

**DUNES
COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025**

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Dunes Community Development District
Flagler County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Dunes Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 District as of September 30, 2025, and the respective changes in financial position, and, where applicable, 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 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 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 June 17, 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.

June 17, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Dunes Community Development District, Flagler County, Florida's ("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 of the District exceeded its liabilities at the close of the fiscal year resulting in a net position balance of \$49,153,785.
- The change in the District's total net position in comparison with the prior fiscal year was (\$286,406), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2025, the District's governmental funds reported combined ending fund balances of \$18,430, a decrease of \$34,408 in comparison with the prior fiscal year. A portion of the total fund balance is non-spendable for prepaid items, and the remainder is unassigned fund balance in the general fund.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general (management) and maintenance functions. The business-type activities of the District include the water and sewer operations, the stormwater operations, and the toll bridge operations.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two fund categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

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

Proprietary Funds

The District maintains one type of proprietary fund, an enterprise fund. The District maintains three enterprise funds. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District. The District also uses an enterprise fund to account for the operations of the toll bridge within the District. In addition, the District uses an enterprise fund to account for the operations of the stormwater drainage system within the District. All of the funds are major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE 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 exceeded liabilities at the close of the most recent fiscal year.

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

	NET POSITION					
	SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets, excluding capital assets	\$ 29,271	\$ 100,484	\$ 15,495,442	\$ 15,736,468	\$ 15,524,713	\$ 15,836,952
Capital assets, net of depreciation	110,641	114,521	35,747,290	35,187,985	35,857,931	35,302,506
Total assets	139,912	215,005	51,242,732	50,924,453	51,382,644	51,139,458
Liabilities, excluding long-term liabilities	10,841	47,646	2,218,018	1,651,621	2,228,859	1,699,267
Total liabilities	10,841	47,646	2,218,018	1,651,621	2,228,859	1,699,267
Net position						
Investment in capital assets	110,641	114,521	35,747,290	35,187,985	35,857,931	35,302,506
Unrestricted	18,430	52,838	13,277,424	14,084,847	13,295,854	14,137,685
Total net position	\$ 129,071	\$ 167,359	\$ 49,024,714	\$ 49,272,832	\$ 49,153,785	\$ 49,440,191

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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,					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues						
Charges for services	\$ 366,203	\$ 365,753	\$ 7,365,238	\$ 6,152,373	\$ 7,731,441	\$ 6,518,126
Operating grants and contributions	-	-	7,175	1,463,987	7,175	1,463,987
General revenues						
Unrestricted investment earnings	4,435	2,723	624,964	628,321	629,399	631,044
Total revenues	370,638	368,476	7,997,377	8,244,681	8,368,015	8,613,157
Expenses:						
General government	118,178	122,149	-	-	118,178	122,149
Maintenance and operations	290,748	229,121	-	-	290,748	229,121
Water and sewer	-	-	5,375,409	5,248,247	5,375,409	5,248,247
Stormwater	-	-	353,121	335,335	353,121	335,335
Toll bridge operations	-	-	2,516,965	2,184,953	2,516,965	2,184,953
Total expenses	408,926	351,270	8,245,495	7,768,535	8,654,421	8,119,805
Change in net position	(38,288)	17,206	(248,118)	476,146	(286,406)	493,352
Net position - beginning	167,359	150,153	49,272,832	48,796,686	49,440,191	48,946,839
Net position - ending	\$ 129,071	\$ 167,359	\$ 49,024,714	\$ 49,272,832	\$ 49,153,785	\$ 49,440,191

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2025 was \$408,926. The costs of the District's activities were paid by program revenues. As in the prior fiscal year, program revenues are comprised primarily of assessments. The majority of the change in expenses results from increases in professional services and maintenance and repairs.

Business-type activities

For the fiscal year ended September 30, 2025, the cost of the business-type activities was \$8,245,495. The costs of those activities were paid for by program revenues which consisted primarily of user fees and charges. The remainder of the current fiscal year revenue includes grant and interest revenues, and miscellaneous income. The majority of the change in expenses results from increases in maintenance and repairs.

GENERAL FUND BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2025.

CAPITAL ASSETS

At September 30, 2025, the District had \$191,236 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$80,595 has been taken, which resulted in a net book value of \$110,641. The District's business-type activities reported net capital assets of \$35,747,290. More detailed information about the District's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

For the subsequent fiscal year, it is anticipated that the cost of operations of the District will increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide landowners, 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 Dunes Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida, 33351.

