

Annual Financial Report
September 30, 2025



SUN 'N LAKE

GOLF & RECREATION

Sun 'n Lake of Sebring
Improvement District
Sebring, Florida

Table of Contents

	<u>Page</u>
I. Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Notes to Financial Statements	19
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	34
Notes to Required Supplementary Information	35
II. Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements <i>Performed in Accordance with Government Auditing Standards</i>	36
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	38
Management Letter	39



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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

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 Sun 'n Lake of Sebring Improvement District, Sebring, Florida (the "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District'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 Sun 'n Lake of Sebring Improvement District, 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 (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 District 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

The District's 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 District'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 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 District'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 District'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 starting on page 3 and budgetary comparison information starting on page 34, 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, that 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2026, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District's internal control over financial reporting and compliance.

McDermitt Davis

Orlando, Florida

August 4, 2026

The District's discussion and analysis of Sun 'n Lake of Sebring Improvement District, Sebring, Florida (the "District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and required supplementary information to the basic financial statements themselves.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2025, resulting in a net position of \$37,722,857.
- The District's total net position in comparison with the prior year increased by \$4,129,134. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2025, the District's governmental funds reported combined ending fund balance of \$2,911,350, a decrease of \$391,141 in comparison with the prior year.
- At September 30, 2025, the District's unassigned fund balance in the General Fund was \$2,808,600 or 99.6% of total General Fund balance that is available for spending at the District's discretion.

Overview of the Financial Statements

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two 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 District 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.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (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 District include general (administration, finance, and community services), public safety (code enforcement and security), transportation (roads and drainage) and culture and recreation. The business-type activities of the District include the Utility (water and sewer) operation.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two fund categories: governmental 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 the District'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 District'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 District maintains two governmental funds for external reporting. 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 and Golf Special Revenue Funds. Both the General Fund and the Golf Special Revenue Fund are considered to be major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The District also adopts an annual non-appropriated operating budget for the Golf and Utility Funds.

Proprietary Funds

The District maintains one type of proprietary fund: enterprise. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District maintains one enterprise fund. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund, which is considered a major fund.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the District's budget and actual revenues and expenses of the General Fund.

Government-Wide Financial Analysis

Summary Schedule 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 District, assets exceeded liabilities by \$37,722,857 at the close of the most recent fiscal year.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Management's Discussion and Analysis

Key components of the District's net position are reflected in the following table:

Statement of Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 4,139,532	\$ 4,489,119	\$ 11,303,191	\$ 5,999,752	\$ 15,442,723	\$ 10,488,871
Capital assets, net	17,038,577	17,591,861	7,116,471	7,204,582	24,155,048	24,796,443
Total assets	21,178,109	22,080,980	18,419,662	13,204,334	39,597,771	35,285,314
Liabilities:						
Current liabilities	1,228,182	1,186,628	450,043	317,208	1,678,225	1,503,836
Long-term liabilities	137,846	107,240	58,843	44,348	196,689	151,588
Total liabilities	1,366,028	1,293,868	508,886	361,556	1,874,914	1,655,424
Net Position:						
Net investment in capital assets	17,038,577	17,591,861	7,116,471	7,204,582	24,155,048	24,796,443
Restricted	-	-	6,701,203	4,281,235	6,701,203	4,281,235
Unrestricted	2,773,504	3,195,251	4,093,102	1,356,961	6,866,606	4,552,212
Total net position	\$ 19,812,081	\$ 20,787,112	\$ 17,910,776	\$ 12,842,778	\$ 37,722,857	\$ 33,629,890

The largest portion of the District's net position, \$24,155,048, (64%) reflects its investment in capital assets (e.g., land, land improvements, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District'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.

The restricted portion, \$6,701,203, represents funds set aside for renewal and replacement and impact fee projects. Restrictions are made by enabling legislation for future capital renewal and replacement and expansion.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities decreased \$948,772 and the net position of the business-type activities increased \$5,077,906 in comparison with the prior year.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Management's Discussion and Analysis

Schedule of Changes in Net Position

Key elements of the change in the District's net position for the years ended September 30, 2025 and 2024 are reflected in the following table:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 10,164,284	\$ 9,621,542	\$ 7,302,008	\$ 4,307,486	\$ 17,466,292	\$ 13,929,028
Operating grants and contributions	-	539,064	-	-	-	539,064
Capital grants and contributions	250,000	-	713,010	342,313	963,010	342,313
General Revenues:						
Investment earnings	148,056	175,453	237,260	171,704	385,316	347,157
Other	913,307	350,504	-	60,197	913,307	410,701
Total revenues	11,475,647	10,686,563	8,252,278	4,881,700	19,727,925	15,568,263
Expenses:						
Governmental Activities:						
General government	3,369,527	2,454,993	-	-	3,369,527	2,454,993
Public safety	440,323	534,203	-	-	440,323	534,203
Transportation	2,536,582	2,749,716	-	-	2,536,582	2,749,716
Culture and recreation	6,077,987	6,322,935	-	-	6,077,987	6,322,935
Business - type Activities:						
Water and sewer utilities	-	-	3,174,372	4,901,638	3,174,372	4,901,638
Total expenses	12,424,419	12,061,847	3,174,372	4,901,638	15,598,791	16,963,485
Increase (Decrease) in Net position	(948,772)	(1,375,284)	5,077,906	(19,938)	4,129,134	(1,395,222)
Net position, beginning	20,787,112	22,162,396	12,842,778	12,862,716	33,629,890	35,025,112
Restatement	(26,259)	-	(9,908)	-	(36,167)	-
Net position, end	\$ 19,812,081	\$ 20,787,112	\$ 17,910,776	\$ 12,842,778	\$ 37,722,857	\$ 33,629,890

Governmental Activities

Charges for services accounted for 89% of the total governmental revenues, that consisted primarily of assessments for the current and prior year. The increase in charges for services from the previous year was \$542,742. The increase is primarily attributable to an increase in assessment payments received. The cost of all governmental activities during the fiscal year ended September 30, 2025 was \$12,424,419, which was an increase of 3.0% from the prior year. Culture and recreation services accounted for 49% of total expenses.

