

TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2025

**TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Town Commission
Town of Zolfo Springs, Florida**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of September 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 the management's discussion and analysis and budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "CS&L CPAs". The letters are cursive and somewhat stylized.

CS&L CPAs, P.A.

April 13, 2026
Bradenton, Florida

TOWN OF ZOLFO SPRINGS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Zolfo Springs, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 10.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,080,043 (net position). Of this amount, \$1,601,708 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$167,473 during the year. This was primarily due to grant revenues received to finance capital projects.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balances of \$1,387,000, a decrease of \$144,267 from the prior year. Of this amount, unassigned fund balance represents \$1,365,561.
- As of the close of the fiscal year the Town's Enterprise Fund's (the water and wastewater, and sanitation funds) unrestricted net position was \$71,928.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, with the difference between them 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 has changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by private-sector business in that revenue is recognized when earned or established criteria are satisfied and expenses reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, maintenance and physical environment. The business-type activities of the Town include the water, wastewater, and sanitation services.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the Town. The Town, 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 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 only governmental fund the Town maintains is the General Fund. 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.

The Town 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.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Proprietary funds: The Town utilizes enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds consist of the water and wastewater fund and the sanitation fund.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's General Fund Budgetary Comparison. Required supplementary information on the General Fund Budget can be found on page 31 of this report.

Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2025 with comparative totals as of September 30, 2024.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 1,634,466	\$ 1,784,633	\$ 352,111	\$ 233,983	\$ 1,986,577	\$ 2,018,616
Capital assets (net of depreciation)	2,584,441	2,557,544	10,075,185	9,971,339	12,659,626	12,528,883
Total assets	4,218,907	4,342,177	10,427,296	10,205,322	14,646,203	14,547,499
Long-term liabilities outstanding	14,646	9,195	1,274,935	1,304,659	1,289,581	1,313,854
Other liabilities	90,040	63,566	186,539	243,971	276,579	307,537
Total liabilities	104,686	72,761	1,461,474	1,548,630	1,566,160	1,621,391
Net Position:						
Invested in capital assets, net of related debt	2,584,441	2,557,544	8,822,185	8,680,339	11,406,626	11,237,883
Restricted	-	-	71,709	72,634	71,709	72,634
Unrestricted	1,529,780	1,711,872	71,928	(96,281)	1,601,708	1,615,591
Total Net Position	\$ 4,114,221	\$ 4,269,416	\$ 8,965,822	\$ 8,656,692	\$ 13,080,043	\$ 12,926,108

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, assets exceeded liabilities by \$13,080,043 at September 30, 2025.

The Town's net position includes its investment in capital assets, (87% of total net position), which reflect its capital assets (e.g., land, water plant, machinery, 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 its members; consequently, these assets are *not* available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, in the amount of \$71,709, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,601,708 may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the information presented in the Statement of Activities on page 11 of this report.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 68,120	\$ 105,392	\$ 979,999	\$ 984,439	\$ 1,048,119	\$ 1,089,831
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	208,626	179,800	635,931	1,156,360	844,557	1,336,160
General revenues:						
Taxes	1,100,397	1,044,650	-	-	1,100,397	1,044,650
Transfers	(409,245)	17,499	409,245	(17,499)	-	-
Other	37,449	133,575	104	82	37,553	133,657
Total revenues	<u>1,005,347</u>	<u>1,480,916</u>	<u>2,025,279</u>	<u>2,123,382</u>	<u>3,030,626</u>	<u>3,604,298</u>
Expenses:						
General government	319,790	320,330	-	-	319,790	320,330
Public safety	238,576	236,258	-	-	238,576	236,258
Maintenance	550,411	561,490	-	-	550,411	561,490
Physical environment	44,873	58,596	-	-	44,873	58,596
Interest on long-term debt	-	-	29,048	29,880	29,048	29,880
Water	-	-	418,741	455,265	418,741	455,265
Sewer	-	-	1,126,474	1,064,704	1,126,474	1,064,704
Sanitation	-	-	135,240	119,707	135,240	119,707
Total expenses	<u>1,153,650</u>	<u>1,176,674</u>	<u>1,709,503</u>	<u>1,669,556</u>	<u>2,863,153</u>	<u>2,846,230</u>
Change in Net Position	(148,303)	304,242	315,776	453,826	167,473	758,068
Net Position - Beginning	4,269,416	3,965,174	8,656,692	8,202,866	12,926,108	12,168,040
Change in accounting principle	(6,892)	-	(6,646)	-	(13,538)	-
Net Position - Ending	<u>\$ 4,114,221</u>	<u>\$ 4,269,416</u>	<u>\$ 8,965,822</u>	<u>\$ 8,656,692</u>	<u>\$ 13,080,043</u>	<u>\$ 12,926,108</u>

Governmental activities: Governmental activities decreased the Town's net position by \$(148,303). Revenues decreased by \$475,569 largely due to transfers to the business-type activities of \$409,245. Expenditures decreased over prior year by \$23,024.

Business-type activities. Business-type activities increased the Town's net assets by \$315,776. Key elements for the difference between the current year and prior year are:

- Revenues decreased by \$98,103 largely due to capital grants and contributions which decreased compared to the prior year by \$520,429. This was offset by the transfers as noted above.
- Expenses increased by \$39,947 from the prior year.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported ending fund balances of \$1,387,000. \$1,365,561 of this total amount is unassigned fund balance, which is available for spending at the Town's discretion.

