**PRELIMINARY OFFICIAL STATEMENT DATED __________, 2026**

**NEW ISSUE - Book-Entry Only** **RATINGS: See "RATINGS" herein.**

*In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, under existing statutes, regulations, rulings and court decisions and subject to the conditions described herein under "TAX MATTERS," interest on the Series 2026 Bonds is (a) excludable from gross income of the owners thereof for federal income tax purposes except as otherwise described herein under the caption "TAX MATTERS," and (b) not an item of tax preference for purposes of the federal alternative minimum tax. Such interest, however, may be subject to other federal income tax consequences referred to herein under "TAX MATTERS." See "TAX MATTERS" herein for a general discussion of Bond Counsel's opinion and other tax considerations.*

**$__________***
**HERNANDO COUNTY, FLORIDA**
**Water and Sewer Revenue Bonds,**
**Series 2026**

Dated: Date of Delivery Due: June 1, in each year as shown on inside cover

The Hernando County, Florida Water and Sewer Revenue Bonds, Series 2026 (the "Series 2026 Bonds") are being issued by Hernando County, Florida (the "County") as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2026 Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2026, and will be payable by check or draft of U.S. Bank Trust Company, National Association, Jacksonville, Florida, as Paying Agent, mailed to the holder in whose name such Series 2026 Bond shall be registered, at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the applicable interest payment date or, at the request of such holder, by bank wire transfer to the account of such holder. Principal and premium, if any, of the Series 2026 Bonds is payable to the holder thereof upon presentation and surrender at the designated office of the Paying Agent. Upon initial issuance, the Series 2026 Bonds will be registered in the name of and held by Cede & Co. as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or Cede & Co. is the registered owner of the Series 2026 Bonds, payments of the principal of and interest on the Series 2026 Bonds will be wired directly to DTC or Cede & Co., which is to remit such payments to the Participants (as defined herein), which in turn are to remit such payments to the Beneficial Owners (as defined herein) of the Series 2026 Bonds. See "DESCRIPTION OF THE SERIES 2026 BONDS – Book-Entry Only System" herein.

The Series 2026 Bonds are subject to redemption prior to their stated maturities as set forth herein.

The Series 2026 Bonds are being issued to provide funds, together with other legally available moneys of the County, sufficient to (1) finance and reimburse costs of the acquisition, construction, and equipping of various capital improvements to the System as more particularly described under "THE 2026 PROJECT" below (the "2026 Project") and (2) pay certain costs and expenses relating to the issuance of the Series 2026 Bonds.

The Series 2026 Bonds are issued pursuant to and under the authority of the Constitution of the State of Florida, Chapter 125, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 92-03 adopted by the Board of County Commissioners of the

County (the "Board") on July 10, 1992, as amended and supplemented from time to time, as amended and restated in its entirety by Resolution No. 2013-74 adopted by the Board on May 14, 2013, as it may be amended and supplemented, as particularly amended and supplemented by Resolution No. 2021-30 adopted by the Board on March 23, 2021, and Resolution No. 2021-39 adopted by the Board on April 6, 2021, and as supplemented by Resolution No. _____ by the Board on July 28, 2026 (collectively, the "Resolution") on parity with the County's Taxable Water and Sewer Refunding Revenue Bonds, Series 2021A, and Water and Sewer Refunding Revenue Bonds, Series 2021B.

The Series 2026 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues and Connection Fees of the System, as such terms are described herein (together with amounts on deposit in certain funds and accounts created in the Resolution, collectively, the "Pledged Funds").

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

THE SERIES 2026 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE COUNTY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE COUNTY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. NO HOLDER OF ANY SERIES 2026 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH SERIES 2026 BOND, OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2026 BOND FROM ANY MONEYS OF THE COUNTY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. THE SERIES 2026 BONDS AND THE OBLIGATIONS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY OTHER PROPERTY OF THE COUNTY, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM, PLEDGED FUNDS.

*The Series 2026 Bonds are offered when, as, and if issued and accepted by the Underwriter, subject to the approval of legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the County by Jon A. Jouben, Esq., County Attorney, and by Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel to the County. Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, Tampa, Florida, Counsel to the Underwriter. PFM Financial Advisors LLC, Tampa, Florida, is serving as Municipal Advisor to the County. It is expected that the Series 2026 Bonds in definitive form will be available for delivery to the Underwriter at the facilities of DTC on or about _______, 2026.*

**MORGAN STANLEY**

Dated: _______, 2026

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*Preliminary, subject to change.

**$__________***
**HERNANDO COUNTY, FLORIDA**
**Water and Sewer Revenue Bonds,**
**Series 2026**

**MATURITIES, AMOUNTS, INTEREST RATES,**
**YIELDS, PRICES AND INITIAL CUSIP NUMBERS**

**$__________* Serial Series 2026 Bonds**

| Maturity (June 1)* | Amount* | Interest Rate | Yield | Price | Initial CUSIP Numbers** |
|---|---|---|---|---|---|

$_____* _____% Term Series 2026 Bonds due June 1, 20__* – Price _____ – Yield _____% – Initial CUSIP Number _____**

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* Preliminary, subject to change.

** The County is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the County as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

RED HERRING LANGUAGE:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2026 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The County has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission.

