

The financial statements focus on both the Town 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 Town's accountability.

This discussion and analysis are intended to serve as an introduction to the Town of Montverde's (the Town) basic financial statements. The Town's basic financial statements comprise 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 a broad overview of the Town of Montverde's financial position, in a manner similar to a private-sector business. They include a Statement of Net Position and a Statement of Activities.

The Statement of Net Position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Montverde 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 Town of Montverde include general government, public safety, physical environment, transportation, and culture and recreation services.
The business-type activities of the Town of Montverde include the Water Utility.

The government-wide financial statements include only the Town of Montverde itself (known as the primary government).

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Montverde, 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 Town of Montverde can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the 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 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 Town of Montverde maintains two individual 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 Balances for the General Fund and ARPA Special Revenue Fund which are considered to be major funds.

The Town of Montverde adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 17.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

Proprietary Funds
Town of Montverde maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Montverde uses an enterprise fund to account for the Water Utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide more detailed information for the Water Utility.

The basic proprietary fund financial statements can be found on pages 18 - 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 22 - 42 of this report.

Required Supplementary Information (RSI)

RSI can be found on pages 43 - 44 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Montverde, assets exceeded liabilities by $14,472,132 at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 12.

Statement of Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024 Restated	2025	2024 Restated	2025	2024 Restated
Assets:						
Current and other assets	$ 2,137,135	$ 7,227,812	$ 2,106,092	$ 2,301,150	$ 4,243,227	$ 9,528,962
Capital assets	6,029,788	4,305,341	5,492,151	3,993,724	11,521,939	8,299,065
Total assets	8,166,923	11,533,153	7,598,243	6,294,874	15,765,166	17,828,027
Deferred Outflows	114,502	105,064	87,847	62,832	202,349	167,896
Liabilities:						
Long term liabilities	230,482	275,255	247,151	298,815	477,633	574,070
Other liabilities	532,055	4,514,791	357,386	290,528	889,441	4,805,319
Total liabilities	762,537	4,790,046	604,537	589,343	1,367,074	5,379,389
Deferred Inflows	72,606	70,722	55,703	42,294	128,309	113,016
Net Position:						
Net investment in capital assets	6,029,788	4,265,637	5,417,181	3,834,487	11,446,969	8,100,124
Restricted	1,338,390	1,293,617	874,065	138,211	2,212,455	1,431,828
Unrestricted	78,104	1,218,195	734,604	1,753,371	812,708	2,971,566
Total net position	$ 7,446,282	$ 6,777,449	$ 7,025,850	$ 5,726,069	$ 14,472,132	$ 12,503,518

$11,446,969 (79%) of the Town's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net position that is subject to external restrictions as to how it may be used total $2,212,455 (15%). The remaining balance of unrestricted net position ($812,708 or 6%) may be used to meet the government's ongoing obligations to citizens and creditors.

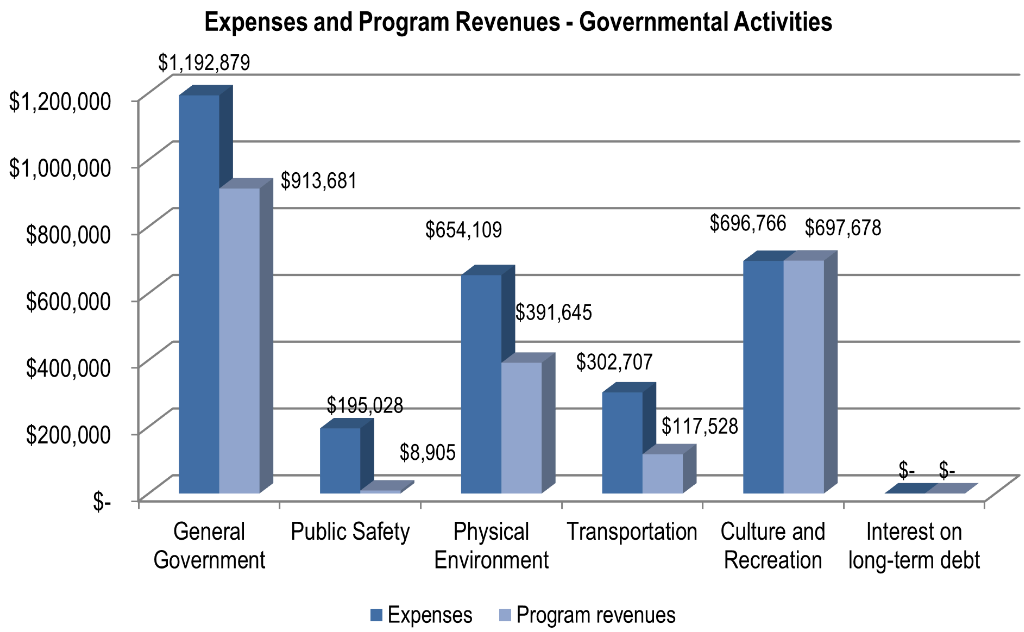
The Town's net position increased by $1,968,614 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year. For more detail see the Statement of Activities on page 13.

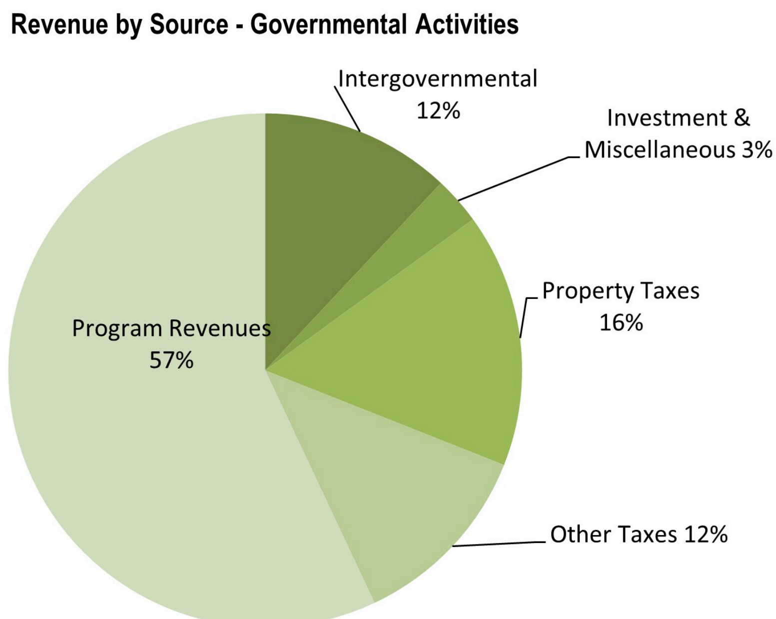
Changes in Net Position as of September 30:

