CITY OF FREEPORT, FLORIDA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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, the budgetary comparison information for the General Fund, and the schedules related to the net pension liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 dated June 30, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
June 30, 2026

The City of Freeport, Florida's (the City) discussion and analysis provides an objective overview of the City's financial activities for the fiscal year ended September 30, 2025. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $132.1 million (total net position). Of this amount, $51.7 million represents unrestricted net position that is available to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $26.9 million during the fiscal year. For governmental activities, revenues exceeded expenses by $7.6 million, and for business-type activities, revenues exceeded expenses by $19.3 million.

- As of September 30, 2025, the City's General Fund reported an ending fund balance of $27.5 million, an increase of $2.6 million from the prior year. This increase is primarily attributable to increases in taxes and charges for services resulting from continued growth of the area.

- As of September 30, 2025, the assigned and unassigned fund balance of the General Fund totaled $27.4 million, or 231% of total expenditures in the General Fund.

- The City's total investment in capital assets increased by $11.5 million from the prior fiscal year. This increase is primarily attributable to the construction for a new wastewater treatment plant and a new community center.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. The fund financial statements present financial information for the City's funds. The notes to the basic financial statements provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements of the City consist of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. A brief description of these different reporting sections follows:

Government-Wide Financial Statements

These financial statements include a statement of net position and statement of activities on the City as a whole. These statements are designed to provide the user of the financial statements a combined overview of the City's financial position and results of operations in a manner similar to private-sector companies by utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed.

The focus of the statement of net position is designed to be similar to a bottom line for the City's governmental and business-type activities. This is accomplished by presenting the governmental financial activity information in one column and the business-type financial activity information in another column with a third column representing a combination of the two columns or in other words the City as a whole. The net position of the City is segregated into (1) net investment in capital assets, (2) restricted, and (3) unrestricted. This segregation further assists the user of the financial statements to know the portion of the net position (i.e., unrestricted) available to cover the daily operations of the City. All the City's assets, including land, buildings and infrastructure are reported in the statement of net position, as well as all liabilities including outstanding principal on bonds and future employee benefits obligated, but not yet paid by the City.

The statement of activities is focused on both the gross and net cost of the various governmental and business-type activities of the City. This statement is intended to summarize the user's analysis of the cost of the various governmental and business-type activities and the local taxing effort as well as user fees and charges required to sustain each of these activities. The depreciation on all the long-lived assets of the City is included in this statement. The expenses of the governmental activities include general government services, physical environment, transportation, and culture/recreation. The business-type activities include water and sewer services.

Fund Financial Statements

The fund financial statements provide more detailed information than the government-wide financial statements. Governmental fund financial statements provide information on the assets and liabilities of the general fund, changes in current financial resources (revenue and expenditures) and current available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses) and total economic resources available. In the case of governmental funds, outlays for long-lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. A reconciliation is provided to facilitate a comparison between the fund financial statements and the government-wide financial statements.

The fund financial statements for the governmental fund includes a balance sheet and a statement of revenues, expenditures and changes in fund balance. For the proprietary funds, a statement of net position, statement of revenues, expenses and changes in net position as well as a statement of cash flows are provided.

Notes to the Financial Statements
The notes provide additional detail concerning the financial activities and financial balances of the City. Additional information concerning the City's significant accounting policies, investments of the City, as well as capital assets and long-term obligations are just a few of the items included in the financial notes.

FINANCIAL ANALYSIS OF THE CITY

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $132.1 million, as reported in the table below.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 29,202,417	$ 26,856,167	$ 54,427,160	$ 47,110,644	$ 83,629,577	$ 73,966,811
Capital assets	25,222,771	20,206,166	90,102,621	83,634,552	115,325,392	103,840,718
Total assets	54,425,188	47,062,333	144,529,781	130,745,196	198,954,969	177,807,529
Total deferred outflows of resources	463,938	542,032	386,411	451,456	850,349	993,488
Long-term liabilities	2,195,686	2,389,678	58,620,204	63,487,515	60,815,890	65,877,193
Other liabilities	1,761,928	2,030,040	4,615,392	5,395,262	6,377,320	7,425,302
Total liabilities	3,957,614	4,419,718	63,235,596	68,882,777	67,193,210	73,302,495
Total deferred inflows of resources	264,101	138,428	219,969	115,296	484,070	253,724
Net position						
Net investment in capital assets	23,595,645	18,993,108	59,679,919	51,580,861	83,275,564	70,573,969
Restricted	55,758	55,758	2,473,894	2,472,984	2,529,652	2,528,742
Unrestricted	27,016,008	23,997,353	19,306,814	8,144,734	46,322,822	32,142,087
Total net position	$ 50,667,411	$ 43,046,219	$ 81,460,627	$ 62,198,579	$ 132,128,038	$ 105,244,798

By far, the largest portion of the City's net position, $83.3 million or 63%, reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, machinery and equipment) less any related debt still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports the investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $2.5 million or 2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $46.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The following table provides a summary of the changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues						
Charges for services	$ 1,196,454	$ 1,235,342	$ 8,732,904	$ 8,391,976	$ 9,929,358	$ 9,627,318
Operating grants and contributions	502,210	25,750	-	-	502,210	25,750
Capital grants and contributions	-	-	17,348,543	15,486,062	17,348,543	15,486,062
General revenues						
Property taxes	5,915,455	4,893,612	-	-	5,915,455	4,893,612
Other taxes	6,987,545	6,379,408	-	-	6,987,545	6,379,408
Other revenues	789,438	783,536	667,159	5,512	1,456,597	789,048
TOTAL REVENUES	15,391,102	13,317,648	26,748,606	23,883,550	42,139,708	37,201,198
EXPENSES						
Primary government						
General government	2,904,233	2,469,563	-	-	2,904,233	2,469,563
Physical environment	1,865,947	1,657,539	-	-	1,865,947	1,657,539
Transportation	274,254	213,226	-	-	274,254	213,226
Human services	41,504	-	-	-	41,504	-
Culture and recreation	1,706,037	1,334,514	-	-	1,706,037	1,334,514
Interest on long-term debt	31,085	31,892	-	-	31,085	31,892
Business-type activities						
Water	-	-	4,029,334	3,056,674	4,029,334	3,056,674
Sewer	-	-	4,404,074	3,419,158	4,404,074	3,419,158
TOTAL EXPENSES	6,823,060	5,706,734	8,433,408	6,475,832	15,256,468	12,182,566
Change in net position	7,621,192	7,610,914	19,262,048	17,407,718	26,883,240	25,018,632
Net position at beginning of year	43,046,219	35,435,305	62,198,579	44,790,861	105,244,798	80,226,166
Net position at end of year	$ 50,667,411	$ 43,046,219	$ 81,460,627	$ 62,198,579	$ 132,128,038	$ 105,244,798

Current Year Impacts – Governmental Activities

- Property tax revenues increased by $1.0 million, or 21%. This increase is attributable to an increase in the assessed value of taxable property within the City's corporate boundaries, as there was no increase in the City's ad valorem tax millage rate.
- Culture and recreation expenses increased by $372 thousand, or 28%. This increase is mainly attributable to the City allocating additional resources to enhance and maintain public facilities including the sports complex.

Current Year Impacts – Business-Type Activities

- Capital grants and contributions increased by $1.9 million. The primary driver of this increase was a nonrecurring grant from Walton County to offset a portion of the construction costs for a new wastewater treatment plant.
- Expenses increased by $2.0 million over the prior year. This increase is primarily attributable to more grant-related activities, which is consistent with the increase in grant revenues discussed above.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Fund

The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 is the main operating fund of the City. As of September 30, 2025, the General Fund reported ending fund balance of $27.5 million, an increase in fund balance of $2.6 million from the prior fiscal year. At the end of fiscal year 2025, more than 99% of ending fund balance in the General Fund is unassigned, which is available for future spending at the Council's discretion.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the proprietary funds totaled $81.5 million at the end of fiscal year 2025. Total net position for the proprietary funds increased $19.3 million during 2025.

BUDGETARY HIGHLIGHTS

General Fund

- Actual revenues fell short of budgetary expectations by $536 thousand, which is primarily attributable to differences in budget versus actual reporting treatment of excess small county surtax proceeds returned from Walton County, Florida.
- Actual expenditures were below budgeted appropriations by $3.7 million, which is the result of two significant factors. First, the City experienced unanticipated delays in the commencement of planned capital projects. Second, there were differences in budget versus actual reporting treatment for small county surtax proceeds remitted to Walton County, Florida.

