

**TAYLOR COASTAL WATER
AND SEWER DISTRICT
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2025**

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AND SEWER DISTRICT
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INTRODUCTORY SECTION

**TAYLOR COASTAL WATER
AND SEWER DISTRICT
LIST OF PRINCIPAL OFFICIALS**

September 30, 2025

CHAIRMAN

Michael Hunter

VICE CHAIRMAN

William Hathcock

SECRETARY

Courtney Valentine

COMMISSIONERS

**Timothy Stanton
Gayle Lundy
Jan Walker**

DISTRICT ATTORNEY

James M. Durant, Jr.

FINANCIAL SECTION



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Taylor Coastal Water and Sewer District
Perry, Florida

Opinions

We have audited the accompanying financial statements of the business-type activities of the Taylor Coastal Water and Sewer District (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Taylor Coastal Water and Sewer 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

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 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, schedule of proportionate share of net pension liability, and schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and informational purposes and is not a required part of the basic financial statements.

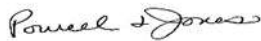
The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Report on Summarized Comparative Information

We have previously audited the District's 2024 financial statements, and our report dated June 27, 2025, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Powell and Jones CPA
Lake City, Florida
August 6, 2026

TAYLOR COASTAL WATER AND SEWER DISTRICT
Management's Discussion and Analysis
September 30, 2025

The management of the Taylor Coastal Water and Sewer District (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended September 30, 2025.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting principles which is the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net position presents information on 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 revenues, expenses and changes in net position reports the operating revenues and expenses and nonoperating revenues and expenses of the District for the fiscal year with the difference (the net income or loss) being combined with any capital grants to determine the net change in assets for the fiscal year. That change combined with the net position at the end of the previous year total to the net position at the end of the current fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

Condensed Financial Information

Condensed financial information from the statements of net position at September 30, 2025 and 2024, and revenues, expenses and changes in net position for the years then ended, follows:

	September 30,	
	2025	2024
Net position		
Current and other assets	\$ 2,145,775	\$ 2,083,034
Capital assets, net	3,712,093	3,556,478
Total assets	5,857,868	5,639,512
Deferred outflows	57,854	74,120
Current liabilities	95,317	91,324
Long-term liabilities	1,196,008	1,266,490
Total liabilities	1,291,325	1,357,814
Deferred inflows	49,261	40,697
Net position:		
Invested in capital assets, net of related debt	2,659,806	2,462,163
Restricted	41,000	41,000
Unrestricted	1,874,330	1,811,958
Total net position	\$ 4,575,136	\$ 4,315,121

Analysis of Financial Position

Total assets increased by \$218,356, or 3.9%, during 2025. Current and other assets increased by \$62,741. Current assets included amounts associated with grant reimbursements for eligible Hurricane Helene recovery expenditures. The effect of these receivables was partially offset by the use of the District's available cash to pay recovery costs before reimbursement.

Net capital assets increased by \$155,615, or 4.4%. The increase resulted from equipment additions of \$502,255, partially offset by current-year depreciation expense of \$346,640.

Total liabilities decreased by \$66,489, or 4.9%. Long-term liabilities decreased by \$70,482, primarily because of scheduled debt payments and changes in the District's other long-term obligations. Current liabilities remained relatively consistent with the prior year.

The District's net investment in capital assets increased by \$197,643, or 8.0%, reflecting equipment additions and repayment of capital-related debt. Unrestricted net position increased by \$62,372, or 3.4%. Restricted net position remained unchanged at \$41,000.

Although total net position increased, the District's recurring operating results declined significantly during 2025. The overall increase in net position was primarily attributable to grant reimbursement revenue related to Hurricane Helene rather than normal water and sewer operations.