The fund balance of the Town's general fund decreased by \$144,267. Activity during the current fiscal year included the following key components:

- Total general fund revenues increased \$163,349. A significant reason for the increase relates to grant revenues received in the current year of \$241,000 compared to none in the prior year. This was offset by decreases in intergovernmental revenues, interest, and miscellaneous revenues.
- The general fund expenditures decreased \$35,069.
- The general fund also included other financing sources of \$409,245, which are transfers out to the water and wastewater fund and the sanitation fund.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail. The following are the noteworthy changes from the prior year:

- Operating revenues were consistent with the prior year decreasing \$4,440.
- Operating expenses increased by \$40,779 largely due to increased repair and maintenance expenses.
- For the year ended September 30, 2025, operating expenses exceeded operating revenues by \$700,456.
- Grants of \$635,931 were received mainly for water and sewer line projects and use of ARPA funds previously received. Grants decreased from the prior year by \$520,429.
- Transfers from the general fund totaled \$409,245.

General Fund Budgetary Highlights

For the year ended September 30, 2025, the original budgeted revenues were \$1,252,540 and were not amended. The original budgeted expenditures were \$1,256,040, which also were not amended. For the current fiscal year, actual revenues exceeded budgeted revenues by \$194,426 due primarily to fines and forfeitures, franchise fees and taxes, and grants. Actual expenditures were less than budget by \$74,052, mainly due to unused budgeted contingencies.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$12,659,626 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, sewer line improvements, water system improvements, machinery and equipment, and construction in progress. Current governmental activities changes include additions of \$218,626 offset by depreciation totaling \$191,729. Current business-type activities changes include additions of \$660,716 offset by depreciation totaling \$556,870. Capital assets net of depreciation as of September 30, 2025 and 2024 are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 15,808	\$ 15,808	\$ 658,576	\$ 658,576	\$ 674,384	\$ 674,384
Building and improvements	1,017,344	909,421	4,185,936	4,386,767	5,203,280	5,296,188
Infrastructure	1,177,304	1,277,921	-	-	1,177,304	1,277,921
Sewer/water system improvements	-	-	3,517,316	3,759,990	3,517,316	3,759,990
Machinery and equipment	122,985	164,594	262,374	360,953	385,359	525,547
Construction in progress	251,000	189,800	1,450,983	805,053	1,701,983	994,853
Total	\$ 2,584,441	\$ 2,557,544	\$ 10,075,185	\$ 9,971,339	\$ 12,659,626	\$ 12,528,883

Additional information on the Town's capital assets can be found in note 2 C. of this report.

Long-Term Liabilities. At the end of the current fiscal year, the Town had enterprise fund bonded debt outstanding of \$1,253,000. Revenue bonds and compensated absences as of September 30, 2025 and 2024 are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenue bonds	\$ -	\$ -	\$ 1,253,000	\$ 1,291,000	\$ 1,253,000	\$ 1,291,000
Compensated absences	14,646	9,195	21,935	13,659	36,581	22,854
Total	\$ 14,646	\$ 9,195	\$ 1,274,935	\$ 1,304,659	\$ 1,289,581	\$ 1,313,854

Additional information on the Town's long-term liabilities can be found in note 2, E. of this report.

Economic Factors and Next Year's Budgets and Rates

The Town's total budget for all funds for fiscal year 2025 - 2026 has budgeted revenues and expenses of \$3,341,493, an increase over 2024 - 2025 final budget. The increase from the prior year budget is principally due to expected increases in ad valorem revenues and personnel costs.

Requests for Information

This financial report is designed to provide a general overview of the Town of Zolfo Springs, Florida finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Zolfo Springs, 3210 U.S. Hwy. 17 S., Zolfo Springs, Florida 33890.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 296,665	\$ 549,220	\$ 845,885
Grant receivables	398,426	-	398,426
Receivables (net of allowance for uncollectibles)	19,823	111,069	130,892
Due from other governmental units	22,264	409,073	431,337
Internal balances	875,849	(875,849)	-
Prepaid expenses	21,439	19,667	41,106
Restricted assets:			
Cash	-	138,931	138,931
Capital assets (net of accumulated depreciation)			
Land	15,808	658,576	674,384
Building and improvements	1,017,344	4,185,936	5,203,280
Infrastructure	1,177,304	-	1,177,304
Sewer/water system improvements	-	3,517,316	3,517,316
Machinery and equipment	122,985	262,374	385,359
Construction in progress	251,000	1,450,983	1,701,983
TOTAL ASSETS	<u>4,218,907</u>	<u>10,427,296</u>	<u>14,646,203</u>
LIABILITIES			
Accounts payable and other accrued expenses	90,040	99,958	189,998
Unearned revenue	-	16,258	16,258
Accrued interest	-	3,101	3,101
Customer deposits	-	67,222	67,222
Noncurrent liabilities:			
Due within one year	3,661	43,483	47,144
Due in more than one year	10,985	1,231,452	1,242,437
Total liabilities	<u>104,686</u>	<u>1,461,474</u>	<u>1,566,160</u>
NET POSITION			
Net investment in capital assets	2,584,441	8,822,185	11,406,626
Restricted for:			
Revenue bond retirement	-	71,709	71,709
Unrestricted	1,529,780	71,928	1,601,708
TOTAL NET POSITION	<u>\$ 4,114,221</u>	<u>\$ 8,965,822</u>	<u>\$ 13,080,043</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 319,790	\$ 4,716	\$ -	\$ -	\$ (315,074)	\$ -	\$ (315,074)
Police department	238,576	63,124	-	-	(175,452)	-	(175,452)
Maintenance	550,411	280	-	208,626	(341,505)	-	(341,505)
Physical environment	44,873	-	-	-	(44,873)	-	(44,873)
Total Governmental Activities	<u>1,153,650</u>	<u>68,120</u>	<u>-</u>	<u>208,626</u>	<u>(876,904)</u>	<u>-</u>	<u>(876,904)</u>
Business-type Activities:							
Water	418,741	335,901	-	-	-	(82,840)	(82,840)
Wastewater	1,155,522	509,970	-	635,931	-	(9,621)	(9,621)
Sanitation	135,240	134,128	-	-	-	(1,112)	(1,112)
Total Business-type Activities	<u>1,709,503</u>	<u>979,999</u>	<u>-</u>	<u>635,931</u>	<u>-</u>	<u>(93,573)</u>	<u>(93,573)</u>
Total Government	<u>\$ 2,863,153</u>	<u>\$ 1,048,119</u>	<u>\$ -</u>	<u>\$ 844,557</u>	<u>(876,904)</u>	<u>(93,573)</u>	<u>(970,477)</u>
General Revenues:							
Property taxes					399,434	-	399,434
Franchise fees and taxes					347,681	-	347,681
Local government option gas tax					36,098	-	36,098
Half-cent sales tax					76,366	-	76,366
One-cent sales tax					203,527	-	203,527
Motor fuel tax					4,770	-	4,770
State revenue sharing of 1/8 cent					32,521	-	32,521
Investment earnings					129	104	233
Other revenue					37,320	-	37,320
Total general revenues					<u>1,137,846</u>	<u>104</u>	<u>1,137,950</u>
Transfers					<u>(409,245)</u>	<u>409,245</u>	<u>-</u>
Total general revenues and transfers					<u>728,601</u>	<u>409,349</u>	<u>1,137,950</u>
Change in net position					<u>(148,303)</u>	<u>315,776</u>	<u>167,473</u>
Net Position – Beginning of Year, as originally stated					4,269,416	8,656,692	12,926,108
Change in accounting principle (Note 1)					(6,892)	(6,646)	(13,538)
Net Position – Beginning of Year, as restated					<u>4,262,524</u>	<u>8,650,046</u>	<u>12,912,570</u>
Net Position – End of Year					<u>\$ 4,114,221</u>	<u>\$ 8,965,822</u>	<u>\$ 13,080,043</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2025**