CAPITAL ASSET ACTIVITY

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $115.3 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, infrastructure, machinery and equipment, etc. The total increase in the City's investment in capital assets for fiscal year 2025 was $11.5 million, or 11%, which is summarized in the table below. Additional information on capital assets can be found in Note 6 of the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 15,261,588	$ 14,098,594	$ 6,384,798	$ 6,384,798	$ 21,646,386	$ 20,483,392
Construction in progress	4,326,040	920,167	8,410,699	35,018,442	12,736,739	35,938,609
Buildings	3,026,983	3,026,983	821,891	821,891	3,848,874	3,848,874
Improvements other than buildings	10,598,454	9,758,005	87,834,531	54,042,298	98,432,985	63,800,303
Machinery and equipment	1,472,587	1,199,733	3,846,892	2,904,626	5,319,479	4,104,359
Accumulated depreciation	(9,462,881)	(8,797,316)	(17,196,190)	(15,537,503)	(26,659,071)	(24,334,819)
Total	$ 25,222,771	$ 20,206,166	$ 90,102,621	$ 83,634,552	$ 115,325,392	$ 103,840,718

DEBT MANAGEMENT

At the end of the current fiscal year, the City had long-term debt outstanding of $28.6 million, which represents a decrease of $1.5 million, or 5%, from the prior year. Substantially all the City's debt is secured by specific pledged revenue sources. The City has no general obligation debt or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts, greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt. The City's outstanding long-term debt is summarized in the table below. Additional information on the City's long-term debt can be found in Note 8 of the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue bonds payable	$ 734,950	$ 774,771	$ 25,827,980	$ 27,037,600	$ 26,562,930	$ 27,812,371
Notes payable	-	-	2,056,025	2,328,924	2,056,025	2,328,924
Total	$ 734,950	$ 774,771	$ 27,884,005	$ 29,366,524	$ 28,618,955	$ 30,141,295

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The level of taxes, fees, and charges for services (including development related impact fees) has an impact on the City's specific competitive ability to encourage development and redevelopment (office, retail, residential, and industrial) for those businesses that choose to locate within the City's jurisdiction. Regional economic indicators were also considered in preparing the subsequent fiscal year's budget for the City.

- The Consumer Price Index (CPI) is 2.7% higher than a year ago for the Southern Region. This indicator is a widely used gauge of inflation and translates into a higher cost of providing services to residents.
- Significant increases in property taxes are anticipated by most regional municipalities. The City's property tax revenues are expected to increase 19.0% for fiscal year 2026 due to an increase in the assessed value of taxable property within the City's boundaries.
- The Florida Department of Revenue's Office of Tax Research has updated its estimates of tax distributions the City is expected to receive for the upcoming fiscal year. The table below summarizes the fiscal year 2026 revenue estimates compared to the actual revenues reported for fiscal year 2025.

Revenue Source	FY2026 Estimate	FY2025 Actual	Variance ($)	Variance (%)
Municipal Revenue Sharing	$ 669,798	$ 635,002	$ 34,796	5.5%
Half-Cent Sales Tax	2,129,571	2,083,328	46,243	2.2%
Communications Service Tax	63,412	68,264	(4,852)	-7.1%
Small County Surtax	4,498,307	4,464,682	33,625	0.8%

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning this report or request for additional information should be addressed to the City of Freeport, Florida, Attention Finance Officer, P.O. Box 339, Freeport, Florida 32439. Readers may also visit the City's website: https://www.freeportflorida.gov or send an email to accounting@freeportflorida.gov.

CITY OF FREEPORT, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 25,235,821	$ 48,393,967	$ 73,629,788
Investments	273,578	1,526,711	1,800,289
Receivables, net	37,962	1,413,793	1,451,755
Internal balances	1,870,653	(1,870,653)	-
Due from other governments	1,363,734	1,146,844	2,510,578
Inventory, at cost	-	441,235	441,235
Prepaid items	24,767	-	24,767
Restricted assets			
Cash	338,347	2,984,168	3,322,515
Certificates of deposit	57,555	391,095	448,650
Capital assets			
Non-depreciable	19,587,628	14,795,497	34,383,125
Depreciable, net	5,635,143	75,307,124	80,942,267
TOTAL ASSETS	54,425,188	144,529,781	198,954,969
DEFERRED OUTFLOWS OF RESOURCES	463,938	386,411	850,349
LIABILITIES			
Accounts payable	729,731	2,457,116	3,186,847
Retainage payable	284,564	205,376	489,940
Due to other governments	324,600	-	324,600
Accrued liabilities	59,213	50,511	109,724
Unearned revenues	-	65,251	65,251
Payable from restricted assets			
Accrued interest	2,526	149,300	151,826
Customer deposits	340,144	901,369	1,241,513
Noncurrent liabilities			
Due within one year			
Compensated absences	122,351	182,566	304,917
Revenue bonds payable	21,150	626,917	648,067
Notes payable	-	159,552	159,552
Due in more than one year			
Unearned revenues	-	30,207,207	30,207,207
Revenue bonds payable	713,800	25,201,063	25,914,863
Notes payable	-	1,896,473	1,896,473
Other post-employment benefits	11,545	10,161	21,706
Net pension liability	1,347,990	1,122,734	2,470,724
TOTAL LIABILITIES	3,957,614	63,235,596	67,193,210
DEFERRED INFLOWS OF RESOURCES	264,101	219,969	484,070
NET POSITION			
Net investment in capital assets	23,595,645	59,679,919	83,275,564
Restricted			
Debt service	55,758	692,363	748,121
System improvements	-	1,781,531	1,781,531
Unrestricted	27,016,008	19,306,814	46,322,822
TOTAL NET POSITION	$ 50,667,411	$ 81,460,627	$ 132,128,038

See notes to the financial statements.

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position – Primary Government		
Function/Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	$ 2,904,233	$ 1,008,376	$ 129,510	$ -	$ (1,766,347)	$ -	$ (1,766,347)
Physical environment	1,865,947	-	-	-	(1,865,947)	-	(1,865,947)
Transportation	274,254	-	372,650	-	98,396	-	98,396
Human services	41,504	-	-	-	(41,504)	-	(41,504)
Culture and recreation	1,706,037	188,078	50	-	(1,517,909)	-	(1,517,909)
Debt service interest	31,085	-	-	-	(31,085)	-	(31,085)
Total governmental activities	6,823,060	1,196,454	502,210	-	(5,124,396)	-	(5,124,396)
Business-type activities							
Water	4,029,334	4,480,100	-	2,815,319	-	3,266,085	3,266,085
Sewer	4,404,074	4,252,804	-	14,533,224	-	14,381,954	14,381,954
Total business-type activities	8,433,408	8,732,904	-	17,348,543	-	17,648,039	17,648,039
Total primary government	$ 15,256,468	$ 9,929,358	$ 502,210	$ 17,348,543	(5,124,396)	17,648,039	12,523,643
General revenues							
Taxes							
Property taxes					5,915,455	-	5,915,455
Sales taxes					6,627,977	-	6,627,977
Franchise fees					359,568	-	359,568
Intergovernmental, unrestricted					656,364	-	656,364
Miscellaneous					40,051	56,613	96,664
Investment earnings					93,023	610,546	703,569
Transfers					(946,850)	946,850	-
Total general revenues and transfers					12,745,588	1,614,009	14,359,597
CHANGE IN NET POSITION					7,621,192	19,262,048	26,883,240
NET POSITION AT BEGINNING OF YEAR					43,046,219	62,198,579	105,244,798
NET POSITION AT END OF YEAR					$ 50,667,411	$ 81,460,627	$ 132,128,038

See notes to the financial statements.

CITY OF FREEPORT, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund
ASSETS	
Cash	$ 25,574,168
Certificates of deposit	57,555
Investments	273,578
Receivables	37,962
Due from other funds	2,583,150
Due from other governments	1,363,734
Prepaid items	24,767
TOTAL ASSETS	$ 29,914,914
LIABILITIES	
Accounts payable	$ 729,731
Retainage payable	284,564
Due to other governments	324,600
Due to other funds	712,497
Accrued liabilities	59,213
Customer deposits	340,144
Total liabilities	2,450,749
FUND BALANCE	
Nonspendable - prepaid items	24,767
Restricted for debt service	55,758
Assigned for FY26 appropriations	36,544
Unassigned	27,347,096
Total fund balance	27,464,165
TOTAL LIABILITIES AND FUND BALANCE	$ 29,914,914

See notes to the financial statements.