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 18,231	\$ 595,030	\$ 613,261
Investments	31,298	14,153,361	14,184,659
Receivables	1,458	700,597	702,055
Internal balances	(23,185)	23,185	-
Prepays	1,469	23,269	24,738
Nondepreciable	-	1,357,948	1,357,948
Depreciable, net	110,641	34,389,342	34,499,983
Total assets	<u>139,912</u>	<u>51,242,732</u>	<u>51,382,644</u>
LIABILITIES			
Accounts payable	10,841	1,019,577	1,030,418
Unearned revenue	-	1,198,441	1,198,441
Total liabilities	<u>10,841</u>	<u>2,218,018</u>	<u>2,228,859</u>
NET POSITION			
Investment in capital assets	110,641	35,747,290	35,857,931
Unrestricted	18,430	13,277,424	13,295,854
Total net position	<u>\$ 129,071</u>	<u>\$ 49,024,714</u>	<u>\$ 49,153,785</u>

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 118,178	\$ 118,178	\$ -	\$ -	\$ -	\$ -
Maintenance and operations	290,748	248,025	-	(42,723)	-	(42,723)
Total governmental activities	408,926	366,203	-	(42,723)	-	(42,723)
Business-type activities:						
Water and sewer utilities	5,375,409	4,220,880	7,175	-	(1,147,354)	(1,147,354)
Stormwater	353,121	472,376	-	-	119,255	119,255
Toll bridge operations	2,516,965	2,671,982	-	-	155,017	155,017
Total business-type activities	8,245,495	7,365,238	7,175	-	(873,082)	(873,082)
General revenues:						
Unrestricted investment earnings				4,435	624,964	629,399
Total general revenues				4,435	624,964	629,399
Change in net position				(38,288)	(248,118)	(286,406)
Net position - beginning				167,359	49,272,832	49,440,191
Net position - ending				\$ 129,071	\$ 49,024,714	\$ 49,153,785

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	Major Fund
	General Fund
ASSETS	
Cash	\$ 18,231
Investments	31,298
Assessments receivable	1,458
Prepays	1,469
Total assets	\$ 52,456
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	10,841
Due to other funds	23,185
Total liabilities	34,026
 Fund balances:	
Nonspendable:	
Prepaid items	1,469
Unassigned	16,961
Total fund balance	18,430
Total liabilities and fund balance	\$ 52,456

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

Total fund balances - governmental funds	\$ 18,430
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.	110,641
Net position of governmental activities	\$ 129,071

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Major Fund General Fund
REVENUES	
Maintenance assessments	\$ 366,203
Interest and other revenues	4,435
Total revenues	370,638
EXPENDITURES	
Current:	
General government	118,178
Maintenance and operations	286,868
Total expenditures	405,046
Excess (deficiency) of revenues over (under) expenditures	(34,408)
Fund balance - beginning	52,838
Fund balance - ending	\$ 18,430

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds	\$ (34,408)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(3,880)
Change in net position of governmental activities	\$ (38,288)

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2025**

	Major Funds			Total
	Water, Sewer and Effluent Reuse Enterprise Fund	Stormwater Enterprise Fund	Intracoastal Waterway Bridge Enterprise Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 186,280	\$ 119,145	\$ 289,605	\$ 595,030
Investments	2,833,557	656,581	10,663,223	14,153,361
Receivables	700,597	-	-	700,597
Due from other funds	-	-	31,829	31,829
Noncurrent assets:				
Prepays and deposits	16,813	1,329	5,127	23,269
Capital assets:				
Capital assets not being depreciated	875,488	-	482,460	1,357,948
Capital assets being depreciated	56,445,591	-	19,280,811	75,726,402
Less accumulated depreciation	(31,610,152)	-	(9,726,908)	(41,337,060)
Total capital assets, net	25,710,927	-	10,036,363	35,747,290
Total assets	29,448,174	777,055	21,026,147	51,251,376
LIABILITIES				
Current liabilities:				
Accounts payable	369,775	14,699	635,103	1,019,577
Due to other funds	8,128	516	-	8,644
Noncurrent liabilities:				
Unearned revenue	629,153	-	569,288	1,198,441
Total liabilities	1,007,056	15,215	1,204,391	2,226,662
NET POSITION				
Investment in capital assets	25,710,927	-	10,036,363	35,747,290
Unrestricted	2,730,191	761,840	9,785,393	13,277,424
Total net position	\$ 28,441,118	\$ 761,840	\$ 19,821,756	\$ 49,024,714