	General Fund
ASSETS	
Cash	\$ 296,665
Grants receivable	398,426
Accounts receivable net of allowance	19,823
Due from other governmental units	22,264
Due from other funds	875,849
Prepaid items	21,439
Total assets	\$ 1,634,466
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 81,137
Accrued expense	8,903
Total liabilities	90,040
Deferred inflows of resources:	
Unavailable revenue	157,426
Total deferred inflows of resources	157,426
Fund balances:	
Non-spendable – Prepaid items	21,439
Spendable:	
Unassigned	1,365,561
Total fund balances	1,387,000
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,634,466

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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

Fund Balance – Governmental Fund	\$	1,387,000
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		2,584,441
Transactions recorded as revenues in the statement of activities, but did not meet the availability criteria under the modified accrual basis of accounting, and therefore are considered to be unavailable revenue until available in the fund statements.		157,426
Long-term liabilities include compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds.		(14,646)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>4,114,221</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund
REVENUES	
Property taxes	\$ 399,434
Intergovernmental revenue	353,282
Franchise fees and taxes	347,681
Fines and forfeitures	63,124
Charges for services	280
Interest	129
Licenses and permits	4,716
Grants	241,000
Miscellaneous revenues	37,320
Total Revenues	1,446,966
 EXPENDITURES	
General government	312,411
Police department	216,151
Maintenance department	427,414
Recreation	7,386
Capital outlay	218,626
Total Expenditures	1,181,988
Excess of Revenues (Under) Over Expenditures Before Other Financing Sources (Uses)	264,978
 OTHER FINANCING SOURCES (USES)	
Transfers in (out)	(409,245)
Total Other Financing Sources (Uses)	(409,245)
Net Changes in Fund Balance	(144,267)
FUND BALANCE – Beginning of Year	1,531,267
FUND BALANCE – End of Year	\$ 1,387,000

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

Net change in fund balance – total governmental fund	\$ (144,267)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital additions included as expenditures in the fund	218,626
Depreciation	(191,729)

Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds.	(32,374)
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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 the governmental funds.