CITY OF FREEPORT, FLORIDA
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Fund balance, total governmental fund		$ 27,464,165
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental non-depreciable/amortizable assets	$ 19,587,628	
Governmental depreciable/amortizable assets	15,098,024	
Less accumulated depreciation/amortization	(9,462,881)	
		25,222,771
Deferred inflows of resources and deferred outflows of resources are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.		
Deferred outflows of resources related to pension plans	463,938	
Deferred inflows of resources related to pension plans	(264,101)	
		199,837
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue bonds payable	(734,950)	
Accrued interest	(2,526)	
Compensated absences	(122,351)	
Other post-employment benefits	(11,545)	
Net pension liability	(1,347,990)	
		(2,219,362)
Net position of governmental activities		$ 50,667,411

See notes to the financial statements.

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

	General Fund
REVENUES	
Taxes	$ 6,354,990
Intergovernmental	7,700,480
Charges for services	1,196,454
Fines	6,079
Miscellaneous	133,099
Total revenues	15,391,102
EXPENDITURES	
Current	
General government	2,779,194
Physical environment	1,865,947
Transportation	209,645
Human services	38,552
Culture and recreation	1,222,799
Capital outlay	5,661,518
Debt service	
Principal	20,313
Interest	31,155
Total expenditures	11,829,123
EXCESS OF REVENUES OVER EXPENDITURES	3,561,979
OTHER FINANCING USES	
Transfers out	(946,850)
NET CHANGE IN FUND BALANCE	2,615,129
FUND BALANCE AT BEGINNING OF YEAR	24,849,036
FUND BALANCE AT END OF YEAR	$ 27,464,165

See notes to the financial statements.

CITY OF FREEPORT, FLORIDA
GOVERNMENTAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balance – governmental fund		$ 2,615,129
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.		
Expenditures for capital assets	$ 5,661,518	
Less current year depreciation/amortization	(644,913)	
		5,016,605
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, long-term debt reassignments are reported as transfers on the statement of activities.		
Revenue bond principal repayments	20,313	
Change in accrued interest on long-term debt	70	
		20,383
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in net pension liability	230,178	
Change in deferred outflows of resources related to pensions	(78,094)	
Change in deferred inflows of resources related to pensions	(125,673)	
Change in long-term compensated absences	(57,336)	
		(30,925)
Change in net position of governmental activities		$ 7,621,192

See notes to the financial statements.

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

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash	$ 12,262,065	$ 36,131,902	$ 48,393,967
Investments	114,665	1,412,046	1,526,711
Receivables, net	695,081	718,712	1,413,793
Due from other funds	1,209,473	-	1,209,473
Due from other governments	-	1,146,844	1,146,844
Inventory	418,660	22,575	441,235
Restricted assets			
Cash	889,806	2,094,362	2,984,168
Certificates of deposit	373,114	17,981	391,095
Total current assets	15,962,864	41,544,422	57,507,286
Noncurrent assets			
Capital assets			
Non-depreciable	1,106,039	13,689,458	14,795,497
Depreciable, net	19,872,391	55,434,733	75,307,124
Total noncurrent assets	20,978,430	69,124,191	90,102,621
TOTAL ASSETS	36,941,294	110,668,613	147,609,907
DEFERRED OUTFLOWS OF RESOURCES	153,027	233,384	386,411

See notes to the financial statements.

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

	Water Fund	Sewer Fund	Total
LIABILITIES			
Current liabilities			
Accounts payable	$ 686,097	$ 1,771,019	$ 2,457,116
Retainage payable	15,865	189,511	205,376
Accrued liabilities	22,543	27,968	50,511
Due to other funds	-	3,080,126	3,080,126
Unearned revenues	41,653	23,598	65,251
Compensated absences	120,105	62,461	182,566
Revenue bonds payable	180,000	446,917	626,917
Notes payable	91,039	68,513	159,552
Payable from restricted assets			
Accrued interest	13,016	136,284	149,300
Customer deposits	901,369	-	901,369
Total current liabilities	2,071,687	5,806,397	7,878,084
Noncurrent liabilities			
Unearned revenues	6,302,284	23,904,923	30,207,207
Revenue bonds payable	3,287,600	21,913,463	25,201,063
Notes payable	954,064	942,409	1,896,473
OPEB liability	4,348	5,813	10,161
Net pension liability	444,626	678,108	1,122,734
Total noncurrent liabilities	10,992,922	47,444,716	58,437,638
TOTAL LIABILITIES	13,064,609	53,251,113	66,315,722
DEFERRED INFLOWS OF RESOURCES	87,112	132,857	219,969
NET POSITION			
Net investment in capital assets	15,791,597	43,888,322	59,679,919
Restricted for system improvements	-	1,781,531	1,781,531
Restricted for debt service	361,551	330,812	692,363
Unrestricted	7,789,452	11,517,362	19,306,814
TOTAL NET POSITION	$ 23,942,600	$ 57,518,027	$ 81,460,627

See notes to the financial statements.

CITY OF FREEPORT, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	$ 4,480,100	$ 4,252,804	$ 8,732,904
OPERATING EXPENSES			
Personnel	1,092,325	1,149,428	2,241,753
Operating	2,140,183	1,789,915	3,930,098
Depreciation	616,258	1,063,081	1,679,339
Total operating expenses	3,848,766	4,002,424	7,851,190
OPERATING INCOME	631,334	250,380	881,714
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(180,568)	(401,650)	(582,218)
Investment income	151,077	459,469	610,546
Miscellaneous	30,529	26,084	56,613
Total nonoperating revenues (expenses)	1,038	83,903	84,941
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	632,372	334,283	966,655
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital grants and contributions	-	6,222,139	6,222,139
Capacity fees	2,815,319	8,311,085	11,126,404
Transfers in	-	946,850	946,850
Total capital contributions and transfers	2,815,319	15,480,074	18,295,393
CHANGE IN NET POSITION	3,447,691	15,814,357	19,262,048
NET POSITION AT BEGINNING OF YEAR	20,494,909	41,703,670	62,198,579
NET POSITION AT END OF YEAR	$ 23,942,600	$ 57,518,027	$ 81,460,627

See notes to the financial statements.

CITY OF FREEPORT, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 5,285,170	$ 4,134,187	$ 9,419,357
Payments to suppliers/employees	(3,739,286)	(2,229,016)	(5,968,302)
Miscellaneous revenue	30,529	26,084	56,613
Net cash provided by operating activities	1,576,413	1,931,255	3,507,668
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interfund activity	(649,215)	2,167,526	1,518,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capacity fees	2,252,683	4,905,086	7,157,769
Acquisitions of capital assets	(1,111,713)	(7,809,410)	(8,921,123)
Proceeds from capital grants and contributions	95,849	5,922,930	6,018,779
Proceeds from issuance of long-term debt	124	-	124
Principal repayments on long-term debt	(261,821)	(505,704)	(767,525)
Interest paid on long-term debt	(181,244)	(404,296)	(585,540)
Net cash provided by capital and related financing activities	793,878	2,108,606	2,902,484
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income, net	151,077	459,469	610,546
Purchase of investments	(20,706)	(52,397)	(73,103)
Net cash provided by investing activities	130,371	407,072	537,443
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,851,447	6,614,459	8,465,906
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,300,424	31,611,805	42,912,229
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,151,871	$ 38,226,264	$ 51,378,135
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF			
Cash	$ 12,262,065	$ 36,131,902	$ 48,393,967
Restricted assets - cash	889,806	2,094,362	2,984,168
Total cash and cash equivalents	$ 13,151,871	$ 38,226,264	$ 51,378,135

See notes to the financial statements.

