TOWN OF OTTER CREEK, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2025

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Powell and Jones CPA

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the Town Council
Town of Otter Creek, Florida

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter – Prior Period Restatement

As discussed in Note 14 to the financial statements, the Town restated its September 30, 2024 governmental activities capital asset and net position balances to correct a previously omitted capital assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 15, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town's internal control over financial reporting and compliance.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 15, 2026

TOWN OF OTTER CREEK, FLORIDA
Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the Town of Otter Creek's (Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as fire control, public works, parks and recreation, and general governmental administration. The Town's water services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.

- The Statement of Activities focuses on gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town has one major governmental fund which is presented in a separate column. A budgetary comparison is presented for the General Fund. Statements for the Town's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

The MD&A is intended to serve as an introduction to the Town's basic financial statements and to explain the significant changes in financial position and differences in operations between the current and prior year.

Town as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2025 and 2024, follows:

Net Position at September 30, 2025

	Governmental Activities	Business-type Activities	Total Government 2025	Total Government 2024 (restated)
Assets				
Cash and investments	$ 271,408	$ 37,093	$ 308,501	$ 244,513
Accounts receivable	2,898	6,981	9,879	5,508
Internal balances	(38,304)	38,304	-	-
Restricted cash	-	10,023	10,023	-
Capital assets	13,940	555,444	569,384	576,675
Total assets	249,942	647,845	897,787	826,696
Liabilities				
Current liabilities	6,805	9,215	16,020	13,918
Total liabilities	6,805	9,215	16,020	13,918
Net position				
Net investment in capital assets	13,940	555,444	569,384	576,675
Restricted	-	-	-	5,150
Unrestricted	229,197	83,186	312,383	230,953
Total net position	$ 243,137	$ 638,630	$ 881,767	$ 812,778

65% of the Town's net position reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town had no restricted net position at September 30, 2025. Unrestricted net position of $312,383 may be used to meet the Town's ongoing obligations to citizens and creditors.

A condensed version of the Statement of Activities for the years ended September 30, 2025 and 2024, follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2025 and 2024

	Governmental Activities	Business-type Activities	Total Government 2025	Total Government 2024 (restated)
Revenues				
Program revenues				
Charges for services	$ -	$ 36,808	$ 36,808	$ 29,530
General revenues				
Taxes	107,656	-	107,656	90,252
State revenues	13,043	-	13,043	12,926
Franchise fees	7,691	-	7,691	-
Interest and other	6,298	-	6,298	6,847
Fines and forfeitures	1,099	-	1,099	266
Insurance proceeds	-	86,743	86,743	-
Total revenues	135,787	123,551	259,338	139,821
Expenses				
General government	123,774	-	123,774	114,981
Public safety	5,767	-	5,767	8,940
Water services	-	60,808	60,808	60,140
Total expenses	129,541	60,808	190,349	184,061
Change in net position	6,246	62,743	68,989	(44,240)
Beginning net position	236,891	575,887	812,778	857,018
Ending net position	$ 243,137	$ 638,630	$ 881,767	$ 812,778

Governmental Activities:

Governmental activities increased the Town's net position by $6,246 due to routine operations.

Taxes provide 79% of the revenues for Governmental Activities, while state shared revenues provide 10%. Most of the Governmental Activities resources are spent for General Government (95.6%), and Public Safety (4.4%).

Business-type activities:

Business-type activities increased the Town's net position by $62,743, primarily due to a large insurance payout of $86,743.

Budgetary Highlights

In the General Fund actual revenue amounts exceeded budgeted revenues by $9,111, and actual expenditures exceeded budgeted expenditures by $3,289.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2025, the Town had $569,384 invested in capital assets, including fire equipment, park and recreation facilities, buildings, general equipment, and water facilities.

Capital Assets at September 30, 2025

	Governmental Activities	Business-type Activities	Total
Land	$ 2,150	$ -	$ 2,150
Buildings and improvements	79,823	1,448,255	1,528,078
Equipment	91,630	74,605	166,235
Subtotal	173,603	1,522,860	1,696,463
Accumulated depreciation	(159,663)	(967,416)	(1,127,079)
Capital assets, net	$ 13,940	$ 555,444	$ 569,384

Debt Outstanding

At year-end, the Town had no outstanding debt.