Business-Type Activities

The cost of the business-type activities was \$3,174,372, a 35.2% decrease from the prior year. The costs of those activities were paid for by charges for services, which accounted for 88% of total business-type revenues.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. In particular, unassigned fund balance may serve as a useful measure of

a government's net resources available for spending at the end of the fiscal year.

The General Fund balance decreased \$356,278 (11%) from the previous year and is reporting an ending balance of \$2,819,789. Of this balance, \$2,808,600 is unassigned, which represents 41% of 2025 expenditures.

The Golf Special Revenue Fund reported a net decrease in fund balance of \$34,863. The decrease resulted in an ending fund balance of \$91,561.

Proprietary Funds

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

The Water and Sewer Fund reported operating income of \$1,389,261, which is an increase of \$1,983,413 from the previous year. Of the total net position in the amount of \$17,910,776, \$6,701,203 is restricted for capital and impact fee projects. The operating results of the Water and Sewer Fund increased by \$5,077,906 due to increased special assessment, investment and grant revenues.

General Fund Budgeting Highlights

The differences between the 2025 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The variance between budgeted and actual General Fund revenues for the 2025 fiscal year was \$(41,177), as the District collected fewer assessments and intergovernmental than anticipated. The actual General Fund expenditures and transfers out for the 2025 fiscal year were \$1,652,797 less than budgeted amounts due primarily to lower capital outlay expenditures than expected.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 866,807	\$ 776,543	\$ 184,842	\$ 184,842	\$ 1,051,649	\$ 961,385
Construction in Progress	488,249	425,843	13,188	-	501,437	425,843
Buildings, Infrastructure & Improvements	10,411,963	11,030,263	6,286,704	6,530,794	16,698,667	17,561,057
Machinery and Equipment	2,087,605	1,993,653	631,737	488,946	2,719,342	2,482,599
Golf Course & Improvements	3,183,953	3,365,559	-	-	3,183,953	3,365,559
Total	\$ 17,038,577	\$ 17,591,861	\$ 7,116,471	\$ 7,204,582	\$ 24,155,048	\$ 24,796,443

Capital Assets

At September 30, 2025, the District had \$24,155,048, net of accumulated depreciation, invested in capital assets for its governmental and business-type activities. This investment in capital assets includes land, land improvements, infrastructure improvements, buildings, improvements other than buildings, vehicles, equipment and water and sewer system.

Capital assets decreased from the prior year in the amount of \$641,395 due to depreciation expense exceeding additions. Major additions included purchase of land, and other equipment purchases.

Long-Term Debt

At September 30, 2025, the District had no outstanding long-term debt for its governmental activities.

Economic Factors, Next Year's Budget, and Rates

The District's strategic objective for the 2025/2026 budget focused on sustaining exemplary levels of services and amenities offered to the District's residents while investing in the community's infrastructure and enhancing marketing to promote development and growth. Highlights include:

- The General Fund budget was adopted at \$6,203,000, an increase of \$862,800 in comparison to the previous year's original adopted budget. Significant increases were due to \$882,800 in additional assessment revenue. The District Operation and Maintenance assessment revenues constitute 84% of the operating revenues. There are minimal prior year carryover projects forecasted.
- The economic conditions in the housing market continue to grow in the District compared to the prior year. This results in not only additional one-time revenues, such as permit fees, but new annual recurring revenues, such as increased assessments and utility service charges.
- The Utility Fund was adopted at just over \$4.1 million, an increase of 6% and does not include any prior year reserves to balance the budget. Of the \$4.1 million, there is \$465,000 budgeted for capital outlay.
- The Golf Fund was adopted at \$5.1 million in contrast to the previous year's \$4.7 million budget. Operationally, revenues are expected to increase for golf operations roughly \$183,400 and increase by \$126,800 in restaurant operations. Golf membership and public green fees both sustained increases. Of the \$5.1 million, \$930,000 was budgeted for capital improvement projects for the golf courses and clubhouse. The operational subsidy was set at \$0, the same as the prior fiscal year. There are carryover projects.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sun 'n Lake of Sebring Improvement District's Finance Department located at 5306 Sun 'n Lake Blvd., Sebring, FL 33872, or visit the District's website at snldistrict.org.

FINANCIAL STATEMENTS

Sun 'n Lake of Sebring Improvement District, Sebring, Florida

Statement of Net Position

September 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,626,195	\$ 654,000	\$ 2,280,195
Investments	3,436,241	-	3,436,241
Receivables, net	241,156	1,943,070	2,184,226
Internal balances	(1,756,677)	1,756,677	-
Other receivables	372,157	-	372,157
Inventories	186,395	-	186,395
Prepaid costs	34,065	12,859	46,924
Restricted Assets:			
Cash and cash equivalents	-	432,519	432,519
Investments	-	6,504,066	6,504,066
Capital Assets:			
Not being depreciated	1,355,056	198,030	1,553,086
Depreciable, net	15,683,521	6,918,441	22,601,962
Total assets	21,178,109	18,419,662	39,597,771
Liabilities			
Accounts payable and accrued expenses	758,305	214,661	972,966
Unearned revenues	426,045	-	426,045
Customer deposits and other liabilities	43,832	235,382	279,214
Noncurrent Liabilities:			
Due within one year	13,785	5,884	19,669
Due in more than one year	124,061	52,959	177,020
Total liabilities	1,366,028	508,886	1,874,914
Net Position			
Net investment in capital assets	17,038,577	7,116,471	24,155,048
Restricted for:			
Capital projects	-	5,283,859	5,283,859
Impact fee projects	-	1,417,344	1,417,344
Unrestricted	2,773,504	4,093,102	6,866,606
Total net position	\$ 19,812,081	\$ 17,910,776	\$ 37,722,857

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

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Activities
For the Fiscal Year Ended September 30, 2025

