

**BAY LAUREL CENTER
COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025**

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements of Bay Laurel Center Community Development District, Marion County, Florida ("District") as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which comprises the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2025, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information Included in the Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the information for compliance with FL Statute 218.39 (3) (c) but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

March 26, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bay Laurel Center Community Development District, Marion County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended September 30, 2025 by \$168,622,883, an increase of \$24,733,336 in comparison with the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's financial statements. The District's basic financial statements are comprised of government-wide financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The basic financial statements report on the function of the District that is principally supported by user fees and charges.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Proprietary Funds

The District maintains one type of proprietary fund: an enterprise fund. The District uses an enterprise fund to account for the operations of the water and sewer utility facilities within the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the fiscal year ended September 30, 2025.

BASIC FINANCIAL ANALYSIS (Continued)

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

	NET POSITION	
	SEPTEMBER 30,	
	2025	2024
Current Assets	\$ 89,674,031	\$ 79,143,648
Noncurrent Assets	232,609,818	222,208,239
Total assets	322,283,849	301,351,887
Deferred outflows of resources	475,864	481,133
Current liabilities	6,577,050	6,839,115
Long-term liabilities	147,407,679	150,947,354
Total liabilities	153,984,729	157,786,469
Deferred inflows of resources	152,101	157,004
Net Position		
Net investment in capital assets	83,073,338	70,606,666
Restricted	71,179,011	40,874,806
Unrestricted	14,370,534	32,408,075
Total net position	\$ 168,622,883	\$ 143,889,547

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION	
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2025	2024
Operating revenues	\$ 25,551,478	\$ 21,767,524
Operating expenses:		
Administrative and general	278,282	272,539
Cost of sales and services	7,125,014	6,579,122
Depreciation and amortization	2,857,178	2,587,803
Total operating expenses	10,260,474	9,439,464
Operating Income	15,291,004	12,328,060
Non-operating:		
Interest income	2,762,294	3,184,054
Federal grants	14,670,619	19,229,381
Interest expense	(8,011,530)	(8,061,844)
Total non-operating	9,421,383	14,351,591
Capital contributions	20,949	10,822,967
Change in net position	24,733,336	37,502,618
Total net position - beginning	143,889,547	106,386,929
Total net position - ending	\$ 168,622,883	\$ 143,889,547

The cost of operations is covered primarily by charges to customers. The increase in operating revenues is primarily the result of increased water and sewer revenues. Expenses increased as a result of an increase in water and sewer operations due primarily to additional customers.

BASIC FINANCIAL ANALYSIS (Continued)

Capital Assets

The District reported net capital assets of \$232,609,818 for its business-type activities. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2025, the District had \$148,175,000 in Bonds outstanding for its business-type activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

For the subsequent fiscal year, the District anticipates that the cost of general operations will increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Bay Laurel Center Community Development District's Finance Department at 219 East Livingston Street, Orlando, FL 32801.

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

ASSETS

Current assets:

Cash and cash equivalents	\$ 15,124,374
Accounts receivable	1,491,976
Restricted cash:	
Customer deposits	691,270
Restricted investments	71,837,917
Prepaid expense	85,620
Inventory	442,874
Total current assets	89,674,031

Noncurrent assets:

Capital assets:

Nondepreciable	128,584,957
Depreciable, net	104,024,861
Total noncurrent assets	232,609,818
Total assets	322,283,849

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding (debit)	396,537
Other post employment benefits	79,327
Total deferred outflows of resources	475,864

LIABILITIES

Current liabilities:

Accounts payable	180,353
Due to Developer	308,679
Contracts payable	2,207,842
Payable from restricted assets:	
Customer deposits	691,270
Accrued interest payable	658,906
Bonds payable	2,530,000
Total current liabilities	6,577,050

Noncurrent liabilities:

OPEB liability	401,199
Bonds payable	147,006,480
Total noncurrent liabilities	147,407,679
Total liabilities	153,984,729

DEFERRED INFLOWS OF RESOURCES

Other post employment benefits	152,101
Total deferred inflows of resources	152,101