**HERNANDO COUNTY, FLORIDA**

**MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS***
Jerry Campbell, Chairman
Ryan Amsler, Vice Chairman
Steve Champion, Second Vice Chairman
John Allocco, Commissioner

**CLERK OF COURT AND COMPTROLLER**
Doug Chorvat, Jr.

**COUNTY ADMINISTRATOR**
Jeff Rogers, P.E.

**CHIEF FINANCIAL OFFICER**
Joshua M. Stringfellow, CPA

**COUNTY ATTORNEY**
Jon A. Jouben, Esq.

**BOND COUNSEL**
Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

**DISCLOSURE COUNSEL**
Bryant Miller Olive P.A.
Tampa, Florida

**MUNICIPAL ADVISOR**
PFM Financial Advisors LLC
Tampa, Florida

**FINANCIAL FEASIBILITY CONSULTANT**
Raftelis Financial Consultants, Inc.
Maitland, Florida

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* A seat on the Board of County Commissioners is currently vacant, the County is awaiting direction from the State of Florida for the appointment of a new commissioner to fill such seat.

No dealer, broker, salesman or other person has been authorized by the County or the underwriter listed in the section entitled "UNDERWRITING" herein (the "Underwriter") to give any information or to make any representations in connection with the Series 2026 Bonds, other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2026 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the County, DTC and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the Underwriter.. The Underwriter listed on the cover page hereof has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2026 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2026 BONDS HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2026 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE COUNTY OR THE UNDERWRITER AND ANY ONE OR MORE OF THE HOLDERS OF THE SERIES 2026 BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM AND WWW.EMMA.MSRB.ORG. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITES.

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**OFFICIAL STATEMENT**
*relating to*

**$__________***
**HERNANDO COUNTY, FLORIDA**
**Water and Sewer Revenue Bonds,**
**Series 2026**

## INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices, is to furnish certain information with respect to the sale of $__________* aggregate principal amount of the Water and Sewer Revenue Bonds, Series 2026 (the "Series 2026 Bonds") being issued by Hernando County, Florida (the "County"). The term "County" shall mean Hernando County, Florida, and any authority or other governmental entity to which may hereafter be transferred some or all of the powers and responsibilities of the County with respect to the ownership, financing, operation, enlargement, improvement and maintenance of the System (as defined herein). For purposes of ownership of the System, "County" shall include the Hernando County Water and Sewer District.

The Series 2026 Bonds are issued pursuant to and under the authority of the Constitution of the State of Florida, Chapter 125, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 92-03 adopted by the Board of County Commissioners of the County (the "Board") on July 10, 1992, as amended and supplemented from time to time, as amended and restated in its entirety by Resolution No. 2013-74 adopted by the Board on May 14, 2013, as it may be amended and supplemented, as particularly amended by Resolution No. 2021-30 adopted by the Board on March 23, 2021, and by Resolution No. 2021-39 adopted by the Board on April 6, 2021, and as supplemented by Resolution No. _____ by the Board on July 28, 2026 (collectively, the "Resolution") on parity with the County's Taxable Water and Sewer Refunding Revenue Bonds, Series 2021A (the "Series 2021A Bonds") and Water and Sewer Refunding Revenue Bonds, Series 2021B (the "Series 2021B Bonds," and together with the Series 2021A Bonds, the "Outstanding Parity Bonds"). Capitalized terms used but not otherwise defined herein have the same meaning ascribed thereto in the Resolution unless the context would clearly indicate otherwise.

The Series 2026 Bonds are being issued to provide funds, together with other legally available moneys of the County, sufficient to (1) finance and reimburse costs of the acquisition, construction, and equipping of various capital improvements to the System as more particularly described under "THE 2026 PROJECT" below (the "2026 Project") and (2) pay certain costs and expenses relating to the issuance of the Series 2026 Bonds.

The Series 2026 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues and Connection Fees of the System, as such terms are described herein (together with amounts on deposit in certain funds and accounts created in the Resolution as more fully described herein, collectively, the "Pledged Funds"). The Series 2026 Bonds, Outstanding Parity Bonds and any Additional Bonds (as defined herein) issued under the Resolution are herein collectively referred to as the "Bonds."

*Preliminary, subject to change.

The County has covenanted in the Resolution to provide certain continuing disclosure information pursuant to Rule 15c2-12 of the U.S. Securities and Exchange Commission relating to the Series 2026 Bonds. See "CONTINUING DISCLOSURE" herein.

Complete descriptions of the terms and conditions of the Series 2026 Bonds are set forth in the Composite of the Resolution attached hereto as Appendix B. The descriptions of the Series 2026 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from the office of the Clerk of Court and Comptroller, 20 North Main Street, Room 263, Brooksville, Florida 34601, telephone (352) 754-4200.

## THE 2026 PROJECT

The 2026 Project generally includes the following, as more particularly described in the plans and specifications on file with the Issuer, as the same may be amended and supplemented from time to time:

- Construction of a new Ridge Manor Water Reclamation Facility that will increase treatment capacity from 900,000 gallons per day to 3,000,000 gallons per day.

- Emergency operations structure that will include the administration offices for the treatment plant, SCADA for the treatment plant, IT network for the treatment plant and declared emergency space.

## FUTURE BORROWING

In 2028, the County expects to issue approximately $50 million of Water and Sewer Revenue Bonds, Series 2028 (the "Series 2028 Bonds"), together with other legally available moneys of the County, to finance additional capital improvements to the System. See "THE SYSTEM - Capital Improvement Program and Funding Sources" herein and "APPENDIX D Financial Feasibility Report" attached here to for more information on the Series 2028 Bonds.