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 3,369,527	\$ 2,552,983	\$ -	\$	(816,544)	\$ -	(816,544)
Public safety	440,323	296,336	-	-	(143,987)	-	(143,987)
Transportation	2,536,582	1,671,553	-	-	(865,029)	-	(865,029)
Culture and recreation	6,077,987	5,643,412	250,000		(184,575)	-	(184,575)
Total governmental activities	12,424,419	10,164,284	250,000		(2,010,135)	-	(2,010,135)
Business-type Activities:							
Water and Sewer	3,174,372	7,302,008	713,010		-	4,840,646	4,840,646
Total business-type activities	3,174,372	7,302,008	713,010		-	4,840,646	4,840,646
Total primary government	\$ 15,598,791	\$ 17,466,292	\$ 963,010		(2,010,135)	4,840,646	2,830,511
General Revenues:							
Unrestricted investment earnings					148,056	237,260	385,316
Miscellaneous					725,482	-	725,482
Insurance recoveries					187,825	-	187,825
Total general revenues					1,061,363	237,260	1,298,623
Change in net position					(948,772)	5,077,906	4,129,134
Net position, beginning as previously stated					20,787,112	12,842,778	33,629,890
Restatements					(26,259)	(9,908)	(36,167)
Net position, beginning as restated					20,760,853	12,832,870	33,593,723
Net position, ending					\$ 19,812,081	\$ 17,910,776	\$ 37,722,857

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

Sun 'n Lake of Sebring Improvement District, Sebring, Florida

Balance Sheet - Governmental Funds

September 30, 2025

	General Fund	Golf Special Revenue Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,102,717	\$ 523,478	\$ 1,626,195
Investments	3,436,241	-	3,436,241
Receivables, net	124,765	116,391	241,156
Other receivables	372,157	-	372,157
Due from other funds	51,768	-	51,768
Inventories	-	186,395	186,395
Prepaid costs	11,189	22,876	34,065
Total assets	\$ 5,098,837	\$ 849,140	\$ 5,947,977
Liabilities:			
Accounts payable	\$ 432,063	\$ 127,796	\$ 559,859
Accrued expenses	60,775	137,671	198,446
Due to other funds	1,756,677	51,768	1,808,445
Unearned revenues	29,533	396,512	426,045
Customer deposits	-	43,832	43,832
Total liabilities	2,279,048	757,579	3,036,627
Fund Balances:			
Nonspendable	11,189	209,271	220,460
Unassigned	2,808,600	(117,710)	2,690,890
Total fund balances (deficit)	2,819,789	91,561	2,911,350
Total liabilities and fund balances	\$ 5,098,837	\$ 849,140	\$ 5,947,977

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2025

Total Fund Balance, governmental funds	\$	2,911,350
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	17,038,577
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Long term liabilities such as financed purchases, compensated absences, and accrued interest payable are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Compensated absences payable	(137,846)
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Net Position of Governmental Activities in the Statement of Net Position	\$	19,812,081
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The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Fiscal Year Ended September 30, 2025

	General Fund	Golf Special Revenue Fund	Total Governmental Funds
Revenues:			
Assessments	\$ 5,011,770	\$ -	\$ 5,011,770
Penalty and interest on assessments	121,902	-	121,902
Fees and fines	6,173	-	6,173
Intergovernmental	250,000	-	250,000
Licenses and permits	143,760	-	143,760
Charges for services	184,264	4,696,415	4,880,679
Investment earnings	148,056	-	148,056
Miscellaneous	607,898	-	607,898
Total revenues	6,473,823	4,696,415	11,170,238
Expenditures:			
Current:			
General government:			
Financial and administrative	2,410,175	-	2,410,175
Community services	177,845	-	177,845
Facilities and grounds	747,865	-	747,865
Total general government	3,335,885	-	3,335,885
Code enforcement and security	418,073	-	418,073
Roads and drainage	1,813,788	-	1,813,788
Recreation and leisure	602,242	4,806,975	5,409,217
Capital Outlay	671,757	218,068	889,825
Total expenditures	6,841,745	5,025,043	11,866,788
Excess (deficiency) of			
Revenues over expenditures	(367,922)	(328,628)	(696,550)
Other Financing Sources (uses):			
Sale of land purchased for resale	117,584	-	117,584
Insurance recoveries	187,825	-	187,825
Transfers in	-	293,765	293,765
Transfers out	(293,765)	-	(293,765)
Total other financing sources (uses)	11,644	293,765	305,409
Net change in fund balances	(356,278)	(34,863)	(391,141)
Fund balances, beginning	3,176,067	126,424	3,302,491
Fund balances, ending	\$ 2,819,789	\$ 91,561	\$ 2,911,350

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

Sun 'n Lake of Sebring Improvement District, Sebring, Florida

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2025

Net Change in Fund Balances - total governmental funds:	\$	(391,141)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	762,160
Less: Depreciation expense	\$ (1,315,444)

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in governmental funds.

(4,347)

Change in Net Position of Governmental Activities	\$	(948,772)
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The accompanying Notes to Financial Statements are an integral part of this statement.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Net Position - Proprietary Funds
September 30, 2025

	Water and Sewer Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 654,000
Accounts receivable, net	1,943,070
Due from other funds	1,756,677
Prepaid expenses	12,859
Restricted Assets:	
Cash and cash equivalents	432,519
Investments	6,504,066
Total current assets	11,303,191
Noncurrent Assets:	
Capital Assets:	
Land	184,842
Construction-in-progress	13,188
Infrastructure	19,296,300
Buildings	84,788
Machinery and equipment	1,362,304
Less accumulated depreciation	(13,824,951)
Total noncurrent assets	7,116,471
Total assets	18,419,662
Liabilities:	
Current Liabilities:	
Accounts payable	195,764
Accrued expenses	18,897
Customer deposits payable	235,382
Compensated absences	5,884
Total current liabilities	455,927
Noncurrent Liabilities:	
Compensated absences	52,959
Total noncurrent liabilities	52,959
Total liabilities	508,886
Net Position:	
Net investment in capital assets	7,116,471
Restricted for capital projects	5,283,859
Restricted for impact fee projects	1,417,344
Unrestricted	4,093,102
Total net position	\$ 17,910,776

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

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund
Operating Revenues:	
Charges for water and sewer services	\$ 4,388,821
Other revenue	174,812
Total operating revenues	4,563,633
Operating Expenses:	
Salaries and benefits	893,132
Contractual services, maintenance and supplies	1,673,735
Depreciation	607,505
Total operating expenses	3,174,372
Operating income (loss)	1,389,261
Nonoperating Revenues (Expenses):	
Interest and investment income	237,260
Capital grants	482,610
Special assessments	2,738,375
Impact fees	230,400
Total nonoperating revenues (expenses)	3,688,645
Change in net position	5,077,906
Net position, beginning as previously stated	12,842,778
Restatements	(9,908)
Net position, beginning as restated	12,832,870
Net position, ending	\$ 17,910,776