Change in net position	For the Fiscal Year Ended September 30,	
	2025	2024
Operating revenue:		
Revenue from water and sewer services	\$ 609,166	\$ 731,339
Miscellaneous	-	36,529
Total operating revenues	609,166	767,868
Operating expenses:		
Personnel services	253,258	295,165
Operating expenses	838,720	301,410
Depreciation	346,640	296,210
Total operating expenses, including depreciation	1,438,618	892,785
Operating income (loss)	(829,452)	(124,917)
Net non-operating revenue (expense)	1,072,467	107,660
Loss before contributions	243,015	(17,257)
Connection fees	17,000	7,030
Capital grant revenue	-	95,580
Change in net position	260,015	85,353
Beginning of year net position	4,315,121	4,229,768
End of year net position	<u>\$ 4,575,136</u>	<u>\$ 4,315,121</u>

Revenue from water and sewer services decreased by \$122,173, or 16.7%, from the prior year. The decrease was affected by disruptions caused by Hurricane Helene and related impacts on the District's customers and water and sewer operations.

Total operating expenses increased by \$545,833, or 61.1%. Other operating expenses increased by \$537,310, primarily because of Hurricane Helene recovery work. The District incurred significant expenditures for grinder pumps, electrical components, contractor and field labor, lift-station work, supplies, fuel, freight, and other costs necessary to restore and maintain water and sewer services.

Personnel services decreased by \$41,907, or 14.2%. Depreciation expense increased by \$50,430, or 17.0%, reflecting the effect of equipment additions and the District's existing depreciable capital assets.

The District's operating loss increased from \$124,917 in 2024 to \$829,452 in 2025. However, net nonoperating revenue increased by \$964,807, primarily because of grant reimbursement revenue associated with Hurricane Helene recovery expenditures. This funding substantially offset the unusual recovery costs incurred during the year.

As a result, the District reported income before contributions of \$243,015 and an overall increase in net position of \$260,015.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2025, the District had \$3.71 million invested in capital assets, consisting primarily of its water supply system and sewer system.

Capital Assets at September 30, 2025 and 2024

	2025	2024
Non-depreciable:		
Land	\$ 279,337	\$ 279,337
Depreciable:		
Buildings and improvements	8,172,484	8,172,484
Equipment	1,085,820	583,565
Total capital assets	9,537,641	9,035,386
Accumulated depreciation	(5,825,548)	(5,478,908)
Capital assets, net	<u>\$ 3,712,093</u>	<u>\$ 3,556,478</u>

Equipment increased by \$502,255 during 2025. The additions primarily related to equipment acquired or replaced as part of the District's Hurricane Helene recovery efforts, including water and wastewater system equipment. Depreciation expense for the year was \$346,640, resulting in a net increase in capital assets of \$155,615.

Additional information concerning the District's capital assets is presented in the notes to the financial statements.

Debt Outstanding

The District refinanced the outstanding revenue bonds into one loan with CoBank in April of 2023. As of September 30, 2025, the loan amount was \$1,052,287 which is a decrease from prior year of \$42,027.

Currently Known Facts, Conditions, and Decisions

The District continues to administer Hurricane Helene recovery projects and pursue reimbursement from the Florida Division of Emergency Management and the Federal Emergency Management Agency for eligible costs. Because the District generally pays eligible costs before receiving reimbursement, the timing of future reimbursements may affect the District's cash flows.

The District approved a 5% increase in customer rates effective January 1, 2026. The rate adjustment is intended to support the continuing cost of providing water and sewer services, maintaining the District's systems, and meeting ongoing operating and capital requirements.

Certain Hurricane Helene recovery projects and related reimbursement activity are expected to continue into the fiscal year ending September 30, 2026.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Office Manager at 18820 Beach Road, Perry, Florida 32348.

BASIC FINANCIAL STATEMENTS

TAYLOR COASTAL WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
September 30, 2025
(With Summarized Financial Information for September 30, 2024)