Other Financial Information

Economic Factors and Rates

- The current unemployment rate for the County was 4.8% which is approximately the same rate for the Town.
- The estimated population for the Town in 2025 was 113.
- The Town's ad valorem tax rate for 2025 was 9.7662 mills.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 65, Otter Creek, Florida 32683.

Basic Financial Statements

TOWN OF OTTER CREEK, FLORIDA
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	$ 201,623	$ 37,093	$ 238,716
Investments	69,785	-	69,785
Accounts receivable	2,898	6,981	9,879
Internal balances	(38,304)	38,304	-
Restricted cash	-	10,023	10,023
Total current assets	236,002	92,401	328,403
Non-current assets:			
Capital assets, net	13,940	555,444	569,384
Total non-current assets	13,940	555,444	569,384
Total assets	$ 249,942	$ 647,845	$ 897,787
LIABILITIES			
Current liabilities:			
Accounts payable	$ 6,805	$ -	$ 6,805
Customer deposits	-	9,215	9,215
Total current liabilities	6,805	9,215	16,020
Total liabilities	6,805	9,215	16,020
NET POSITION			
Net investment in capital assets	13,940	555,444	569,384
Unrestricted	229,197	83,186	312,383
Total net position	$ 243,137	$ 638,630	$ 881,767

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental activities						
General government	$ 123,774	$ -	$ -	$ (123,774)	$ -	$ (123,774)
Public safety	5,767	-	-	(5,767)	-	(5,767)
Total governmental activities	129,541	-	-	(129,541)	-	(129,541)
Business-type activities						
Water utility	60,808	36,808	-	-	(24,000)	(24,000)
Total business-type activities	60,808	36,808	-	-	(24,000)	(24,000)
Total government	$ 190,349	$ 36,808	$ -	(129,541)	(24,000)	(153,541)

	Governmental Activities	Business-type Activities	Total
General revenues			
Property taxes	86,831	-	86,831
Sales and use taxes	23,936	-	23,936
Local business tax	1,955	-	1,955
Communications services tax	383	-	383
Fines and forfeitures	1,099	-	1,099
State shared revenues	5,564	-	5,564
Gas taxes	2,030	-	2,030
Interest	441	-	441
Franchise fees	7,691	-	7,691
Insurance proceeds	-	86,743	86,743
Miscellaneous	5,857	-	5,857
Total general revenues	135,787	86,743	222,530
Change in net position	6,246	62,743	68,989
Net position - beginning - previously reported	231,747	575,887	807,634
Prior period restatement	5,144	-	5,144
Net position - beginning - as restated	236,891	575,887	812,778
Net position - ending	$ 243,137	$ 638,630	$ 881,767

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2025

	General Fund
ASSETS	
Cash	$ 201,623
Investments	69,785
Accounts receivable	2,898
Total assets	$ 274,306
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	$ 6,805
Due to other funds	38,304
Total liabilities	45,109
FUND BALANCE	
Unassigned	229,197
Total fund balances	229,197
Total liabilities and fund balances	$ 274,306
Fund balance - governmental funds	$ 229,197
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	13,940
Net position of governmental activities	$ 243,137

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2025

	General Fund
REVENUES	
Taxes	$ 107,656
Intergovernmental revenue	13,043
Fines and forfeitures	1,099
Interest	441
Franchise fees	7,691
Miscellaneous	5,857
Total revenues	135,787
EXPENDITURES	
Current expenditures	
General government	120,718
Public safety	5,747
Capital outlay	
General government	3,500
Total expenditures	129,965
Net change in fund balance	5,822
Fund balance at beginning of year	223,375
Fund balance at end of year	$ 229,197

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

Net change in fund balance - governmental fund		$ 5,822
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Current year depreciation	$ (3,076)	
Capital outlay	3,500	424
Change in net position of governmental activities		$ 6,246

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2025

		Enterprise Fund
ASSETS		
Current assets:		
Cash	$	37,093
Accounts receivable		6,981
Due from general fund		38,304
Restricted cash - customer deposits		10,023
Total current assets		92,401
Fixed assets:		
Plant and improvements		1,522,860
Accumulated depreciation		(967,416)
Total fixed assets		555,444
Total assets	$	647,845
LIABILITIES AND NET POSITION		
LIABILITIES		
Liabilities:		
Liabilities payable from restricted assets		
Customer deposits	$	9,215
Total liabilities		9,215
NET POSITION		
Net investment in capital assets		555,444
Unrestricted		83,186
Total net position		638,630
Total liabilities and net position	$	647,845