CITY OF FREEPORT, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	$ 631,334	$ 250,380	$ 881,714
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	616,258	1,063,081	1,679,339
Miscellaneous revenue	30,529	26,084	56,613
Decrease (increase) in assets:			
Accounts receivable	740,743	(118,617)	622,126
Inventory	178,556	13,431	191,987
Prepaid items	18,375	21,904	40,279
Decrease in deferred outflows of resources	25,759	39,286	65,045
Increase (decrease) in liabilities:			
Accounts payable	(766,108)	651,874	(114,234)
Accrued liabilities	3,655	8,152	11,807
Compensated absences	67,457	28,250	95,707
Customer deposits	64,327	-	64,327
Net pension liability	(75,924)	(115,791)	(191,715)
Increase in deferred inflows of resources	41,452	63,221	104,673
Net cash provided by operating activities	$ 1,576,413	$ 1,931,255	$ 3,507,668
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS			
Capital grants receivable	$ 68,567	$ 521,029	$ 589,596
Capital related payables and retainage	$ 674,130	$ 1,864,567	$ 2,538,697

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of City

The City of Freeport, Florida (the City), was established by legislative action under the laws of the State of Florida in 1963. The City operates under a council form of government and provides the following services: transportation (road and street facilities), culture and recreation (parks and recreation), utility (water and sewer) and general government.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City.

The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City as the primary government. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth by GASB for determining financial accountability of potential component units in evaluating all potential component units. The City is financially accountable if it appoints a voting majority of the potential component unit's governing board, and it is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2025, the City had no component units.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) 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 the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely on fees and charges for support.

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

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Sales taxes, gasoline taxes and other intergovernmental revenues collected and held by the state at year end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Walton County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1 or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

Discounts of 1% are granted for each month taxes are paid prior to March.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2025 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for utility services. The City considers all impact and capacity fee revenue as capital contributions for the water and sewer system; therefore, no amount from the impact and capacity fees are included in operating revenue. Operating expenses for enterprise funds include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following two broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income. The City has one governmental fund:

General Fund – This fund is the City's primary operating fund and is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary
Proprietary funds focus on the determination of net position, changes in net position and cash flows. All the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the City's major enterprise funds:

Water Fund – This fund accounts for the operations and activities of the City's water system.

Sewer Fund – This fund accounts for the operations and activities of the City's wastewater system.

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

Cash and Cash Equivalents
The City defines cash and cash equivalents as cash on hand, demand deposits, and certificates of deposit and highly liquid debt instruments with maturities of three months or less when purchased. The City's cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act, as required by Chapter 280, Florida Statutes. The City's cash deposits are fully insured by the Public Deposits Trust Fund.

Investments
The City does not have a written investment policy but has adopted the policy provided by Florida Statutes, Section 218.415(17), which authorizes the City to invest surplus funds in the following:

1. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

The Florida Municipal Investment Trust (FMIvT) is an authorized investment under Section 218.415, Florida Statutes. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The FMIvT operates as a fiduciary trust fund under governmental accounting rules that require the FMIvT to prepare a series of financial statements. The FMIvT is a Local Government Investment Pool (LGIP) and is therefore considered an external investment pool for financial reporting purposes. The City's investment is in the FMIvT portfolio, not the individual securities held within the portfolio. A copy of the FMIvT financial statements can be obtained from the Florida League of Cities website: (www.floridaleagueofcities.com).

Receivables and Payables
Interfund transactions are reflected as loans, services provided, reimbursements or transfers. At the end of the fiscal year, loans outstanding between funds are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Services provided are treated as revenues and expenditures/expenses. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

All proprietary fund receivables are shown net of an allowance for uncollectibles. The City's estimate is based on historical collection experience and a review of the current status of accounts receivable. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established.

Inventory
Inventory in the proprietary funds consists of expendable supplies held for consumption. The City values inventory at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis, and the City uses the consumption method to account for inventory. Under the consumption method, inventory items are recorded as expenses during the period the inventory is used.

Restricted Assets
Certain resources of the City are restricted for specific purposes and are not available to be used for general operations. The City’s restricted assets consist of resources held in trust for customer deposits and developer agreements, debt service, and impact fees.

Capital Assets
Capital assets, which include construction in process, property, plant, equipment and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than $500 and an estimated useful life of more than one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through various allowable estimating techniques. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their estimated acquisition value on the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	50 years
Machinery and equipment	5-10 years
Water distribution system and improvements	10-50 years
Sewer system and improvements	10-50 years

Capital Contributions
Capital contributions in the proprietary funds arise from grants or outside contributions of resources, such as impact fees, which are restricted to capital acquisition or construction.

Deferred Inflows/Outflows of Resources
In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) that will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows of resources are comprised of pension-related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) that will not be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows of resources are comprised of pension-related items.

Compensated Absences
The City records a compensated absences liability for leave that 1) can be carried forward to future reporting periods; 2) was earned based on service that the employee has already provided; and 3) is more likely than not to be used, paid, or otherwise settled with the City. The compensated absences liability is measured using the pay rates in effect as of the financial statement date, including directly and incrementally associated salary-related employer taxes and benefits. Changes to pay rates will be recognized in future periods as those changes occur. The City uses a first-in, first-out (FIFO) flow assumption for calculating the portion of the liability due within one year.

Unearned Revenue
Unearned revenues are reported in connection with resources that have been received but not yet earned. See Note 5 for additional information about the City's unearned revenues.

Long-Term Obligations
In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which management feels would be materially similar to using the effective interest method. Bond issuance costs are expensed as they are incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Other Postemployment Benefits (OPEB) Liability
For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City recognizes benefit payments when due and payable in accordance with the benefit terms.

The City has a total OPEB liability of $21,706 as of September 30, 2025. This amount is recognized in the government-wide financial statements and in the proprietary funds financial statements. Management has determined that the additional OPEB disclosures are not material to the financial statements taken as a whole.

Net Pension Liability
For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

Classification of Fund Balance
GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are comprised of the following:

- Nonspendable – includes amounts that are 1) not in spendable form, or 2) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items and advances to other funds.

- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

- Committed – includes amounts that can only be used for the specific purposes determined by a formal action (an Ordinance) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (an Ordinance) that imposed the constraint originally.

- Assigned – includes spendable fund balance amounts that are intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by the City Council to assign amounts to be used for specific purposes. Only the City Council has the authority to establish fund balance assignments.

- Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

Net Position
Net position in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net position related to property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted by enabling legislation. The City considers restricted amounts to be spent first when both restricted and unrestricted resources are available.

Estimates
The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balance or net position previously reported.

Change in Accounting Principle
Effective October 1, 2024, the City adopted the provisions of GASB Statement No. 101, *Compensated Absences* (GASBS 101). This pronouncement establishes a unified model for recognition and measurement of liabilities associated with compensated absences, including vacation, sick leave and other paid time off. GASBS 101 is expected to result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to different types of leave offered by governmental employers.

As part of the implementation process, the City has evaluated whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, such as the City's employment policies related to compensated absences; historical information about the use, payment, or forfeiture of compensated absences; and known information that would indicate that historical information may not be representative of future trends or patterns. GASBS 101 was retroactively implemented and had no effect on fund balance or net position previously presented

Subsequent Events
Subsequent events were evaluated from September 30, 2025 through June 30, 2026, which is the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets
Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. As stated above, encumbrance accounting is employed in governmental funds. Any purchase orders or contracts outstanding at year end do not constitute expenditures but instead are reported as assignments of fund balance. Total encumbrances reported as assigned fund balance in the accompanying financial statements for the General Fund were $36,544, on September 30, 2025.

3. DEPOSITS AND INVESTMENTS

Deposits
The City manages its custodial credit risk by maintaining its deposits with *Qualified Public Depositories* as defined in Chapter 280, Florida Statutes. The provisions of this statute allow *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must place with (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a *Qualified Public Depository*, excess losses over insurance and collateral will be recovered through assessments to all *Qualified Public Depositories* of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

As of September 30, 2025, the value of the City's deposits was approximately $78.9 million, all of which was held by *Qualified Public Depositories* under Chapter 280, Florida Statutes.

Certificates of Deposit
The City invests surplus funds into interest-bearing certificates of deposit at *Qualified Public Depositories* in accordance with Section 218.415, Florida Statutes. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. As of September 30, 2025, the City's certificates of deposit mature within one year and have a total carrying value of $448,650.

Investments

As of September 30, 2025, the City held the following investment in an intergovernmental investment pool:

Investment Type	Weighted Average Maturity	Rating	Fair Value
Florida Municipal Investment Trust Intermediate High Quality Bond Fund	4.7 years	AAAf/S3	$ 1,800,289

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. The City is required to disclose the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed-income securities. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, S&P).

