

TIFA LLC

*Financial Statements –
As of and for the Years Ended
December 31, 2023 and 2022*

TIFA LLC

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INDEPENDENT AUDITOR'S REPORT

To the Management Committee and Members
TIFA LLC
Titusville, Florida

Opinion

We have audited the accompanying financial statements of TIFA LLC ("TIFA"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in members' capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TIFA as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 TIFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about TIFA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Management Committee and Members
TIFA LLC

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of TIFA'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 TIFA'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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 29, 2024

TIFA LLC

BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash	\$ 699,208	\$ 705,622
Accounts receivable	92,343	96,999
Prepaid expenses	12,628	10,694
Deposits	11,050	-
Total Current Assets	<u>815,229</u>	<u>813,315</u>
Wells and Wellfield (Note 3):		
Area IV Wellfield - Phase 1, net	1,141,152	1,201,637
Area IV Wellfield - Phase 2, net	3,692,986	3,861,955
Area IV Equipment, net	1,335	2,567
Monitoring wells, net	317,586	333,859
Easements	333,883	333,883
Mitigation credits	139,200	139,200
Wellfield assets - inactive	164,933	164,933
Total Wells and Wellfield, net	<u>5,791,075</u>	<u>6,038,034</u>
Intangible Assets (Note 4):		
Consumptive use permit, net	862,728	961,798
FPL fee, net	585,803	614,851
Total Intangible Assets	<u>1,448,531</u>	<u>1,576,649</u>
TOTAL ASSETS	<u>\$ 8,054,835</u>	<u>\$ 8,427,998</u>
LIABILITIES AND MEMBERS' CAPITAL		
Current Liabilities:		
Accounts payable	\$ 10,349	\$ 8,202
Total Current Liabilities	<u>10,349</u>	<u>8,202</u>
Members' Capital	<u>8,044,486</u>	<u>8,419,796</u>
TOTAL LIABILITIES AND MEMBERS' CAPITAL	<u>\$ 8,054,835</u>	<u>\$ 8,427,998</u>

The accompanying notes are an integral part of the financial statements.

TIFA LLC

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUE:		
Water sales	\$ 1,158,221	\$ 1,180,778
Interest income	34	32
TOTAL REVENUE	<u>1,158,255</u>	<u>1,180,810</u>
OPERATING EXPENSES:		
Depreciation and amortization	375,077	375,078
Operations and maintenance	53,590	44,617
Utilities	97,046	84,296
Property and liability insurance	48,576	52,556
Tangible personal property tax	13,858	15,884
Managing agent fees	26,000	26,000
Accounting fees	17,570	17,500
Consulting	-	1,750
Hydrogeological services	4,000	6,000
Wetland monitoring	7,170	4,500
Wellfield repair	-	93,000
Miscellaneous	678	220
TOTAL OPERATING EXPENSES	<u>643,565</u>	<u>721,401</u>
NET INCOME	514,690	459,409
MEMBERS' CAPITAL - BEGINNING OF YEAR	8,419,796	8,640,387
Capital distributions	<u>(890,000)</u>	<u>(680,000)</u>
MEMBERS' CAPITAL - END OF YEAR	<u>\$ 8,044,486</u>	<u>\$ 8,419,796</u>

The accompanying notes are an integral part of the financial statements.

TIFA LLC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 514,690	\$ 459,409
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	375,077	375,078
Changes in operating assets and liabilities:		
Accounts receivable	4,656	(5,642)
Prepaid expenses	(1,934)	19,752
Deposits	(11,050)	-
Accounts payable	2,147	2,237
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>883,586</u>	<u>850,834</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Members' capital distributions	(890,000)	(680,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>(890,000)</u>	<u>(680,000)</u>
NET (DECREASE) INCREASE IN CASH	(6,414)	170,834
CASH AT BEGINNING OF YEAR	<u>705,622</u>	<u>534,788</u>
CASH AT END OF YEAR	<u>\$ 699,208</u>	<u>\$ 705,622</u>

The accompanying notes are an integral part of the financial statements.