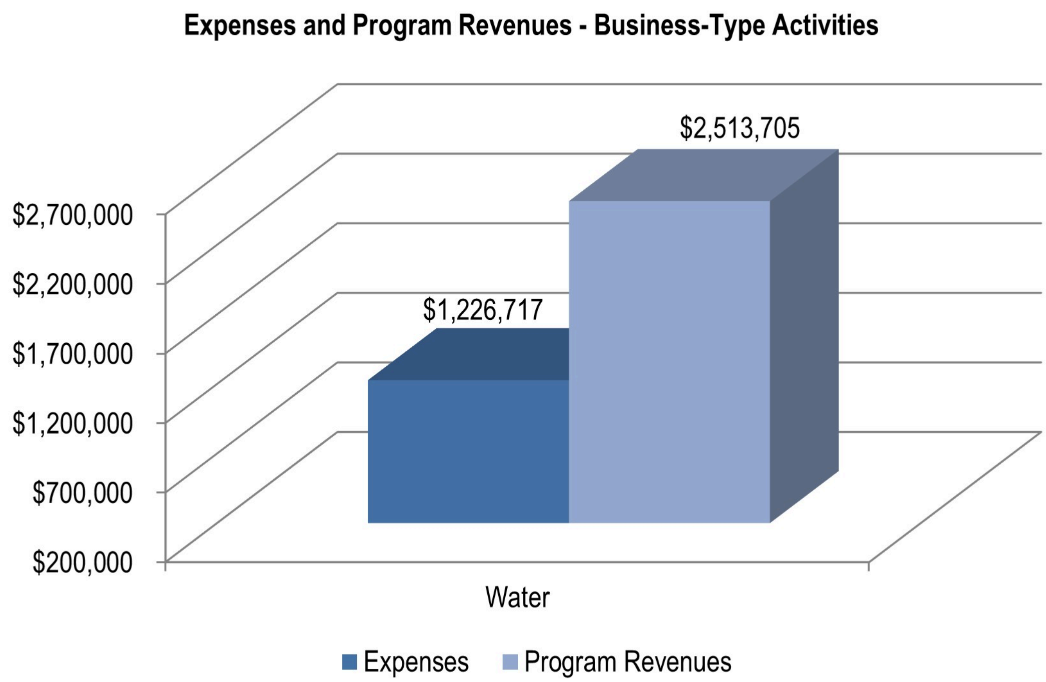
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024, as restated	2025	2024, as restated	2025	2024, as restated
Revenues:						
Program revenues -						
Charges for services	$ 1,426,654	$ 1,877,495	$ 1,488,150	$ 1,494,963	$ 2,914,804	$ 3,372,458
Operating grants and contributions	156,122	160,166	-	-	156,122	160,166
Capital grants and contributions	546,661	2,023,080	1,025,555	425,612	1,572,216	2,448,692
General revenues -						
Property taxes	579,041	451,116	-	-	579,041	451,116
Franchise and utility Taxes	440,189	384,085	-	-	440,189	384,085
Intergovernmental	456,853	420,226	-	-	456,853	420,226
Investment income and other	104,802	96,509	12,793	11,710	117,595	108,219
Total revenues	3,710,322	5,412,677	2,526,498	1,932,285	6,236,820	7,344,962
Expenses:						
General government	1,192,879	1,130,977	-	-	1,192,879	1,130,977
Public safety	195,028	176,224	-	-	195,028	176,224
Physical environment	654,109	352,496	-	-	654,109	352,496
Transportation	302,707	417,127	-	-	302,707	417,127
Culture and recreation	696,766	741,622	-	-	696,766	741,622
Interest on long-term debt	-	583	-	-	-	583
Water	-	-	1,226,717	1,098,376	1,226,717	1,098,376
Total expenses	3,041,489	2,819,029	1,226,717	1,098,376	4,268,206	3,917,405
Increase (Decrease) in Net Position Before Transfers	668,833	2,593,648	1,299,781	833,909	1,968,614	3,427,557
Transfers	-	(1,173,184)	-	1,173,184	-	-
Increase (Decrease) in Net Position	668,833	1,420,464	1,299,781	2,007,093	1,968,614	3,427,557
Net position, October 1	6,777,449	5,373,372	5,726,069	3,727,485	12,503,518	9,100,857
Restatements	-	(16,387)	-	(8,509)	-	(24,896)
Net position, October 1, as restated	6,777,449	5,356,985	5,726,069	3,718,976	12,503,518	9,075,961
Net position , September 30	$ 7,446,282	$ 6,777,449	$ 7,025,850	$ 5,726,069	$ 14,472,132	$ 12,503,518

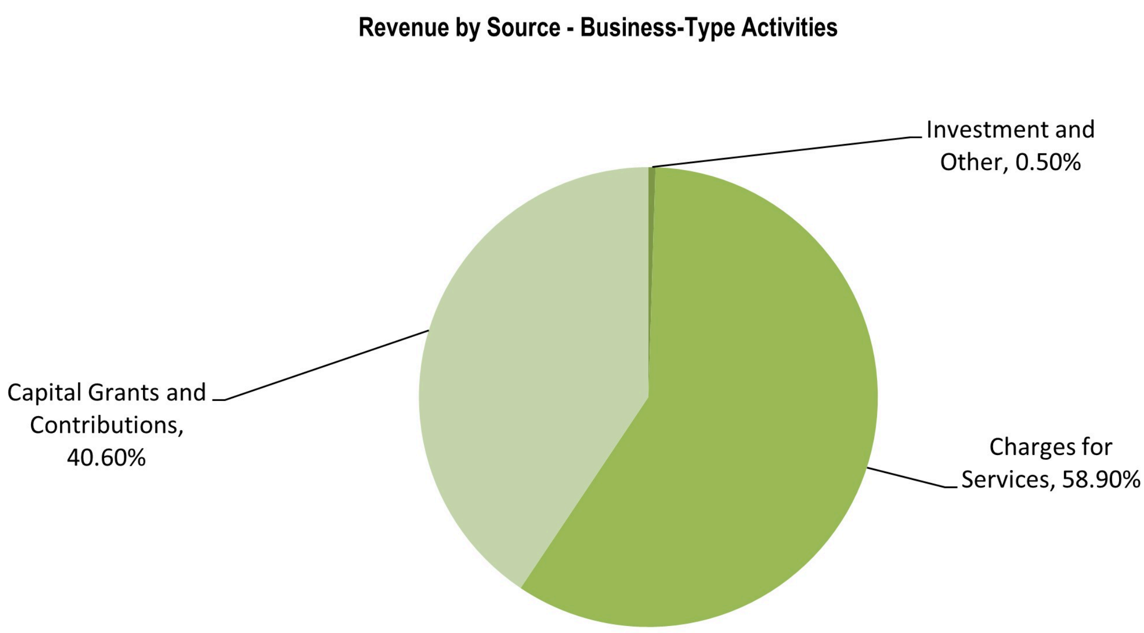
Governmental Activities
Governmental activities increased the Town of Montverde's net position by $668,833. This increase was primarily due to the increase in housing development related fees.