## DESCRIPTION OF THE SERIES 2026 BONDS

### General

The Series 2026 Bonds shall be issued only in fully registered form without coupons in principal denominations of $5,000 each or any integral multiple thereof. The Series 2026 Bonds are dated as of the date of their delivery and bear interest at the rates per annum and mature on the dates set forth on the inside cover page hereof. Interest on the Series 2026 Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2026 (the "Interest Dates"). Interest payable on the Series 2026 Bonds on any Interest Date shall be paid by check or draft of U.S. Bank Trust Company, National Association, Jacksonville, Florida, as Paying Agent, mailed to the holder in whose name such Series 2026 Bond shall be registered, at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the applicable Interest Date or, at the request of such holder, by bank wire transfer to the account of such holder. Principal and premium, if any, of the Series 2026 Bonds are payable to the holder thereof upon presentation and surrender at the designated office of the Paying Agent. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2026 Bonds will be issued initially as book-entry obligations and held by The Depository Trust Company ("DTC") as securities depository. The ownership of one fully registered Series 2026 Bond for each maturity as set forth on the inside cover page hereof, in the appropriate aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. For more information regarding DTC and DTC's Book-Entry System, see the subheading "Book-Entry Only System" which immediately follows.

**Book-Entry Only System**

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY BELIEVES TO BE RELIABLE. NEITHER THE COUNTY NOR THE UNDERWRITER TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2026 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2026 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2026 BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2026 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2026 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2026 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2026 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2026 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2026 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE COUNTY AND UNDERWRITER NEITHER MAKE NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2026 Bond certificate will be issued for each maturity of the Series 2026 Bonds as set forth on the inside cover page of this Official Statement in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has an S&P Global Ratings ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the U.S. Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026 Bondholder ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2026 Bonds may wish to ascertain that the nominee holding the Series 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Series 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County and/or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Series 2026 Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2026 Bond certificates will be printed and delivered to DTC.

**Interchangeability, Negotiability and Transfer**

*So long as the Series 2026 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to transfer and exchange of Series 2026 Bonds do not apply to the Series 2026 Bonds to the extent of a conflict with the DTC book-entry system.*

Series 2026 Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Series 2026 Bonds of the same maturity of any other authorized denominations.

The Series 2026 Bonds issued under the Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2026 Bonds. So long as any of the Series 2026 Bonds shall remain Outstanding, the County shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Series 2026 Bonds.

Each Series 2026 Bond shall be transferable only upon the books of the County, at the office of the Registrar, under such reasonable regulations as the County may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Series 2026 Bond, the County shall issue, and cause to be authenticated, in the name of the transferee a new Series 2026 Bond or Series 2026 Bonds of the same aggregate principal amount and maturity as the surrendered Series 2026 Bond. The County, the Registrar and any Paying Agent or fiduciary of the County may deem and treat the Person in whose name any Outstanding Series 2026 Bond shall be registered upon the books of the County as the absolute owner of such Series 2026 Bond, whether such Series 2026 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Series 2026 Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Series 2026 Bond to the extent of the sum or sums so paid and neither the County nor the Registrar nor any Paying Agent or other fiduciary of the County shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series 2026 Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for the Series 2026 Bonds; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Series 2026 Bonds; and (C) at any other time as reasonably requested by the Paying Agent of such Series 2026 Bonds, shall certify and furnish to such Paying Agent the names, addresses and holdings of Series 2026 Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Series 2026 Bond shall effect payment of interest on such Series 2026 Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Series 2026 Bonds or transferring Series 2026 Bonds is exercised, the County shall execute and deliver Series 2026 Bonds and the Registrar shall authenticate such Series 2026 Bonds in accordance with the provisions of the Resolution. Execution of Series 2026 Bonds by the Chairman and Clerk for purposes of exchanging, replacing or transferring Series 2026 Bonds may occur at the time of the original delivery of the Series 2026 Bonds. All Series 2026 Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the County to be cancelled by the Registrar. For every such exchange or transfer of Series 2026 Bonds, the County or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The County and the Registrar shall not be obligated to make any such exchange or transfer of Series 2026 Bonds during the fifteen days next preceding an Interest Date on the Series 2026 Bonds or, in the case of any proposed redemption of the Series 2026 Bonds, then, for the Series 2026 Bonds subject to redemption, during the fifteen days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

**Series 2026 Bonds Mutilated, Destroyed, Stolen or Lost**

*So long as the Series 2026 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to mutilated, destroyed, stolen or lost Series 2026 Bonds do not apply to the Series 2026 Bonds to the extent of a conflict with the DTC book-entry system.*

In case any Series 2026 Bond shall become mutilated, or be destroyed, stolen or lost, the County may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Series 2026 Bond of like tenor as the Series 2026 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2026 Bond upon surrender and cancellation of such mutilated Series 2026 Bond or in lieu of and substitution for the Series 2026 Bond destroyed, stolen or lost, and upon the Series 2026 Bondholder furnishing the County and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the County or the Registrar may prescribe and paying such expenses as the County and the Registrar may incur. All Series 2026 Bonds so surrendered shall be cancelled by the Registrar. If any of the Series 2026 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2026 Bond, the County may pay the same or cause the Series 2026 Bond to be paid, upon being indemnified as aforesaid, and if such Series 2026 Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 2026 Bonds issued pursuant to the Resolution shall constitute original, additional contractual obligations on the part of the County whether or not the lost, stolen or destroyed Series 2026 Bond be at any time found by anyone, and such duplicate Series 2026 Bond shall be entitled to equal and proportionate benefits and rights to the same extent as all other Series 2026 Bonds issued pursuant to the Resolution.