	2025	2024
ASSETS		
Current Assets		
Cash	\$ 853,173	\$ 1,846,978
Inventory of supplies	222,395	170,244
Accounts receivable, net	1,033,957	29,562
Prepaid expenses	36,250	36,250
Total current assets	<u>2,145,775</u>	<u>2,083,034</u>
Capital Assets		
Non-depreciable		
Land	279,337	279,337
Depreciable		
Buildings and improvements	91,985	91,985
Water system	1,407,355	1,407,355
Sewer system	6,673,144	6,673,144
Machinery and equipment	1,085,820	583,565
Total capital assets	<u>9,537,641</u>	<u>9,035,386</u>
Accumulated depreciation	<u>(5,825,548)</u>	<u>(5,478,908)</u>
Capital assets	<u>3,712,093</u>	<u>3,556,478</u>
Total assets	<u>5,857,868</u>	<u>5,639,512</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>57,854</u>	<u>74,120</u>
LIABILITIES		
Current liabilities		
Accounts payable	48,787	39,833
Accrued liabilities	2,596	9,463
Notes payable, current	43,934	42,028
Total current liabilities	<u>95,317</u>	<u>91,324</u>
Long-term liabilities		
Contract payable	16,000	16,000
Net pension liability	171,655	198,203
Notes payable, net of current	1,008,353	1,052,287
Total long-term liabilities	<u>1,196,008</u>	<u>1,266,490</u>
Total liabilities	<u>1,291,325</u>	<u>1,357,814</u>
DEFERRED INFLOWS OF RESOURCES	<u>49,261</u>	<u>40,697</u>
NET POSITION		
Invested in capital assets, net of related debt	2,659,806	2,462,163
Restricted for debt service	41,000	41,000
Unrestricted	1,874,330	1,811,958
Total net position	<u>\$ 4,575,136</u>	<u>\$ 4,315,121</u>

See notes to financial statements.

TAYLOR COASTAL WATER AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025
(With Summarized Financial Information for the Fiscal Year Ended September 30, 2024)

	2025	2024
OPERATING REVENUES		
Water services	\$ 235,062	\$ 307,171
Sewer services	281,369	351,804
Grinder pump contributions	84,030	98,025
Penalties	8,705	4,719
Miscellaneous	-	6,149
Total operating revenues	<u>609,166</u>	<u>767,868</u>
OPERATING EXPENSES		
Personnel services	253,258	295,165
Operating expenses	838,720	301,410
Depreciation	346,640	296,210
Total operating expenses	<u>1,438,618</u>	<u>892,785</u>
Operating income (loss)	<u>(829,452)</u>	<u>(124,917)</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenues	1,091,799	220,420
Hurricane Idalia mutal aid	-	(107,013)
Interest revenue	28,553	44,092
Interest expense	(47,885)	(49,839)
Total nonoperating revenues (expenses)	<u>1,072,467</u>	<u>107,660</u>
Loss before capital contributions	<u>243,015</u>	<u>(17,257)</u>
CAPITAL CONTRIBUTIONS		
Connection fees	17,000	7,030
Capital grants	-	95,580
Total capital contributions	<u>17,000</u>	<u>102,610</u>
Change in net position	260,015	85,353
Net position at beginning of year	<u>4,315,121</u>	<u>4,229,768</u>
Net position at end of year	<u>\$ 4,575,136</u>	<u>\$ 4,315,121</u>

See notes to financial statements.

TAYLOR COASTAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2025
(With Summarized Financial Information for the Fiscal Year Ended September 30, 2024)

	2025	2024
Cash flows from operating activities:		
Cash received from customers and non capital grants	\$ 613,673	\$ 981,581
Cash payments to suppliers for goods and services	(881,918)	(345,412)
Cash payments for employee services	(261,842)	(303,963)
Net cash provided (used) by operating activities	(530,087)	332,206
Cash flows from capital and related financing activities:		
Additions to capital assets	(502,255)	(138,801)
Capital grants	-	95,580
Connection fees	17,000	7,030
Principal and interest paid on debt	(89,912)	(89,909)
Net cash provided (used) by capital and related financing activities	(575,167)	(126,100)
Cash flows from noncapital related financing activities:		
Operating grant revenues	82,896	-
Other hurricane recovery expenses	-	(107,013)
Net cash provided (used) by noncapital related financing activities:	82,896	(107,013)
Cash flows from investing activities:		
Investment proceeds	28,553	44,092
Net cash provided by investing activities	28,553	44,092
Net increase (decrease) in cash and cash equivalents	(993,805)	143,185
Cash and cash equivalents, beginning of year	1,846,978	1,703,793
Cash and cash equivalents, end of year	\$ 853,173	\$ 1,846,978
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (829,452)	\$ (124,917)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	346,640	296,210
Grants received	-	220,420
(Increase) decrease in assets:		
Customer and grant receivables	4,507	(6,707)
Inventories	(52,151)	(21,152)
Deferred outflows	16,266	16,188
Prepaid expenses	-	(23,600)
Increase (decrease) in liabilities:		
Accounts payable	8,954	750
Deferred inflows	8,564	22,868
Net pension liability	(26,548)	(35,715)
Accrued liabilities	(6,867)	(12,139)
Net cash provided by operating activities	\$ (530,087)	\$ 332,206