NET POSITION

Net investment in capital assets	83,073,338
Restricted	71,179,011
Unrestricted	14,370,534
Total net position	\$ 168,622,883

See notes to the financial statements

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

OPERATING REVENUES	
Charges for sales and services	\$ 25,476,782
Miscellaneous revenue	<u>74,696</u>
Total operating revenues	<u>25,551,478</u>
OPERATING EXPENSES	
Administrative and general	278,282
Cost of sales and services	7,125,014
Depreciation and amortization	<u>2,857,178</u>
Total operating expenses	<u>10,260,474</u>
OPERATING INCOME (LOSS)	15,291,004
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,762,294
Federal grants	14,670,619
Interest expense	<u>(8,011,530)</u>
Total non-operating revenues (expenses)	<u>9,421,383</u>
Income before capital contributions	24,712,387
Capital contributions	<u>20,949</u>
Change in net position	24,733,336
Total net position - beginning	<u>143,889,547</u>
Total net position - ending	<u>\$ 168,622,883</u>

See notes to the financial statements

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 25,716,789
Payments to suppliers	(4,201,435)
Payments to employees	(3,090,555)
Net Cash Provided (Used) by Operating Activities	<u>18,424,799</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant proceeds	33,900,000
Purchase of capital assets	(15,254,059)
Principal paid	(1,980,000)
Interest paid	(7,993,823)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>8,672,118</u>
CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) sale of investments	(30,296,959)
Interest income	2,762,294
Net Cash Provided (Used) by Investing Activities	<u>(27,534,665)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(437,748)
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>16,253,392</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<u>\$ 15,815,644</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 15,291,004
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation and amortization	2,857,178
(Increase) / decrease in accounts receivable	(92,752)
(Increase) / decrease in prepaid expenses	300,439
(Increase) / decrease in inventories	(108,240)
(Increase) / decrease in deferred outflows of resources	(19,684)
(Decrease) / increase in accounts payable	(131,724)
(Decrease) / increase in due to Developer	177,119
(Decrease) / increase in customer deposits	80,944
(Decrease) / increase in OPEB liability	75,418
(Decrease) / increase in deferred inflows of resources	(4,903)
Total adjustments	<u>3,133,795</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 18,424,799</u>
NON CASH CAPITAL AND RELATED FINANCING:	
Capital Contributions	<u>\$ 20,949</u>

See notes to the financial statements

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Bay Laurel Center Community Development District ("the District") was created on May 7, 2002 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Marion County Ordinance 02-11. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the planning, maintenance and operation of a water and wastewater system within the District in accordance with powers established by Florida Statute Chapter 190.

The District is governed by the Board of Supervisors ("the Board") which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2025, two Board members were affiliated with On Top of the World Communities, LLC (the "Developer").

The District has the final responsibility for:

1. Assessing and levying maintenance taxes and special assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District reports all of its activities and functions in a single enterprise fund. The enterprise fund is used to account for the operation of a water and wastewater utility system. The costs of providing services are recovered primarily through user charges.

Enterprise funds are proprietary funds. The measurement focus is based upon determination of net position, financial position and changes in cash flow. The generally accepted accounting principles used are those applicable to similar businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) when the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public management control, accountability, or other purposes. Revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities (whether current or noncurrent) associated with an activity are included in the statement of net position. The reported net position are segregated into invested in capital assets net of related debt, restricted and unrestricted assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items

Inventories represent meter supply carried at historical cost determined on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Property and equipment are stated at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Water and wastewater facilities	50
Machinery and equipment	3 - 10
Infrastructure	3 - 44

Unearned Revenue

Proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the basic 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. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Refundings of Debt

For current refundings and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$24,953 was recognized as a component of interest expense in the current fiscal year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2025:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
First American Treasury Obligation Class Z	\$ 1,389,551	S&P AAAm	Weighted average of the fund portfolio: 31 days
US Bank Gcts 0490	70,448,366	Not applicable	Not applicable
Total Investments	<u>\$ 71,837,917</u>		