**Redemption Provisions**

***Optional Redemption.*** The Series 2026 Bonds maturing on or before June 1, 20__ are not subject to optional redemption prior to their respective stated dates of maturity. The Series 2026 Bonds maturing after June 1, 20__ are subject to redemption prior to their respective stated dates of maturity at the option of the County, in whole or in part, from such maturities selected by the County (and by lot within a maturity if less than a full maturity), on June 1, 20__, or on any date thereafter, at a Redemption Price equal to 100% of the principal amount of the Series 2026 Bonds so redeemed plus accrued interest to the date fixed for redemption.

***Mandatory Redemption.*** The Series 2026 Bonds maturing on June 1, 20__ are subject to mandatory redemption in part prior to maturity by lot, in such manner as shall be determined by the Registrar, through Sinking Fund Installments by operation of the Term Bonds Redemption Account, at the Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, on June 1 of the Sinking Fund Installment Dates in the amount of the Sinking Fund Installments as follows:

| Sinking Fund Installment Date | Sinking Fund Installment |
|---|---|
| | $ |
| * | |

*Maturity

***Notice of Redemption.*** Notice of any redemption shall specify the Series 2026 Bond or Series 2026 Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the County, and (A) shall be filed with the Paying Agent of such Series 2026 Bonds, (B) shall be mailed first class, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to all Holders of Series 2026 Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be mailed, certified mail, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositories and one or more nationally recognized municipal bond information services as provided in the Resolution. Failure to mail such notice to such depositories or services or the Holders of the Series 2026 Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Series 2026 Bonds as to which no such failure or defect has occurred. Failure of any Holder to receive any notice as provided in the Resolution shall not affect the proceedings for redemption of such Holder's Bonds. Notice of optional redemption of Series 2026 Bonds shall only be sent if the County reasonably determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Series 2026 Bonds called for redemption on the redemption date.

The County may provide that a redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Series 2026 Bondholders as soon as practicable.

*So long as the Series 2026 Bonds are registered in the name of Cede & Co., as nominee of DTC (or in the name of any successor securities depository), notices of redemption shall only be given on behalf of the County to Cede & Co., or any successor securities depository. See "DESCRIPTION OF THE SERIES 2026 BONDS – Book-Entry Only System" herein.*

***Purchase in Lieu of Redemption.*** Notwithstanding anything in the Resolution to the contrary, at any time the Series 2026 Bonds are subject to optional redemption pursuant to the Resolution, all or a portion of the Series 2026 Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent, as trustee, at the direction of the County, on the date which would be the redemption date if such Series 2026 Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the Redemption Price which would have been applicable to such Series 2026 Bonds on the redemption date for the account of and at the direction of the County who shall give the Paying Agent, as trustee, notice at least ten days prior to the scheduled redemption date accompanied by an opinion of Bond Counsel to the effect that such purchase will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Series 2026 Bonds or any other Outstanding Bonds. In the event the Paying Agent, as trustee, is so directed to purchase Series 2026 Bonds in lieu of optional redemption, no notice to the holders of the Series 2026 Bonds to be so purchased (other than the notice of redemption otherwise required under the Resolution) shall be required, and the Paying Agent, as trustee, shall be authorized to apply to such purchase the funds which would have been used to pay the Redemption Price for such Series 2026 Bonds if such Series 2026 Bonds had been redeemed rather than purchased. Each Series 2026 Bond so purchased shall not be canceled or discharged and shall be registered in the name of the County. The Series 2026 Bonds to be purchased under the Resolution in the manner set forth above which are not delivered to the Paying Agent, as trustee, on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former holder thereof on the purchase date.

## SECURITY FOR THE BONDS

### General

The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds or by not being secured in any manner by the Reserve Account as provided in a Supplemental Resolution. The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the County.

The term "County" shall mean Hernando County, Florida, and any authority or other governmental entity to which may hereafter be transferred some or all of the powers and responsibilities of the County with respect to the ownership, financing, operation, enlargement, improvement and maintenance of the System. For purposes of ownership of the System, "County" shall include the Hernando County Water and Sewer District.

"Pledged Funds" means (1) the Net Revenues, (2) the Connection Fees and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established thereunder, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms of the Resolution, and (C) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely for the payment of a different Series of Bonds for which it was established in accordance with the provisions of the Resolution.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Gross Revenues" means all income and moneys received by the County from the rates, fees, rentals, charges and other income to be made and collected by the County for the use of the products, services and facilities to be provided by the System, or otherwise received by the County or accruing to the County in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms of the Resolution, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund in an amount not to exceed the Rate Stabilization Amount within 120 days following the end of a Fiscal Year may be designated by the County as Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, and (3) Investment Earnings. "Gross Revenues" shall not include (A) Government Grants, (B) proceeds of Bonds or other County debt, (C) moneys deposited to the Rate Stabilization Fund from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Fund within 120 days following the end of a Fiscal Year which the County determines not to be Gross Revenues of such prior Fiscal Year, (D) Sewer Connection Fees, (E) Water Connection Fees, and (F) Special Assessments Proceeds, unless subsequently pledged by Supplemental Resolution. Gross Revenues may include Special Assessments Proceeds and/or other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if so authorized by Supplemental Resolution and if and to the extent the same shall be approved for inclusion by all Insurers and Credit Banks. Currently, Gross Revenues does not include any Special Assessment Proceeds.

"System" means any and all water production, transmission, treatment and distribution facilities, and sewage collection, transmission, treatment and disposal, now owned or hereafter owned by the County, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. The County treats effluent reuse facilities as part of the System, which has been approved by the Board. "System" shall also include any stormwater utility or any other utility facilities if and to the extent the County determines by Supplemental Resolution to include such utility or facilities within the System as described in the Resolution.