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

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 3,079,221
Payments to employees	(886,200)
Payments to suppliers of goods and services	(1,589,096)
Net cash provided by (used in) operating activities	603,925
Cash Flows from Non-Capital Financing Activities:	
Decrease in due to other funds	(1,885,776)
Net cash provided by (used in) non-capital financing activities	(1,885,776)
Cash Flows from Capital and Related Financing Activities:	
Impact fees	230,400
Capital grants	482,610
Special Assessments	2,738,375
Purchases of capital assets	(519,394)
Net cash provided by (used in) capital and related financing activities	2,931,991
Cash Flows from Investing Activities:	
Interest earnings	237,260
Purchase of investments	(2,777,615)
Net cash provided by (used in) investing activities	(2,540,355)
Net decrease in cash and cash equivalents	(890,215)
Cash and cash equivalents, beginning	1,976,734
Cash and cash equivalents, ending	\$ 1,086,519
Classified As:	
Cash and cash equivalents	\$ 654,000
Restricted cash and cash equivalents	432,519
Total	\$ 1,086,519
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:	
Operating income (loss)	\$ 1,389,261
Adjustments Not Affecting Cash:	
Depreciation and amortization	607,505
Change in Assets and Liabilities:	
Increase in accounts receivable	(1,538,812)
Decrease in prepaids / inventory	8,549
Decrease in accounts payable	76,090
Increase in customer deposits	54,400
Increase in accrued payroll	2,345
Increase in compensated absences	4,587
Total adjustments	(785,336)
Net Cash Provided by (used in) Operating Activities	\$ 603,925

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

Notes to Financial Statements

Notes to Financial Statements

September 30, 2025

NOTE 1 NATURE OF ORGANIZATION AND REPORTING ENTITY

Reporting Entity

Sun 'n Lake of Sebring Improvement District (the "District") was established by the Board of County Commissioners of Highlands County, Florida on April 16, 1974. The District is located between the City of Sebring, Florida and the City of Avon Park, Florida on U.S. Highway 27. It encompasses approximately 5,700 acres. Highlands County Ordinance No. 74-4 created the District, fixed the boundaries, provided for a governing body, and provided for the powers, functions, and duties of the District and its governing body. This ordinance, as amended by Ordinance No. 77-4, is referred to as the District Charter. The District Charter further provides for the acquisition or construction of improvements which can be financed by the levying of assessments on the benefited properties.

The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189 of the Florida Statutes. Chapter 189 mandates certain requirements for the formation, dissolution and reporting of special districts.

The District's major activities include operation and maintenance of the golf clubhouse, golf course and driving range, tennis courts, a water and sewer utility system, a network of arterial and neighborhood roads, community center with pool, fitness center, and a general purpose District office.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the employment of the general manager.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39 and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental activities, which normally are supported by assessments and general 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 are 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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The major governmental 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unbilled service revenue is accrued in the enterprise funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments, licenses and permits, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized in revenues for the current period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue for the current period. All other revenue items (licenses and permits and miscellaneous) are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund

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

Golf Fund

This special revenue fund is used to account for the operations of the golf course and related amenities. The costs of providing services to the residents are recovered primarily through user charges.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major proprietary fund:

Water and Sewer Fund

This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are internal receivable and payable balances between governmental and business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Restricted Assets

Restricted assets in the enterprise funds consist of water and sewer impact fees and other net position for renewal, replacement and improvements that have been restricted by enabling legislation.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments for the District are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No. 72, Fair Value Measurement and Application, except for the position in the Florida State Board of Administration's and Florida State's Local Government Surplus Investment Pools (LGIP). In accordance with state law, the LGIP's operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the LGIP's qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC.

Inventories and Prepaid Items

Inventories for the Golf Fund are valued at cost, which approximates market value using the first-in, first-out (FIFO) method. 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.

Receivables and Payables

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. For the Golf Fund, accounts receivable outstanding in excess of 90 days that are material, comprise the allowance. For water and sewer accounts receivable, amounts outstanding in excess of 90 days comprise the allowance. The assessment receivable allowance in the General and debt service funds is equal to 100% of outstanding delinquencies except for amounts outstanding in excess of five years which are written off.

Capital Assets

Capital assets, which include property, golf course, and recreation facilities, water and sewer improvements, machinery and equipment, and infrastructure (roads, sidewalks, etc.), are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

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

Assets	Years
Land improvements	5-20
Buildings	10-40
Infrastructure	10-20
Roads and sidewalks	10-40
Golf course and improvements	20
Utility plant and infrastructure	5-40
Machinery and equipment	5-10

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Compensated Absences

The District recognizes 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 or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The District's policy permits employees to accumulate earned but unused sick leave. An employee who separates from the District after completion of their probationary period, shall receive up to 35% of their unused sick leave based on years of service. In addition to the estimated amount due at separation, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Note premiums and discounts are deferred and amortized ratably over the life of the Notes. Notes payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize 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.

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 District does not have any items that qualify for reporting in this category for the year ended September 30, 2025.

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 District does not have any items that qualify for reporting in this category for the year ended September 30, 2025.

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District and debt service on the notes. The fiscal year for which annual assessments are levied begins on October 1, with discounts available for payments through February 28, and become delinquent on April 1. Penalties are assessed to delinquent lot owners at a rate of 1% per month on the outstanding delinquent balance.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumptions

Sometimes the District 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 District'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 District 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 fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors 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 and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New GASB Statements Implemented

In fiscal year 2025, the District implemented Governmental 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 District incurs an obligation, which will enhance the relevance and reliability of information. As a result of implementation, the District's changes in beginning balances and net position where applicable are further described below.

Notes to Financial Statements

September 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the current year, the District implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation and sick leave due to employees upon separation of employment, the District now recognizes an estimated portion of sick leave to be used as time off as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the "Restatement – GASB 101 implementation" column.