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The U.S. Treasury investment is held by the trustee or agent but not in the District's name.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 4 – RESTRICTED ASSETS

Restricted assets include investments which are restricted in connection with the Bond requirements discussed in Note 6. The composition of restricted assets at September 30, 2025 was as follows:

Restricted for:	
Renewal and replacement	\$ 8,352,415
Payment of bond principal and interest	873,038
Revenue fund	616,931
Operating reserve	1,451,291
Government grant	14,739,588
Surplus fund	28,506,773
Acquisition and construction	<u>17,297,881</u>
Total	<u>\$ 71,837,917</u>

Restricted assets also include cash and cash equivalents that are restricted for the payment of customer security deposits in the aggregate amount of \$691,270.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 3,254,234	\$ -	\$ -	\$ 3,254,234
Construction in progress	<u>112,378,729</u>	<u>12,951,994</u>	-	<u>125,330,723</u>
Total capital assets, not being depreciated	<u>115,632,963</u>	<u>12,951,994</u>	-	<u>128,584,957</u>
Capital assets, being depreciated				
Water and wastewater facilities	115,129,969	20,949	-	115,150,918
Infrastructure	6,895,174	309,403	-	7,204,577
Machinery & Equipment	<u>1,789,728</u>	<u>61,504</u>	-	<u>1,851,232</u>
Total capital assets, being depreciated	<u>123,814,871</u>	<u>391,856</u>	-	<u>124,206,727</u>
Less accumulated depreciation for:				
Water and wastewater facilities	12,564,280	2,316,280	-	14,880,560
Infrastructure	3,704,708	524,153	-	4,228,861
Machinery & Equipment	<u>970,607</u>	<u>101,838</u>	-	<u>1,072,445</u>
Total accumulated depreciation	<u>17,239,595</u>	<u>2,942,271</u>	-	<u>20,181,866</u>
Total capital assets, being depreciated, net	<u>106,575,276</u>	<u>(2,550,415)</u>	-	<u>104,024,861</u>
Business-type activities capital assets	<u>\$ 222,208,239</u>	<u>\$ 10,401,579</u>	\$ -	<u>\$ 232,609,818</u>

To meet future potable water demands and wastewater flow projections, the District is constructing a new Water Reclamation Facility (the "North WRF") and purchased the Water Treatment Plant No. 3 (the "WTP No. 3") (together with the North WRF, the "2022B Projects"). The North WRF has been designed to treat an initial total flow of 2.5 million gallons per day (MGD) average annual daily flow (AADF) with provisions for future expansion to a buildout capacity of 5.0 MGD. Once the North WRF is operational, the District will decommission the existing South Wastewater Treatment Plant (the "South WWTF").

NOTE 5 – CAPITAL ASSETS (Continued)

The Series 2022B Project is estimated to cost approximately \$159.7 million. A portion of the Series 2022B Project will be financed with Series 2022B Bonds and the federal wastewater grant from the FDEP (see Note 8). The District plans to fund the remaining costs of the Series 2022B Project from its Surplus Fund.

Developer non-cash contributions from the Developer and a builder were \$20,949 for the current fiscal year.

NOTE 6 – LONG-TERM LIABILITIES

Series 2022B

On May 26, 2022, the District issued \$124,900,000 of Taxable Water and Sewer Revenue Bonds, Series 2022B. The bonds consist of a total of \$15,075,000 serial Bonds with interest rates ranging from 3.796% to 4.747%, and due annually from September 1, 2025 to September 1, 2032. Additionally, the Bonds consist of \$34,100,000 Term Bonds Series 2022B due on September 1, 2042 with a fixed interest rate of 5.60%, and \$75,725,000 Term Bonds Series 2022B due on September 1, 2051 with a fixed interest rate of 5.60%. The Bonds were issued to finance the construction of a new water reclamation facility, a new water treatment plant, a new utility administration building and site and a distribution and collections warehouse; acquire a water treatment plant; various capacity improvements and upgrades and decommission a wastewater treatment plant. Interest is to be paid semiannually on each March 1 and September 1. Principal on the Bonds is to be paid serially commencing September 1, 2025 through September 1, 2051.