"Operating Expenses" means the County's expenses for operation, maintenance, and repairs with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for the management of the System or any portion thereof, any insurance and surety bond fees, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, actual payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under the Resolution, but Operating Expenses do not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, PILOTs, PILOFs, costs of issuance with respect to the issuance of any Bonds to the extent such costs of issuance were paid from proceeds of such Bonds, or any provision for interest, depreciation, amortization or similar charges.

"Connection Fees" means, collectively, the Sewer Connection Fees and the Water Connection Fees.

"Sewer Connection Fees" means the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the sewer facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the sewer facilities of the System or expansion thereof in order to serve new users of the sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Sewer Connection Fees" include those fees and charges currently known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

"Water Connection Fees" means the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the water facilities of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Water Connection Fees" include those fees and charges currently known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

Generally, under Florida law, impact fees such as the Connection Fees may be validly imposed against new construction or development in order to fund capital improvements or capacity which are necessitated by such new construction or development to satisfy debt service for the bonds or other obligations issued for such purposes. Proceeds of such Connection Fees may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service.

IMPACT FEE REVENUES SUCH AS THE CONNECTION FEES FLUCTUATE WITH THE AMOUNT OF NEW CONSTRUCTION OR DEVELOPMENT WHICH OCCURS WITHIN THE AREAS OF THE COUNTY SERVED BY THE SYSTEM. THEREFORE, THERE CAN BE NO ASSURANCES THAT SUCH REVENUE WILL NOT DECREASE OR BE ELIMINATED ALTOGETHER IN THE EVENT THAT NEW CONSTRUCTION, FOR WHATEVER REASON, MIGHT DECREASE OR CEASE ALTOGETHER WITHIN AREAS OF THE COUNTY SERVED BY THE SYSTEM.

"PILOTs" means allocations or transfers made in any Fiscal Year from the Water and Sewer District Enterprise Fund of the County to the General Fund of the County which represent payments in lieu of taxes that have been adopted and implemented by the Board in accordance with applicable law; provided, however, such payments may not exceed 2.50% of that portion of Gross Revenues for such Fiscal Year that were derived from the application of the monthly rates for daily water, sewer and reclaimed water utility services.

"PILOFs" means allocations or transfers made in any Fiscal Year from the Water and Sewer District Enterprise Fund of the County to the General Fund of the County which represent payments in lieu of franchise fees that have been adopted and implemented by the Board in accordance with applicable law; provided, however, such payments may not exceed 6.00% of that portion of Gross Revenues for such Fiscal Year that were derived from the application of the monthly rates for water, sewer and reclaimed water utility services.

The County has not currently authorized any PILOTs or PILOFs and does not intend to do so during the Forecast Period. See APPENDIX B attached hereto for more information about amendments to the Resolution, including the addition of PILOTs and PILOFs.

THE SERIES 2026 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE COUNTY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE COUNTY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. NO HOLDER OF ANY SERIES 2026 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH SERIES 2026 BOND, OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2026 BOND FROM ANY MONEYS OF THE COUNTY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. THE SERIES 2026 BONDS AND THE OBLIGATIONS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY OTHER PROPERTY OF THE COUNTY, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM PLEDGED FUNDS.

**Funds and Accounts**

The following funds and accounts have been created under the Resolution:

(1) Revenue Fund;

(2) Construction Fund;

(3) Operation and Maintenance Fund;

(4) Sinking Fund, and within such Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, and the Reserve Account;

(5) Water Connection Fees Fund;

(6) Sewer Connection Fees Fund;

(7) Special Assessments Fund;

(8) Renewal and Replacement Fund;

(9) Utility Reserve Fund;

(10) Rebate Fund; and

(11) Rate Stabilization Fund.

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions of the Resolution, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders to the extent provided in the Resolution.

The County shall at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established by the Resolution. Such depositary or depositaries shall perform at the direction of the County the duties of the County in depositing, transferring and disbursing moneys to and from each of such funds or accounts as set forth in the Resolution, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the County and its agents and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established in the Resolution may be deposited in a single bank account, and funds allocated to such various funds, accounts and subaccounts may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as provided in the Resolution.

The designation and establishment of the various funds, accounts and subaccounts in and by the Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as provided in the Resolution.

**Investments**

Moneys on deposit in the Revenue Fund, the Construction Fund, the Sinking Fund, the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Renewal and Replacement

Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Revenue Fund, the Construction Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Rate Stabilization Fund and the Utility Reserve Fund shall be invested and reinvested by the County in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. See "APPENDIX B – Composite of the Resolution" attached hereto for a definition of "Authorized Investments." Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten years from the date of investment. All investments shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the County on an annual basis as of September 30 of each year.

Any and all income received from the investment of moneys in each separate account of the Revenue Fund, the Construction Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Utility Reserve Fund, the Renewal and Replacement Fund (to the extent such income and other amounts in such Fund do not exceed the Renewal and Replacement Fund Requirement), the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Reserve Account (to the extent such income and the other amounts in the Reserve Account does not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Renewal and Replacement Fund (only to the extent such income and the other amounts in such Fund exceed the Renewal and Replacement Fund Requirement) and the Reserve Account (only to the extent such income and the other amounts in the Reserve Account exceeds the Reserve Account Requirement), shall be deposited upon receipt thereof in the Revenue Fund. Any and all income received from the investment of moneys in the Special Assessments Fund shall be deposited upon receipt thereof into the Interest Account.

Nothing in the Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

**Flow of Funds**

(A) (1) Into the Revenue Fund, the County shall deposit promptly, as received, all Gross Revenues (other than any subsequently pledged Special Assessments Proceeds).