Change in compensated absences	<u>1,441</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (148,303)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities		Total Enterprise Funds
	Water and Wastewater	Sanitation	
ASSETS			
Current Assets:			
Cash	\$ 549,220	\$ -	\$ 549,220
Accounts receivable (net of allowance for uncollectibles)	105,957	5,112	111,069
Grants receivable	409,073	-	409,073
Prepaid expenses	19,667	-	19,667
Total current assets	<u>1,083,917</u>	<u>5,112</u>	<u>1,089,029</u>
Noncurrent assets:			
Restricted assets:			
Cash	138,931	-	138,931
Total restricted assets	<u>138,931</u>	<u>-</u>	<u>138,931</u>
Capital assets:			
Land	658,576	-	658,576
Building and improvements	7,590,536	-	7,590,536
Sewer/water system improvements	8,416,488	-	8,416,488
Machinery and equipment	1,340,952	-	1,340,952
Construction in progress	1,450,983	-	1,450,983
Less accumulated depreciation	(9,382,350)	-	(9,382,350)
Total capital assets (net)	<u>10,075,185</u>	<u>-</u>	<u>10,075,185</u>
Total noncurrent assets	<u>10,214,116</u>	<u>-</u>	<u>10,214,116</u>
TOTAL ASSETS	<u>11,298,033</u>	<u>5,112</u>	<u>11,303,145</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and other accrued expenses	99,958	-	99,958
Due to other funds	875,849	-	875,849
Unearned revenue	16,258	-	16,258
Total current liabilities	<u>992,065</u>	<u>-</u>	<u>992,065</u>
Current liabilities payable from restricted assets:			
Accrued interest payable	3,101	-	3,101
Customer deposits	67,222	-	67,222
Compensated absences – current portion	5,483	-	5,483
Revenue bonds payable – current portion	38,000	-	38,000
Total current liabilities payable from restricted assets	<u>113,806</u>	<u>-</u>	<u>113,806</u>
Noncurrent liabilities:			
Compensated absences	16,452	-	16,452
Revenue bonds payable	1,215,000	-	1,215,000
Total noncurrent liabilities	<u>1,231,452</u>	<u>-</u>	<u>1,231,452</u>
TOTAL LIABILITIES	<u>2,337,323</u>	<u>-</u>	<u>2,337,323</u>
NET POSITION			
Net investment in capital assets	8,822,185	-	8,822,185
Restricted for revenue bond retirement and grants	71,709	-	71,709
Unrestricted	66,816	5,112	71,928
TOTAL NET POSITION	<u>\$ 8,960,710</u>	<u>\$ 5,112</u>	<u>\$ 8,965,822</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities		
	Water and Wastewater	Sanitation	Total Enterprise Funds
OPERATING REVENUES			
Charges for services			
Wastewater sales	\$ 509,970	-	\$ 509,970
Water sales	327,476	-	327,476
Sanitation	-	134,128	134,128
Connection fees	8,425	-	8,425
Total Operating Revenues	845,871	134,128	979,999
OPERATING EXPENSES			
Cost of sales and services			
Personal services	331,088	-	331,088
Operating	657,257	135,240	792,497
Depreciation	556,870	-	556,870
Total Operating Expenses	1,545,215	135,240	1,680,455
Operating Income (Loss)	(699,344)	(1,112)	(700,456)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	104	-	104
Interest expense	(29,048)	-	(29,048)
Total Non-Operating Revenue (Expenses)	(28,944)	-	(28,944)
Income (Loss) Before Capital Contributions and Transfers	(728,288)	(1,112)	(729,400)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	635,931	-	635,931
Transfers in (out)	400,000	9,245	409,245
Total Capital Contributions and Transfers	1,035,931	9,245	1,045,176
Change in Net Position	307,643	8,133	315,776
Net Position – Beginning of Year, as Originally Stated	8,659,713	(3,021)	8,656,692
Change in Accounting Principle (Note 1)	(6,646)	-	(6,646)
Net Position – Beginning of Year, as Restated	8,653,067	(3,021)	8,650,046
Net Position – Ending of Year	\$ 8,960,710	\$ 5,112	\$ 8,965,822

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities		
	Water and Wastewater	Sanitation	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 837,942	\$ 132,642	\$ 970,584
Cash payments to suppliers	(703,041)	(141,887)	(844,928)
Cash payments for personal services	(329,458)	-	(329,458)
Net cash provided (used) by operating activities	<u>(194,557)</u>	<u>(9,245)</u>	<u>(203,802)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)/advances from (to) other funds	253,231	9,245	262,476
Net cash provided (used) by noncapital financing activities	<u>253,231</u>	<u>9,245</u>	<u>262,476</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital expenditures	(660,716)	-	(660,716)
Capital grant proceeds	668,727	-	668,727
Interest paid on revenue bonds and long-term borrowings	(29,048)	-	(29,048)
Principal payments on long-term debt	(38,000)	-	(38,000)
Net cash provided (used) by capital and related financing activities	<u>(59,037)</u>	<u>-</u>	<u>(59,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	104	-	104
Net cash provided (used) by investing activities	<u>104</u>	<u>-</u>	<u>104</u>
NET INCREASE (DECREASE) IN CASH	(259)	-	(259)
CASH AT BEGINNING OF YEAR	688,410	-	688,410
CASH AT END OF YEAR	<u>\$ 688,151</u>	<u>\$ -</u>	<u>\$ 688,151</u>
DETAILS OF CASH AT END OF YEAR			
Unrestricted	\$ 549,220	\$ -	\$ 549,220
Restricted	138,931	-	138,931
	<u>\$ 688,151</u>	<u>\$ -</u>	<u>\$ 688,151</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (705,990)	\$ (1,112)	\$ (707,102)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	556,870	-	556,870
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(10,504)	(1,486)	(11,990)
(Increase) decrease in prepaid expenses	(8,368)	-	(8,368)
Increase (decrease) in accounts payable and other accrued expenses	(37,416)	(6,647)	(44,063)
Increase (decrease) in compensated absences	8,276	-	8,276
Increase (decrease) in customer deposits payable	2,575	-	2,575
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (194,557)</u>	<u>\$ (9,245)</u>	<u>\$ (203,802)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Zolfo Springs, Florida (Town) was incorporated in 1913 under the laws of Florida Chapter 59–1996 (House Bill 1768). The present charter (which was last amended in January of 2025) calls for a Town Manager and a five–member commission. Under the present charter, the Town has the power to impose license taxes on occupations, to levy taxes on Town property, and to levy charges for services as required for the improvement and government of the Town. Services authorized to be provided under the present charter are as follows: public safety, streets and roads, sanitation, health and social services, culture – recreation, public improvements, planning and zoning, and general administrative services. No potential component units exist.

B. 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. Government–wide financial statements include a statement of net position and a statement of activities. The statement of net position reports all financial and capital resources of the Town’s governmental and business–type activities. It is presented in a net position format (assets and deferred outflows less liabilities and deferred inflows equal net position) and shown with three components; net investment in capital assets, restricted net position and unrestricted net position. 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 the governmental fund and the proprietary funds. All governmental and enterprise funds are considered major funds and are presented as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government–wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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.

TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following governmental fund:

General Fund

The general fund is the Town's general operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Expenditures paid in this fund include general operating expenditures, and the capital improvement costs not paid through other funds.

The Town reports the following proprietary funds:

Water and Wastewater

The water and wastewater fund accounts for the operation of the Town's water and wastewater system.