The Series 2022B Bonds are subject to redemption at the option of District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund (the "Reserve Fund"). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement.

The Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The District is in compliance with the requirements of the Bond Indenture. See Note 4 – Restricted Assets for detail of various restricted accounts.

Series 2022A

On December 15, 2022, in accordance with an Interlocal Agreement (see Note 11), the Indigo East Community Development District issued \$27,575,000 Water and Sewer Revenue Refunding Bonds, Series 2022A on behalf of the District. The Bonds consist of serial and term bonds due between September 1, 2023 and September 1, 2041, with interest rates from 4.00% to 5.00%. The Bonds were issued to refinance the Series 2011 Bonds. Interest is to be paid semiannually on each March 1 and September 1. Principal on the Bonds is to be paid serially commencing September 1, 2023 through September 1, 2041.

The Series 2022A Bonds are subject to redemption at the option of District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Series 2022A (Continued)

The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund (the “Reserve Fund”). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement.

The Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The District is in compliance with the requirements of the Bond Indenture. See Note 4 – Restricted Assets for detail of various restricted accounts.

Long-term Debt Transactions

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities</u>					
Bonds payable:					
Series 2022B	\$ 124,900,000	\$ -	\$ 1,000,000	\$ 123,900,000	\$ 1,030,000
Series 2022A	25,255,000	-	980,000	24,275,000	1,500,000
Plus: OIP	1,446,573	-	85,093	1,361,480	
Total	<u>\$ 151,601,573</u>	<u>\$ -</u>	<u>\$ 2,065,093</u>	<u>\$ 149,536,480</u>	<u>\$ 2,530,000</u>

At September 30, 2025, the scheduled debt service requirements on the long - term liabilities were as follows:

Year ending September 30:	Principal	Interest	Total
2026	\$ 2,530,000	\$ 7,906,864	\$ 10,436,864
2027	2,960,000	7,795,318	10,755,318
2028	3,095,000	7,718,182	10,813,182
2029	3,235,000	7,523,602	10,758,602
2030	3,385,000	7,374,562	10,759,562
2031-2035	19,620,000	34,216,560	53,836,560
2036-2040	25,400,000	28,466,420	53,866,420
2041-2045	33,470,000	21,062,960	54,532,960
2046-2050	44,120,000	10,581,760	54,701,760
2051-2052	10,360,000	580,160	10,940,160
Total	<u>\$ 148,175,000</u>	<u>\$ 133,226,388</u>	<u>\$ 281,401,388</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

License Agreement

On June 26, 2017, the District reentered into an agreement with the Developer whereby the District is licensed to dispose of bio-solids and effluent produced by the wastewater facility on certain property owned by the Developer. The original term of this agreement commenced on April 3, 1998 and shall continue until the expiration of the District’s Permit, which may be renewed from time to time by the District, unless sooner terminated in accordance with the provisions set forth in the agreement. During the first year of the reentered agreement, the District paid a monthly fee of \$4,200. Thereafter, the monthly fee will escalate based on an annual CPI adjustment. During the current fiscal year, the monthly fee between October 2024 and March 2025 was \$5,500, and \$5,643 thereafter. See Note 16 – Subsequent Events for new license agreement with the Developer subsequent to year end.

NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

Standard Developer Agreements

On May 18, 2010, the District and the Developer entered into a new Standard Developer Agreement which replaced the 1994 Agreement. The Standard Developer Agreement states that the District will provide utility capacity for the Developer's properties on the same terms and conditions as other non-Developer builders.

On September 29, 2005, the District entered into an agreement with the Builder, Pulte Homes. The details of the agreement grant and give the District exclusive right and privilege to construct, own, maintain, operate, and expand the utility service facilities in, under, upon, over and across the present and future streets, roads, easements, storm water retention areas, reserved utility sites and public places as provided and dedicated to utility or public use. On April 26, 2011, the Standard Developer Agreement was amended to reserve 3200 Equivalent Residential Connections ("ERC") of potable water capacity and 3200 ERCs of wastewater capacity, in addition to any former Standard Developer Agreement connections, for the Builder, upon payment of all applicable fees and charges.