TAYLOR COASTAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1. DESCRIPTION OF ENTITY

Description of Operations

The Taylor Coastal Water and Sewer District (the District) is a special district unit of government created by Ordinance 2000-10 on October 2, 2000, by the Board of County Commissioners of Taylor County, Florida. The purpose of the District is to acquire, construct, operate and maintain a water and sewer system to serve unincorporated areas of Taylor County and other customers and users as the District may determine. The initial Commissioners of the District were the governing board of Taylor Coastal Utilities, Inc., a not-for-profit entity located in Taylor County, Florida. The initial water and sewer system was operated and maintained by Taylor Coastal Utilities, Inc. The District is involved in a large sewer project to include areas of unincorporated Taylor County, Florida. On July 3, 2003, the entire existing water system operated and maintained by Taylor Coastal Utilities, Inc. was transferred by bill of sale, warranty deed and assignment of easements to the District for a sum of \$10. The District currently serves approximately 546 water customers, 526 of which also receive sewer service.

Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

Due to its level of independence, the District is not subject to disclosure as a component unit of Taylor County in the County's annual financial report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation and Accounting

The District's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

b. Cash Equivalents and Investments

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes bank certificates of deposit.

Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year. Restricted investments, which consist primarily of U.S. government securities designated for specific projects and required to be segregated pursuant to debt covenants, and restricted cash, which consists of a money market account, and is presented as restricted cash.

c. Material and Supplies

Materials and supplies inventory consist principally of spare parts that are recorded and expensed when purchased. Year end inventory is recorded at weighted average cost.

d. Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during the current fiscal year. As applicable in a fiscal year, the cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Structures, pumps, and other improvements	20 – 30 years
Office furniture, fixture, and equipment	7 years

e. Long-Term Debt and Issuance Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are treated as outlays in the year incurred. Losses occurring from advance refunding of debt are reported in the year incurred.

f. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

g. Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

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

Invested in capital assets, net of related debt	<u>\$ 2,659,806</u>
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Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has restricted amounts agreed upon by the debt service agreement. As of September 30, 2025, the restricted amounts were as follows:

Restricted for debt service	<u>\$ 41,000</u>
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Unrestricted net position - This component of net position consists of amounts that do not meet the definition of "restricted" or "*invested in capital assets, net of related debt*." It includes resources available for any lawful purpose. Internally imposed restrictions established by ordinance and/or resolution, such as reserves for future system expansions or specific operational purposes, are included in unrestricted net position because such designations are at the discretion of the Board and may be changed by future Board action. As of September 30, 2025, the restricted amounts were as follows:

Internally reserved for system expansion	\$ 728,834
Other available unrestricted funds	<u>1,145,496</u>
Total unrestricted net position	<u>\$ 1,874,330</u>

NOTE 3. CASH**a. Cash**

Cash is presented on the accompanying statements of net position as of September 30, 2025, as follows:

Cash and cash equivalents	<u>\$ 853,173</u>
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b. Deposits

The financial institution in which the District's monies are deposited is certified as a "Qualified Public Depository," as required under the Florida Security for Public Deposits Act. This law requires every qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of an amount to be determined by the State Treasurer. Therefore, the District's total deposits are insured by the Florida Depository Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. The law requires the State Treasurer to ensure that funds are entirely collateralized throughout the fiscal year.