Sanitation

The sanitation fund accounts for the activities of the Town's garbage operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and wastewater fund and various other functions of the Town. 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.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

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 and wastewater fund and the sanitation 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 enterprise 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.

D. CASH AND INVESTMENTS

Florida Statute 218.415 authorizes the Town to invest surplus funds in the following:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

(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 deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02, Florida Statutes.

(d) Direct obligations of the U.S. Treasury.

All Town bank accounts and certificates of deposit are with banking institutions that post collateral as required by state statutes (Qualified Public Depositories). The Town does not have a formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2025, the Town only had demand deposits and time deposits.

E. RECEIVABLES AND PAYABLES

All trade receivables are shown net of allowance for doubtful accounts.

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). 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 fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not spendable financial resources.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. PROPERTY TAXES

Property taxes become due and payable on November 1st of each year. The county tax collector remits the Town’s portion as such revenues are received. The Town collects nearly all of its tax revenue during the period November 1 through April 1, at which time the property taxes become delinquent. The key dates in the property tax cycle are as follows:

Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

G. RESTRICTED ASSETS AND RESERVES

Certain proceeds of the Town’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Enterprise Funds

Restricted assets, provided for by ordinances adopted by the Town for the issuance of the Sewer System Bonds and customer deposits are as follows:

	Qualified Public Depository
Reserves	\$ 71,709
Customer deposits	67,222
Restricted assets	<u><u>\$ 138,931</u></u>

H. 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 government as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. CAPITAL ASSETS – CONTINUED

Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has elected to report general infrastructure assets on a prospective basis only. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 – 50
Sewer line improvements	20 – 50
Infrastructure	10 – 40
Machinery and equipment	5 – 15
Furniture and equipment	5 – 15
Other equipment	5 – 15

I. COMPENSATED ABSENCES

The Town personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. A liability for this amount is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded in the governmental fund only if they have matured.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary 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.

K. NET POSITION

Net position is reported in three parts as applicable: net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

L. FUND BALANCE

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 54 which established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are Non-spendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND BALANCE – CONTINUED

Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The Town classifies governmental fund balance as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the Board of Commissioners through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the Board of Commissioners through a resolution or the budget process, which are neither restricted nor committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The Town uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of spendable fund balance when expenditures are made. The Town does not have a formal minimum fund balance policy.

	General Fund
Non Spendable (prepaid expenses)	\$ 21,439
<u>Spendable:</u>	
Restricted	–
Committed	–
Assigned	–
Unassigned	1,365,561
	<hr/>
Total fund balances	\$ 1,387,000
	<hr/> <hr/>

M. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered cash.

TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2025, the Town had unavailable revenue for those revenues not received and not meeting the availability criteria for revenue recognition which are classified as deferred inflows of resources.

O. ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows, deferred inflows, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the governmental fund except transfers, which were not included in the budget. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the Town Commission.

Q. ADOPTION OF A NEW ACCOUNTING STANDARD

Effective October 1, 2024, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB No. 101). GASB No. 101 updates the recognition and measurement guidance for compensated absences, including vacation, sick leave, and other paid leave benefits. Under GASB No.101, liabilities for compensated absences are recognized when the benefits are both attributable to services already rendered and are expected to be paid. The standard eliminates the requirement to segregate obligations into “vesting” and “non-vesting” components, instead emphasizing whether leave accumulates and whether it is more likely than not to be paid. This change required the restatement of the beginning balances of the governmental activities. The restatement effective October 1, 2024 for the statement of financial position and statement of activities are as follows:

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. ADOPTION OF A NEW ACCOUNTING STANDARD – CONTINUED

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Water and Wastewater</u>
Statement of Net Position:			
Compensated absences at October 1, 2024, as originally stated	\$ 9,195	\$ 13,659	\$ 13,659
Change in accounting principle:			
GASB No. 101, <i>Compensated Absences</i>	6,892	6,646	6,646
Compensated absences at October 1, 2024, as restated	<u>\$ 16,087</u>	<u>\$ 20,305</u>	<u>\$ 20,305</u>
Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance:			
Net Position at October 1, 2024, as originally stated	\$ 4,269,416	\$ 8,656,692	\$ 8,659,713
Change in accounting principle:			
GASB No. 101, <i>Compensated Absences</i>	(6,892)	(6,646)	(6,646)
Net position at October 1, 2024, as restated	<u>\$ 4,262,524</u>	<u>\$ 8,650,046</u>	<u>\$ 8,653,067</u>

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At year-end, the Town’s carrying amount of deposits was \$984,816 and the bank balance was \$1,1,060,615.

B. Receivables

Receivables as of year-end for the Town’s funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water and Wastewater Fund</u>	<u>Sanitation Fund</u>
<u>Receivables:</u>			
Gross accounts receivables	\$ 19,823	\$ 128,457	\$ 5,112
Less: allowance for uncollectable accounts	-	(22,500)	-
Net total receivables	<u>\$ 19,823</u>	<u>\$ 105,957</u>	<u>\$ 5,112</u>

C. Interfund Receivables, Payables, and Transfers

At September 30, 2025, the water and wastewater fund owed \$875,849 to the general fund for items paid on behalf of the water and wastewater fund.