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025

	Enterprise Fund
OPERATING REVENUES	
Water utility revenue	
Water sales	$ 36,808
Total operating revenues	36,808
OPERATING EXPENSES	
Water utility services	
Plant operations	19,559
Office expenses	3,790
Repair and maintenance	568
Depreciation	36,891
Total operating expenses	60,808
Operating loss	(24,000)
NONOPERATING REVENUES (EXPENSES)	
Insurance proceeds	86,743
Total nonoperating revenues (expenses)	86,743
Increase in net position	62,743
Net position, beginning of year	575,887
Net position, end of year	$ 638,630

See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2025

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	$ 29,326
Cash paid to suppliers	(23,917)
Net cash provided by operating activities	5,409
Cash flows from noncapital financing activities:	
Increase in interfund receivable from General Fund	(61,206)
Insurance proceeds	86,743
Net cash provided by noncapital financing activities	25,537
Cash flows from capital related financing activities:	
Purchase of fixed assets	(29,176)
Net cash used for capital related financing activities	(29,176)
Net increase in cash	1,770
Cash, beginning of year	45,346
Cash, end of year	$ 47,116
Reported as:	
Cash	$ 37,093
Restricted cash - customer deposits	10,023
	$ 47,116
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (24,000)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	36,891
Increase in accounts receivable	(3,297)
Increase (decrease) in current liabilities:	
Customer deposits	(4,185)
Total adjustments	29,409
Net cash provided by operating activities	$ 5,409

See notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Otter Creek (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The Town has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The Town of Otter Creek, Florida is a municipal, political subdivision of the State of Florida, established by House Bill 560, (1969). Accordingly, it is controlled by the Florida Constitution and various Florida Statutes as well as its own local charter, ordinances and policies. It is governed by an elected Mayor and Town Council.

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

B. Measurement Focus and Basis of Accounting - The basic financial statements of the Town are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the Town eliminates indirect costs between governmental activities to avoid duplication.

2. Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Town's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually for governmental and enterprise funds.

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources", during a period.

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds - The Town's Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has only one major governmental fund and one major proprietary fund at year end.

1. **Governmental Major Fund:**

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

   Proprietary Major Fund:

   Enterprise Fund - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water supply service.

D. Assets, Liabilities and Net Position or Fund Balance

1. **Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

2. **Allowance for Doubtful Accounts** - The Town periodically provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2025, this allowance was $0, based upon current anticipation of full collectibility.

3. **Compensated Absences** - The Town's employees do not accrue or receive vacation or sick leave benefits.

4. **Inventories** - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.

5. **Fund Balance –**

   A. Governmental Funds

      As of September 30, 2025, fund balances of the governmental funds are classified as follows:

      Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

      Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

      Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Town Council.

      Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Town Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Fund Balance Classification	Source	General Fund
Unassigned		229,197
Total fund balance		$ 229,197

When an expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned fund balances are available, the Town considers restricted amounts to be used first, followed by committed amounts, assigned amounts, and then unassigned amounts.

6. **Capital Assets** - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

7. **Short-term Interfund Receivables/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

8. **Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

   All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

9. **Prepaid Items** - Significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2025, are recorded as prepaid items.

10. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. **Budgets** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all Town funds. All annual appropriations lapse at fiscal year end. The encumbrance system is not utilized by the Town.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.

"Total fund balances" of the Town's governmental funds $229,197 differs from "net position" of governmental activities $243,137 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	$	173,603
Accumulated depreciation		(159,663)
Total	$	13,940

TOWN OF OTTER CREEK, FLORIDA

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Statement of Net Position
ASSETS			
Cash	$ 201,623	$ -	$ 201,623
Investments	69,785	-	69,785
Accounts receivable	2,898	-	2,898
Capital assets - net	-	13,940	13,940
Total assets	$ 274,306	$ 13,940	$ 288,246
LIABILITIES			
Liabilities			
Accounts payable	$ 6,805	$ -	$ 6,805
Due to other funds	38,304	-	38,304
Total liabilities	45,109	-	45,109
Fund balance/net position	$ 229,197	$ 13,940	$ 243,137

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds $5,822 differs from the “change in net position” for governmental activities $6,246 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

<u>Capital related items</u>

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charges for the year.