	Net Position 9/30/24 as previously reported	Restatement - GASB 101 Implementation	Net Position 9/30/24 as restated
Government-wide			
Governmental activities	\$ 20,787,112	\$ (26,259)	\$ 20,760,853
Business-type activities	12,842,778	(9,908)	\$ 12,832,870
Total government-wide	<u>\$ 33,629,890</u>	<u>\$ (36,167)</u>	<u>\$ 33,593,723</u>
Proprietary funds			
Water and sewer fund	<u>\$ 12,842,778</u>	<u>\$ (9,908)</u>	<u>\$ 12,832,870</u>

NOTE 3 BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

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

1. Each year, the General Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. The General Manager may approve amendments under \$25,000 that do not increase reserve funding. All other budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles.
6. Unused appropriations for annually budgeted funds lapse at the end of the year.

The District also prepares annual operating budgets for the golf and water and sewer funds.

NOTE 4 CASH AND INVESTMENTS

Cash

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District 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.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes. Authorized District investments include, but are not limited to:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories.
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2025 are summarized below.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
Investment in Florida FIT	\$ 6,614,772	AAAf	1 Day
Investment in Florida Prime	3,325,535	AAAm	47 Days
Total Investments	<u><u>\$ 9,940,307</u></u>		

Credit Risk

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short-term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

Notes to Financial Statements

September 30, 2025

NOTE 4 CASH AND INVESTMENTS (CONTINUED)*Custodial Credit Risk*

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment 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 Deposits 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 District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2025, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

The District's investment policy does not specify limits on the amount the District may invest in any one issue.

Interest Rate Risk

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2025 were as follows:

	Receivable Fund:		
	General Fund	Utility Fund	Total
Payable Fund:			
General fund	\$ -	\$ 1,756,677	\$ 1,756,677
Golf fund	51,768	-	51,768
Total	<u>\$ 51,768</u>	<u>\$ 1,756,677</u>	<u>\$ 1,808,445</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Balances between funds are for services paid by the General Fund to be reimbursed by other funds. The balance due to the Utility Fund from the General Fund is for capital items to be reimbursed.

Additionally, the General Fund transferred \$293,765 to the Golf Fund for capital improvements.

NOTE 6 RECEIVABLES

The District has recorded the assessment receivables for past due amounts. During the fiscal year ended September 30, 2025, a portion of prior year assessments was collected. Unpaid assessments receivable total \$4,076,866 including penalties and interest. The District is in the process of foreclosing on certain properties that have not paid the amounts owed. Due to the uncertainty related to the cost of foreclosure and the ultimate realization from the sale of foreclosed properties, the receivables have been shown with a 100% allowance, except for collectible amounts.

Receivables in the golf fund are recorded net of an allowance for uncollectible accounts of \$3,900.

Receivables in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2025 are as follows:

Accounts Receivable for Utility Sales	\$	991,510
Wastewater Assessments		1,016,560
Allowance for uncollectibles		<u>(65,000)</u>
Net receivables	\$	<u>1,943,070</u>

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NOTE 7 CAPITAL ASSETS

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

	Beginning Balance	Increases	Reductions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 776,543	\$ 90,264	\$ -	\$ 866,807
Construction in progress	425,843	62,406	-	488,249
Total capital assets not being depreciated	1,202,386	152,670	-	1,355,056
Capital Assets Being Depreciated:				
Buildings	11,936,116	102,409	-	12,038,525
Infrastructure	1,708,155	-	-	1,708,155
Roads and sidewalks	5,872,581	-	-	5,872,581
Golf course and improvements	8,844,395	-	-	8,844,395
Machinery and equipment	5,630,979	507,081	-	6,138,060
Total capital assets being depreciated	33,992,226	609,490	-	34,601,716
Less accumulated depreciation for:				
Buildings	(4,811,330)	(387,999)	-	(5,199,329)
Infrastructure	(837,923)	(77,517)	-	(915,440)
Roads and sidewalks	(2,837,336)	(255,193)	-	(3,092,529)
Golf course and improvements	(5,478,836)	(181,606)	-	(5,660,442)
Machinery and equipment	(3,637,326)	(413,129)	-	(4,050,455)
Total accumulated depreciation	(17,602,751)	(1,315,444)	-	(18,918,195)
Total capital assets, being depreciated, net	16,389,475	(705,954)	-	15,683,521
Government activities capital assets, net	\$ 17,591,861	\$ (553,284)	\$ -	\$ 17,038,577
Depreciation Allocation:				
General government				\$ 27,064
Public safety				22,250
Transportation				634,901
Culture and recreation				631,229
				\$ 1,315,444

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 184,842	\$ -	\$ -	\$ 184,842
Construction in progress	-	13,188	-	13,188
Total capital assets not being depreciated	184,842	13,188	-	198,030
Capital Assets, Being depreciated:				
Buildings	52,192	32,596	-	84,788
Utility plant and infrastructure	19,060,093	236,207	-	19,296,300
Machinery and equipment	1,124,901	237,403	-	1,362,304
Total capital assets being depreciated	20,237,186	506,206	-	20,743,392
Less accumulated depreciation for:				
Buildings	(46,160)	(2,491)	-	(48,651)
Utility plant and infrastructure	(12,535,331)	(510,402)	-	(13,045,733)
Machinery and equipment	(635,955)	(94,612)	-	(730,567)
Total accumulated depreciation	(13,217,446)	(607,505)	-	(13,824,951)
Total capital assets being depreciated, net	7,019,740	(101,299)	-	6,918,441
Business-type activities capital assets, net	\$ 7,204,582	\$ (88,111)	\$ -	\$ 7,116,471
Depreciation Allocation:				
Utility				\$ 607,505
Total depreciation expense				\$ 607,505

NOTE 8 PROPERTIES HELD FOR SALE

Acting in a fiduciary capacity, as required by the special assessment Bond and Note, through various means, the District has become the owner of record of many undeveloped plots of land within the District. The District is required by the debt agreements to attempt to market and sell these properties with any sale proceeds used to satisfy the related debt encumbered upon the properties. These properties are encumbered by debt liens that exceed the fair market value of the underlying property and are therefore not recorded as an asset on the District's financial statements. The District is also not liable for the encumbered debt due to its actions as fiduciary, as specified in the Bond and Note agreements. As a result of the liens exceeding the value of the properties, the District has been unsuccessful in its attempts to sell these properties.