Section 218.415, *Florida Statutes*, authorizes the District to invest in the Local Government Surplus Funds Trust, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States, time deposits and savings accounts of Florida Qualified Depositories, and Securities and Exchange Commission restricted money market funds with the highest credit quality rating from a nationally recognized rating agency. At year end, the District's invested funds were in a savings account at the "Qualified Public Depository" described above.

For financial reporting purposes, investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. At year end the District's savings account is classified as cash and is fully insured or collateralized as described above.

NOTE 4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

Customer and other accounts receivables were as follows:

Utility services accounts	\$ 20,950
Accounts receivable	<u>1,013,007</u>
Net	<u>\$ 1,033,957</u>

Based upon collection history, the District has determined an allowance for doubtful accounts is not required for these receivables.

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses were as follows:

Contractors and vendors	\$ 48,787
Accrued liabilities	<u>2,596</u>
Total	<u>\$ 51,383</u>

NOTE 6. CAPITAL ASSETS

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

	Balance Sept. 30, 2024	Increases	Decreases	Transfers	Balance Sept. 30, 2025
Capital assets, not being depreciated:					
Land	\$ 279,337	\$ -	\$ -	\$ -	\$ 279,337
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated:	279,337	-	-	-	279,337
Capital assets, being depreciated:					
Water system	1,407,355	-	-	-	1,407,355
Sewer system	6,673,144	-	-	-	6,673,144
District building	91,985	-	-	-	91,985
Equipment	583,565	502,255	-	-	1,085,820
	8,756,049	502,255	-	-	9,258,304
Less: accumulated depreciation	(5,478,908)	(346,640)	-	-	(5,825,548)
Total capital assets being depreciated, net	3,277,141	155,615	-	-	3,432,756
Total capital assets	\$ 3,556,478	\$ 155,615	\$ -	\$ -	\$ 3,712,093

Depreciation expense for the year was \$346,640.

On June 22, 2012, the District was granted approximately twelve acres of land from the Suwannee River Water Management District. The deed of conveyances requires the property to be exclusively used as a wellfield and to house the District's offices and contains a reverter clause if those uses are not maintained.

NOTE 7. LONG-TERM DEBT

CoBank - The new loan was refinanced to \$1,188,250 in April of 2023 at an interest rate of 4.384% per annum with a monthly payment of \$7,492 with a maturity date of April 2042. As of September 30, 2025 the outstanding balance was \$1,052,287.

Debt service requirements to maturity, including \$439,603 of interest, are as follows:

September 30,	Interest	Principal	Minimum Payments
2026	45,970	43,934	89,904
2027	43,977	45,927	89,904
2028	42,010	47,894	89,904
2029	39,720	50,184	89,904
2030	37,444	52,460	89,904
2031- 2036	149,391	300,129	449,520
2037-2042	74,840	374,680	449,520
thereafter	5,439	137,079	142,518
	<u>\$ 438,791</u>	<u>\$ 1,052,287</u>	<u>\$ 1,491,078</u>

If the loan becomes defaulted, the loan holder has the right to take all actions necessary to collect the amounts due.

A schedule of changes in long-term debt follows:

	Balance October 1, 2024	Increase	Decrease	Balance September 30, 2025	Due Within One Year
Direct Borrowings:					
CoBank	\$ 1,094,314	\$ -	\$ (42,027)	\$ 1,052,287	\$ 43,934
Pension liability	198,203	-	(26,548)	\$ 171,655	-
	<u>\$ 1,292,517</u>	<u>\$ -</u>	<u>\$ (68,575)</u>	<u>\$ 1,223,942</u>	<u>\$ 43,934</u>

NOTE 8. LONG-TERM CONTRACT PAYABLE

On July 5, 2002, Taylor Coastal Utilities, the predecessor entity, entered into a contract with a developer whereby the District would reimburse the developer \$500 per water connection fee as vacant lots were sold. As of September 30, 2025, the District's liabilities to the developer were \$16,000, representing 32 unsold lots with water service.

NOTE 9. 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 natural disasters for which the District carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability

NOTE 10. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, include amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 11. COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data and related disclosures have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain elements of the prior year data have been reclassified for comparability purposes.