Office Space Lease Agreement

On April 3, 2018, the District entered into a five-year lease agreement with the Developer at the location of 8470 SW 79th Street Road, Suite 3, Ocala FL, 34481. The lease was not renewed when it expired, however, the Developer allowed the District to continue to use it until a new building was completed and made available for the District. Lease payments are calculated each year based on a formula detailed in the lease agreement. Lease expense for the facility totaled \$83,502 for the fiscal year ended September 30, 2025.

On September 16, 2025, the District entered into a one-year lease agreement with the Developer whereby the Developer agreed to lease a developer-owned building located at 5575 SW 67th Avenue Road, Ocala, Florida to the District. The lease commenced on October 1, 2025 and will expire on October 1, 2026. The monthly base rent during the term of the agreement will be \$18,223.86. Additionally, the District will pay the Developer, as additional rent, the taxes against the building.

Water and Wastewater Agreement

On May 18, 2010, the District entered into an agreement with On Top of the World Central Owners Association ("Association") whereby the District will provide water and wastewater services to 2098 ERCs in exchange for user charges based on usage. Usage is determined by a protocol described in the agreement. As of March 11, 2020, the Association is no longer paying for indoor usage and will only pay for outdoor usage going forward. Pursuant to this agreement, the Association remitted \$343,004 in user charges to the District for water and wastewater usage during the current year.

NOTE 8 – GRANTS

Federal Grant

During fiscal year ended September 30, 2022, the District entered into a Standard Grant Agreement with the Florida Department of Environmental Protection (FDEP) whereby FDEP originally agreed to cover 50 percent of the cost of designing and constructing the North Water Reclamation Facility (See Note 5), up to \$26,100,000. In the prior fiscal year, the grant agreement was amended to increase the grant amount to \$60 million and extend the performance period to December 31, 2026. The funds originated from the Coronavirus State and Local Fiscal Recovery Funds made available by the U.S. Department of Treasury. FDEP will reimburse the District all eligible project costs upon satisfying the conditions stipulated in the agreement. Grant revenue for the current fiscal year was \$14,670,619. The grant was fully used in the current fiscal year.

NOTE 8 – GRANTS (Continued)

Local Grant

In the prior fiscal year, The District entered into another Cooperative Funding Initiative (CFI) Project Agreement with the Southwest Florida Water Management District (SWFWMD) whereby SWFWMD agreed to fund 50 percent of the costs incurred toward the District's Water Conservation Program up to \$191,900. The grant period was originally between October 1, 2022 and December 31, 2026. However, during the current fiscal year it was extended to December 31, 2028. As of September 30, 2025, the District has incurred a total of \$137,028 under this agreement and has been reimbursed a total of \$68,514 by SWFWMD.

NOTE 9 – OTHER INFORMATION

In a prior fiscal year, Pulte Group began advancing funds for future water and wastewater capacity fees and meter installation fees. At September 30, 2025, Pulte Group was owed \$308,679 by the District for water and wastewater capacity fees and meter installation fees which were advanced.

NOTE 10 – CONDUIT DEBT

During a prior fiscal year, the District issued conduit debt of \$5,125,000 of Series 2016 Special Assessment Revenue Refunding Bonds in order to currently refund the outstanding Series 2006 Bonds. These Bonds are special limited obligations of the District, payable solely from and secured by pledged revenues to be collected by Indigo East Community Development District and Candler Hills East Community Development District. The Bonds do not constitute a debt or pledge of the faith and credit of the Bay Laurel Center Community Development District, and accordingly have not been reported in the accompanying financial statements. As of September 30, 2025, \$2,645,000 of the Bonds are outstanding.