TIFA LLC

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND DESCRIPTION OF THE ENTITY

TIFA LLC (“TIFA”) was organized as a Florida Limited Liability Company on April 21, 2010, pursuant to the terms of a Settlement Framework Agreement and a Limited Liability Company Operating Agreement (“Operating Agreement”) between the City of Titusville, Florida (“City”), and Farmton Water Resources, LLC (“Farmton”) (collectively, the “Members”).

TIFA’s purpose is to facilitate the permitting, design, construction, and operation of a groundwater wellfield on certain property located in Brevard County and monitoring wells in Volusia County, Florida, and to do so in a manner designed to reasonably avoid adverse impact on the water resource and ecosystem. On May 10, 2011, the St. Johns River Water Management District granted TIFA’s application for expansion of the Consumptive Use Permit (“CUP”) to 2.75 million gallons per day (“MGD”). Phase 1 of the wellfield produces 0.75 MGD. Phase 2 of the wellfield produces 2.0 MGD. As of December 31, 2015, the entire wellfield has been placed in service.

The proposed groundwater wellfield is intended to provide certain agreed-upon minimum amounts of bulk water exclusively to the City and, to the extent available, to Farmton and others. The pricing and rate structure for the sale of water is defined in the Operating Agreement.

The Operating Agreement provides that the City has the exclusive right to purchase bulk water from TIFA at prices based on the cost of TIFA’s operation, plus a return on Members’ capital. The rates are set annually, as indicated in the Operating Agreement, and are subject to adjustment quarterly, as of and when additional maintenance capital contributions are made and/or wellfield assets are placed in service. In consideration for these rights, the City has agreed to purchase a minimum of 0.75 MGD of water, if available, annually from TIFA for a period of ten years, with certain automatic, additional ten-year options to renew. The Operating Agreement further provides that the City will pay for the minimum amount of water to be purchased, regardless of whether the minimum amount is actually used.

Subject to the availability of 2.75 MGD of water, the Operating Agreement also includes the right for Farmton to purchase a maximum of up to 0.6 MGD of water from the City’s 2.75 MGD under certain circumstances, as designated in the Operating Agreement. In the event that Farmton exercises its right under the Operating Agreement to purchase 0.6 MGD of water from TIFA, Farmton will be required to purchase water at rates consistent with the cost of the City securing replacement water.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

TIFA considers all unrestricted, highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from the City for the purchase of bulk water. TIFA values its receivables based on the volume of bulk water provided to the City each month at an approved rate.

Capitalization

The Operating Agreement provides, among other things, for the methodologies that the Members will use to make contributions for TIFA's initial and ongoing capitalization of its activities, as follows:

Initial Capitalization

Pursuant to the Operating Agreement, the Members contributed to TIFA an initial cash contribution of \$25,000 each and certain assets, including a CUP, easements, wells, mitigation credits, and other wellfield development costs. Contributed assets are recorded at their fair values, as determined by cost, appraisal, or other appropriate valuation methodologies.

Construction Capital Contributions

The City and Farmton are each further required to pay or contribute fifty percent of the cost to construct the wellfield. For Phase 1 construction, the obligation to make construction capital contributions were satisfied, in the case of the City, by direct payment of construction costs, and in the case of Farmton, by payment to the City of Farmton's share of construction costs paid directly by the City. For Phase 2 construction, TIFA directly incurred the construction costs. The City and Farmton paid their percentage upon completion of a capital call by the managers. Farmton made certain construction capital contributions by a grant or assignment of easements over certain property under its control.

Maintenance Capital Contributions

Subsequent to construction of the wellfield, each Member is required to contribute fifty percent of the cost of renewal and replacement of wellfield facilities, as required to maintain the wellfield in working condition.