NOTE 12. RETIREMENT PLANS

Florida Retirement System

General Information - All full-time employees of the District hired prior to January 1, 1996, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for

a state agency, county government, District school board, state university, community college, or a participating *District* or special *District* within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, *Florida Administrative Code*. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

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

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. This amount increases with every year of additional service up to a maximum of 1.68% of the final average compensation of their five highest years for each year of credited service at age 65 with 33 or more years of service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service (age 52 if credited service includes at least four years of wartime military service) or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, beginning at 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service and increasing to a maximum of 1.68% for of with each year up to age 58 (55 with wartime service) and 28 years of special risk service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 (age 52 with wartime experience) with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

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

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before August 1, 2011, the annual cost-of-living adjustment is three percent per year. The cost-of-living adjustment for participants with a retirement date or DROP participation date after August 1, 2011 is determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement and multiplying by three

percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 96 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2023 through June 30, 2025 and from July 1, 2025 through September 30, 2025, respectively, were as follows: Regular—13.63% and 14.03%; Special Risk Administrative Support—39.82% and 39.48%; Special Risk—32.79% and 35.19%; Senior Management Service—34.52% and 33.24%; Elected Officials—58.68% and 54.57%; and DROP participants—21.13% and 22.02%. These employer contribution rates include a 2.00% and 2.00% HIS Plan subsidy for the periods October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025, respectively.

The District's contributions, including employee contributions, to the Pension Plan totaled \$26,086 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the District reported a liability of \$105,264 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2023-24 fiscal year contributions relative to the 2024-25 fiscal year contributions of all participating members. At June 30, 2025, the District's proportionate share was 0.000339176%, which was a increase of 6.75% from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the District recognized pension expense of \$16,419. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,243	\$ -
Changes in assumptions	12,224	-
Net difference between projected and actual earnings on Pension Plan investments	-	17,575
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	15,892	10,871
District Pension Plan contributions subsequent to the measurement date	5,054	-
Total	\$ 44,413	\$ 28,446

The deferred outflows of resources related to the Pension Plan, totaling \$5,054 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending	
September 30,	
2026	\$ 31,594
2027	(5,613)
2028	(8,401)
2029	(6,667)
2030	-
Thereafter	-
	<u>\$ 10,913</u>

Actuarial Assumptions – The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70% net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, generational mortality using the gender specific MP 2018 mortality improvement projection scale.

The actuarial assumptions used in the June 30, 2025, valuation was based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments.	2.0%	6.5%	6.1%	8.7%
Total	100.0%			

Assumed inflation - mean

2.4%

1.5%

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

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

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
District's proportionate share of the net pension liability	\$ 206,579	105,264	\$ 20,323

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

Payables to the Pension Plan - At September 30, 2025, the District reported a payable in the amount of \$2,991 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2025.

HIS Plan

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

Benefits Provided - For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution for the period October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025 was 2.00% and 2.00%, respectively. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions, to the HIS Plan totaled \$4,683 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the District reported a liability of \$66,391 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportionate share of the net pension liability was based on the District's 2023-24 fiscal year contributions relative to the 2024-25 fiscal year contributions of all participating members. At June 30, 2023, the District's proportionate share was 0.000517974%, which was an increase of 1.41% from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the District recognized pension expense of \$3,266. In addition the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 396	\$ 105
Changes in assumptions	588	16,058
Net difference between projected and actual earnings on HIS Plan investments	-	55
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	11,500	4,597
District HIS Plan contributions subsequent to the measurement date	957	-
Total	<u>\$ 13,441</u>	<u>\$ 20,815</u>

The deferred outflows of resources related to the HIS Plan, totaling \$957 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,		
2026	\$	(1,838)
2027		(2,200)
2028		(1,853)
2029		(1,485)
2030		(955)
Thereafter		-
	\$	<u>(8,331)</u>

Actuarial Assumptions – The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Municipal bond rate	5.20%

Mortality rates were based on the PUB-2010 base table, generational mortality using the gender specific MP 2018 mortality improvement projection scale.