Capital outlay	$	3,500
Depreciation expense		(3,076)
Difference	$	424

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

	Total Governmental Fund	Capital Related Items	Statement of Activities
REVENUES			
Taxes	$ 107,656	$ -	$ 107,656
Intergovernmental revenue	13,043	-	13,043
Fines and forfeitures	1,099	-	1,099
Interest	441	-	441
Franchise fees	7,691	-	7,691
Miscellaneous	5,857	-	5,857
Total revenues	135,787	-	135,787
EXPENDITURES			
Current expenditures			
General government	120,718	3,056	123,774
Public safety	5,747	20	5,767
Capital outlay			
General government	3,500	(3,500)	-
Total expenditures	129,965	(424)	129,541
Change in net position	5,822	424	6,246
Fund balances at beginning of year	223,375	8,372	231,747
Prior period adjustment	-	5,144	5,144
Fund balances at end of year	$ 229,197	$ 13,940	$ 243,137

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

1. Prior to September 1, the Town Council develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of a resolution.

4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.

5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council. No amendments were made to the budget during the year.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the Town deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all investments consisted of bank certificates of deposit, which were fully insured or collateralized. These investments are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements."

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2024-2025 fiscal year were levied in October 2024. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance (restated)	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets:				
Not being depreciated:				
Land	$ 2,150	$ -	$ -	$ 2,150
Total non-depreciable capital assets	2,150	-	-	2,150
Being depreciated:				
Buildings and improvements	76,323	3,500		79,823
Equipment and vehicles	91,630	-		91,630
Total depreciable capital assets	167,953	3,500	-	171,453
Less accumulated depreciation for:				
Buildings and improvements	(65,523)	(3,041)	-	(68,564)
Equipment and vehicles	(91,064)	(35)	-	(91,099)
Total accumulated depreciation	(156,587)	(3,076)	-	(159,663)
Depreciable capital assets, net	11,366	(3,076)	-	11,790
Governmental activities capital assets, net	$ 13,516	$ 424	$ -	$ 13,940
Business-type activities:				
Being depreciated:				
Buildings and improvements	$ 1,442,098	$ 6,157	$ -	$ 1,448,255
Equipment	51,586	23,019	-	74,605
Total capital assets	1,493,684	29,176	-	1,522,860
Less accumulated depreciation for:				
Buildings and improvements	(913,770)	(8,666)	-	(922,436)
Equipment	(16,755)	(28,225)	-	(44,980)
Total accumulated depreciation	(930,525)	(36,891)	-	(967,416)
Depreciable capital assets, net	563,159	(7,715)	-	555,444
Business-type activities capital assets, net	$ 563,159	$ (7,715)	$ -	$ 555,444

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

Governmental activities:	
General government	$ 3,056
Public safety	20
Total depreciation expense - governmental activities	$ 3,076
Business-type activities:	
Water services	$ 36,891
Total depreciation expense - business-type activities	$ 36,891

NOTE 7. RECEIVABLES AND PAYABLES BALANCES

Receivables

The Town has receivables of $9,879 at September 30, 2025.

Payables

The Town had $6,805 payables at September 30, 2025.

NOTE 8. RETIREMENT PLAN

The Town has made no provision for an employee retirement plan and has no related liability for such a plan.

NOTE 9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, 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 Town expects such amounts, if any, to be immaterial.

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets, and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverages for the past three years. There has been no reduction in insurance coverage from the previous year. Insurance against losses is provided for the following types of risk:

Workers' Compensation and Employer's Liability
General and Automobile Liability
Real and Personal Property Damage
Public Officials' Liability
Employee Dishonesty Bond

NOTE 11. INSURANCE PROCEEDS

During the fiscal year ended September 30, 2025, the Town's Enterprise Fund received insurance proceeds totaling $86,743 related to hurricane damage to water utility assets. The proceeds were used, in part, to repair and replace damaged equipment, including pumps and other utility system components. The insurance proceeds are reported as nonoperating revenue in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position.

NOTE 12. LONG-TERM LIABILITIES

The Town had no outstanding debt at September 30, 2025 or debt transactions during the fiscal year.