Wellfield-related and Intangible Assets

Acquisitions of new wellfield-related and intangible assets with a cost basis, if acquired, or fair value, if contributed, greater than \$10,000, and an estimated useful life greater than one year are capitalized. The cost of maintenance, repairs, and recurring replacements is charged to operations as incurred. Depreciation and amortization of wellfield-related and intangible assets is provided using the straight-line method over estimated useful lives of 30 years and 20 years, respectively.

Revenue Recognition

Water rates charged per thousand gallons are determined in accordance with the Operating Agreement and annual budgeting process. Revenue from bulk water sales is recognized based on meter readings as water is delivered to the customers at the amount expected to be received from the customer.

Income Taxes

TIFA has elected to be treated as a pass-through entity for income tax reporting purposes. As a result, all items of taxable income or loss are allocated to the individual Members to be reported on their individual income tax returns, as applicable. Accordingly, these financial statements include no provision or liability for federal or state income taxes.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through February 29, 2024, the date the financial statements were available to be issued.

3. WELLS AND WELLFIELD

Wells and wellfield, net, consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Area IV Wellfield - Phase 1	\$ 1,814,563	\$ 1,814,563
Area IV Wellfield - Phase 2	5,069,053	5,069,053
Area IV Equipment	6,162	6,162
Monitoring wells	488,189	488,189
	<u>7,377,967</u>	<u>7,377,967</u>
Accumulated depreciation	<u>(2,224,908)</u>	<u>(1,977,949)</u>
	5,153,059	5,400,018
Easements	333,883	333,883
Mitigation credits	139,200	139,200
Wellfield assets - inactive	164,933	164,933
Wells and wellfield, net	<u>\$ 5,791,075</u>	<u>\$ 6,038,034</u>

Depreciation expense was \$246,959 for each of the years ended December 31, 2023 and 2022, respectively.

Inactive wellfield assets, while not currently in use, are capable of being activated and used in the future.

4. INTANGIBLE ASSETS

Intangible assets, net, consist of the following as of December 31, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Consumptive use permit (CUP)	\$ 1,981,386	\$ 1,981,386
FPL fee - Phase 1	459,340	459,340
FPL fee - Phase 2	412,112	412,112
	<u>2,852,838</u>	<u>2,852,838</u>
Accumulated amortization	<u>(1,404,307)</u>	<u>(1,276,189)</u>
Intangible assets, net	<u>\$ 1,448,531</u>	<u>\$ 1,576,649</u>

Amortization expense was \$128,118 and \$128,119 for the years ended December 31, 2023 and 2022, respectively. Amortization is approximately \$128,000 per year for the next five years on the intangible assets currently placed in service.

5. MANAGING AGENT FEES

On July 1, 2015, TIFA contracted with Governmental Management Services, LLC (“GMS”) to provide, among other things, management and accounting services. The term of the management agreement is one year. Thereafter, the agreement shall be extended for one-year periods, unless either party gives written notice on or before 60 days prior to the anniversary date of the effective date, unless terminated earlier. During the years ended December 31, 2023 and 2022, TIFA paid management fees to GMS of \$26,000 each year.

6. COMMITMENTS AND CONTINGENCIES

Concentrations and Credit Risk

TIFA receives all of its revenue from the City through sale of bulk water pumped from the wells.

Financial instruments, which potentially subject TIFA to concentrations of credit risk, consist of cash deposits, which, at times, may exceed federal deposit insurance limits.

Wellfield Operations and Maintenance Agreement

On May 24, 2010, TIFA entered into a Wellfield Operations and Maintenance Agreement with the City under which the City shall operate and maintain the wellfield pursuant to the fees and obligations specified in the agreement. Fees incurred pursuant to this agreement totaled \$27,242 and \$26,343 for the years ended December 31, 2023 and 2022, respectively, and are included in the Operations and Maintenance line item on the Statements of Operations and Changes in Members' Capital.