The actuarial valuations were prepared as of June 30, 2025 valuation was based on the results of an actuarial experience study, completed in 2025, for the period July 1, 2018 through June 30, 2023..

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

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

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
District's proportionate share of the net pension liability	<u>74,867</u>	<u>66,391</u>	<u>59,283</u>

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

Payables to the Pension Plan - At September 30, 2025, the District reported a payable in the amount of \$684 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2025.

Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected District Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

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

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

The District's had no pension expense for the Investment Plan for the fiscal year ended September 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
District's proportion of the FRS net pension liability (asset)	0.000336176%										
District's proportionate share of the FRS net pension liability (asset)	\$ 105,264	\$ 122,911	\$ 128,173	\$ 148,451	\$ 20,912	\$ 20,912	\$ 20,912	\$ 128,173	\$ 148,451	\$ 122,911	\$ 105,264
District's proportion of the HIS net pension liability (asset)	0.000517974%										
District's proportionate share of the HIS net pension liability (asset)	\$ 66,391	\$ 75,292	\$ 85,467	\$ 105,506	\$ 14,347	\$ 14,347	\$ 14,347	\$ 85,467	\$ 105,506	\$ 75,292	\$ 66,391
District's proportionate share of the total net pension liability (asset)	\$ 171,655	\$ 198,203	\$ 213,640	\$ 253,957	\$ 35,259	\$ 35,259	\$ 35,259	\$ 213,640	\$ 253,957	\$ 198,203	\$ 171,655
District's covered employee payroll	\$ 156,087	\$ 237,085	\$ 221,093	\$ 221,093	\$ 159,551	\$ 127,188	\$ 127,188	\$ 221,093	\$ 221,093	\$ 237,085	\$ 156,087
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	109.97%	83.60%	105.80%	105.80%	142.97%	142.97%	142.97%	105.80%	105.80%	83.60%	109.97%
Plan fiduciary net position as a percentage of the total pension liability	82.96%	77.04%	77.04%	77.04%	91.09%	91.09%	91.09%	77.04%	77.04%	77.04%	82.96%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

Note 2) See notes to financial statements for actuarial assumptions and changes

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	\$ 17,421	\$ 26,304	\$ 22,468	\$ 15,888	\$ 13,467	\$ 7,783	\$ 6,932	\$ 6,424	\$ 9,440	\$ 6,571
Contractually required HIS contribution	3,812	5,807	4,438	6,653	3,110	3,494	3,379	3,131	4,601	3,202
Total Contractually Required Contributions	21,232	32,111	26,906	22,541	16,577	11,277	10,311	9,555	14,041	9,773
Contributions in relation to the contractually required contribution	(21,232)	(34,135)	(26,906)	(22,541)	(16,577)	(11,277)	(10,311)	(9,555)	(14,041)	(9,773)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 156,097	\$ 237,085	\$ 221,093	\$ 127,188	\$ 127,188	\$ 127,188	\$ 122,941	\$ 130,808	\$ 132,618	\$ 151,607
Contributions as a percentage of covered-employee payroll	13.60%	14.40%	12.17%	17.72%	13.03%	8.87%	8.39%	7.30%	10.59%	6.45%

Note 1) See notes to financial statements for actuarial assumptions and changes.

SUPPLEMENTARY INFORMATION

TAYLOR COASTAL WATER AND SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2025

Federal Pass Through Grantor Program Title	ALN	GRANT #	AWARD AMOUNT	EXPENDITURES
FEDERAL AWARDS				
Passed through Executive Office of the Governor				
Public Assistance Grants	97.036	Z4559	\$ 1,668,178	\$ 889,610
Public Assistance Grants	97.036	Z4225	29,815	6,055
Public Assistance Grants	97.036	Z3925	321,774	4,949
			<u>2,019,767</u>	<u>900,614</u>
Total federal awards			<u>\$ 2,019,767</u>	<u>\$ 900,614</u>

See notes to schedule of expenditures of federal awards.

TAYLOR COASTAL WATER AND SEWER DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of Taylor Coastal Water and Sewer District (the District) have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the State of Florida.