(2) Moneys in the Revenue Fund shall first be used each month to deposit in the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided the County may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the County for Operating Expenses, including any expenses relating to the purchase or redemption of Term Bonds as provided in the Resolution. The remaining moneys in the Revenue Fund shall be applied in accordance with (B) below.

(3) To the extent Special Assessments Proceeds are made a component of the Gross Revenues, the County shall deposit promptly, as received, all Special Assessment Proceeds into the Special Assessments Fund. In the event the County by Supplemental Resolution provides for all or a portion of any Special Assessments to secure the payment of all or a portion of a particular Series of Bonds, the County may establish separate accounts or subaccounts for the deposit of such Special Assessments if necessary to provide for the earlier redemption of such Bonds from such Special Assessments.

(B) Any deposits remaining in the Revenue Fund after the aforementioned transfers to the Operation and Maintenance Fund and all moneys at any time on deposit in the Special Assessments Fund (subject to the provisions in the Resolution regarding earlier redemption of Bonds) shall be disposed of by the County on or before the 25th day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, from the Revenue Fund in the following manner and in the following order of priority:

(1) Interest Account. The County shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts and Federal Subsidy Payments shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which have corresponding Hedge Payments, interest on such Bonds during the term of the Qualified Hedge Agreement shall also be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the County for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due. Any Federal Subsidy Payments deposited to the Interest Account shall be deemed to have been applied to the payment of interest on the Federal Subsidy Bonds to which such Payments relate. The County shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Counterparty to the Qualified Hedge Agreement relating to such Bonds shall be paid to such Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal payment date, the County shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for the Sinking Fund Installments to be deposited pursuant to the Resolution in equal amounts from the next preceding principal payment due date, or, if there be no such preceding principal payment due date from a date no later than one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied

by the County for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. The County shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date no later than one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided in the Resolution, and for no other purpose. The County shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the County, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. Amounts in the Term Bonds Redemption Account which are used to redeem Term Bonds shall be credited against the next succeeding Sinking Fund Installment which shall become due on such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment due date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the County shall proceed to call for redemption on such due date, by causing notice to be given as provided in the Resolution, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment due date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The County shall pay out of the Term Bonds Redemption Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the County from the Operation and Maintenance Fund.

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the County to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by an increase in the applicable Reserve Account Requirement, a decrease in the aggregate market value of the investments therein of more than 5%, or withdrawal (whether from cash or a Reserve Account Insurance Policy or a Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the County to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to the Resolution shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account of a Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the County into the Utility Reserve Fund and applied as directed by Bond Counsel. The County shall promptly inform each Insurer and Credit Bank of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions provided in the Resolution, the County shall fund the Reserve Account in an amount at least equal to the applicable Reserve Account Requirement to the extent such Series of Bonds are to be secured by the Reserve Account or any subaccount therein; provided, however, nothing in the Resolution shall be construed to require the County to fund the Reserve Account or any subaccount for any Series of Bonds. Upon the adoption of the Supplemental Resolution authorizing the issuance of a Series of Bonds, the County shall determine whether such Series of Bonds shall be secured by the Reserve Account or any subaccount therein and, if the County determines that the Series of Bonds will be secured by a separate subaccount therein, the County shall also establish the Reserve Account Requirement applicable thereto. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account or subaccount therein over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months.

The County may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided in the Resolution. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the County deems appropriate. In the event the County by Supplemental Resolution establishes the Reserve Account Requirement for a particular Series of Bonds to be zero ($0.00) or it shall determine that such Series are not to be secured in any manner by the Reserve Account or a subaccount, then it shall not be required to establish a separate subaccount; provided, however, such Series of Bonds shall have no lien on or pledge of any moneys on deposit in the Reserve Account. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis.

In the event the County shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in the Reserve Account or any subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(5) Renewal and Replacement Fund. There shall be deposited to the Renewal and Replacement Fund monthly such sums as shall be sufficient to pay 1/12 of the Renewal and Replacement Fund Requirement (hereinafter defined) until the amount accumulated in such Fund is equal to the Renewal and Replacement Fund Requirement, taking into account the market value of investments in such Fund; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the County is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the County from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. The moneys in the Renewal and Replacement Fund shall be applied by the County for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System or water facilities owned by the County, or extraordinary repairs of the System or water facilities owned by the County; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in the Resolution within one year from the date of such transfer.

(6) Subordinated Indebtedness. Gross Revenues in the Revenue Fund shall next be applied by the County for the payment of any accrued debt service on Subordinated Indebtedness incurred by the County in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(7) Sinking Fund. There shall be deposited to the Interest Account, the Principal Account and the Term Bonds Redemption Account, in that order, sufficient moneys such that the amounts on deposit therein shall equal, respectively, the interest, principal and Sinking Fund Installment next coming due on the Bonds Outstanding; provided, however, no deposit need be made to the Principal Account or Term Bonds Redemption Account until a date one year preceding the due date of such principal amount or Sinking Fund Installment.

(8) Utility Reserve Fund. The balance of any Gross Revenues remaining in the Revenue Fund shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water

Connection Fees Fund and Sewer Connection Fees Fund to make up any withdrawal from such Funds pursuant to the Resolution, then to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the System, deposit to the Rate Stabilization Fund, PILOTs, PILOFs and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes described in this Section (8) unless all payments described in Sections (1) through (6) above, including any deficiencies for prior payments, have been made in full to the date of such use. If in any given Fiscal Year, the amount of any PILOTs or PILOFs are limited pursuant to the definitions thereof, any excess not so paid from the Utility Reserve Fund in such Fiscal Year shall not be carried over to a subsequent Fiscal Year. See APPENDIX B attached hereto for more information about amendments to the Resolution, including the addition of PILOTs and PILOFs.