Custodial Credit Risk

The City is required to disclose if investments are uninsured, unregistered and held by either the counterparty or the counterparty's trust department or agent but not in the City's name. The City's investment in FMIvT is with the investment pool, not the securities that make up the pool; therefore, no disclosure is required. The City may make redemptions of its investments in the FMIvT twice a month with five-business days of notice.

Concentration Risk

The City is required to disclose the concentration of credit risk when five percent or more of the total assets of the portfolio are invested with a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investments pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements. The City has no limit on the amount it may invest in any one issuer. The FMIvT is a pooled investment; therefore, no additional disclosure is required.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt instruments as well as investment in mutual funds, external investment pools and other pooled investments that do not meet the definition of a "2a-7 like" pool.

Additionally, the City is required to disclose the interest rate risk using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration and simulation model. Different methods may be presented for different types of investments. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk and therefore, the City has not adopted an investment policy on that point. It is the City's intention to make investment to provide sufficient liquidity to pay obligations as they become due. The City uses the WAM for its investment in the FMIvT as previously presented.

Fair Value Measurements
The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices that are observable for an asset; and Level 3 inputs are significant unobservable inputs.

The FMIvT Intermediate High Quality Bond Fund invests mainly in U.S. government and agency securities, asset-backed securities and corporate bonds and notes. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. The City considers their shares in this fund as level 2, since the value is based on market-corroborated data.

4. RECEIVABLES

Receivables and amounts due from other governments on September 30, 2025, were as follows:

	Governmental Activities	Business-Type Activities		
	General Fund	Water Fund	Sewer Fund	Total
Accounts receivable	$ 37,962	$ 742,732	$ 760,479	$ 1,541,173
Less allowance for doubtful accounts	-	(47,651)	(41,767)	(89,418)
Receivables, net	$ 37,962	$ 695,081	$ 718,712	$ 1,451,755
Taxes	$ 930,773	$ -	$ -	$ 930,773
Grants	432,961	-	1,146,844	1,579,805
Due from other governments	$ 1,363,734	$ -	$ 1,146,844	$ 2,510,578

Due from Other Governments
Amounts due from other governments relate to various state and federal grants as well as half-cent sales taxes, local option fuel taxes, and telecommunications service tax due from the State.

5. UNEARNED REVENUES

The composition of unearned revenues as of September 30, 2025, was as follows:

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Customer prepayments	$ 41,653	$ 23,598	$ 65,251
Federal grant funding received in advance	-	162,139	162,139
Connection fees	689,829	1,279,681	1,969,510
Capacity fees	5,612,455	22,463,103	28,075,558
Total unearned revenues	$ 6,343,937	$ 23,928,521	$ 30,272,458

In 2019, the City adopted an ordinance that abolished existing connection (tap) fees and established capacity fees for all development that connects to the City's water and wastewater systems. The collection of these fees shall be allocated to reserves for the purpose of funding future expansions, maintenance, repair and upgrades to the systems for which the funds are collected. Unearned revenue from connection fees represents unspent fees collected from developers prior to the establishment of capacity fees in 2019.

Unearned revenues from capacity fees are attributable to amounts collected in advance from developers to connect specific lots or parcels to the City's water or wastewater system. The City's obligation for capacity fees is satisfied when the designated unit is connected to the water or wastewater system, at which point, revenue is recognized by the City.

6. CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 14,098,594	$ 1,162,994	$ -	$ 15,261,588
Construction in progress	920,167	3,697,938	(292,065)	4,326,040
Total capital assets not being depreciated	15,018,761	4,860,932	(292,065)	19,587,628
Capital assets being depreciated				
Buildings	3,026,983	-	-	3,026,983
Improvements other than buildings	9,758,005	548,384	292,065	10,598,454
Machinery and equipment	1,199,733	252,202	20,652	1,472,587
Total capital assets being depreciated	13,984,721	800,586	312,717	15,098,024
Less accumulated depreciation				
Buildings	(1,133,886)	(61,938)	-	(1,195,824)
Improvements other than buildings	(6,875,493)	(455,846)	-	(7,331,339)
Machinery and equipment	(787,937)	(127,129)	(20,652)	(935,718)
Total accumulated depreciation	(8,797,316)	(644,913)	(20,652)	(9,462,881)
Total capital assets being depreciated, net	5,187,405	155,673	292,065	5,635,143
Governmental activities, net	$ 20,206,166	$ 5,016,605	$ -	$ 25,222,771

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 6,384,798	$ -	$ -	$ 6,384,798
Construction in progress	35,018,442	7,030,231	(33,637,974)	8,410,699
Total capital assets not being depreciated	41,403,240	7,030,231	(33,637,974)	14,795,497
Capital assets being depreciated				
Buildings	821,891	-	-	821,891
Improvements other than buildings	54,042,298	154,259	33,637,974	87,834,531
Machinery and equipment	2,904,626	962,918	(20,652)	3,846,892
Total capital assets being depreciated	57,768,815	1,117,177	33,617,322	92,503,314
Less accumulated depreciation				
Buildings	(292,782)	(18,133)	-	(310,915)
Improvements other than buildings	(13,672,717)	(1,436,707)	-	(15,109,424)
Machinery and equipment	(1,572,004)	(224,499)	20,652	(1,775,851)
Total accumulated depreciation	(15,537,503)	(1,679,339)	20,652	(17,196,190)
Total capital assets being depreciated, net	42,231,312	(562,162)	33,637,974	75,307,124
Business-type activities, net	$ 83,634,552	$ 6,468,069	$ -	$ 90,102,621

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

Governmental activities	
General government	$ 89,069
Transportation	64,609
Human services	2,952
Culture and recreation	488,283
Total depreciation expense – governmental activities	$ 644,913
Business-type activities	
Water	$ 616,258
Sewer	1,063,081
Total depreciation expense – business-type activities	$ 1,679,339

7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM

All the City's employees can 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 city 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 issues a publicly available annual comprehensive financial report (ACFR) for the year ended June 30, 2025. The ACFR and the actuarial valuation reports referenced herein are available online at: FRS.MyFlorida.com; or by contacting the Florida Division of Retirement, Department of Management Services, Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000.

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.

Regular Class members enrolled before July 1, 2011, 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 1.60% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Senior Management Service Class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.00% 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 3.00% (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 Pension 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. 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 was initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent, determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. 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 3.00% 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 1st of each applicable year. The employer contribution rates as of July 1st, by job class, for each of the prior three years are as follows:

	2025	2024	2026
Regular Class	14.03%	13.63%	13.57%
Senior Management Class	33.24%	34.52%	34.52%
DROP	22.02%	21.13%	21.13%

These employer contribution rates include 2.00% for HIS Plan subsidies after July 1, 2023. The City's contributions to the Pension Plan totaled $334,165, $302,196, and $264,047 for the fiscal years ended September 30, 2025, 2024 and 2023, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
On September 30, 2025, the City reported a liability of $1,654,349 for its proportionate share of the Pension Plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the FRS relative to the contributions of all participating governments. On June 30, 2025, the City's proportionate share was 0.005330568%.

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025.

For the fiscal year ended September 30, 2025, the City recognized pension expense of $260,887. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 176,702	$ -
Change of assumptions	192,113	-
Net difference between projected and actual earnings on pension plan investments	-	276,210
Changes in proportion and differences between City pension plan contributions and proportionate share of contributions	129,763	8,426
City pension plan contributions subsequent to the measurement date	98,487	-
	$ 597,065	$ 284,636

A component of deferred outflows of resources related to the Pension Plan of $98,487, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other components 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:	Amount
2026	$ 340,390
2027	(12,048)
2028	(61,550)
2029	(52,850)
	$ 213,942

Actuarial Assumptions
The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumption, applied to all periods 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 table projected generationally with Scale MP-2021.

The actuarial assumptions used in the July 1, 2025, valuation were based on the results of a 2024 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[1]	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.20%	3.20%	1.10%
Fixed income	29.00%	5.50%	5.40%	4.00%
Global equity	45.00%	8.50%	6.90%	18.30%
Real estate (property)	12.00%	8.40%	7.10%	16.80%
Private equity	11.00%	12.40%	8.80%	28.40%
Strategic investments	2.00%	6.50%	6.10%	8.70%
Total	100.00%			
Assumed inflation-mean			2.40%	1.50%

[1] *As outlined in the Pension Plan's investment policy*

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

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

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
City's proportionate share of the net pension liability	$ 3,246,634	$ 1,654,349	$ 319,400

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

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.