Because the District is the owner of record of these properties, it is billed ad valorem and other taxes by the County. The District does not intend to pay these taxes. The District has determined, with the assistance of legal counsel, that it will never be held financially liable for the past due taxes and that the only consequence of nonpayment of the taxes would be the loss of the underlying properties.

Due to the totality of these circumstances, the District has recorded no asset or liability relating to these actions on the financial statements.

Notes to Financial Statements

September 30, 2025

NOTE 9 LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2025 were as follows:

	Beginning Balance, as restated	Additions/ Transfers	Reductions/ Transfers	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences *	\$ 133,499	\$ 4,347	\$ -	\$ 137,846	\$ 13,785
Total	<u>\$ 133,499</u>	<u>\$ 4,347</u>	<u>\$ -</u>	<u>\$ 137,846</u>	<u>\$ 13,785</u>
Business-Type Activities					
Compensated absences *	\$ 54,256	\$ 4,587	\$ -	\$ 58,843	\$ 5,884
Total	<u>\$ 54,256</u>	<u>\$ 4,587</u>	<u>\$ -</u>	<u>\$ 58,843</u>	<u>\$ 5,884</u>

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

NOTE 10 SPECIAL ASSESSMENT DEBT**Series 2008 Special Assessment Note**

In August 2006, the District issued Special Assessment Bond Anticipation Note Series 2006 in the amount of \$8,798,065. The purpose of the 2006 Note was to provide interim funding for the costs associated with the construction of central water and sewer services for Areas "A" and "C" of Unit 16 of the District. On or about March 2008, the District issued Special Assessment Note Series 2008 in the amount of \$10,000,000. The purpose of the 2008 Note was to redeem the 2006 Note, to fund a debt service reserve fund, and to pay the cost of issuing the Note. The District did in fact redeem the 2006 Note. The construction of the central water and service areas for Areas "A" and "C" of Unit 16 was in fact completed. The Note is secured by first lien on all revenues received from special assessments levied and collected on parcels benefited from the Unit 16 A & C project, all monies on deposit in the funds and accounts established, and on any proceeds from Bonds issued. The interest rate will be equal to 68% of the 180 day LIBOR rate plus 325 basis points. Principal and interest on the Note will be payable on each May 1 and November 1 commencing November 1, 2008. In May 2009, the due date of the Series 2008 Note was extended from March 29, 2009 to March 28, 2010.

The District's collections from property owners were insufficient to pay the principal and interest due during the current and prior year. Because the District itself is not liable for nonpayment of the Note, it is not in default.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for this Note and the related balances are not included in the District's financial statements because the District's only obligation under the Note agreement is to collect and remit assessments to the Note holder.

In November 2024, the District paid the bank \$630,000 as full and complete settlement of the Series Special Assessment Note.

The District continues to collect assessments related to the note settlement as lots are sold. At September 30, 2025, \$372,157 included in other receivables is due to the General Fund from the debt service trustee payable from future assessment collections.

NOTE 10 SPECIAL ASSESSMENT DEBT (CONTINUED)

Phase V Bond

Background

The Phase V Bond was initially issued in 1992. As many of the properties subject to the bond were marketed to foreigners by the prior developer of the District, the District experienced a high number of properties that did not honor the bond obligation. This was largely due to promised developer improvements that were never made, coupled with a downturn in economies of their respective countries. Rather than declare the Phase V Bond in default, the Phase V Bond holder - Van Kampen Merritt - elected to enter into an agreement with the District to work out the bond payments. The bondholder also owned a number of properties subject to the Phase V Bond, which it received from the bankrupt developer. The carrying cost for the property was relatively high (all properties owned by the bondholder were subject to District operating and maintenance assessments) which only made a bad situation worse. To remove the obligation of carrying costs for the District assessments, as well as employing some mechanism to work out the prior indebtedness to the District for the previously levied operation and maintenance assessments (\$700,000), Sun 'n Lake, Inc. (the company that was wholly owned by the bondholder and owned properties within the District) was joined to the agreement between the bondholder and the District.

The District accepted delivery of a deed in lieu of foreclosure for all the company's lots, and as lots were now under District ownership, no assessments were levied against the property, because the District does not assess property it owns. The bondholder further agreed to make a payment of \$100,000 upon execution of the agreement toward the back assessment arrearages, and an additional \$100,000 per year (with back assessments on a given lot credited against such amount when property was sold) until the remaining \$600,000 was paid. All company owned lots were placed into a District "lot pool" with an option to repurchase the lots for \$1.00 each upon sale by Sun 'n Lake, Inc. The District received each annual payment and the \$700,000 delinquency was fully satisfied. Pursuant to the agreement, the bondholder agreed to take no action against the District, and the bondholder agreed that the net proceeds from the lot sales and future collection of assessments would be accepted as full payment for the amount due under the Phase V Bond. The lien of the Phase V Bond, however, remained in full force and effect.

The bondholder ultimately elected to transfer the Phase V Bond and all remaining properties on which it had the option to purchase through the lot pool, and successfully found a purchaser for both the properties and the bond in National Recreational Properties, Inc. ("NRPI"). During 2004, the properties and the bond were sold but NRPI realized that in order to successfully market the property, it would require that the delinquent payments and accrued penalties and interest be restructured, as the accumulated delinquent principal, interest and penalties were simply too great for the property to be affordable on an easy low down payment basis. The Phase V Bond restructuring was approved by the Circuit Court in and for Highlands County, Florida, Case Number GC04-448, by Order dated September 2, 2004.

Land Sale and Purchase Agreement

In addition to the Sun 'n Lake, Inc. "lot-pool" lots, NRPI was further interested in acquiring the property inventory of the District which had been accumulated over the years due to foreclosure of delinquent operations and maintenance assessments. A land sale and purchase agreement was negotiated during the fiscal year ended September 30, 2005, and the District lot inventory of foreclosed property was transferred to NRPI in several transactions for several million dollars. These funds were realized in the form of cash payments to the District, and liquidation of other debts owed by the District, inclusive of delinquent ad valorem taxes on the foreclosed properties, debt the District owed on its golf courses, and similar operation debts. The District continues to actively monitor properties which have delinquent assessments owed either for the Phase V project or operations and maintenance assessments of the District.