**Construction Fund**

The County has covenanted and agreed in the Resolution to establish, a special fund to be known as the Hernando County, Florida Water and Sewer Construction Fund (the "Construction Fund"), which shall be used only for payment of the Cost of a Project. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner provided in the Resolution, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction Fund, at the option of the County, any moneys received for or in connection with a Project by the County from any other source. The County shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund. With respect to the 2026 Project, the County has established the Series 2026 Account within the Construction Fund for the payment of the Cost of the 2026 Project from proceeds of the Series 2026 Bonds in accordance with the provisions of the Resolution.

The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund. Any moneys received by the County from the State or from the United States of America or any agencies thereof for the purpose of financing part of the Cost of a Project shall be deposited into the appropriate account of the Construction Fund and used in the same manner as other Bond proceeds are used therein; provided that separate accounts or subaccounts may be established in the Construction Fund for moneys received pursuant to the provisions of the Resolution whenever required by Federal or State law.

**Water Connection Fees Fund**

The County shall deposit into the Water Connection Fees Fund all Water Connection Fees as received, together with moneys transferred to such Fund pursuant to the Resolution and such Water Connection Fees shall be accumulated in the Water Connection Fees Fund and applied by the County in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment date) into the Interest Account, the

Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Water Connection Fees Fund and the Sewer Connection Fees Fund on a pro-rata basis or such other basis as the County deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in the Resolution on or prior to the date such amounts are needed for the purposes described in the Resolution, but in no event later than one year from the date of such transfer, unless the County shall determine that such transfer constitutes a lawful use of such Water Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the water facilities of the System for which the Water Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the County.

(C) To be used for any other lawful purpose relating to the System.

**Sewer Connection Fees Fund**

The County shall deposit into the Sewer Connection Fees Fund all Sewer Connection Fees as received, together with moneys transferred to such Fund pursuant to the Resolution and such Sewer Connection Fees Fund shall be accumulated in the Sewer Connection Fees Fund and applied by the County in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment Date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Sewer Connection Fees Fund and the Water Connection Fees Fund on a pro-rata basis or such other basis as the County deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in the Resolution on or prior to the date such amounts are needed for the purposes described in the Resolution, but in no event later than one year from the date of such transfer, unless the County shall determine that such transfer constitutes a lawful use of such Sewer Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the sewer facilities of the System for which the Sewer Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the County.

(C) To be used for any other lawful purpose relating to the System.

**No Reserve Account Funding for the Series 2026 Bonds**

The Series 2026 Bonds will not be secured by any amounts on deposit in the Reserve Account created by the Resolution or in any separate reserve fund, reserve account or subaccount therein.

**Rate Stabilization Fund**

The County may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The County may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund and Renewal and Replacement Fund for such purposes pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency. Historically, the County has not elected to transfer any money to the Rate Stabilization Fund from the Utility Reserve Fund and has no current intent to do so in the future.

**Rate Covenant**

The County shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year, Net Revenues adequate at all times to pay in each Fiscal Year (1) at least 135% of the Annual Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms of the Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs, and (3) any amounts required by the terms of the Resolution to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund in such Fiscal Year.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by the Resolution.

If, in any Fiscal Year, the County shall fail to comply with the foregoing rate covenant, it shall promptly cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the County may seek to comply with the requirements set forth in the Resolution. The County shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. So long as the County implements such recommendations in a timely manner so that the County shall be in compliance with the covenants described above and in the Resolution as of the end of the immediately succeeding Fiscal Year, the County's failure to comply shall not be considered an Event of Default under the Resolution.

See APPENDIX B attached hereto for more information about amendments to the Resolution as it relates to rate requirements.

**Additional Bonds**

No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to the Resolution, shall be issued except upon the conditions and in the manner therein provided. The County may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing or refinancing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds, any Subordinated Indebtedness of the County, or any other indebtedness of the County that it may lawfully refund with proceeds of Bonds.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the County shall certify that it is current in all deposits into the various funds and accounts established by the Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution, including all due and payable Policy Costs have been deposited or made, and the County is in compliance with the covenants and agreements of the Resolution.

(B) The Clerk shall certify that the amount of the Net Revenues (excluding Investment Earnings with respect to the Construction Fund) received by the County during the immediately preceding Fiscal Year or any 12 consecutive months selected by the County of the 24 months immediately preceding the issuance of said Additional Bonds, adjusted as provided in the Resolution, were equal to (1) at least 135% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (2) 100% of (a) any amounts required by the terms of the Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy to pay any Policy Costs and (b) any amounts required by the terms of Sections 4.06(A) and 4.07(A) of the Resolution to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund, in each case during such 12-month period.

(C) For the purpose of determining the Debt Service under the Resolution, the interest rate on Additional Bonds that are proposed to be issued as Variable Rate Bonds shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(D) For the purpose of determining the Debt Service under the Resolution, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be (1) if such Variable Rate Bonds (not subject to a Qualified Hedge Agreement) have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the higher of (a) the actual rate of interest borne by the Variable Rate Bonds on the date of sale, and (b) the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(E) For the purpose of this Section described above, the phrases "12 consecutive months" or the "12-month period" shall mean the "immediately preceding Fiscal Year or any 12 consecutive months selected by the County of the 24 months immediately preceding the issuance of said Additional Bonds."

(F) The Net Revenues calculated as described in the foregoing Section (B) may be adjusted upon the written advice of the Rate Consultant, at the option of the County, as follows:

(1) If the County, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues for the 12 consecutive months shall be adjusted to show the Net Revenues which would have been derived from the System in such 12 consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such 12 consecutive months.