Business-Type Activities
Business-type activities increased the Town of Montverde's net position by $1,420,464. This increase was primarily due to the increase in meter fees and grant revenues.






Expenses and Program Revenues - Business-Type Activities
$2,513,705
$1,226,717
$2,700,000
$2,200,000
$1,700,000
$1,200,000
$700,000
$200,000
Water
Expenses
Program Revenues


Revenue by Source - Business-Type Activities
Investment and Other, 0.50%
Capital Grants and Contributions, 40.60%
Charges for Services, 58.90%

Financial Analysis of the Government's Funds

As noted earlier, the *Town of Montverde* uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the *Town of Montverde'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.

As of the end of the current fiscal year, the *Town of Montverde's* governmental funds reported combined ending fund balances of $1,605,080, a decrease of $1,108,524 in comparison with the prior year. Approximately 17% or $266,690 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted for particular purposes and totals $1,338,390.

The general fund is the chief operating fund of the *Town of Montverde*. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 6% and 33% respectively, of total General Fund expenditures.

The fund balance of the general fund decreased by $(1,040,049) during the current fiscal year. This can primarily be attributed to increased capital expenditures.

Proprietary Funds

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

Unrestricted net position of the proprietary funds at the year-end amounted to $734,604. The total increase in net position for this fund was $1,420,464. Other factors concerning the finances of these funds have already been addressed in the discussion of the *Town of Montverde's* business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues were $2,150,286 less than budgeted revenues and actual expenditures were $1,509,843 less than budgeted expenditures. The difference between the original General Fund budget and the final amended General Fund budget resulted in an increase of $125,000 in appropriations from fund balance.

Capital Asset and Debt Administration

The *Town of Montverde's* investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $11,521,939 (net of accumulated depreciation), for an increase of $3,222,874 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and intangibles. The total increase in the Town's investment in capital assets for the current fiscal year was 38.83% (a 40.05% increase for governmental activities, and 37.52% increase for business-type activities).

Capital Assets (Net of Depreciation) as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	$ 814,368	$ 814,368	$ 300,963	$ 300,963	$ 1,115,331	$ 1,115,331
Construction in progress	-	993,710	3,590,040	2,172,249	3,590,040	3,165,959
Buildings	3,151,957	718,076	-	-	3,151,957	718,076
Improvements	819,627	644,377	-	-	819,627	644,377
Infrastructure	817,618	717,011	1,330,627	1,366,566	2,148,245	2,083,577
Equipment	426,218	414,053	270,521	148,097	696,739	562,150
Intangibles	-	3,746	-	5,849	-	9,595
Total	$ 6,029,788	$ 4,305,341	$ 5,492,151	$ 3,993,724	$ 11,521,939	$ 8,299,065

Additional information on the *Town of Montverde's* capital assets can be found in Note 5 of this report.

Long-Term Debt
At the end of the fiscal year, the Town had total debt outstanding of $74,970. Additional information on long-term debt can be found in Note 6 of this report.

Next Year's Budget and Rates
During the current fiscal year, the unassigned fund balance in the General Fund totaled $266,690. The Town has not assigned any of the fund balance for appropriations in the 2026 budget.

Requests for Information
This financial report is designed to provide a general overview of the *Town of Montverde's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Town Clerk, *Town of Montverde*, 17404 6th Street, Montverde, FL 34756.

BASIC FINANCIAL STATEMENTS

Town of Montverde, Florida
Statement of Net Position
September 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 1,974,527	$ 1,652,778	$ 3,627,305
Receivables, net	68,958	111,275	180,233
Due from other governments	93,650	342,039	435,689
Capital Assets:			
Capital assets not being depreciated	814,368	3,891,003	4,705,371
Capital assets, net of accumulated depreciation	5,215,420	1,601,148	6,816,568
Total assets	8,166,923	7,598,243	15,765,166
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	114,502	87,847	202,349
Liabilities:			
Accounts payable and accrued expenses	239,832	173,823	413,655
Due to other governments	232,106	19,320	251,426
Deposits payable	60,117	164,243	224,360
Noncurrent Liabilities:			
Due within one year	2,111	1,155	3,266
Due in more than one year	228,371	245,996	474,367
Total liabilities	762,537	604,537	1,367,074
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	72,606	55,703	128,309
Net Position:			
Net investment in capital assets	6,029,788	5,417,181	11,446,969
Restricted for:			
Historical	3,636	-	3,636
Police	6,435	-	6,435
Infrastructure	1,186,991	-	1,186,991
Impact fees	141,328	874,065	1,015,393
Unrestricted	78,104	734,604	812,708
Total net position	$ 7,446,282	$ 7,025,850	$ 14,472,132

The accompanying Notes to Financial Statements are an integral part of this statement.

Town of Montverde, Florida
Statement of Activities
Year Ended September 30, 2025

		Program Revenue			Net (Expense) Revenue and Changes in Net Position — Primary Government		
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	$ 1,192,879	$ 913,681	$ -	$ -	$ (279,198)	$ -	$ (279,198)
Public safety	195,028	8,905	-	-	(186,123)	-	(186,123)
Physical environment	654,109	344,311	47,334	-	(262,464)	-	(262,464)
Transportation	302,707	47,877	69,651	-	(185,179)	-	(185,179)
Culture and recreation	696,766	111,880	39,137	546,661	912	-	912
Total governmental activities	3,041,489	1,426,654	156,122	546,661	(912,052)	-	(912,052)
Business-type activities:							
Water	1,226,717	1,488,150	-	1,025,555	-	1,286,988	1,286,988
Total business-type activities	1,226,717	1,488,150	-	1,025,555	-	1,286,988	1,286,988
Total primary government	$ 4,268,206	$ 2,914,804	$ 156,122	$ 1,572,216	(912,052)	1,286,988	374,936
		General Revenues:					
		Property taxes			579,041	-	579,041
		Franchise and utility taxes			440,189	-	440,189
		Intergovernmental			456,853	-	456,853
		Unrestricted investment earnings			36,655	12,793	49,448
		Miscellaneous			68,147	-	68,147
		Total general revenues			1,580,885	12,793	1,593,678
		Change in net position			668,833	1,299,781	1,968,614
		Net position, beginning, as previously presented			6,793,836	5,734,578	12,528,414
		Restatements (Note 1)			(16,387)	(8,509)	(24,896)
		Net position, beginning, as restated			6,777,449	5,726,069	12,503,518
		Net position, ending			$ 7,446,282	$ 7,025,850	$ 14,472,132

The accompanying Notes to Financial Statements are an integral part of this statement.