A. Reporting Entity

This reporting entity consists of the Taylor Coastal Water and Sewer District. The District includes a Schedule of Expenditures of Federal Awards in the Other Information Section for the purpose of additional analysis.

B. Basis of Accounting

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

C. Subrecipients

The District had no subrecipients during the fiscal year.

D. Indirect Cost

The Council did not elect to use the de minimis indirect cost rate the fiscal year ended September 30, 2025.

OTHER REPORTS AND LETTERS



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

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 Commissioners
Taylor Coastal Water and Sewer District
Perry, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Taylor Coastal Water and Sewer District, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Taylor Coastal Water and Sewer District's basic financial statements, and have issued our report thereon dated August 6, 2026.

Internal Control Over Financial Reporting

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

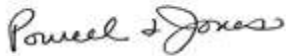
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified the following deficiency in internal control over financial reporting identified as 2025-001 in the schedule of findings that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylor Coastal Water and Sewer 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 cursive script that reads "Powell & Jones".

Powell and Jones CPA

Lake City, Florida
August 6, 2026



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Board of Commissioners
Taylor Coastal Water and Sewer *District*
Perry, Florida

Report on the Financial Statements

We have audited the basic financial statements of Taylor Coastal Water and Sewer District (the District) as of and for the year ended September 30, 2025, and have issued our report thereon dated August 6, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 7, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. See summary below for update on prior year findings.

Tabulation of Uncorrected Audit Findings

Current Year Finding Number	Prior Year Finding Number	2022-2023 FY Finding Number
2025-001	2024-1	2010-1

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the District must provide a statement as to whether a PACE program authorized pursuant to section 163.081 or Section 163.082, Florida Statutes was in operation. Accordingly, the District did not operate a PACE Program within the it's geographical boundaries during the fiscal year under audit.

Official Title and Legal *District*

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal *District* for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note 1 to the financial statements.

Financial Condition and Management

Sections 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 to identify the specific condition(s) met. In connection with our audit, we determined that District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the *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 Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special *District* that is a component unit of a county, municipality, or special *District*, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special *District* in accordance with Section 218.39(3)(b), Florida Statutes.

Special District Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported the following data:

- a. The total number of *District* employees compensated in the last pay period of the District's fiscal year: Five
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year: None
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$253,258
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: None

- 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 projects as: None
- 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 adopted budget under Section 189.016(6), Florida Statutes, as follows: The District's original budget totaled \$ 686,632 and was amended by the total amount of \$0, for final budgeted expenditures of \$686,632.

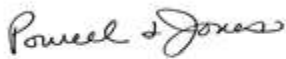
This information was not subject to audit procedures, and we express no opinion on it.

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 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 and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Powell and Jones CPA
Lake City, Florida
August 6, 2026



Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
FLORIDA STATUTES REGARDING LOCAL GOVERNMENT INVESTMENTS**

To the Board of Commissioners
Taylor Coastal Water and Sewer District
Perry, Florida

We have examined Taylor Coastal Water and Sewer *District*'s compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds 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, 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, the *District* complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

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

Powell and Jones CPA
Lake City, Florida
August 6, 2026



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Communication with Those Charged with Governance

To the Board of Commissioners
Taylor Coastal Water and Sewer *District*
Perry, Florida

We have audited the financial statements of Taylor Coastal Water and Sewer *District* for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Taylor Coastal Water and Sewer *District* are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting Taylor Coastal Water and Sewer *District*'s financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 6, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

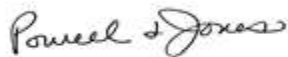
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

This information is intended solely for the use of the Board of Commissioners and management of Taylor Coastal Water and Sewer District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
August 6, 2026

SCHEDULE OF FINDINGS

CURRENT YEAR FINDINGS

Finding 2025-001

Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the government does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances because Taylor Coastal Water and Sewer District is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

MANAGEMENT'S RESPONSE

We agree with this finding. We are a very small government. We currently utilize the services of our Treasurer, who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the accrual basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Board of Trustees reviews the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Board of Trustees.

At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

This response has not been subjected to the audit procedures applied in the audit and thus we express no opinion on it.