NOTE 13. EMPLOYEE HEALTH CARE

The Town does not provide paid health insurance for its employees and thus has no liability for post-employment benefits.

NOTE 14. PRIOR PERIOD RESTATEMENT

During the year ended September 30, 2025, management identified an error in the Town's previously issued financial statements. Several capital assets that existed in prior periods had not recorded in the Town's financial statements. Accordingly, the Town has corrected the error by restating the previously reported balances as of September 30, 2024, which are also the beginning balances for the year ended September 30, 2025.

The restatement increased capital assets, net of accumulated depreciation, and net position for the cumulative effect of the previously omitted capital assets applicable to prior periods. There was no effect on beginning fund balance in the governmental fund financial statements because capital assets are not reported in governmental funds.

The effect of the restatement on the Town's previously reported balances is as follows:

Governmental Activities	2024 Previously Reported	Adjustment	2024 As Restated
Statement of Net Position			
Capital assets, net	$ 8,372	$ 5,144	$ 13,516
Net position	231,747	5,144	236,891

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OTTER CREEK, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes			
Ad valorem taxes	$ 84,476	86,831	$ 2,355
Discretionary Sales Tax	20,900	16,457	(4,443)
Local business tax	-	1,955	1,955
Communications services tax	-	383	383
Local option gas tax	-	2,030	2,030
Total taxes	105,376	107,656	2,280
Franchise fees			
Electricity	-	7,691	7,691
Total franchise fees	-	7,691	7,691
Intergovernmental revenue			
State shared revenues			
State revenue sharing	10,250	5,564	(4,686)
Local governmental half-cent sales tax	10,250	7,479	(2,771)
Total intergovernmental revenue	20,500	13,043	(7,457)
Fines and forfeitures			
Court fines	800	1,099	299
Total fines and forfeitures	800	1,099	299
Miscellaneous			
Interest on investments	-	441	441
Other miscellaneous	-	5,857	5,857
Total miscellaneous	-	6,298	6,298
Total revenues	126,676	135,787	9,111
EXPENDITURES			
General government			
Executive			
Personnel services	118,366	4,675	113,691
Financial and administrative			
Personnel services	-	39,048	(39,048)
Operating expenses	-	55,955	(55,955)
Capital outlay	-	3,500	(3,500)
Legal counsel	-	18,923	(18,923)
Miscellaneous expense	-	2,117	(2,117)
Total general government	118,366	124,218	(5,852)

(continued)

See notes to required supplementary information.

TOWN OF OTTER CREEK, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued)			
Public safety			
Fire control			
Operating expenses	$ 6,700	$ 5,747	$ 953
Total public safety	6,700	5,747	953
Transportation			
Roads and streets			
Operating expenses	610	-	610
Total transportation	610	-	610
Culture/recreation			
Operating expenses	1,000	-	1,000
Total culture/recreation	1,000	-	1,000
Total expenditures	126,676	129,965	(3,289)
Excess of revenues over expenditures	-	5,822	5,822
Change in fund balance	-	5,822	5,822
Fund balance at beginning of year	223,375	223,375	-
Fund balance at end of year	$ 223,375	$ 229,197	$ 5,822

See notes to required supplementary information.

I. Stewardship, Compliance, and Accountability

A. Budgetary information. The Town, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The Town prepares a tentative budget, which is used by the Town at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the Town's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). Estimated beginning fund balances are considered in the budgetary process but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Town Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Town Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted in August and September to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of a resolution.

4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.

5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

COMPLIANCE SECTION

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

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

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

We have audited the basic financial statements of the Town of Otter Creek, Florida as of and for the year ended September 30, 2025, and have issued our report thereon dated June 15, 2026. 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.

Internal Control Over Financial Reporting

Management of the Town of Otter Creek, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Otter Creek, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Otter Creek, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Otter Creek, Florida's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified several deficiencies in internal control over financial reporting identified in the accompanying schedule of findings as items 2025-001, 2025-002, 2025-003, 2025-004, 2025-005 and 2025-006 which we consider to be significant deficiencies.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and the Town Council, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 15, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

MANAGEMENT LETTER

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Otter Creek, Florida, (the Town) as of and for the year ended September 30, 2025, and have issued our report thereon dated June 15, 2026.

Auditor's 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 and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report(s) on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 15, 2026, should be considered in conjunction with this management letter.