Town of Montverde, Florida
Balance Sheet - Governmental Funds
September 30, 2025

	General Fund	ARPA Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,974,527	$ -	$ 1,974,527
Accounts receivable, net	68,958	-	68,958
Due from other governments	93,650	-	93,650
Total assets	$ 2,137,135	$ -	$ 2,137,135
Liabilities			
Accounts payable and accrued liabilities	$ 239,832	$ -	$ 239,832
Due to other governments	232,106	-	232,106
Deposits payable	60,117	-	60,117
Total liabilities	532,055	-	532,055
Fund Balances			
Restricted:			
Historical	3,636	-	3,636
Police	6,435	-	6,435
Infrastructure	1,186,991	-	1,186,991
Impact Fees	141,328	-	141,328
Unassigned	266,690	-	266,690
Total fund balances	1,605,080	-	1,605,080
Total Liabilities and Fund Balances	$ 2,137,135	$ -	$ 2,137,135

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance, governmental funds		$ 1,605,080
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		6,029,788
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting		41,896
Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.		
Compensated absences	(21,109)	
Net pension liability	(209,373)	(230,482)
Net position of Governmental Activities		$ 7,446,282

The accompanying Notes to Financial Statements are an integral part of this statement.

Town of Montverde, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds
Year Ended September 30, 2025

	General Fund	ARPA Fund	Total Governmental Funds
Revenues:			
Taxes:			
Property	$ 579,041	$ -	$ 579,041
Franchise and utility	440,189	-	440,189
Fees and fines	8,230	-	8,230
Intergovernmental	1,051,321	108,315	1,159,636
Charges for services	1,418,424	-	1,418,424
Investment earnings	28,897	7,758	36,655
Miscellaneous	5,301	-	5,301
Total revenues	3,531,403	116,073	3,647,476
Expenditures:			
Current:			
General government	1,339,735	-	1,339,735
Public safety	183,240	-	183,240
Physical environment	654,109	-	654,109
Transportation	451,630	-	451,630
Culture and recreation	2,149,845	-	2,149,845
Debt service:			
Interest	583	-	583
Principal	39,704	-	39,704
Total expenditures	4,818,846	-	4,818,846
Excess (deficiency) of revenues over expenditures	(1,287,443)	116,073	(1,171,370)
Other Financing Sources (Uses):			
Transfers in	184,548	-	184,548
Transfers out	-	(184,548)	(184,548)
Insurance recoveries	62,846	-	62,846
Total other financing sources	247,394	(184,548)	62,846
Net change in fund balances	(1,040,049)	(68,475)	(1,108,524)
Fund balances, beginning	2,645,129	68,475	2,713,604
Fund balances, ending	$ 1,605,080	$ -	$ 1,605,080

The accompanying Notes to Financial Statements are an integral part of this statement.

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

Net Change in Fund Balances - total governmental funds	$	(1,108,524)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlay		1,936,456
Depreciation expense		(207,648)
Repayments of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		39,704
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net position.		(4,361)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest payable		583
Compensated absences		(4,722)
Governmental funds report cash contributions to pensions as expenditures because they consume current financial resources. The Statement of Activities reports the change in pension liability and related deferrals as pension expense. This is the amount of the difference between the two amounts.		17,345
Change in net position of governmental activities	$	668,833

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	$ 600,174	$ 600,174	$ 579,041	$ (21,133)
Franchise and utility	316,800	316,800	440,189	123,389
Fees and fines	18,950	18,950	8,230	(10,720)
Intergovernmental	2,316,605	2,581,605	1,051,321	(1,530,284)
Charges for services	1,599,600	2,008,100	1,418,424	(589,676)
Investment earnings	16,000	16,000	28,897	12,897
Miscellaneous	140,060	140,060	5,301	(134,759)
Total revenues	5,008,189	5,681,689	3,531,403	(2,150,286)
Expenditures:				
Current:				
General government	1,059,699	1,460,699	1,339,735	120,964
Public safety	224,751	224,751	183,240	41,511
Physical environment	411,222	688,722	654,109	34,613
Transportation	533,412	533,412	451,630	81,782
Culture and recreation	3,071,105	3,421,105	2,149,845	1,271,260
Debt service:				
Interest	-	-	583	(583)
Principal	-	-	39,704	(39,704)
Total expenditures	5,300,189	6,328,689	4,818,846	1,509,843
Excess (deficiency) of revenues over expenditures	(292,000)	(647,000)	(1,287,443)	(640,443)
Other Financing Sources (Uses):				
Sale of general capital assets	50,000	50,000	-	(50,000)
Transfers in	-	-	184,548	184,548
Insurance recoveries	-	230,000	62,846	(167,154)
Total other financing sources	50,000	280,000	247,394	(32,606)
Net change in fund balances	(242,000)	(367,000)	(1,040,049)	(673,049)
Fund balance, beginning	2,645,129	2,645,129	2,645,129	-
Fund balance, ending	$ 2,403,129	$ 2,278,129	$ 1,605,080	$ (673,049)

The accompanying Notes to Financial Statements are an integral part of this statement.

Town of Montverde, Florida

Statement of Net Position - Proprietary Fund

September 30, 2025

	Water Fund
Assets:	
Current Assets:	
Cash and cash equivalents	$ 1,652,778
Accounts receivable, net	111,275
Due from other governments	342,039
Total current assets	2,106,092
Noncurrent Assets:	
Capital Assets:	
Land	300,963
Work-In Progress	3,590,040
Infrastructure	2,734,358
Machinery and equipment	541,030
Less accumulated depreciation	(1,674,240)
Total noncurrent assets	5,492,151
Total assets	7,598,243
Deferred Outflows Of Resources:	
Deferred outflows of pension earnings	87,847
Liabilities:	
Current Liabilities:	
Accounts payable and accrued expenses	173,823
Due to other governments	19,320
Customer deposits payable	164,243
Compensated absences	1,155
Total current liabilities	358,541
Noncurrent Liabilities:	
Net pension liability	160,632
Compensated absences	10,394
Notes payable	74,970
Total noncurrent liabilities	245,996
Total liabilities	604,537
Deferred Inflows Of Resources:	
Deferred inflows of pension earnings	55,703
Net Position:	
Net investment in capital assets	5,417,181
Restricted for capital projects	874,065
Unrestricted	734,604
Total net position	$ 7,025,850

The accompanying Notes to Financial Statements are an integral part of this statement.