NOTE 11 – INTERLOCAL AGREEMENT

On February 13, 2006, the District entered into an Inter-local Agreement with Indigo East Community Development District and Candler Hills East Community Development District where the District will issue Series 2006 Bonds – as discussed in Note 10. According to the terms of the agreements, the District loaned a part of the proceeds of the Bond issuance to Indigo East Community Development District and Candler Hills East Community Development District to finance the cost of the acquisition of the Developer's rights or interest in the Development Improvements, including the real property acquisitions and other related purposes, the terms of which are outlined in the Development Improvement Acquisition Agreement entered between the District and Indigo East Community Development District on May 4, 2006 and Candler Hills East Community Development District and the District also on May 4, 2006.

On May 17, 2022, the District entered into an Interlocal Agreement (the "Agreement") with Indigo East Community Development District ("Indigo East") whereby Indigo East CDD agreed to issue refunding bonds for the Series 2011 Bonds on behalf of the District. The Agreement was entered into because the District cannot issue municipal bonds, the interest on which is excludable from gross income for federal income tax purposes. Additionally, because of rising interest rates, the savings from refunding the Series 2011 on a taxable basis was not cost effective. Per the Agreement, the District agreed to entirely and solely pay the costs and fees of all parties associated with the effort to issue the Refunding Bonds. Additionally, the District agreed to pledge all utility revenues to the repayment of the Refunding Bonds. Pursuant to the agreement, as discussed in Note 6 above, the District issued \$27,575,000 of Series 2022A refunding bonds in the prior fiscal year and the Series 2011 Bonds have been refunded.

NOTE 12 – RETIREMENT PLAN

The District maintains a defined contribution plan for employees who meet a certain pay requirement. The District makes a matching contribution of 50% for up to 6% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2025 were approximately \$1,262,302. During the current fiscal year, the District contributed approximately \$41,612 on behalf of employees to the deferred compensation plan and employees contributed approximately \$70,625.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides post-employment healthcare insurance coverage to eligible individuals pursuant to the requirements of State law.

Eligibility - Eligible individuals include all regular, full-time employees of the District who are eligible for retirement or disability benefits under the pension plan sponsored by the District. Under certain conditions, eligible individuals for healthcare coverage also include spouses and dependent children.

Explicit Benefit Cost Sharing – Retiree and Dependents - Retirees must pay 100% of the monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single or spouse / family coverage.

Implicit Benefits - Employees are permitted to continue coverage under the plans offered by the District in retirement by paying 100% of the cost of the premium for the continued coverage. This arrangement creates an implicit cost and liability for the District because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. Since the same premiums are charged to active employees and retirees, and the District is unable to obtain age-adjusted premium information for the retirees, GASB 75 requires the district to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

Surviving Spouse Benefit - Surviving beneficiaries continue to receive access to the District's medical coverage after the death of the retired employee as long as they pay the required premiums.

Post Employment Benefits - Currently, no retired employees receive health benefits from the District. Future retirees will contribute 100% for coverage.

The District recognizes the cost of providing health insurance annually as expenses in the Statement of Revenues, Expenses and Changes in Net Position as costs are incurred. For the year ended September 30, 2025, the District recognized \$0 for its share of insurance premiums for currently enrolled retirees.

Plan Membership

At September 30, 2025, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	31
	<u>31</u>

Changes in Net OPEB Liability

Sources of changes in the net OPEB liability were as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of September 30, 2024	\$ 325,781	\$ -	\$ 325,781
Changes due to:			
Service cost	40,514	-	40,514
Expected interest growth	16,473	-	16,473
Demographic experience	(7,532)	-	(7,532)
Benefit payments & refunds	(440)	-	(440)
Assumption changes	26,403	-	26,403
Balance as of September 30, 2025	<u>\$ 401,199</u>	<u>\$ -</u>	<u>\$ 401,199</u>

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2024	\$ 59,643	\$ 157,004
Changes due to:		
Amortization payments	(6,719)	(12,435)
Demographic gain/loss	-	7,532
Assumption changes	26,403	-
Total change	19,684	(4,903)
Balance as of September 30, 2025	\$ 79,327	\$ 152,101