Prior year findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken or partially taken on certain prior-year findings; however, several findings have not been fully corrected and are repeated in the current year, as shown in the tabulation below.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	**2023-24 FY Finding No.**	**2022-23 FY Finding No.**
2025-001	2024-001	2011-1
2025-002	2024-002	2022-3
2025-003	2024-003	-
2025-004	2024-004	2023-1

Auditor general compliance matters

<u>Financial Emergency Status</u> – We determined that the Town had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

<u>Financial Condition Assessment</u> - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.a and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Our audit did not disclose any further items that would be required to be reported under *Rules of the Auditor General,* Chapter 10.554(1)(f).

<u>Deteriorating Financial Conditions</u> – From our audit procedures we found the following conditions which together comprise "deteriorating financial conditions" as defined by Chapter 10.550, *Rules of the Auditor General.*

The Enterprise Fund showed the following trends:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Operating loss for the year ended	$ (24,000)	$ (30,610)	$ (26,685)	$ (17,592)	$ (9,679)
Unrestricted cash balance at year end	$ 37,093	$ 35,823	$ 31,964	$ 35,744	$ 29,783

To address the deteriorating financial conditions of the Enterprise Fund, the Town implemented measures during the budget cycle to help ensure revenues are sufficient to fund expenses and replenish needed fiscal reserves. For the fiscal year ended September 30, 2025, the Enterprise Fund continued to report an operating loss; however, the operating loss decreased from $30,610 in the prior year to $24,000 in the current year. In addition, unrestricted cash increased slightly from $35,823 at September 30, 2024 to $37,093 at September 30, 2025.

The Town continues to monitor the financial condition of the Water Utility Fund. While operating losses decreased during the fiscal year 2025, management will continue evaluating rates and expenditures to ensure long-term sustainability of utility operations.

The Enterprise Fund received nonoperating insurance proceeds during the year, which caused a one time increase in net position; however, those proceeds are not recurring and not included in operating income (loss).

Although the Enterprise Fund continued to report an operating loss, the Town has shown progress toward meeting the corrective objectives implemented by the Town. Finances should continue to be closely monitored during future years to ensure revenues are sufficient to cover operating expenses and maintain adequate reserves.

Failure to correct these conditions could lead to a financial emergency if the Town is unable to afford infrastructure repairs or improvements as its water system ages.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Property Assessed Clean Energy Programs (PACE)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Town's geographical boundaries during the fiscal year under audit.

Purpose of this Letter

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

CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the Town. We appreciate the helpful assistance and courtesy afforded us by all Town employees and look forward to working with you in the future.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 15, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

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

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

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

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

In our opinion, the Town 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 Town of Otter Creek, Florida and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 15, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

Communication with Those Charged with Governance

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

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

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All misstatements identified during our audit were relayed to management who corrected them accordingly.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Information in Documents Containing Audited Financial Statements</u>

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

This information is intended solely for the use of the Town Council and management of the Town of Otter Creek, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 15, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

Schedule of Findings

Current Year Findings

2025-001 Financial Statement Preparation

Criteria: Internal control over financial reporting includes controls over the preparation of financial statements and related footnote disclosures. Although the auditor may assist with preparation, the financial statements remain the responsibility of management.

Condition: The Town lacks the expertise necessary to prepare the financial statements and required footnote disclosures in accordance with generally accepted accounting principles.

Cause: Due to the small size of the Town, it does not have the financial resources to hire and maintain staff who have sufficient technical accounting knowledge or experience to independently prepare GAAP-compliant financial statements and disclosures.

Effect: There is an increased risk that material misstatements in the financial statements or disclosures may not be prevented, detected, or corrected on a timely basis.

Recommendation: We recommend that management consider hiring a CPA firm who is capable of preparing GAAP financial statements to do the bookkeeping for the Town or review the financial data of the Town on at least a monthly basis.

2025-002 Customer Utility Deposits (repeat of 2024-002 and 2022-3)

Criteria: Proper internal control and financial management practices require that customer utility deposit liabilities be supported by accurate customer deposit records and reconciled to cash held in designated accounts. Restricted or designated funds should be safeguarded and reconciled regularly to ensure accuracy, compliance, and reliable financial reporting.