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. The HIS plan contribution was 2.00% of gross compensation. The City 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 City's contributions to the HIS Plan totaled $59,425, $51,087 and $36,879 for the fiscal years ended September 30, 2025, 2024 and 2023, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
On September 30, 2025, the City reported a liability of $816,375 for its proportionate share of the HIS Plan's net pension liability. On June 30, 2025, the City's proportionate share was 0.006369246%.

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.

For the fiscal year ended September 30, 2025, the City recognized pension expense of $84,297. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,873	$ 1,295
Change of assumptions	7,226	197,460
Net difference between projected and actual earnings on pension plan investments	-	679
Changes in proportion and differences between City pension plan contributions and proportionate share of contributions	224,803	-
City pension plan contributions subsequent to the measurement date	16,382	-
	$ 253,284	$ 199,434

A component of deferred outflows of resources related to the HIS Plan totaling $16,382, resulting from City 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 ending September 30, 2026. Other components 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:	Amount
2026	$ 19,367
2027	5,869
2028	8,908
2029	5,872
2030	(2,548)
	$ 37,468

Actuarial Assumptions
The total pension liability in the July 1, 2024, 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
Investment rate of return	5.20%

Mortality rates were based on the PUB-2010 table projected generationally with Scale MP-2021.

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions used in the July 1, 2024, valuation were based on certain results of the most recent experience study for the FRS Plan.

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

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
City's proportionate share of the net pension liability	$ 920,594	$ 816,375	$ 728,968

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

Pension Expense
For the fiscal year ended September 30, 2025, the City recognized an aggregate pension expense of $345,184, on all defined benefit pension plans.

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2025, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Direct placements					
Revenue bonds payable	$ 755,263	$ -	$ (20,313)	$ 734,950	$ 21,150
Compensated absences [1]	65,015	57,336	-	122,351	122,351
Total governmental activities	$ 820,278	$ 57,336	$ (20,313)	$ 857,301	$ 143,501

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Direct placements					
Revenue bonds payable	$ 26,439,784	$ -	$ (611,804)	$ 25,827,980	$ 626,917
Direct borrowings					
Notes payable	2,211,622	124	(155,721)	2,056,025	159,552
Compensated absences [1]	86,859	95,707	-	182,566	182,566
Total business-type activities	$ 28,738,265	$ 95,831	$ (767,525)	$ 28,066,571	$ 969,035

[1] Additions and reductions are reported on a net basis for compansated absences

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
Revenue Bonds – Direct Placements			
$1,000,000 City of Freeport, Florida Capital Improvement Revenue Bonds, Series 2007, 4.125% interest and principal due in annual installments of $51,467 through September 2047. Franchise fees and local communications service tax revenues are pledged for payment of the note. Proceeds were used for the construction of a new administration building.	$ 21,150	$ 713,800	$ 734,950
Compensated Absences			
Total long-term portion of accumulated, vested annual and sick leave for governmental funds.	122,351	-	122,351
TOTAL GOVERNMENTAL ACTIVITIES	$ 143,501	$ 713,800	$ 857,301

For the direct placement discussed above, in the event of default (nonpayment), the lender may declare all unpaid principal and accrued interest to be immediately due and payable. The revenue bonds do not contain any subjective acceleration clauses.

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES			
Revenue Bonds – Direct Placements			
$1,014,000 City of Freeport, Florida, Water System Junior Lien Revenue Bonds, Series 1996, 4.5% interest and principal due in annual installments of $55,505 to $61,655 through October 2036. Proceeds were used to fund improvements to the water distribution system.	$ 34,000	$ 444,000	$ 478,000
$1,606,000 City of Freeport, Florida, Water System Revenue Bonds, Series 2003, 4.5% interest and principal due in annual installments of $59,197 to $89,452 through October 2042. Proceeds were used to fund improvements to the water distribution system.	42,000	1,000,600	1,042,600
$1,977,000 City of Freeport, Florida, Water System Revenue Bonds, Series 2004, 4.5% interest and principal due in annual installments of $109,280 to $110,770 through October 2043. Proceeds were used to fund improvements to the North Bay water distribution system.	50,000	1,283,000	1,333,000
$1,200,000 City of Freeport, Florida, Water System Revenue Bonds, Series 2012, 2.75% interest and principal due in annual installments of $70,898 to $70,928 through October 2035. Proceeds were used to fund improvements to the North Bay water distribution system.	54,000	560,000	614,000
$280,000 City of Freeport, Florida, Sewer System Revenue Bonds, Series 2000, 4.5% interest and principal due in annual installments of $8,360 to $15,530 through October 2039. Proceeds were used to fund improvements to the wastewater treatment plant.	9,000	146,000	155,000
$7,319,000 City of Freeport, Florida, Sewer System Revenue Bonds, Series 2023A, 2.25% interest and principal due in annual installments of $289,905 through May 2064. Proceeds were used to payoff the bond anticipation note.	121,659	6,962,426	7,084,085

	Current	Long-Term	Total
$9,000,000 City of Freeport, Florida, Sewer System Revenue Bonds, Series 2023B, 1.375% interest and principal due in annual installments of $299,700 through May 2064. Proceeds were used to payoff the bond anticipation note.	$ 180,822	$ 8,464,859	$ 8,645,681
$6,741,000 City of Freeport, Florida, Sewer System Revenue Bonds, Series 2023C, 1.375% interest and principal due in annual installments of $224,475 through May 2064. Proceeds were used to payoff the bond anticipation note.	135,436	6,340,178	6,475,614
Total revenue bonds	626,917	25,201,063	25,827,980
Notes Payable – Direct Borrowings			
$2,380,106 Florida Department of Transportation Promissory Note dated January 2012, unsecured, noninterest bearing with principal payments due in annual installments of $36,706 to $39,668 through October 2042. Proceeds were used to relocate and expand utility services along US Highway 331.	39,668	393,718	433,386
$1,400,000 Commercial Promissory Note dated May 2015, of which $872,652 was allocated to the Water Fund, 4.85% interest and principal due in monthly installments of $5,688 through July 2035. Proceeds were used to refund two outstanding bond issuances and are secured by future water, sewer revenues.	43,122	488,488	531,610
$1,400,000 Commercial Promissory Note dated May 2015, of which $527,348 was allocated to the Sewer Fund, 4.85% interest and principal due in monthly installments of $3,437 through July 2035. Proceeds were used to refund two outstanding bond issuances and are secured by future water, sewer revenues.	26,429	299,396	325,825
$3,511,799 State of Florida Department of Environmental Protection Revolving Loan Fund; due in semi-annual installments of $70,643 through July 2040 at 0.78%. Proceeds were used to fund the engineering and construction of a wastewater pollution control facility and is secured by future water, sewer revenues.	38,713	596,565	635,278

	Current	Long-Term	Total
$81,700 State of Florida Department of Environmental Protection Revolving Loan Fund; due in semi-annual installments of $4,858 beginning February 2025 through August 2034 at 1.88%. Proceeds were used to fund the design of water distribution mains and are secured by future water revenues.	$ 8,249	$ 71,858	$ 80,107
$67,694 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of $2,791 including interest at 1.43% beginning June 2019 through June 2032. Proceeds were used to fund the engineering and construction of a wastewater pollution control facility and are secured by future water, sewer revenues.	3,371	46,448	49,819
Total notes payable	159,552	1,896,473	2,056,025
Accrued Compensated Absences			
Total long-term portion of accumulated, vested annual and sick leave for enterprise funds.	182,566	-	182,566
TOTAL BUSINESS-TYPE ACTIVITIES	$ 969,035	$ 27,097,536	$ 28,066,571

For the direct placements for business-type activities, in the event of default (nonpayment), the lender may declare all unpaid principal and accrued interest to be immediately due and payable. These direct placements do not contain any subjective acceleration clauses.