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	Amount
2026	\$ 6,719
2027	6,719
2028	6,719
2029	6,719
2030	6,719
Thereafter	45,732
Total	\$ 79,327

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	Amount
2026	\$ 12,435
2027	12,435
2028	12,435
2029	12,435
2030	12,435
Thereafter	89,926
Total	\$ 152,101

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions

Significant actuarial assumptions used to calculate the total OPEB liability were as follows:

Measurement date	September 30, 2025
Actuarial valuation date	October 1, 2024
Actuarial assumptions:	
Discount rate	4.50% per annum; this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
Salary increases	3.00% per annum
Cost-of-living increases	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates	Increases in healthcare costs are assumed to be 7.00% for the 2024/25 fiscal year graded down by 0.50% per year to 5.00% for the 2028/29 and later fiscal years.
Age-related morbidity	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Implied health subsidy	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$900.00 per individual has been assumed at age 62 for the 2024/25 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates; the implied subsidy is assumed to disappear at age 65.
Other coverages	No implied subsidy is assumed with respect to dental, vision, and life insurance because dental and vision claims are assumed not to increase with age and life insurance premiums are assumed to be age-related.
Mortality basis	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2020.
Retirement	Retirement is assumed to occur at age 62 with 10 years of service or at age 65 otherwise.
Other decrements	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1).
Coverage election	50% of eligible employees are assumed to elect medical coverage until age 65 upon retirement or disability in accordance with their current election as to spousal coverage; retirees are assumed not to have any dependent children.
Spouses and dependents	Husbands are assumed to be three years older than wives.
COBRA:	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
Changes:	Since the prior measurement date, the discount rate was increased from 4.06% per annum to 4.50% and the implied subsidy at age 62 for the 2024/25 fiscal year increased from \$806.25 per individual to \$900.00 per individual.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current discount rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
\$	445,634	\$ 401,199	\$ 361,157

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability Using Alternative Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00% decreasing to 4.00%) or 1-percentage-point higher (5.00% increasing to 6.00%) than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend	1% Increase
4.00%	Rates - 5.00% Baseline	6.00%
\$ 340,550	\$ 401,199	\$ 475,277

NOTE 14 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 15 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

NOTE 16 – SUBSEQUENT EVENTS

New License Agreement

Subsequent to year end, the District entered into a new license agreement with the Developer whereby the Developer granted the District a license to use a certain land owned by the Developer as a disposal area for reclaimed water. The license is in accordance with the strict terms of the District’s permit to treat domestic waste water pursuant to Florida Department of Environment Protection as amended and renewed from time to time (“Permit”). The term of the agreement commenced on October 1, 2025 and will continue until the expiration of the Permit, unless sooner terminated in accordance with the provisions set forth in the agreement.

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
OTHER INFORMATION – DATA ELEMENTS
REQUIRED BY FL STATUTE 218.39(3)(C)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
UNAUDITED**

Element	Comments
Number of District employees compensated in the last pay period of the District's fiscal year being reported.	42
Number of independent contractors compensated to whom nonemployee compensation was paid in the last month of the District's fiscal year being reported.	150
Employee compensation	\$2,198,262.00
Independent contractor compensation	\$4,120,512.00
Construction projects to begin on or after October 1; (\$65K)	
Series 2022B	Not applicable
Budget variance report	Not applicable
Ad Valorem taxes	Not applicable
Non ad valorem special assessments;	Not applicable
Outstanding Bonds:	see Note 6 for details