Town of Montverde, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2025

	Water Fund
Operating Revenues:	
Charges for services:	
User charges	$ 1,388,150
Other service charges	100,000
Total operating revenues	1,488,150
Operating Expenses:	
Salaries and benefits	452,820
Contractual services	148,002
Repairs and maintenance	200,183
Bulk sewer charges	73,495
Other supplies and expenses	216,854
Depreciation	130,202
Total operating expenses	1,221,556
Operating income (loss)	266,594
Nonoperating Revenues (Expenses):	
Investment income	12,793
Interest expense	(838)
Loss on disposal of property	(4,323)
Total nonoperating revenue (expenses)	7,632
Income (loss) before capital contributions and transfers	274,226
Capital Contributions and Transfers:	
Impact fees	32,898
Capital contributions	992,657
Transfers in	-
Change in net position	1,299,781
Net position, beginning, as previously presented	5,734,578
Restatements (Note 1)	(8,509)
Net position, beginning, as restated	5,726,069
Net position, ending	$ 7,025,850

The accompanying Notes to Financial Statements are an integral part of this statement.

	Water Fund
Cash Flows from Operating Activities:	
Receipts from customers	$ 1,512,825
Payments to suppliers	(573,288)
Payments to employees	(431,823)
Net cash provided by (used for) operating activities	507,714
Cash Flows from Noncapital Financing Activities:	
Transfers in	-
Net cash provided by (used for) noncapital financing activities	-
Cash Flows from Capital and Related Financing Activities:	
Proceeds from notes payable	74,970
Impact fees	32,898
Capital grants and contributions	650,618
Acquisition and construction of capital assets	(1,632,952)
Principal payments on notes payable	(159,237)
Interest paid on notes payable	(838)
Net cash provided by (used for) capital and related financing activities	(1,034,541)
Cash Flows from Investing Activities:	
Investment income	12,793
Net cash provided by (used for) investing activities	12,793
Net increase (decrease) in cash and cash equivalents	(514,034)
Cash and cash equivalents, beginning	2,166,812
Cash and cash equivalents, ending	$ 1,652,778

Continued

The accompanying Notes to Financial Statements are an integral part of this statement.

		Water Fund
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating income (loss)	$	266,594
Adjustments Not Affecting Cash:		
Depreciation and amortization		130,202
Change in Assets and Liabilities:		
Decrease (increase) in accounts receivable		23,063
Decrease (increase) deferred outflows		(25,015)
Increase (decrease) in accounts payable		45,926
Increase (decrease) in due to governments		19,320
Increase (decrease) in accrued liabilities		-
Increase (decrease) in customer deposits		1,612
Increase (decrease) in compensated absences		3,040
Increase (decrease) in net pension liability		29,563
Increase (decrease) in deferred inflows		13,409
Total adjustments		241,120
Net cash provided (used) by operating activities	$	507,714

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *Town of Montverde*, Florida ("the Town") is a political subdivision of the state of Florida located in Lake County. The *Town of Montverde* was originally incorporated under the laws of the State of Florida on May 18, 1925. The legislative branch of the Town is composed of a Mayor and a four (4) member elected Council. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Town Manager. The Town provides the following services authorized by its charter: public safety (law enforcement and fire control), roads and streets, culture and recreation, planning and zoning, and water utility services.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The government reports the following funds:

Major Governmental Funds
General Fund - the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

ARPA Special Revenue Fund - is a special revenue fund to track the proceeds and expenditures of the Town's American Rescue Plan Act funding.

Major Proprietary Funds
Water Fund is used to account for the operations of the Town's water system, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance:
Deposits and Investments
The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments of the Town are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The Town's investments consist of investments authorized per Section 218.415, Florida Statutes.

Receivables and Payables
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the Town. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

Inventories and Prepaid Items
All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets
The use of certain assets of the Water fund may be restricted by specific provisions of town ordinances and/or agreements with various parties. Assets so designated are identified as restricted assets on the balance sheet.

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town's capitalization policy as assets with an initial, individual cost of $1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	30-40
Improvements	10-20
Infrastructure	50
Machinery and equipment	3-15
Water system	20-50
Intangibles	5-10

Compensated Absences

The Town recognized a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon separation of employment. Based on the criteria listed, one type of leave qualifies for liability recognition for compensated absences – paid time off (PTO). The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds, only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Paid Time Off (PTO)

The Town provides PTO for its employees. PTO is accrued throughout the year. All employees must use at least 50% of accrued PTO annually. Any amount of unused PTO up to 50% is forfeited and has no cash value. Any excess PTO that has been accrued, but not used is added to the employee PTO Bank, subject to maximum carryforwards. Upon termination, employees are eligible for a pay out of 50% of the amount in the PTO bank. In addition to the amount estimated to be paid at termination, a liability for the estimated value of PTO that will be used by employees as time off is also included in the liability for compensated absences.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category, which is the deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category, which is the deferred inflows of pension earnings.

Net Position Flow Assumptions
Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions
Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the town's highest level of decision-making authority. The Council is the highest level of decision-making authority for the town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the town for specific purposes but do not meet the criteria to be classified as committed. The council has maintained authority to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New GASB Statements Implemented
In fiscal year 2025, the Town implemented Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement will result in a liability for compensated absences that more appropriately reflects when the Town incurs an obligation, which will enhance the relevance and reliability of information. In addition, the Town adopted GASB Statement No. 102, *Certain Risk Disclosures*. This statement will improve financial reporting by providing timely essential information regarding certain concentrations or constraints, not often provided, and related events that have occurred or begun to occur that make the Town vulnerable to a substantial impact. As a result of GASB Statement No. 101, *Compensated Absences*, the Town's changes in beginning balances and net position where applicable is further described in the table below.