Transfers were made to transfer income to the respective funds. The general fund transferred \$400,000 to the water and wastewater fund and \$9,245 to the sanitation fund.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,808	\$ –	\$ –	\$ 15,808
Construction in progress	189,800	61,200	–	251,000
Total capital assets, not being depreciated	<u>205,608</u>	<u>61,200</u>	<u>–</u>	<u>266,808</u>
Capital assets, being depreciated:				
Buildings and improvements	1,594,220	157,426	–	1,751,646
Infrastructure	2,431,724	–	–	2,431,724
Furniture and Equipment	316,614	–	–	316,614
Machinery and equipment	148,365	–	–	148,365
Total capital assets being depreciated	<u>4,490,923</u>	<u>157,426</u>	<u>–</u>	<u>4,648,349</u>
Less accumulated depreciation for:				
Buildings and improvements	(684,799)	(49,503)	–	(734,302)
Infrastructure	(1,153,803)	(100,617)	–	(1,254,420)
Machinery and equipment	(300,385)	(41,609)	–	(341,994)
Total accumulated depreciation	<u>(2,138,987)</u>	<u>(191,729)</u>	<u>–</u>	<u>(2,330,716)</u>
Total capital assets, being depreciated, net	<u>2,351,936</u>	<u>(34,303)</u>	<u>–</u>	<u>2,317,633</u>
Governmental activities capital assets, net	<u>\$ 2,557,544</u>	<u>\$ 26,897</u>	<u>\$ –</u>	<u>\$ 2,584,441</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 658,576	\$ –	\$ –	\$ 658,576
Construction in progress	805,053	645,930	–	1,450,983
Total capital assets, not being fully depreciated	<u>1,463,629</u>	<u>645,930</u>	<u>–</u>	<u>2,109,559</u>
Capital assets, being depreciated:				
Buildings and Improvements	7,590,536	–	–	7,590,536
Sewer Line Improvements	5,657,736	13,476	–	5,671,212
Water System Improvements	2,745,276	–	–	2,745,276
Machinery and equipment	1,339,642	1,310	–	1,340,952
Total capital assets being depreciated	<u>17,333,190</u>	<u>14,786</u>	<u>–</u>	<u>17,347,976</u>
Less accumulated depreciation for:				
Buildings and Improvements	(3,203,769)	(200,831)	–	(3,404,600)
Sewer Line Improvements	(3,846,245)	(129,286)	–	(3,975,531)
Water System Improvements	(796,777)	(126,864)	–	(923,641)
Machinery and equipment	(978,689)	(99,889)	–	(1,078,578)
Total accumulated depreciation	<u>(8,825,480)</u>	<u>(556,870)</u>	<u>–</u>	<u>(9,382,350)</u>
Total capital assets, being depreciated, net	<u>8,507,710</u>	<u>(542,084)</u>	<u>–</u>	<u>7,965,626</u>
Business-type activities capital assets, net	<u>\$ 9,971,339</u>	<u>\$ 103,846</u>	<u>\$ –</u>	<u>\$ 10,075,185</u>

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Capital Assets – continued

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

Governmental activities:		
Administration	\$	8,071
Public safety		22,425
Maintenance		123,746
Recreation		37,487
Total depreciation expense – governmental activities	\$	<u>191,729</u>
Business-type activities		
Water and wastewater	\$	<u>556,870</u>

E. Long-Term Debt

Long-term debt – Governmental Activities

Long-term debt activity for the year ended September 30, 2025:

	<u>Beginning Balance</u>	<u>Restatement of Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Compensated absences	\$ 9,195	\$ 6,892	\$ -	\$ (1,441) *	\$ 14,646	\$ 3,661
Governmental activities	<u>\$ 9,195</u>	<u>\$ 6,892</u>	<u>\$ -</u>	<u>\$ (1,441)</u>	<u>\$ 14,646</u>	<u>\$ 3,661</u>
Business-type activities:						
Bonds payable:						
Revenue bonds	\$ 1,291,000	\$ -	\$ -	\$ (38,000)	\$ 1,253,000	\$ 38,000
Compensated absences	13,659	6,646	1,630 *	-	21,935	5,483
Business-type activities	<u>\$ 1,304,659</u>	<u>\$ 6,646</u>	<u>\$ 1,630</u>	<u>\$ (38,000)</u>	<u>\$ 1,274,935</u>	<u>\$ 43,483</u>

* Changes in compensated absences are presented net.

Revenue Bonds

During 2012, the Town issued water and wastewater system revenue bonds series 2012 in the amount of \$1,654,000. The holder of the series 2012 bonds is the U.S. Department of Agriculture, Rural Development, Rural Utility Services (USDA). The series 2012 bond issuance was authorized by the Town of Zolfo Springs Commission through Resolution 2012-02. The purpose of the bonds was to finance the cost of acquisition and construction of improvements to the wastewater system and to refinance existing 1987 water and sewer revenue bonds. The series 2012 bonds have an interest rate of 2.25% and mature in 2051. Principal and interest payments are due September 1 of each year. The bonds are secured by a first lien on the revenues from the Town's water and wastewater system.

The bonds require the use of a debt sinking fund equal to 1/12th of one-tenth of the maximum bond service requirement.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – continued

The Town has the following revenue bonds issued for business-type activities and accounted for in the enterprise fund:

Water and Wastewater System Revenue Bonds **\$ 1,253,000**

Total annual debt service requirements for all outstanding enterprise fund revenue bonds as of September 30, 2025 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 38,000	\$ 28,193	66,193
2027	38,000	27,337	65,337
2028	39,000	26,483	65,483
2029	39,000	25,605	64,605
2030	40,000	24,728	64,728
2031–2035	215,000	109,687	324,687
2036–2040	240,000	84,376	324,376
2041–2045	261,000	56,430	317,430
2046–2050	283,000	26,054	309,054
2051	60,000	1,349	61,349
Total	<u>\$ 1,253,000</u>	<u>\$ 410,242</u>	<u>\$ 1,663,242</u>