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Beginning balance	\$ 325,781	\$ 253,393	\$ 300,045	\$ 331,676	\$ 262,751	\$ 236,825	\$ 173,470
Service cost	40,514	38,872	28,866	30,961	31,482	35,142	33,771
Expected interest growth	16,473	11,858	16,143	17,293	7,148	5,819	7,417
Demographic experience	(7,532)	6,929	(14,829)	(18,341)	28,916	(17,970)	5,630
Benefit payments & refunds	(440)	(379)	(268)	(194)	(188)	(147)	(134)
Assumption changes	26,403	15,108	(76,564)	(61,350)	1,567	3,082	16,671
Ending balance	<u>\$ 401,199</u>	<u>\$ 325,781</u>	<u>\$ 253,393</u>	<u>\$ 300,045</u>	<u>\$ 331,676</u>	<u>\$ 262,751</u>	<u>\$ 236,825</u>
Net OPEB Liability	<u>\$ 401,199</u>	<u>\$ 325,781</u>	<u>\$ 253,393</u>	<u>\$ 300,045</u>	<u>\$ 331,676</u>	<u>\$ 262,751</u>	<u>\$ 236,825</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 1,726,885	\$ 1,574,578	\$ 1,266,820	\$ 1,040,057	\$ 829,952	\$ 805,574	\$ 806,809
Net OPEB liability as a percentage of covered payroll	23.23%	20.69%	20.00%	28.85%	39.96%	32.62%	29.35%

GASB 75 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Federal Agency Pass-through Entity Federal Award/State Project	CFDA/CSF A Number	Agency or Pass-through Number	Expenditures
FEDERAL AWARDS			
United States Department of Treasury			
State of Florida Department of Environmental Protection			
Coronavirus State and Local Fiscal Recovery Funds	21.027	WG028	<u>\$ 14,670,619</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 14,670,619</u></u>

See notes to schedule of expenditures of federal awards

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Bay Laurel Center Community Development District, Marion County, Florida (the “District”), under a program of the federal government for the year ended September 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

All of the District’s federal award was in the form of cash assistance for the year ended September 30, 2025.

NOTE 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 allowable or are limited as to reimbursement. Additionally, the District did not elect to use the 10 percent *de minimis* indirect cost rate.



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

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Bay Laurel Center Community Development District, Marion County, Florida ("District") as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which comprises the District's basic financial statements, and have issued our opinion thereon dated March 26, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

March 26, 2026



INDEPENDENT AUDITOR'S REPORT ON BOND COMPLIANCE

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Bay Laurel Center Community Development District ("District"), which comprise the statement of net position, for the fiscal year ended September 30, 2025, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the terms, covenants, provisions, or conditions of Sections 6.03, 11.13 (a) – (g), and 11.18 of the Indenture dated October 1, 2011, which have been amended by the Series 2022A Supplemental Indenture dated January 1, 2023. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture.

This report is intended solely for the information and use of the board of directors and management of the District and the trustee and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2026



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

We have examined Bay Laurel Center Community Development District, Marion County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2025. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

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

This report 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, management, and the Board of Supervisors of Bay Laurel Center Community Development District, Marion County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2026



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Bay Laurel Center Community Development District, Marion County, Florida's ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended September 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 the Coronavirus State and Local Fiscal Recovery Funds. Our audit does not provide a legal determination of the District'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 District's major federal programs.

Auditor's Responsibility 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 District'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 GAAS, 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 District's compliance with the requirements of each of its major federal programs.

In performing an audit in accordance with GAAS, *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 District'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 District'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 District'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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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.

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 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 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.

March 26, 2026

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Bay Laurel Center Community Development District, Marion County, Florida (the "District").
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The independent auditor's report on compliance for each major federal award program of the District expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award tested for the District.
7. Dollar threshold for Type A programs was \$1,000,000. The program tested as major program include:

<u>Federal Program</u>	<u>CFDA#</u>
United States Department of Treasury:	
Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The District was determined to be a low-risk auditee pursuant to the Uniform Guidance.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None

D. OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal awards programs.

No corrective action plan is required because there were no findings required to be reported under the Federal Single Audit Act.



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Bay Laurel Center Community Development District ("District") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated March 26, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 26, 2026, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Bay Laurel Center Community Development District, Marion County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Bay Laurel Center Community Development District, Marion County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

March 26, 2026

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2024.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2025.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2025.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2025. It is management's responsibility to monitor 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.

7. Management has provided the specific information required by Section 218.39(3)(c) in the Other Information section of the financial statements on page 23.