	Net position/fund balance 9/30/24 as previously reported	Restatement - GASB 101 implementation	Net position/fund balance 9/30/24 as restated
Government-Wide			
Governmental Activities	$ 6,793,836	$ (16,387)	$ 6,777,449
Business-type Activities	5,734,578	(8,509)	5,726,069
Total government-wide	$ 12,528,414	$ (24,896)	$ 12,503,518
Proprietary Funds			
Water Fund	$ 5,734,578	$ (8,509)	$ 5,726,069
Total Enterprise Funds	$ 5,734,578	$ (8,509)	$ 5,726,069

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. Prior to the end of the fiscal year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The general summary of the budget and notice of public hearing is published in the local newspaper. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, budgets are legally enacted through passage of an ordinance or resolution.
3. Any transfer of budgeted amounts within and between divisions and departments must be approved by a majority vote of the Town Council and any revisions that alter the total appropriations of any fund must be approved by a majority vote of the Town Council. The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
4. Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
5. Budgets are adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.
6. The Town Council, by ordinance or resolution, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

All bank deposits were covered by Federal Depository Insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the Town's own data in measuring unobservable inputs. The Town had no investments as defined by GASB Statement No. 72 as of September 30, 2025.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Town's investment policies are governed by Florida Statutes, which allow the following investments:

A. Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP)
B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
C. Interest bearing time deposit or savings accounts in qualified public depositories
D. Direct obligations of the U.S. Treasury

The Town does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The Town policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2025, all of the Town's bank deposits were in qualified public depositories.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2025 are as follows:

	General Fund	Water Fund	Total
Receivables:			
Accounts	$ 69,641	$ 115,277	$ 184,918
Less allowance for uncollectible accounts	(683)	(4,002)	(4,685)
	$ 68,958	$ 111,275	$ 180,233

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not being Depreciated:				
Land	$ 814,368	$ -	$ -	$ 814,368
Construction in progress	993,710	1,539,820	(2,533,530)	-
Total capital Assets, not being depreciated	1,808,078	1,539,820	(2,533,530)	814,368
Capital Assets, Being Depreciated:				
Buildings	1,249,854	2,465,498	-	3,715,352
Improvements	1,513,365	248,218	(11,820)	1,749,763
Infrastructure	1,606,975	144,874	-	1,751,849
Machinery and equipment	1,004,724	71,576	(8,012)	1,068,288
Intangibles	9,729	-	(9,729)	-
Total capital assets, being depreciated	5,384,647	2,930,166	(29,561)	8,285,252
Less Accumulated Depreciation for:				
Buildings	(531,778)	(31,617)	-	(563,395)
Improvements	(868,988)	(71,380)	10,232	(930,136)
Infrastructure	(889,964)	(44,267)	-	(934,231)
Machinery and equipment	(590,671)	(59,411)	8,012	(642,070)
Intangibles	(5,983)	(973)	6,956	-
Total accumulated depreciation	(2,887,384)	(207,648)	25,200	(3,069,832)
Total capital assets, being depreciated, net	2,497,263	2,722,518	(4,361)	5,215,420
Government activities capital assets, net	$ 4,305,341	$ 4,262,338	$ (2,537,891)	$ 6,029,788

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 300,963	$ -	$ -	$ 300,963
Construction in progress	2,172,249	1,417,791	-	3,590,040
Total capital assets, not being depreciated	2,473,212	1,417,791	-	3,891,003
Capital Assets, Being Depreciated:				
Water system	2,685,349	49,009	-	2,734,358
Machinery and equipment	374,878	166,152	-	541,030
Intangibles	15,259	-	(15,259)	-
Total capital assets, being depreciated	3,075,486	215,161	(15,259)	3,275,388
Less Accumulated Depreciation for:				
Water system	(1,318,783)	(84,948)	-	(1,403,731)
Machinery and equipment	(226,781)	(43,728)	-	(270,509)
Intangibles	(9,410)	(1,526)	10,936	-
Total accumulated depreciation	(1,554,974)	(130,202)	10,936	(1,674,240)
Total capital assets, being depreciated, net	1,520,512	84,959	(4,323)	1,601,148
Business-type activities capital assets, net	$ 3,993,724	$ 1,502,750	$ (4,323)	$ 5,492,151

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	$ 36,661
Public safety	11,788
Transportation	71,582
Culture and recreation	87,617
Total depreciation expense, governmental activities	$ 207,648
Business-type Activities:	
Water	$ 130,202
Total depreciation expense, business-type activities	$ 130,202

NOTE 6 LONG-TERM LIABILITIES

Financed Purchases
During the year ended September 30, 2022, the Town entered into an agreement for financing the acquisition of vehicles and equipment in the amount of $117,356. The loan bears an interest rate of 1.49% and is payable in three annual payments of $40,287 starting on October 6, 2022. During the year ended September 30, 2025, the Town fully repaid the outstanding balance of the financed purchases.

State Revolving Fund (SRF) Loans
In addition, in the fiscal year 2022, the Town received approval of SRF loan DW351300 for $163,125 and an interest rate of 1.67%. During the year ended September 30, 2025, the Town satisfied all remaining obligations under its SRF loan agreement. Total principal and interest payments during the current year was $160,075, with no balance outstanding at year end.

In December 2024, the Town executed SRF loan agreement LS351320 for Town's drinking water planning and design for lead service line project. The agreement provides total funding of $192,500 including $94,325 of principal forgiveness. The loan period is for 10 years with repayments made semiannually with zero interest. The loan is secured by gross revenues from the operation of the Town's utility systems net of operation and maintenance expenses. During the current year, the Town drew funds in the amount of $74,970. The first payment of $5,101 on the amount drawn is due March 15, 2027. Total pledged revenue was $442,487.

For all SRF loans, in an event of default, the Florida Department of Environmental Protection may cause to establish rates and collect fees, require the Town to account for all moneys received and used, appoint a receiver to manage the Water and Sewer Systems, intercept delinquent amounts plus a penalty due to the Town under State Revenue Sharing, recover all amounts due including costs of collection and attorney fees, and accelerate the repayment schedule or increase the interest rate by a factor of up to 1.667.

Annual debt service requirements to maturity SRF Loans are as follows:

	Business-Type Activities	
Year Ending September 30,	**Principal**	**Interest**
2026	$ -	$ -
2027	10,202	-
2028	10,202	-
2029	10,202	-
2030	10,202	-
Thereafter	34,162	-
	$ 74,970	$ -

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities
Long-term liability activity for the year ended September 30, 2025 was as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financed purchases	$ 39,704	$ -	$ (39,704)	$ -	$ -
Net pension liability	219,164	-	(9,791)	209,373	-
Compensated absences *	16,387	4,722	-	21,109	2,111
Governmental activity long-term liabilities	$ 275,255	$ 4,722	$ (49,495)	$ 230,482	$ 2,111
Business-Type Activities:					
SRF loans	$ 159,237	$ 74,970	$ (159,237)	$ 74,970	$ -
Net pension liability	131,069	29,563	-	160,632	-
Compensated absences *	8,509	3,040	-	11,549	1,155
Business-type activity long-term liabilities	$ 298,815	$ 107,573	$ (159,237)	$ 247,151	$ 1,155

*The change in the compensated absences above is as net change for the year.