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Major Funds			Total
	Water, Sewer and Effluent Reuse Enterprise Fund	Stormwater Enterprise Fund	Intracoastal Waterway Bridge Enterprise Fund	
OPERATING REVENUES				
Charges for sales and services:				
Water	\$ 1,189,934	\$ -	\$ -	\$ 1,189,934
Irrigation and effluent	1,840,057	-	-	1,840,057
Sewer	1,068,000	-	-	1,068,000
Connection fees	46,760	-	-	46,760
Meter fees	48,377	-	-	48,377
Stormwater fees	-	469,563	-	469,563
Tolls	-	-	2,640,634	2,640,634
Grant revenue	7,175	-	-	7,175
Other	27,752	2,813	31,348	61,913
Total operating revenues	<u>4,228,055</u>	<u>472,376</u>	<u>2,671,982</u>	<u>7,372,413</u>
OPERATING EXPENSES				
Personnel services	1,495,346	145,757	970,200	2,611,303
Materials, supplies and services	2,386,831	207,364	917,035	3,511,230
Depreciation and amortization	1,493,232	-	629,730	2,122,962
Total operating expense	<u>5,375,409</u>	<u>353,121</u>	<u>2,516,965</u>	<u>8,245,495</u>
Operating income (loss)	<u>(1,147,354)</u>	<u>119,255</u>	<u>155,017</u>	<u>(873,082)</u>
NON OPERATING REVENUE (EXPENSES)				
Interest income	101,901	22,436	500,627	624,964
Total non operating revenue (expenses)	<u>101,901</u>	<u>22,436</u>	<u>500,627</u>	<u>624,964</u>
Change in net position	(1,045,453)	141,691	655,644	(248,118)
Total net position - beginning	<u>29,486,571</u>	<u>620,149</u>	<u>19,166,112</u>	<u>49,272,832</u>
Total net position - ending	<u>\$ 28,441,118</u>	<u>\$ 761,840</u>	<u>\$ 19,821,756</u>	<u>\$ 49,024,714</u>

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Water, Sewer and Effluent Reuse Enterprise Fund	Stormwater enterprise Fund	Intracoastal Waterway Bridge Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers, users and other funds	\$ 4,923,452	\$ 510,910	\$ 2,648,887	\$ 8,083,249
Other operating cash receipts	27,752	-	31,348	59,100
Payments to suppliers and other funds	(2,240,791)	(315,325)	(251,595)	(2,807,711)
Payments to employees	(1,474,314)	-	(961,965)	(2,436,279)
Net cash provided (used) by operating activities	<u>1,236,099</u>	<u>195,585</u>	<u>1,466,675</u>	<u>2,898,359</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	(773,542)	-	(1,908,725)	(2,682,267)
Cash flows from capital and related financing activities	<u>(773,542)</u>	<u>-</u>	<u>(1,908,725)</u>	<u>(2,682,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	101,901	22,436	500,627	624,964
Net purchase of investments	(609,909)	(336,609)	(844,229)	(1,790,747)
Net cash provided (used) by investing activities	<u>(508,008)</u>	<u>(314,173)</u>	<u>(343,602)</u>	<u>(1,165,783)</u>
Net increase (decrease) in cash and cash equivalents	(45,451)	(118,588)	(785,652)	(949,691)
Cash and cash equivalents - October 1	<u>231,731</u>	<u>237,733</u>	<u>1,075,257</u>	<u>1,544,721</u>
Cash and cash equivalents - September 30	<u>\$ 186,280</u>	<u>\$ 119,145</u>	<u>\$ 289,605</u>	<u>\$ 595,030</u>

(Continued)