NOTE 3 – EMPLOYEE BENEFIT PLAN

The Town adopted a defined contribution retirement plan, effective October 1, 1999 for all full-time employees over 18 years of age and with a minimum of 12 months of service. The name of the Plan is the Retirement Plan and Trust for the Employees of the Town of Zolfo Springs and the plan is administered by the Florida League of Cities, Inc. The Florida Municipal Pension Trust Fund is the Trustee. The Town may amend the plan by giving the Trustee written notification of such Amendments as adopted.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town’s Commission. For each employee in the pension plan, the Town is required to contribute 5 percent of annual salary, exclusive of overtime pay, to an individual employee account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits and not to exceed 10 percent of their compensation. For the year ended September 30, 2025, employee contributions totaled \$13,724 and employer contributions were \$13,724.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions after completion of 5 years of creditable service with the Town. Non-vested Town contributions are forfeited upon termination of employment. Such forfeitures are to be used to cover a portion of the pension plan’s administrative expenses. For the year ended September 30, 2025, the Town did not have any available forfeitures to apply towards the Town’s contribution expense.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – 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 has been no significant reduction in coverage from the prior year. The Town has not experienced any settlements in excess of coverage over the past three years.

NOTE 5 – CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government or the state of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures (or expenses) that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GENERAL FUND
NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues				
Property taxes	\$ 399,081	\$ 399,081	\$ 399,434	\$ 353
Intergovernmental revenue	351,857	351,857	353,282	1,425
Franchise fees and taxes	273,622	273,622	347,681	74,059
Fines and forfeitures	-	-	63,124	63,124
Charges for services	280	280	280	-
Interest	5,000	5,000	129	(4,871)
Licenses and permits	2,700	2,700	4,716	2,016
Grants	200,000	200,000	241,000	41,000
Miscellaneous revenues	20,000	20,000	37,320	17,320
Total Revenues	<u>1,252,540</u>	<u>1,252,540</u>	<u>1,446,966</u>	<u>194,426</u>
Expenditures				
General government	482,816	482,816	312,411	170,405
Police department	210,756	210,756	216,151	(5,395)
Maintenance department	341,918	341,918	427,414	(85,496)
Recreation	9,050	9,050	7,386	1,664
Capital outlay	211,500	211,500	218,626	(7,126)
Total Expenditures	<u>1,256,040</u>	<u>1,256,040</u>	<u>1,181,988</u>	<u>74,052</u>
Net Changes in Fund Balance	(3,500)	(3,500)	264,978	268,478
Fund Balance – Beginning of Year	<u>1,531,267</u>	<u>1,531,267</u>	<u>1,531,267</u>	<u>-</u>
Fund Balance – End of Year	<u>\$ 1,527,767</u>	<u>\$ 1,527,767</u>	<u>\$ 1,796,245</u>	<u>\$ 268,478</u>

NOTE 1 – BUDGETARY BASIS

The general fund budget is presented on a basis consistent with U.S. generally accepted accounting principles with the exception of transfers in (out).

NOTE 2 – RECONCILIATION OF DIFFERENCES BETWEEN NON-GAAP BUDGETARY BASIS AND GAAP (MODIFIED ACCRUAL) BASIS

The Town did not budget for transfers out. As a result, \$409,245 of transfers out were not included in the general fund budget.

	Actual On GAAP Basis	To Budgetary Basis	Actual On Budget Basis
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ 264,978	\$ -	\$ 264,978
Other Financing Sources			
Transfers out	\$ (409,245)	\$ 409,245	\$ -
Total Other Financing Sources	<u>\$ (409,245)</u>	<u>\$ 409,245</u>	<u>\$ -</u>
Net Changes in Fund Balance	<u>\$ (144,267)</u>	<u>\$ 409,245</u>	<u>\$ 264,978</u>

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF ZOLFO SPRINGS, FLORIDA
WATER AND WASTEWATER SYSTEM REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	28,193	38,000	66,193
2027	27,337	38,000	65,337
2028	26,483	39,000	65,483
2029	25,605	39,000	64,605
2030	24,728	40,000	64,728
2031	23,828	41,000	64,828
2032	22,904	42,000	64,904
2033	21,960	43,000	64,960
2034	20,993	44,000	64,993
2035	20,002	45,000	65,002
2036	18,990	46,000	64,990
2037	17,955	47,000	64,955
2038	16,898	48,000	64,898
2039	15,818	49,000	64,818
2040	14,715	50,000	64,715
2041	13,590	50,000	63,590
2042	12,464	51,000	63,464
2043	11,318	53,000	64,318
2044	10,125	53,000	63,125
2045	8,933	54,000	62,933
2046	7,717	55,000	62,717
2047	6,480	56,000	62,480
2048	5,220	56,000	61,220
2049	3,960	57,000	60,960
2050	2,677	59,000	61,677
2051	1,349	60,000	61,349
	<u>\$ 410,242</u>	<u>\$ 1,253,000</u>	<u>\$ 1,663,242</u>

TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND WASTEWATER DEPARTMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	ENTERPRISE FUNDS		
	WATER	WASTEWATER	TOTAL
OPERATING REVENUES			
Charges for services			
Wastewater	\$ -	\$ 509,970	\$ 509,970
Water	335,901	-	335,901
Total Operating Revenues	<u>335,901</u>	<u>509,970</u>	<u>845,871</u>
OPERATING EXPENSES			
Personal services	138,992	192,096	331,088
Operating	119,376	537,881	657,257
Depreciation	160,373	396,497	556,870
Total Operating Expenses	<u>418,741</u>	<u>1,126,474</u>	<u>1,545,215</u>
Operating Income (Loss)	<u>(82,840)</u>	<u>(616,504)</u>	<u>(699,344)</u>
NON-OPERATING REVENUES AND EXPENSES			
Interest income	104	-	104
Interest expense	-	(29,048)	(29,048)
Total Non-Operating Revenues (Expenses)	<u>104</u>	<u>(29,048)</u>	<u>(28,944)</u>
Income (Loss) Before Capital Contributions	<u>(82,736)</u>	<u>(645,552)</u>	<u>(728,288)</u>
CAPITAL CONTRIBUTIONS			
Capital contributions	-	635,931	635,931
Total Capital Contributions	<u>-</u>	<u>635,931</u>	<u>635,931</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	<u>\$ (82,736)</u>	<u>\$ (9,621)</u>	<u>\$ (92,357)</u>

**TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF WATER RATES
EFFECTIVE AS OF SEPTEMBER 30, 2025**

RESIDENTIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.46 per thousand
3,001 to 4,999	\$4.13 per thousand
5,000 to 9,999	\$4.28 per thousand
10,000 to 14,999	\$4.58 per thousand
15,000 to 19,999	\$4.86 per thousand
Over 20,000	\$5.13 per thousand
Minimum bill and surcharge when vacant	\$13.54

COMMERCIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.59 per thousand
3,001 to 4,999	\$4.58 per thousand
5,000 to 9,999	\$4.86 per thousand
10,000 to 14,999	\$5.13 per thousand
15,000 to 19,999	\$5.45 per thousand
Over 20,000	\$5.85 per thousand
Minimum bill and surcharge when vacant	\$16.40

A 10% utility tax is to be added to all statements with the exception of the Post Office and School.

**TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF WASTEWATER RATES
EFFECTIVE AS OF SEPTEMBER 30, 2025**

RESIDENTIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$2.14 per thousand
Over 3,000	\$6.43 per thousand
Minimum Charge	\$35.66
Surcharge when Vacant	\$35.66

COMMERCIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$2.14 per thousand
over 3,000	\$6.43 per thousand
Surcharge in Mobile Home Parks	\$14.26 per site
Surcharge in RV parks	\$4.28 per site
Apartments (Multi-structure)	\$8.56 per unit
Motels	\$4.28 per room
Minimum Charge	\$49.92
Surcharge when Vacant	\$49.92

OTHER REPORTS

**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***

MANAGEMENT LETTER

SCHEDULE OF FINDINGS

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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

**To the Honorable Town Commission
Town of Zolfo Springs, Florida**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Zolfo Springs, Florida (Town), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated April 13, 2026.

Report on Internal Control over Financial Reporting

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

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 Town’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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2025-01, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CS+L CPAs

CS&L CPA's, P.A.

April 13, 2026
Bradenton, Florida

MANAGEMENT LETTER

To the Honorable Town Commission
Town of Zolfo Springs, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Zolfo Springs, Florida (Town) as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated April 13, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Schedule of Findings, and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, and schedule, which are dated April 13, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address Finding 2024-01 in the preceding financial annual report. Finding 2025-02 is a continuation of Finding 2023-02 and 2024-02.

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 is 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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town was not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with the financial condition assessment procedures, the Town has had continued operating losses in the water and wastewater fund, noted as Finding 2025-02.

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 noted Finding 2025-02 in the schedule of findings.

Property Assessed Clean Energy (PACE) Programs

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

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, fraud, or waste or abuse, that has occurred, or are likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not 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, Town Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink that reads "CS&L CPAs".

CS&L CPAs, P.A.

April 13, 2026
Bradenton, Florida

TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF FINDINGS

2025-01 **Utility Billing**

Criteria: Internal controls over utility billing should ensure that billing rates for both water and sewer charges are being calculated in agreement with the Town's current approved rate schedule and that all rates and surcharges are properly included in monthly customer billings.

Condition: During our audit, we noted that the Town's rates for both water and sewer were not being calculated in accordance with the Town's current approved rate schedule.

Content/Cause: Audit procedures identified that water and sewer charges were not updated correctly in the utility billing system in accordance with the Town's current approved rate schedule.

Effect: The Town did not properly charge for water and sewer services.

Recommendation: We recommend that the Town establish internal controls over utility billing to ensure that the approved rates for both water and sewer are being properly input at the effective date, and that all charges are properly included in customer billings.

2025-02 **Financial Trend**

Criteria: Section 10.556(8), Rules of the Auditor General, requires the application of financial condition assessment procedures.

Condition: While applying financial condition assessment procedures, we noted that the Town has incurred an operating loss in the water and wastewater fund for multiple years.

Cause: The water and wastewater fund expenses have increased compared to the revenue earned from providing water and wastewater services.

Effect: The Town continues to use reserves to fund the losses.

Recommendation: The Town should consider ways to either increase the rates charged for these services or reduce expenses in the water and wastewater fund, or both.

TOWN OF ZOLFO SPRINGS

3210 U.S. Hwy. 17 S.
P.O. Box 162
Zolfo Springs, FL 33890-0162

Phone: (863) 735-0405

Fax: (863) 735-1684

April 13, 2026

Auditor General
111 West Madison Street
Post office Box 1735
Tallahassee, FL 32303

Dear Sir:

Following are the Town's responses to the audit report for fiscal year ending September 2025:

2025-01: The Town will establish internal controls over utility billing to ensure that the approved rates for both water and sewer are being properly input at the effective date, and that all charges are properly included in customer billings.

2025-02: The Town will consider ways to increase the rates charged for these services. The Town just had a rate study done by Florida Rural Water and will increase rates this year. The Town will also try to reduce expenses in the water and wastewater fund.

Please advise if I may be of any further assistance.

Sincerely,



Linda Roberson

Town Manager/Finance Director

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

To the Honorable Town Commission
Town of Zolfo Springs, Florida

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the Town complied in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2025.

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

A handwritten signature in blue ink that reads 'CS&L CPAs'.

CS&L CPAs, P.A.

April 13, 2026
Bradenton, Florida