For the direct borrowings for business-type activities, in the event of default (nonpayment), the lender may declare all unpaid principal and accrued interest to be immediately due and payable. Additionally, for the State Revolving Loan Fund direct borrowings, the lender may also notify financial market credit rating agencies, file suit for past due amounts, and accelerate repayment of unpaid principal as much as 1.667 times the financing rate in the event of default. These direct borrowings do not contain any subjective acceleration clauses.

Pledged Revenue

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2025. The table below reports the revenues pledged for each debt issue, the amount of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue, which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of principal and interest on the debt at year end.

Governmental Activities

Debt Outstanding	Pledged Revenue(s)	Current Year Total Pledged Revenue	Current Year Principal and Interest Paid	Percentage Portion of Pledged Revenue	Remaining Principal and Interest	Maturity Calendar Year
Capital Improvement Revenue Bonds, Series 2007	Franchise fees and local communications service tax	$ 427,832	$ 51,467	12%	$ 1,132,278	2047

Business-Type Activities

Debt Outstanding	Pledged Revenue(s)	Current Year Total Pledged Revenue	Current Year Principal and Interest Paid	Percentage Portion of Pledged Revenue	Remaining Principal and Interest	Maturity Calendar Year
Water System Junior Lien Revenue Bonds, Series 1996	Net revenues of the water system	$ 4,062,911	$ 55,995	1%	$ 617,635	2036
Sewer System Revenue Bonds, Series 2000	Net revenues of the wastewater system	$ 9,624,546	$ 15,335	0%	$ 210,170	2039
Water System Revenue Bonds, Series 2003	Net revenues of the water and sewer system	$ 13,687,457	$ 88,717	1%	$ 1,514,434	2042
Water System Revenue Bonds (North Bay Project), Series 2004	Net revenues of the water system	$ 4,062,911	$ 109,100	3%	$ 1,973,215	2043
Water System Revenue Bonds (North Bay Project), Series 2012	Net revenues of the water system	$ 4,062,911	$ 71,343	2%	$ 710,635	2035
Sewer System Revenue Bonds, Series 2023A	Net revenues of the wastewater system	$ 9,624,546	$ 280,902	3%	$ 10,533,178	2062
Sewer System Revenue Bonds, Series 2023B	Net revenues of the wastewater system	$ 9,624,546	$ 299,700	3%	$ 11,088,581	2062
Sewer System Revenue Bonds, Series 2023C	Net revenues of the wastewater system	$ 9,624,546	$ 224,476	2%	$ 8,305,346	2062

Annual Requirements to Amortize Debt Outstanding
The annual requirements to amortize all debt outstanding except accrued annual leave as of September 30, 2025, follows:

Governmental Activities

	Revenue Bonds	
Year Ending September 30	**Principal**	**Interest**
2026	$ 21,150	$ 30,317
2027	22,023	29,444
2028	22,931	28,536
2029	23,877	27,590
2030	24,862	26,605
2031-2035	140,568	116,769
2036-2040	172,051	85,284
2041-2045	210,588	46,746
2046-2047	96,900	6,035
Total	$ 734,950	$ 397,326

Business-Type Activities

	Revenue Bonds		Notes Payable	
Year Ending September 30	**Principal**	**Interest**	**Principal**	**Interest**
2026	$ 626,917	$ 519,582	$ 159,552	$ 45,210
2027	642,154	504,936	163,558	41,358
2028	655,521	489,840	167,650	37,416
2029	673,018	474,365	172,118	33,103
2030	687,648	458,345	176,695	28,681
2031-2035	3,701,549	2,034,385	931,652	69,508
2036-2040	3,556,850	1,588,478	263,088	3,114
2041-2045	3,371,564	1,178,914	21,712	42
2046-2050	3,155,892	891,907	-	-
2051-2055	3,433,846	620,636	-	-
2056-2060	3,738,286	323,716	-	-
2061-2062	1,584,735	40,111	-	-
Total	$ 25,827,980	$ 9,125,215	$ 2,056,025	$ 258,432

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the Florida Municipal Insurance Trust and other commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. The amount of settlements has not exceeded the insurance coverage for each of the past three years.

10. INTERFUND BALANCES AND TRANSFERS

The following is a summary of interfund balances on September 30, 2025:

Receivable Fund	Payable Fund	Amount
General	Sewer	$ 2,583,150
Water	General	$ 712,497
Water	Sewer	$ 587,095

Interfund balances represent expenditures / expenses paid by one fund on behalf of another fund. Historically, all such balances are repaid within one year.

The composition of interfund transfers for the year ended September 30, 2025, was as follows:

Transfer from Fund	Transfer to Fund	Amount
General	Sewer	$ 946,850

11. COMMITMENTS AND CONTINGENCIES

Grants
Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including 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 City expects such amount, if any, to be immaterial.

Contract Commitments
Freeport Community Center
In August 2024, the City engaged a general contractor to perform construction for the Freeport Community Center for a total contract price of $3.0 million. As of September 30, 2025, the City had incurred costs of $2.8 million, which includes unbilled retainage of $284,565. The project was completed in January 2026.

Marquis Way West Connector Roadway and Bridge
In December 2024, the City engaged a professional engineering firm to perform design phase services for a project to construct a roadway and bridge on Marquis Way West spanning from U.S. Highway 331 South to Shipyard Road. The design phase contract price is $1.0 million. As of the report date, a contractor for the construction phase of the project has not yet been selected, but the City has been awarded grant funding from the Florida Department of Transportation in the amount of $7.3 million to fund a significant portion of the project costs. As of September 30, 2025, the City has incurred design phase costs of $371,650. The project is expected to be completed in 2027.

Bay Area Sewer Expansion Project
In August 2025, the City Council awarded a bid to perform Phase I construction services of the Bay Area Sewer Expansion Project to a general contractor for a total price of $6.3 million. In order to realize sales tax savings, the City will purchase the materials and equipment needed for the project directly from the supplier. The anticipated cost of the materials and equipment is $2.7 million. The project will be primarily funded by two grants from the Florida Department of Environmental Protection (FDEP) totaling $10.0 million. As of September 30, 2025, the City has incurred project costs of $470,297 for planning and design services. The project is expected to be completed in 2028.

Wagon Wheel Road Elevated Water Storage Tank Construction
In August 2025, the City Council awarded a bid to perform construction for the elevated water storage tank on Wagon Wheel Road and an engineering firm to manage the construction process. The total price of the contracts is $1.5 million. As of September 30, 2025, the City has incurred costs of $16,450 for the project, which is expected to be completed in December 2026.

Earl Godwin Public Access Reuse System Booster Pump Station
In September 2025, the City engaged a general contractor to perform construction for the reuse system booster pump station and an engineering firm to manage the construction process. The total price of the contracts is $1.4 million. As of September 30, 2025, the City has incurred costs of $178,111 for the project, which is expected to be completed in 2026.

Interlocal Landfill Agreement
In 1995, the City entered into an interlocal agreement with Walton County (the County) for solid waste disposal services. Under the terms of the agreement, the County provides a landfill and solid waste collection services to the City's residents. In lieu of tipping fees, the City remits its 1% small county surtax receipts to the County as payment for the solid waste disposal services. At the end of each fiscal year, any funds remaining from the aforementioned small county surtaxes remitted to the County throughout the year are redistributed to the local governments participating in the agreement pursuant to the Florida Department of Revenue's sales tax distribution formula in effect at the time of distribution. The City remitted $4.5 million to Walton County for solid waste collection and disposal services and received a refund of surplus operating funds from the County of $2.6 million for the fiscal year ended September 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 6,179,200	$ 6,179,200	$ 6,354,990	$ 175,790
Intergovernmental	8,739,680	8,739,680	7,700,480	(1,039,200)
Charges for services	904,940	904,940	1,196,454	291,514
Fines	12,000	12,000	6,079	(5,921)
Miscellaneous	90,850	90,850	133,099	42,249
Total revenues	15,926,670	15,926,670	15,391,102	(535,568)
EXPENDITURES				
Current				
General government	3,425,020	3,472,470	2,779,194	693,276
Physical environment	3,776,100	3,776,100	1,865,947	1,910,153
Transportation	256,630	256,630	209,645	46,985
Human services	-	44,750	38,552	6,198
Culture and recreation	1,394,400	1,420,650	1,222,799	197,851
Capital outlay	5,190,350	6,505,670	5,661,518	844,152
Debt service				
Principal	20,320	20,320	20,313	7
Interest	31,160	31,160	31,155	5
Total expenditures	14,093,980	15,527,750	11,829,123	3,698,627
EXCESS OF REVENUES OVER EXPENDITURES	1,832,690	398,920	3,561,979	3,163,059
OTHER FINANCING USES				
Transfers out	(1,109,660)	(1,061,010)	(946,850)	114,160
NET CHANGE IN FUND BALANCE	723,030	(662,090)	2,615,129	3,277,219
FUND BALANCE AT BEGINNING OF YEAR	-	-	24,849,036	24,849,036
FUND BALANCE AT END OF YEAR	$ 723,030	$ (662,090)	$ 27,464,165	$ 28,126,255

See notes to the budgetary comparison schedule.