The governmental activities for net pension liability will be funded from the general fund.

NOTE 7 EMPLOYEE BENEFIT PLANS

Plan Description
Town employees participate in the Florida Retirement System ("FRS"), a cost-sharing multiple employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. There is a 3% requirement for employees to contribute to FRS effective July 1, 2011.

The 2007 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.405, Florida Statutes, FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS defined benefit pension plan. Employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individuals elect.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, Tallahassee, Florida 32399-1560.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Funding Policy

The FRS has ten (10) classes of membership. Only two (2) classes are applicable to the Town's eligible employees. These classes, with descriptions and contribution rates in effect during the period ended September 30, 2025 are as follows:

Regular Class

Members not qualifying for other classes (17.03% [includes 3% employee contribution] from July 1, 2025 through September 30, 2025 and 16.63% [includes 3% employee contribution] from October 1, 2024 through June 30, 2025).

Senior Management Service Class

Members of senior management who do not elect the optional annuity retirement program (36.24% [includes 3% employee contribution] from July 1, 2025 through September 30, 2025 and 37.52% [includes 3% employee contribution] from October 1, 2024 through June 30, 2025).

These employer contribution rates include 2% and 2% HIS Plan subsidy for the periods October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025, respectively.

Pension Plan (FRS)

Plan Description

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

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit.

For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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

Contributions
Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

The Town's contributions to the Pension Plan totaled $47,169 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At September 30, 2025, the Town reported a liability of $219,494 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Town's proportionate share of the net pension liability was based on the Town's 2024-25 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.0007 percent, which was a decrease of 0.0002 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $45,736. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflow of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 23,444	$ -
Change of Assumptions	25,489	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	36,647
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	90,212	48,861
Pension Plan Contributions Subsequent to the Measurement Date	14,443	-
	$ 153,588	$ 85,508

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

The deferred outflows of resources related to the Pension Plan, totaling $14,443 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ended September 30,		
2026	$	49,922
2027		(5,992)
2028		6,037
2029		3,670
2030		-
	$	53,637

Actuarial Assumptions
The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increase	3.50%
Investment Rate of Return	6.70%

Mortality rates were based on the PUB-2010 base table, projected Generational with scale MP-2021.

The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Annual Standard Deviation
Cash Equivalents	1.00%	3.20%	3.20%	1.10%
Fixed Income	29.00%	5.50%	5.40%	4.00%
Global Equity	45.00%	8.50%	6.90%	18.30%
Real Estate	12.00%	8.40%	7.10%	16.80%
Private Equity	11.00%	12.40%	8.80%	28.40%
Strategic Investments	2.00%	6.50%	6.10%	8.70%
Total	100.00%			
Assumed inflation - mean			2.40%	1.50%

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

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

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

	Discount Rate Minus 1% 5.70%	Current Discount Rate 6.70%	Discount Rate Plus 1% 7.70%
Town's Proportionate Share of Net Pension Liability (FRS)	$ 430,753	$ 219,494	$ 42,377

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

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

HIS Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution for the period October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025 was 2% and 2%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled $11,280 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2025, the Town reported a liability of $150,511 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The Town's proportionate share of the net pension liability was based on the Town's 2024-25 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.0012 percent, which was an increase of 0.00020 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $13,325. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Description		Deferred Outflow of Resources		Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$	898	$	239
Change of Assumptions		1,332		36,405
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		-		125
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions		43,281		6,032
Pension Plan Contributions Subsequent to the Measurement Date		3,250		-
	$	48,761	$	42,801

The deferred outflows of resources related to the HIS Plan, totaling $3,250 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30,		
2026	$	3,201
2027		(1,305)
2028		(1,525)
2029		1,246
2030		1,093
Thereafter		-
	$	2,710

Actuarial Assumptions
The total pension liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increase	3.50%
Investment Rate of Return	5.20%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021 tables.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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

	Discount Rate Minus 1% 4.20%	Current Discount Rate 5.20%	Discount Rate Plus 1% 6.20%
Town's Proportionate Share of Net Pension Liability (HIS)	$ 166,202	$ 150,511	$ 134,396

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

Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2025 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 11.30%, Special Risk Administrative Support class 12.95%, Special Risk class 19.00%, and Senior Management Service class 12.67%.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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

The Town made $31,014 of contributions during the year ended September 30, 2025.

Defined Contribution Plan

The Town established a 401(a) plan for the town manager. The town contributes 29% of compensation. Employees are required to contribute 3% of compensation. Employees are immediately vested in both employer and employee contributions. The Town contributed $36,715 for the year ended September 30, 2025.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Grants

In the normal course of operations, the Town participates in various federal and/or state grant programs from year-to-year. The grant programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant. An additional liability for reimbursement which may arise as a result of these potential audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2025. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the Town.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Florida Statutes Section 112.0801, the Town makes continued group health insurance through the Town's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirement have been met. This benefit has no cost to the Town, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree.

The Town currently has no OPEB liability due to the following conditions:

The only other post-employment benefit the Town offers is the ability for retirees to self-pay under the Town's group health plan.

The average number of self-paying retirees at any one time has not exceeded one for the last five years.

The Town does not expect this situation to change in the foreseeable future.

Accordingly, the Town has a net OPEB obligation at September 30, 2025 of zero.

NOTE 10 TRANSFERS

During the year, the ARPA special revenue fund transferred $184,548 to the general fund. This transfer was to move ARPA grant funds to the funds where the capital project costs were recorded.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Montverde, Florida

Required Supplementary Information

Schedule of the Town's Proportionate Share of Net Pension Liability

Last Ten Fiscal Years

Florida Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's Proportion of the Net Pension Liability	0.00071%	0.00052%	0.00039%	0.00070%	0.00084%	0.00039%	0.00034%	0.00040%	0.00037%	0.00038%
Town's Proportionate Share of the Net Pension Liability	$219,494	$202,489	$155,495	$ 261,851	$ 63,474	$ 167,371	$ 116,406	$ 119,847	$ 109,476	$ 96,922
Town's Covered Payroll	$422,446	$296,608	$212,356	$ 334,173	$ 396,124	$ 309,625	$ 314,738	$ 258,247	$ 263,947	$ 232,360
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	51.96%	68.27%	73.22%	78.36%	16.02%	54.06%	36.99%	46.41%	41.48%	41.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