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(Continued)**

Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating Income (loss)	\$ (1,147,354)	\$ 119,255	\$ 155,017	\$ (873,082)
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:				
Depreciation and amortization	1,493,232	-	629,730	2,122,962
(Increase)/Decrease in receivables	747,569	-	-	747,569
(Increase)/Decrease in interfund receivable	-	38,534	15,611	54,145
(Increase)/Decrease in prepaids	174,133	30,279	153,286	357,698
Increase/(Decrease) in accounts payable	26,011	7,001	520,389	553,401
Increase/(Decrease) in interfund payable	(33,072)	516	-	(32,556)
Increase/(Decrease) in unearned revenue	(24,420)	-	(7,358)	(31,778)
Total Adjustments	<u>2,383,453</u>	<u>76,330</u>	<u>1,311,658</u>	<u>3,771,441</u>
Net cash provided (used) by operating activities	<u>\$ 1,236,099</u>	<u>\$ 195,585</u>	<u>\$ 1,466,675</u>	<u>\$ 2,898,359</u>

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Dunes Community Development District ("District") was created on October 22, 1985, under the "Uniform Community Development District Act of 1980", otherwise known as Chapter 190, Florida Statutes. Chapter 190 provides that a Community Development District with a size of 1,000 acres or more may be established by rule adopted under Chapter 120 by the Florida Land and Water Adjudicatory Commission. The District was established by adopting Rule 42E-1. Chapter 190 provides among other things the power to manage basic services for community development and to levy and assess non-ad valorem assessments for the financing and maintenance of improvements.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by registered voters within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The government reports the following major governmental funds:

General Fund

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

The District reports the following major proprietary funds:

Water and Sewer and Effluent Reuse Fund

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

Intracoastal Waterway Bridge Enterprise Fund

This enterprise fund is used to account for the operations of a toll bridge. The costs of providing services are recovered primarily through user charges.

Stormwater Enterprise Fund

This enterprise fund is used to account for the operations of the stormwater drainage system, including the system of storm and surface water management facilities, inlets, conduits, pipes, manholes, channels, ditches, drainage easements, retention and detention basins, infiltration facilities, and natural waterways. The costs of providing services are recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

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.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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 of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items). Assets used for general government activities are reported in the governmental activities columns in the government-wide financial statements. 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.

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>
Infrastructure	25 – 50
Roadways	26
Machinery and equipment	5

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

Capital Contributions

Capital Contributions consists of infrastructure improvements conveyed by the Developer or other entities to the District and cash contributions made by the Developer for infrastructure improvements.

Unearned Revenue

Unearned revenue in the Water and Sewer and Effluent Reuse Enterprise Fund consists of connection fees advanced by one of the Developers. Revenue is considered unearned until the specific unit is connected to the water and sewer system. Unearned revenue in the Intracoastal Waterway Bridge Enterprise Fund consists of amounts collected for toll passes which have not been used up by the customers.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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.

Fund Equity/Net Position

In the fund financial statements, governmental funds report nonspendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 is 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 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

NOTE 3 – BUDGETARY INFORMATION (Continued)

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances and certificates of deposit shown below 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:

Investment	Amortized Cost	Maturities	Credit Risk
Raymond James Bank - Enhanced Savings	\$ 7,722,858	N/A	N/A
Federated Hermes Treasury Obligations Fund Institutional Class IS MM	713,404	N/A	N/A
BCB Community Bank CD	250,503	6/2/2026	N/A
Citizens National Bank of Texas Waxahachie, TX CD	250,513	6/5/2026	N/A
Stearns Bank NA CD	250,705	7/29/2026	N/A
Independent Bank CD	250,923	8/28/2026	N/A
Bank3 Memphis, TN CD	250,833	9/10/2026	N/A
Bank of Utah CD	250,835	9/11/2026	N/A
Queensborough NB&TC Louisville, GA CD	250,720	9/11/2026	N/A
Discover Bank CD	243,634	11/16/2026	N/A
Subtotal	\$ 10,434,928		

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investment	Amortized Cost	Maturities	Credit Risk
Balance forward	\$ 10,434,928		
First Bank of The Lake CD	251,000	11/30/2026	N/A
First Bus Bank Madison, WI CD	250,978	12/7/2026	N/A
Merrick Bank South Jordan, UT CD	251,630	5/28/2027	N/A
First Foundation Bank Irvine, CA CD	256,658	11/10/2027	N/A
Goldman Sachs Bank USA CD	251,665	11/19/2027	N/A
Ally Bank Midvale, UT CD	252,200	11/29/2027	N/A
Synchrony Bank Draper, UT CD	259,253	11/10/2028	N/A
Wells Fargo Bank NA CD	260,218	11/14/2028	N/A
UBS Bank USA CD	252,855	11/20/2028	N/A
Texas Exch Bank SSB Crowley, TX CD	252,860	12/6/2028	N/A
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	1,210,414	S&P AAAm	Weighted average maturity: 47 days
Total Investments	<u>\$ 14,184,659</u>		

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.