Budgetary data reflected in the financial statements is established by the following procedures:

Prior to September 1st of each year, proposed budgets are received by the City Council from the City Finance Director. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Council. The City Council makes any changes as deemed necessary, sets proposed millage rates, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.

Prior to October 1st, the budget for all governmental and proprietary funds of the City is legally enacted through passage of a resolution. Budget amendments are periodically passed via resolutions throughout the fiscal year. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unassigned fund balance to the level required to accomplish current year objectives.

CITY OF FREEPORT, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.005330568%	0.005236519%	0.005279018%	0.004913545%	0.004426895%	0.003876841%	0.003876841%	0.003101888%	0.001868061%	0.001502455%
City's proportionate share of the net pension liability	$ 1,654,349	$ 2,025,732	$ 2,103,522	$ 1,828,234	$ 334,402	$ 1,641,321	$ 1,335,130	$ 934,305	$ 552,749	$ 379,371
City's covered-employee payroll	$ 2,846,300	$ 2,947,349	$ 2,010,542	$ 1,583,494	$ 1,432,590	$ 1,347,771	$ 1,246,687	$ 1,013,193	$ 947,651	$ 753,554
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.12%	68.73%	104.62%	115.46%	23.34%	121.78%	107.09%	92.21%	58.33%	50.34%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

Note: The amounts presented for each fiscal year were determined as of June 30th.

CITY OF FREEPORT, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.006369246%	0.005778857%	0.005073606%	0.004344116%	0.004045701%	0.003882554%	0.003726934%	0.003101369%	0.002972526%	0.002440516%
City's proportionate share of the net pension liability	$ 816,375	$ 866,885	$ 805,765	$ 460,111	$ 496,266	$ 474,054	$ 417,007	$ 328,252	$ 317,836	$ 284,432
City's covered-employee payroll	$ 2,846,300	$ 2,947,349	$ 2,010,542	$ 1,583,494	$ 1,432,590	$ 1,347,771	$ 1,246,687	$ 1,013,193	$ 947,651	$ 753,554
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.68%	29.41%	40.08%	29.06%	34.64%	35.17%	33.45%	32.40%	33.54%	37.75%
Plan fiduciary net position as a percentage of the total pension liability	4.80%	4.12%	4.81%	3.56%	3.56%	2.63%	2.15%	1.64%	0.97%	0.50%

Note: The amounts presented for each fiscal year were determined as of June 30th.

CITY OF FREEPORT, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 334,165	$ 302,196	$ 264,047	$ 224,193	$ 185,222	$ 133,201	$ 121,144	$ 103,662	$ 49,564	$ 39,383
Contributions in relation to the contractually required contribution	(334,165)	(302,196)	(264,047)	(224,193)	(185,222)	(133,201)	(121,144)	(103,662)	(49,564)	(39,383)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,971,250	$ 2,554,350	$ 2,101,582	$ 1,685,060	$ 1,510,241	$ 1,360,783	$ 1,274,096	$ 1,070,181	$ 948,253	$ 795,783
Contributions as a percentage of covered-employee payroll	11.25%	11.83%	12.56%	13.30%	12.26%	9.79%	9.51%	9.69%	5.23%	4.95%

Note: The amounts presented in this schedule are for the City's fiscal year instead of the plan's year.

CITY OF FREEPORT, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 59,425	$ 51,087	$ 36,879	$ 27,972	$ 25,070	$ 22,589	$ 21,150	$ 17,765	$ 15,741	$ 13,210
Contributions in relation to the contractually required contribution	(59,425)	(51,087)	(36,879)	(27,972)	(25,070)	(22,589)	(21,150)	(17,765)	(15,741)	(13,210)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 2,971,250	$ 2,554,350	$ 2,101,582	$ 1,685,060	$ 1,510,241	$ 1,274,096	$ 1,070,181	$ 948,253	$ 795,783	$ 697,289
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	1.75%	1.66%	1.66%	1.77%	1.98%	1.87%	1.98%	1.89%

Note: The amounts presented in this schedule are for the City's fiscal year instead of the plan's year.

COMPLIANCE SECTION

CITY OF FREEPORT, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Agency Pass-Through Entity Federal Program	Assistance Listing Number	Contract / Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct projects				
Water and Waste Disposal Systems for Rural Communities	10.760		$ 1,410,803	$ -
U.S. Department of the Treasury				
Passed through from Walton County, Florida				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		3,930,163	-
Passed through from the Florida Department of Environmental Protection				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	WG059	99,535	-
Passed through from the Florida Division of Emergency Management				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5088	769,847	-
Total U.S. Department of the Treasury			4,799,545	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,210,348	$ -

See notes to the schedule of expenditures of federal awards.

CITY OF FREEPORT, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Freeport, Florida (the City) under programs of the federal government for the year ended September 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position or changes in net position of the City.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

C. DE MINIMIS INDIRECT COST RATE ELECTION

The City has elected to use the fifteen percent de minimis indirect cost rate, as allowed under Uniform Guidance.

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE FLORIDA AUDITOR GENERAL*

To the Honorable Mayor and
Members of the City Council

We have examined the City of Freeport, Florida's (the City), compliance with Section 218.415, Florida Statutes, in regard to investments for the year ended September 30, 2025.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

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

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

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

Warren Averett, LLC

Destin, Florida
June 30, 2026

Warren Averett
CPAs AND ADVISORS

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

To the Honorable Mayor and
Members of the City Council

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 City's financial statements are free of 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Destin, Florida
June 30, 2026

Warren Averett
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Council

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Freeport, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2025. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Destin, Florida
June 30, 2026

CITY OF FREEPORT, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
• Material weakness(es) identified?	__ Yes	X No
• Significant deficiency(ies) identified that is/are not considered to be material weaknesses?	__ Yes	X None Reported
Noncompliance material to financial statements noted?	__ Yes	X No

Federal Awards

Internal control over major program:		
• Material weakness(es) identified?	__ Yes	X No
• Significant deficiency(ies) identified that is/are not considered to be material weaknesses?	__ Yes	X None Reported
Type of auditors' report issued on compliance for major program:		Unmodified
• Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	__ Yes	X No

Identification of major program:

Name of Federal Program or Cluster	Assistance Listing No.
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs for federal awards?		$1,000,000
Auditee qualified as low-risk auditee for federal awards?	__ Yes	X No

II. FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with the *Government Auditing Standards*.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs required to be reported in accordance with the Uniform Guidance.

City of Freeport

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2024-001 TIMELY SUBMISSION OF SINGLE AUDIT REPORTING PACKAGE

Condition
The Organization did not meet the filing requirements related to timely submission of the Single Audit reporting package for the fiscal year ended September 30, 2023.

Current Status
The report for fiscal year ended September 30, 2024, was submitted within the required timeframe.

Warren Averett
CPAs AND ADVISORS

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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements
We have audited the financial statements of the City of Freeport, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 30, 2026.

Auditors' Responsibility
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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reporting Requirements
We have also issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for a Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 Florida Auditor General.* Disclosures in those reports and schedule, which are dated June 30, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Florida Auditor General*, requires that we determine whether corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions were taken to address findings and recommendations made in the preceding annual financial report.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Florida 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. The official title and legal authority have been disclosed in Note 1 to the financial statements, and there were no component units related to the City.

Financial Condition and Management

Sections 10.554(1)(i)5.a., and 10.556(7), *Rules of the Florida Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., *Rules of the Florida Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we identified no recommendations to improve financial management other than those discussed in the schedule of findings and questioned costs.

Property Assessed Clean Energy (PACE) Programs

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

Additional Matters

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

Purpose of this Letter

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

Warren Averett, LLC

Destin, Florida
June 30, 2026