NOTE 10 SPECIAL ASSESSMENT DEBT (CONTINUED)

The land sale and purchase agreement, as well as the Phase V Bond agreement, were amended. In the last agreement by the District with NRPI, NRPI agreed that it would not only pay assessments on all property owned within the District on an ongoing basis (in exchange for a reduction in the amount it agreed to pay for the new golf course clubhouse), but further agreed that it had the obligation to purchase all properties foreclosed upon by the District as part of its inventory available for resale. NRPI is delinquent in payment of its annual assessments and is believed to be an inactive corporation.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for these bonds and the related balances are not included in the District's financial statements because the District's only obligation under the Bond agreement is to collect and remit assessments to the Bondholder.

NOTE 11 COMMITMENTS

The District entered into a management agreement on October 1, 2014, with Indigo Golf Partners to supervise, direct and control the management, development, marketing and operation of the Sun 'n Lake Golf and Country Club. The agreement has no ending date and provides that either party may terminate the agreement with 180 days' notice. The monthly management fee is \$10,000 per month. During fiscal year 2025, the District paid \$50,000 to Indigo Golf Partners as management fees under this agreement.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 13 DEFINED CONTRIBUTION PLANS

The District has a 401(a) Money Purchase Plan which is a defined contribution plan established to provide benefits at retirement for all full-time employees. At September 30, 2025, there were 32 participants. The District is required to make matching contributions of employee contributions to the 457 deferred compensation plan up to 6% of eligible employee salary. Employees are 50% vested after one year of service and fully vested after two years of service. Plan provisions and contribution requirements are established and may be amended by the District Board. The District's matching contributions to the plan were \$107,699 for the fiscal year ended September 30, 2025.

The District also has a 457 deferred compensation plan established to provide benefits at retirement to all employees. All full-time employees are eligible, and the District matches contributions as noted above. At September 30, 2025, there were 27 participants. Plan provisions and contribution requirements are established and may be amended by the District Board.

The plan assets are administered by Nationwide Financial Services, Inc. Participants have access to the information regarding their account balances through Nationwide. The District does not exercise any control over the plan assets.

The District has no post-employment benefits for healthcare or insurance.

Required Supplementary Information

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 4,305,000	\$ 5,255,000	\$ 5,011,770	\$ (243,230)
Penalty and interest on assessments	180,000	180,000	121,902	(58,098)
Fees and fines	5,000	5,000	6,173	1,173
Intergovernmental	-	250,000	250,000	-
Licenses and permits	150,000	150,000	143,760	(6,240)
Charges for services	125,000	125,000	184,264	59,264
Investment earnings	150,000	150,000	148,056	(1,944)
Miscellaneous	400,000	400,000	607,898	207,898
Total revenues	5,315,000	6,515,000	6,473,823	(41,177)
Expenditures:				
Current:				
Financial and administrative	1,931,056	2,006,056	2,410,175	(404,119)
Community services	207,400	242,400	177,845	64,555
Facilities and grounds	616,181	616,181	747,865	(131,684)
Code enforcement and security	552,071	554,071	418,073	135,998
Roads and drainage	1,714,885	1,714,885	1,813,788	(98,903)
Recreation and leisure	534,714	549,714	602,242	(52,528)
Capital outlay	735,000	2,035,000	671,757	1,363,243
Total expenditures	6,291,307	7,718,307	6,841,745	876,562
Excess of revenues over expenditures	(976,307)	(1,203,307)	(367,922)	835,385
Other Financing Sources (Uses):				
Sale of land purchased for resale	-	1,706,000	117,584	(1,588,416)
Insurance recoveries	25,000	25,000	187,825	162,825
Transfers out	(440,000)	(1,070,000)	(293,765)	776,235
Total other financing sources (uses)	(415,000)	661,000	11,644	(649,356)
Net change in fund balance*	(1,391,307)	(542,307)	(356,278)	186,029
Fund balance, beginning	3,176,067	3,176,067	3,176,067	-
Fund balance, ending	\$ 1,784,760	\$ 2,633,760	\$ 2,819,789	\$ 186,029

* The net change in fund balance was included in the budget as an appropriation of fund balance.

Notes to Required Supplementary Information

Year Ended September 30, 2025

The District is required to establish a budgetary system and an approved annual budget for the General Fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures that are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The differences between the 2025 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The negative variance between budgeted and actual General Fund revenues for the 2025 fiscal year was \$(41,177), as the District collected less in assessments and penalties and interest on assessments than expected. The actual General Fund expenditures and transfers out for the 2025 fiscal year were \$1,652,797 less than budgeted amounts due primarily to lower than anticipated capital outlay and transfers out.

The District adopts a non-appropriated operating budget for the Golf Special Revenue Fund that is used for internal planning, control, and review purposes only. Generally accepted accounting principles only require the presentation of appropriated budgets adopted to meet legal requirements as required supplementary information. Because the District is not legally required to adopt an appropriated budget for these funds, this information is not presented.

Compliance Section

**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 Board of Supervisors
Sun 'n Lake of Sebring Improvement District

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, and each major fund of the Sun 'n Lake of Sebring Improvement District, Sebring, Florida, as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 4, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

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.

A handwritten signature in black ink that reads "McDermitt Davis". The signature is written in a cursive, slightly slanted style.

Orlando, Florida
August 4, 2026



1800 Pembroke Drive, Suite 170
Orlando, Florida 32810
Tel. 407-843-5406
www.mcdermittdavis.com

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

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

We have examined Sun 'n Lake of Sebring Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2025. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District'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 District'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 District's compliance with specified requirements.

In our opinion, Sun 'n Lake of Sebring Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

McDermitt Davis

Orlando, Florida
August 4, 2026

MANAGEMENT LETTER

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District, Sebring, Florida

Report on the Financial Statements

We have audited the financial statements of the Sun 'n Lake of Sebring Improvement District, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated August 4, 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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* (GAS); 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 August 4, 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. There were no such findings in the preceding annual financial report.

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 District 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures for the District.