Health Insurance Subsidy

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's Proportion of the Net Pension Liability	0.00117%	0.09849%	0.00089%	0.00098%	0.00099%	0.00078%	0.00070%	0.00074%	0.00072%	0.00076%
Town's Proportionate Share of the Net Pension Liability	$150,511	$147,744	$140,953	$ 104,306	$ 121,158	$ 95,017	$ 78,069	$ 78,754	$ 76,464	$ 88,867
Town's Covered Payroll	$422,446	$296,608	$212,356	$ 334,173	$ 396,124	$ 309,625	$ 314,738	$ 258,247	$ 263,947	$ 232,360
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	35.63%	49.81%	66.38%	31.21%	30.59%	30.69%	24.80%	30.50%	28.97%	38.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

Town of Montverde, Florida
Required Supplementary Information
Schedule of the Town's Contribution
Last Ten Fiscal Years

Florida Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 47,169	$ 31,755	$ 21,508	$ 24,686	$ 38,108	$ 13,876	$ 11,043	$ 11,123	$ 9,136	$ 10,051
Contributions in Relation to the Contractually Required Contributions	47,169	31,755	21,508	24,686	38,108	13,876	11,043	11,123	9,136	10,051
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Town's Covered Payroll	$ 459,836	$ 316,566	$ 235,029	$ 334,173	$ 396,124	$ 309,625	$ 314,738	$ 258,247	$ 263,947	$232,360
Contributions as a Percentage of Covered Payroll	10.26%	10.03%	9.15%	7.39%	9.62%	4.48%	3.51%	4.31%	3.46%	4.33%

Health Insurance Subsidy

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 11,280	$ 8,645	$ 6,588	$ 5,908	$ 6,148	$ 4,623	$ 4,040	$ 4,006	$ 3,765	$ 3,802
Contributions in Relation to the Contractually Required Contributions	11,280	8,645	6,588	5,908	6,148	4,623	4,040	4,006	3,765	3,802
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Town's Covered Payroll	$ 459,836	$ 316,566	$ 235,029	$ 334,173	$ 396,124	$ 309,625	$ 314,738	$ 258,247	$ 263,947	$232,360
Contributions as a Percentage of Covered Payroll	2.45%	2.73%	2.80%	1.77%	1.55%	1.49%	1.28%	1.55%	1.43%	1.64%

COMPLIANCE SECTION

McDirmit Davis

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Town Council
Town of Montverde, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montverde, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 25, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Appendix A to the Management Letter, we identified a deficiency in internal control that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Montverde's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

Town of Montverde's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in Appendix A. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

McDirmit Davis

Orlando, Florida
June 25, 2026

McDirmit Davis

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Orlando, Florida 32810
Tel. 407-843-5406
www.mcdirmitdavis.com

MANAGEMENT LETTER

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on the Financial Statements
We have audited the financial statements of the *Town of Montverde, Florida*, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 25, 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 Florida Auditor General.

Other Reporting Requirements
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 25, 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. Corrective actions have been taken to address the findings and recommendation made in the preceding annual report, except as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	**FY 2024 Finding #**	**FY 2023 Finding #**
ML 25-01	ML 24-01	ML 23-01

Official Title and Legal Authority
Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management
Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Montverde, Florida 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 Montverde, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town of Montverde, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Property Assessed Clean Energy (PACE) Programs

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

The Town did not have a PACE program operate within the Town.

As required by Section 10.554(1)(i)6.b., Rules of the Auditor General, if a PACE program was operating within the geographical areas of the Town, a list of all program administrators and third-party administrators that administered the program.

Not applicable, no PACE programs.

As required by Section 10.554(1)(i)6.c., Rules of the Auditor General, if a PACE program was operating within the geographical areas of the Town, the full names and contact information of each such program administrator and third-party administrator

Not applicable, no PACE programs

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 council members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDirmit Davis

Orlando, Florida
June 25, 2026

ML 2025-01-Internal Controls Over Recording Transactions in Accordance with GAAP

Criteria - AU-C Section 265 *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to evaluate whether or not the Town employees have the necessary skills and knowledge to apply generally accepted accounting principles (GAAP) in recording the Town's financial transactions and preparing its financial statements.

Condition - During the course of our audit, we had to recommend multiple adjusting entries be posted and make several adjustments in order for financial statements to be prepared.

Cause - Due to the small size of the Town, the staff does not have the necessary qualifications and training to record transactions and prepare financial statements in accordance with GAAP.

Effect - Material misstatements in financial reporting could go undetected.

Recommendation - We recommend that Town staff receive additional training on governmental accounting standards, as well as make all required adjustments to the year-end financial statements.

McDirmit Davis

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

The Honorable Mayor and Town Council
Town of Montverde, Florida

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

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

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

McDirmit Davis

Orlando, Florida
June 25, 2026

06/22/2026

Tamara Campbell, CPA
McDirmit Davis
1800 Pembrook Drive
Suite 170
Orlando, FL 32810

RE: FY 2025 Audit Management Response Letter

Dear Ms. Campbell,

I want to express my sincere gratitude for your meticulous audit of the town's financial statements for the 2025 fiscal year. Your work is instrumental in ensuring the trust of our citizens in our community finances. My staff and | are dedicated to this cause, and we value your independent evaluation of the town's finances. Below are my responses and comments to your findings in the audit report.

ML 2025-01- Internal Controls Over Recording Transactions in Accordance with GAAP

Criteria -AU-C Section 265 Communicating Internal Control Related Matters Identified in an Audit requires auditors to evaluate whether or not the Town employees have the necessary skills and knowledge to apply generally accepted accounting principles (GMP) in recording the Town financial transactions and preparing its financial statements.

Condition - During the course of our audit, we had to recommend multiple adjusting entries be posted and make several adjustments in order for financial statements to be prepared.

Cause - Due to the small size of the Town, the staff does not have the necessary qualifications and training to record transactions and prepare financial statements in accordance with GAAP.

Effect - Material misstatements in financial reporting could go undetected.

Recommendation - We recommend that Town staff receive additional training on governmental accounting standards, as well as make all required adjustments to the year-end financial statements.

Management Response - Town management agrees with the recommendations provided as part of the audit. Management recognizes that the nature of small towns with limited budgets can create challenges in hiring certified CPAs who meet GAAP audit standards. To address these challenges, the Town has implemented additional internal controls, including a formal purchasing policy and enhanced financial oversight by both management and the Town Council.

In addition, the Town employs a full-time staff member dedicated to finance and internal controls. Management has budgeted and will continue to allocate funds to support this employee's professional development, including attendance at FGFOA training conferences and continuing education programs offered through the Florida Government Finance Officers Association (FGFOA). These efforts are intended to strengthen financial management practices and ensure the Town continues to maintain effective internal controls and compliance with applicable standards.

Paul Larino

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Paul Larino, MPA, ICMA-CM
Town Manager