Condition: During the current-year audit, we noted that the customer utility deposit liability recorded in the accounting records did not agree to the balance maintained in the bank account designated for customer deposits. The recorded customer utility deposit liability was $9,215, while the balance maintained in the designated deposit bank account was $10,023. As a result, the designated bank account exceeded the recorded liability by $808. Although the Town has sufficient cash in the designated account to cover the recorded liability, the difference indicates that the customer deposit listing, liability account, and designated bank account were not fully reconciled at year-end.

Cause: Reconciliations between the customer utility deposit listing, the related liability account, and the designated bank account were incomplete. Differences between the recorded liability and the designated bank account were not identified and corrected timely.

Effect: Inaccurate or incomplete customer deposit records increase the risk of misstatement of the financial statements and may result in incorrect customer refunds upon account closure. Additionally, the lack of a complete reconciliation reduces the reliability of the recorded customer utility deposit liability balance.

Recommendation: We recommend that the Town perform a thorough review of the customer utility deposit listing and update records where necessary. The Town should establish a monthly reconciliation process between the customer deposit listing, the liability account, and the designated bank account. Any differences should be investigated and corrected timely to ensure the recorded liability agrees to the supporting detail and is properly supported by the designated bank account. We also recommend that responsibility for monitoring compliance be assigned to a level above the Town Clerk.

2025-003 Segregation of Duties (Repeat of 2024-003)

Criteria: Internal control frameworks require segregation of duties to reduce the risk of fraud and error. Duties should be divided among different individuals for authorization, custody, and recordkeeping functions. Independent review and reconciliation should occur regularly.

Condition: Key financial and administrative responsibilities are concentrated among a limited number of staff members. One employee is responsible for receiving payments, recording transactions, reconciling accounts, purchasing, vendor setup, and invoice approval without documented compensating controls and independent oversight. The lack of segregation increases the risk that errors or irregularities may not be detected.

Cause: Due to the small size of the Town and its budget, staffing is limited, which prevents full segregation of duties.

Effect: This results in an increased risk of fraud and errors in financial reporting and compliance.

Recommendation: Due to limited staffing, full segregation of duties is not feasible; however, the Town should implement and document compensating controls to reduce risk. Such controls may include independent review of utility meter readings and usage reports by the Mayor or a designated Board member, review and approval of all voided receipts and billing adjustments by the Mayor or Board member, and monthly review and sign-off of original bank statements by the Mayor or a Board member. These reviews should be documented and performed on a timely basis.

2025-004 Budgetary Noncompliance (Repeat of 2024-004)

Criteria: The Town should monitor budget activity throughout the year to ensure expenditures do not exceed amounts appropriated in the legally adopted budget. Budget amendments should be approved as necessary before expenditures exceed appropriations.

Condition: During the current-year audit, we noted that General Fund expenditures exceeded the appropriated budget by $3,289. General Fund expenditures were budgeted at $126,676, while actual expenditures were $129,965.

We also reviewed the Water Fund budget-to-actual activity. The Water Fund had budgeted expenditures of $34,500. Actual Water Fund operating expenses were $60,808; however, this amount included depreciation expense of $36,891. Excluding depreciation, Water Fund operating expenses were $23,917 and did not exceed the budgeted amount. Therefore, no budgetary noncompliance was noted for the Water Fund on a budgetary basis.

Cause: The Town’s budget monitoring procedures did not ensure that budget amendments were made prior to General Fund expenditures exceeding appropriated amounts.

Effect: Expenditures in excess of appropriations may result in budgetary noncompliance and reduce the effectiveness of the budget as a financial control tool.

Recommendation: We recommend that the Town continue to monitor budget-to-actual activity throughout the year and approve budget amendments as needed before expenditures exceed appropriations.

2025-005 Bank Statement Reconciliations

Criteria: Effective internal controls over cash require that all bank accounts be reconciled monthly to the general ledger. The reconciled bank balance, register balance, and general ledger balance should agree or be supported by clearly identified reconciling items. Outstanding checks, deposits in transit, and other reconciling items should be reviewed and documented in detail.

Condition: During the current-year audit of cash and bank statement reconciliations, we noted that the register balance reflected on the bank reconciliations did not agree to the book balance or to the general ledger provided for audit. Although this finding was reported as corrected in fiscal year 2024, similar reconciliation issues were noted again during fiscal year 2025.