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

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.

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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

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. For external investment pools that qualify to be measured at amortized cost, the pool’s participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District’s investments have been reported at amortized cost above.

External Investment Pool – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest money entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.” With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

NOTE 5 – RECEIVABLES

Receivables at September 30, 2025 were as follows:

	Water, Sewer and Effluent Reuse Enterprise Fund	Intracoastal Waterway Bridge Enterprise Fund	Stormwater Enterprise Fund	General Fund	Totals
Receivables:					
Accounts	\$ 613,518	\$ -	\$ -	\$ -	\$ 613,518
FEMA receivable	87,079	-	-	-	87,079
Assessments	-	-	-	1,458	1,458
	<u>\$ 700,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,458</u>	<u>\$ 702,055</u>

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Capital assets being depreciated:				
Infrastructure	\$ 155,203	\$ -	\$ -	\$ 155,203
Machinery and equipment	36,033	-	-	36,033
Total capital assets, being depreciated	191,236	-	-	191,236
Less accumulated depreciation for:				
Infrastructure	40,682	3,880	-	44,562
Machinery and equipment	36,033	-	-	36,033
Total accumulated depreciation	76,715	3,880	-	80,595
Total capital assets, being depreciated, net	114,521	(3,880)	-	110,641
Governmental activities capital assets, net	\$ 114,521	\$ (3,880)	\$ -	\$ 110,641
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 960,488	\$ -	\$ -	\$ 960,488
Construction in progress	397,460	-	-	397,460
Total capital assets, not being depreciated	1,357,948	-	-	1,357,948
Capital assets being depreciated:				
Infrastructure	62,808,909	-	-	62,808,909
Roadways	2,920,083	1,805,942	-	4,726,025
Machinery and equipment	7,315,143	876,325	-	8,191,468
Total capital assets, being depreciated	73,044,135	2,682,267	-	75,726,402
Less accumulated depreciation for:				
Infrastructure	34,358,141	1,489,548	-	35,847,689
Roadways	973,928	327,048	-	1,300,976
Machinery and equipment	3,882,029	306,366	-	4,188,395
Total accumulated depreciation	39,214,098	2,122,962	-	41,337,060
Total capital assets, being depreciated, net	33,830,037	559,305	-	34,389,342
Business-type activities capital assets, net	\$ 35,187,985	\$ 559,305	\$ -	\$ 35,747,290

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

<u>Governmental Activities:</u>	
General government	\$ 3,880
Total depreciation expense	<u>\$ 3,880</u>
<u>Business-type Activities</u>	
Water and sewer utilities	\$ 1,493,232
Toll bridge operations	629,730
Total depreciation expense	<u>\$ 2,122,962</u>

NOTE 6 – CAPITAL ASSETS (Continued)

Stormwater System

In accordance with the GASB 34 standards previously adopted by the District, the District has not recorded the cost of the stormwater system and other infrastructure improvements constructed prior to the adoption of GASB 34. The Storm Water Management System consists of approximately 179 acres of created lakes and system components. The lakes and marshes are connected to each other by drainage pipes and various drainage channels.

NOTE 7 – WATER, SEWER, AND EFFLUENT REUSE TRANSACTIONS

In accordance with the Utility Connection Collection and Reimbursement Agreement amounts advanced as connection fees in previous years are reduced by the portion of the connection fees collected from outside customers during the fiscal year. On June 18, 2013, the Developer, HD Associates, LP, transferred its rights under the Utility Connection Collection & Reimbursement Agreement to the Hammock Dunes Owners Association, Inc. (HDOA). The transfer provided that all potential payments made after April 1, 2013 under the Agreements were to be made to the HDOA. During the fiscal year ended September 30, 2025, HDOA received refunds of \$21,000.

NOTE 8 – INTER-LOCAL AGREEMENTS

The District has entered into an Inter-local Agreement with the City of Palm Coast (“City”), Florida pertaining to the provision of utility services whereby the City shall supply, and the District shall accept at the point of delivery up to a maximum daily volume of 2.6 million gallons per day of reclaimed water subject to the terms and conditions outlined in the agreement. The City and the District shall obtain, maintain, and amend, at their own expense, all permits, consents, and approvals as required by law for performance of their respective obligations outlined in the Inter-local Agreement.