It is management's responsibility to monitor the District's financial condition, and our financial condition

assessment was based in part on representations made by management and review of financial information provided by same. In connection with our audit, we determined that the District, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 have the following recommendations:

2025-01 Interfund Activity

To ensure accurate reporting of entity-wide revenues and expenditures, all activity within the District should be reconciled each year. During our audit, we noted that the interfund activity between the golf and General Fund was not reconciled, resulting in expenditures not being recorded in the correct fund. We recommend that District staff perform reconciliations of the activity between the golf and General Fund at least annually to ensure all activity is properly recorded.

2025-02 Purchasing Procedures

District purchasing policy requires three quotes for purchases between \$5,000 and \$25,000. During our audit, we noted two purchases for which documentation of quotes or an explanation of why no quotes were required was not maintained. We recommend that all purchases requiring quotes include documentation of quotes obtained or documentation of why quotes were not required.

Specific Information (Unaudited)

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- A. The total number of District employees compensated in the last pay period of the District's fiscal year as 61.
- B. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 45.
- C. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$2,510,156.
- D. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$1,265,286.
- E. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
Water Main - \$236,206
- F. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final budget under Section 189.016(6), Florida Statutes, as included in the General Fund budget statement.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)9., Rules of the Auditor General, the District reported:

- A. The rate or rates of non-ad valorem special assessments imposed by the District – see attached schedule.
- B. The total amount of special assessments collected by or on behalf of the District as \$5,011,770
- C. The total amount of outstanding bonds issued by the District and the terms of such bonds as disclosed in the notes.

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 that warrants the attention of those charged with governance. In connection with our audit, we did not note 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 members of the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "McDermitt Davis". The signature is written in a cursive, slightly slanted style.

Orlando, Florida
August 4, 2026

Sun 'n Lake of Sebring Improvement District
5 % Increase - District Assessment Rates - with Discounts

FY OCTOBER 2024 - SEPTEMBER 2025

Property Type	Description	Codes		FY 2023-2024 Rate	FY 2024-2025 Rate 5% increase	November Discount 4%	December Discount 3%	January Discount 2%	February Discount 1%
Lots									
	Unimproved vacant land	1	Per Lot	\$160.97	\$169.02	\$162.26	\$163.95	\$165.64	\$167.33
	Lot with road/drainage	2	Per Lot	\$401.31	\$421.38	\$404.52	\$408.73	\$412.95	\$417.16
Residential Properties									
	Single family	1	Per Unit	\$802.62	\$842.75	\$809.04	\$817.47	\$825.90	\$834.32
	Single family/unified lots	412	Per Unit	\$1,203.93	\$1,264.13	\$1,213.56	\$1,226.20	\$1,238.84	\$1,251.49
	Condominium	4	Per Unit	\$802.62	\$842.75	\$809.04	\$817.47	\$825.90	\$834.32
	Multi-family <10 units	3	Per Unit	\$802.62	\$842.75	\$809.04	\$817.47	\$825.90	\$834.32
	Time share	9	Per Unit	\$802.62	\$842.75	\$809.04	\$817.47	\$825.90	\$834.32
	Miscellaneous	7	Per Unit	\$802.62	\$842.75	\$809.04	\$817.47	\$825.90	\$834.32
	Additional for Lots on the Golf Course		Per Lot	\$80.48	\$84.50	\$81.12	\$81.97	\$82.81	\$83.66
Commercial Properties									
	Retirement Home	78	Per Room	\$441.00	\$463.05	\$444.53	\$449.16	\$453.79	\$458.42
	Stores, 1 story	11	Per ELU	\$786.08	\$825.38	\$792.37	\$800.62	\$808.88	\$817.13
	Community shopping	16	Per ELU	\$1,051.79	\$1,104.38	\$1,060.20	\$1,071.25	\$1,082.29	\$1,093.34
	Office building, one story	17	Per ELU	\$907.36	\$952.73	\$914.62	\$924.15	\$933.67	\$943.20
	Multi-story, non-professiona	18	Per ELU	\$907.36	\$952.73	\$914.62	\$924.15	\$933.67	\$943.20
	Professional building	19	Per ELU	\$1,468.53	\$1,541.96	\$1,480.28	\$1,495.70	\$1,511.12	\$1,526.54
	Financial institution	23	Per ELU	\$810.34	\$850.86	\$816.82	\$825.33	\$833.84	\$842.35
	Vehicle sales/service /rent	27	Per ELU	\$842.31	\$884.43	\$849.05	\$857.89	\$866.74	\$875.58
	Park lots, mobile home lots	28	Per ELU	\$594.25	\$623.96	\$599.00	\$605.24	\$611.48	\$617.72
	Golf courses	38	Per ELU	\$594.25	\$623.96	\$599.00	\$605.24	\$611.48	\$617.72
	Acreage - non-ag or commer	99	Per Acre	\$1,404.59	\$1,474.82	\$1,415.83	\$1,430.57	\$1,445.32	\$1,460.07
	Hotel	39	Per Room	\$441.00	\$463.05	\$444.53	\$449.16	\$453.79	\$458.42
	Mixed Use	12	Per Unit	\$441.00	\$463.05	\$444.53	\$449.16	\$453.79	\$458.42
	Light manufacturing	41	Per ELU	\$786.08	\$825.38	\$792.37	\$800.62	\$808.88	\$817.13
	Repair service non-auto		Per Unit	\$1,572.16	\$1,650.77	\$1,584.74	\$1,601.24	\$1,617.75	\$1,634.26
	Churches	71	Per ELU	\$745.50	\$782.78	\$751.46	\$759.29	\$767.12	\$774.95
	Utilities	91	Per ELU	\$352.80	\$370.44	\$355.62	\$359.33	\$363.03	\$366.74
	Warehousing/distribution	48	Per ELU	\$1,035.25	\$1,087.01	\$1,043.53	\$1,054.40	\$1,065.27	\$1,076.14
	Industrial storage	49	Per ELU	\$594.25	\$623.96	\$599.00	\$605.24	\$611.48	\$617.72
	Private School	72	Per ELU	\$665.91	\$699.21	\$671.24	\$678.23	\$685.22	\$692.21
	Private Hospitals	73	Per ELU	\$441.00	\$463.05	\$444.53	\$449.16	\$453.79	\$458.42
	Tanglewood Special Purpose User Rate		Per Acre	\$938.23	\$985.14	\$945.74	\$955.59	\$965.44	\$975.29
	*ELU - Equivalent Living Unit								