Cause: The bank reconciliations were not consistently completed and reviewed during the year. The clerk responsible for performing the reconciliations was out of the office for several months, and sufficient backup procedures were not in place to ensure the reconciliations were completed timely and agreed to the general ledger when the clerk was unavailable. Additionally failure to close the books likely allowed transactions to be posted or adjusted after the reconciliations were completed.

Effect: Failure to properly reconcile the bank balance, register balance, and general ledger increases the risk that errors, omissions, unauthorized transactions, or misstatements in cash balances may not be detected and corrected in a timely manner.

Recommendation: We recommend that all bank statements be reconciled monthly and agreed to the general ledger. The Town should ensure that the bank balance, register balance, and general ledger balance agree or are supported by documented reconciling items. We also recommend that the Town establish backup procedures so reconciliations continue to be completed and reviewed timely when key personnel are unavailable. Additionally the Town close the books with a password after year end bank reconciliations are completed and banks be re-reconciled if adjustments are made subsequent to reconciliation.

2025-006 Record-keeping Deficiencies

Criteria: The Town should maintain adequate accounting records and supporting documentation for all transactions. Files and supporting records should be retained in an organized manner and made available upon request. Transactions should also be properly classified in the accounting records to ensure accurate financial reporting.

Condition: During the current-year audit, we noted several instances in which the Town was unable to provide requested files and supporting documentation. We also noted instances in which transactions were improperly classified in the Town's accounting software. While similar deficiencies noted in the prior year were corrected during fiscal year 2024, record-keeping and classification issues were again noted during fiscal year 2025.

Cause: The Town's filing, record retention, and transaction review procedures were not consistently maintained during the current fiscal year.

Effect: Inadequate record-keeping and improper classification of transactions increase the risk that errors or material misstatements in the financial statements may not be detected and corrected in a timely manner. These deficiencies may also delay the audit process and limit the ability to verify certain transactions.

Recommendation: We recommend the Town strengthen and consistently follow procedures over filing, record retention, and transaction classification. Supporting documentation should be maintained in an organized manner and readily available for audit review. Transactions should be reviewed before posting, and any misclassifications should be identified and corrected timely.

MANAGEMENT RESPONSE

Town of Otter Creek

P.O. Box 65
Otter Creek, FL 32683

June 29, 2026

Honorable Sherril F. Norman, CPA
Auditor General
State of Florida
Tallahassee, FL

We have received and reviewed the auditor findings for the year ending September 30, 2025. We would like to address each of the findings and briefly present our corrective action plan.

2025-001 - Financial Statement Preparation - Please be advised that effective October 1, 2025, we have engaged a local CPA firm who has extensive experience in governmental accounting. They now oversee our monthly accounting tasks and preparation of quarterly financial statements.

2025-002 - Customer Utility Deposits - We have composed a comprehensive list of customer meter deposits as of October 1, 2025. We now monthly reconcile our customer deposit report with the customer deposit bank account. Transactions related to customer deposits received and customer deposits disbursed are properly recorded and reconciled to the General Ledger.

2025-003 - Segregation of Accounting Duties - As noted, we are a small-town government with only one part-time employee. However, as noted above, we have hired a local accounting firm to assist and oversee our accounting processes. Almost all accounting functions have been moved to their office and are segregated to provide additional accounting controls.

2025-004 - Budgetary Noncompliance - Previously the town staff were not capable of preparing budgets, budget amendments or financial statements that compared accounting activity to the town's approved budget. Budget-vs-actual financial statements are now presented to the town on a quarterly basis. This process will allow the town to accurately review and control budgeted expenditures.

Honorable Sherril F. Norman, CPA
Tallahassee, FL

June 29, 2026

2025-005 – Bank Statement Reconciliations – All bank statements are now reconciled to the general ledgers on a monthly basis. The accounting records will be closed and locked at year-end going forward to prevent errors by recording transactions after the accounting records have been closed.

2025-006 – Record-keeping deficiencies - The town had multiple bookkeepers due to staff illness and turnover during the current fiscal year. This resulted in misfiling or destroying certain source documents requested by the auditors. We do not expect this situation to continue in future years.

We hope this appropriately addresses the auditor's findings.

We would like to thank our Auditors for their professional approach and understanding of our situation.

Sincerely,

6/29/26

Zim Padgett — Date
Town Mayor