Whenever either the District or the City is confronted by an emergency water condition and desires to purchase available potable water from the other, the requesting party shall notify the selling party, in writing or by phone, and request that up to 0.5 million gallons per day of available potable water be transferred to the requesting party for a continuous period not to exceed 60 days. The selling party shall respond as soon as possible in an emergency condition or within twenty-four hours. The duration of the transfer may be extended by mutual agreement of the parties.

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	23,185
Bridge	31,829	-
Stormw ater	-	516
Water and sewer	-	8,128
Total	<u>\$ 31,829</u>	<u>\$ 31,829</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the bridge fund and the other funds relate to payroll and insurance expenses paid from the Bridge fund.

NOTE 10 – RETIREMENT PLANS

The District maintains a Money Purchase 401(a) plan for employees who meet a certain pay requirement. The District's required contribution is 6% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2025 were \$1,222,944. Employer contributions for the period were \$111,908.

The District maintains a 457(b) plan for employees who meet a certain pay requirement. The District's required contribution is based on a matching requirement of employees' maximum contributions of 2% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2025 were \$895,128. Employer contributions for the period were approximately \$53,270 and employee contributions for the period were approximately \$ 74,375.

NOTE 11 – 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 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and 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 13 – LITIGATION

The District is involved with a litigation matter with Fence Service, Inc. whereby Fence Service, Inc. claimed that the District is in Breach of Contract for failure to pay for services due to a third-party fraudster who intervened in the receipt of the payment. On May 13, 2025, the District and Fence Service, Inc. agreed to settle whereby the District paid Fence Service, Inc. \$13,975. The case was dismissed shortly after the payment.

In October 2022, a bicyclist was riding across the Hammock Dune Bridge and allegedly struck a disk of concrete with the tire of his bicycle, allegedly causing him to fall off his bicycle and sustain personal injuries. The bicyclist had filed a lawsuit against the District, which had been turned over to the District's insurance carrier for defense. Subsequent to the current fiscal year end, the District and the Bicyclist agreed to settle the case for \$65,000.

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual		Variance Favorable (Unfavorable)
	Original & Final				
REVENUES					
Maintenance assessments	\$ 378,070		\$ 366,203		\$ (11,867)
Interest income	2,500		4,435		1,935
Total revenues	380,570		370,638		(9,932)
EXPENDITURES					
Current:					
General government	339,453		118,178		221,275
Maintenance and operations	125,044		286,868		(161,824)
Total expenditures	464,497		405,046		59,451
Excess (deficiency) of revenues over (under) expenditures	(83,927)		(34,408)		49,519
OTHER FINANCING SOURCES (USES)					
Carryforward surplus	83,927		-		(83,927)
Total other financing sources and (uses)	83,927		-		(83,927)
Net change in fund balance	\$ -		(34,408)		\$ (34,408)
Fund balance - beginning			52,838		
Fund balance - ending			\$ 18,430		

See notes to required supplementary information

**DUNES COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2025.

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

<u>Element</u>	<u>Comments</u>
Number of District employees compensated in the last pay period of the District's fiscal year being reported.	41
Number of independent contractors compensated to whom nonemployee compensation was paid in the last month of the District's fiscal year being reported.	97
Employee compensation	\$2,185,995.95
Independent contractor compensation	\$5,825,346.62
Construction projects to begin on or after October 1; (\$65K)	Not applicable
Budget variance report	See the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Ad Valorem taxes	Not applicable
Non ad valorem special assessments;	
Special assessment rate	Operations and maintenance - \$100.00 per unit
Special assessments collected	\$366,203.00
Outstanding Bonds:	Not applicable



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
Dunes Community Development District
Flagler 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 financial statements of the governmental activities, business-type activities and each major fund of Dunes Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 17, 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.

June 17, 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
Dunes Community Development District
Flagler County, Florida

We have examined Dunes Community Development District, Flagler 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 Dunes Community Development District, Flagler County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 17, 2026



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

To the Board of Supervisors
Dunes Community Development District
Flagler County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Dunes Community Development District ("District") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 17, 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 Reports and Schedule

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 June 17, 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 described in Rule 10.550 as required by the Rules of the Auditor General of 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 Auditor General of the State of Florida, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Dunes Community Development District, Flagler County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Dunes Community Development District, Flagler 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.

June 17, 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 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. 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 28.