(2) If the County shall have acquired or has contracted to acquire any privately or publicly owned existing water and/or sewer system that will become part of the System, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional Bonds, then the Net Revenues derived from the System during the 12 consecutive months shall be increased by adding to the Net Revenues for said 12 consecutive months the Net Revenues which would have been derived from said existing water and/or sewer system as if such existing water and/or sewer system had been a part of the System during such 12 consecutive months. For the purposes of this paragraph, the Net Revenues derived from said existing water and/or sewer system during such 12 consecutive months shall be adjusted to determine such Net Revenues by deducting the cost of operation and maintenance of said existing water and/or sewer system from the gross revenues of said system. Such Net Revenues shall take into account any increase in rates imposed on customers of such water and/or sewer system on or prior to the acquisition thereof by the County.

(3) If the County, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the County agrees to furnish services in connection with any water and/or sewer system, then the Net Revenues of the System during the 12 consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the County, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(4) If the County covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessments Proceeds derived from the System during the 12 consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant estimates will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant shall be based upon the preliminary assessment roll filed with the County prior to the construction of such improvements.

(5) In the event the County shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues may be adjusted by adding thereto 100% of the Net Revenues estimated by the Rate Consultant to be derived during the first 12 months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of the facilities to be financed by Additional Bonds together with other funds

on hand or lawfully obtained for such purpose; provided such customers must represent existing occupied structures that will be added to the System upon completion of the proposed additions, extensions or improvements.

(6) If the County shall add new customers subsequent to the commencement of the 12 consecutive month period, the Rate Consultant may adjust the Net Revenues to reflect the Net Revenues that would have been received by the County if such customers had been in place for the entire 12 consecutive months.

(7) The Net Revenues shall be adjusted for any period the System or any portion thereof was not owned by the County to reflect government ownership of the System or such portion.

(G) Additional Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Resolution. Except as provided in the Resolution, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(H) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions described in Section (B) above shall not apply, provided that the issuance of such Additional Bonds shall result in a reduction of the aggregate debt service. The conditions described in Section (B) above shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions described in this paragraph.

See APPENDIX B attached hereto for more information about amendments to the Resolution as it relates to the issuance of Additional Bonds.

**Subordinated Indebtedness**

The County will not issue any other obligations, except under the conditions and in the manner provided in the Resolution, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The County may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by the Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the County to issue Subordinated Indebtedness. The County shall have the right to covenant with holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued under the provisions of the Resolution. The County agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

**Operation and Maintenance**

The County has covenanted in the Resolution to maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The County may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

**Annual Budget**

The County has covenanted in the Resolution to annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditure for Operating Expenses shall be made in any Fiscal Year in excess of the aggregate amount provided for Operating Expenses in the Annual Budget until the Governing Body shall have approved such finding and recommendation by resolution or ordinance.

If for any reason the County shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year, if it be approved by the Consulting Engineers or Rate Consultant, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The County shall mail copies of or make available such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased Operating Expenses to any Credit Bank or Insurer of Bonds who shall file its address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to it and shall make available all such Annual Budgets and resolutions and ordinances authorizing increased expenditures for Operating Expenses of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

**Books and Records**

The County has covenanted in the Resolution to keep books, records and accounts of the revenues and operations of the System, which shall be kept separate and apart from all other books, records and accounts of the County, and the Holders of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the County relating thereto.

**Annual Audit**

The County has covenanted in the Resolution, immediately after the close of each Fiscal Year, to cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Each Annual Audit is required to be in conformity with generally accepted accounting principles as applied to governmental entities.

**No Mortgage or Sale of the System**

The County has irrevocably covenanted, bound and obligated itself in the Resolution not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as described below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Resolution.

The foregoing covenant notwithstanding, the County shall have and reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, (C) such property is not profitable in the operation of the System, or (D) in the case of a lease of such property, such lease will be advantageous to the System and will not materially adversely affect the security for the Bondholders.

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of five percent (5%) of the market value of the gross plant of the System, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property described in the paragraph above have been met; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of five percent (5%) of the market value of the gross plant of the System, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property described in the paragraph above have been met, (b) the Governing Body shall, by resolution, duly adopt, approve and concur in the finding of an Authorized Issuer Officer and the Consulting Engineers, and (c) the County shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds) or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

Except as otherwise required under applicable provisions of the Code, the proceeds from any such sale or other disposition shall be deposited, first, into the Renewal and Replacement Fund to the extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and, second, into the Utility Reserve Fund. Proceeds from any lease of assets of the System shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for the purpose of owning, operating or controlling the System and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of Federal income taxation (other than obligations similar to Taxable Bonds or Federal Subsidy Bonds), shall not be deemed prohibited by the Resolution and such successor board or authority shall fall within the definition of "Issuer" under the Resolution.

Notwithstanding the foregoing, the County shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of as described above.

The County may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the Consulting Engineers, as evidenced by a certificate to that effect filed with the County, impede or restrict the operation by the County of the System, but any payments to the County under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

**Insurance**

The County has agreed in the Resolution to carry such insurance as is ordinarily carried by private or public entities owning and operating utilities similar to the System with a reputable insurance carrier or carriers, in such amounts as the County shall determine to be sufficient and such other insurance against loss or damage by fire, explosion, hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers or an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System, shall recommend or approve as sufficient.

The County may establish certain levels of insurance for which the County may self-insure. Such levels of insurance shall be in amounts as recommended by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

The proceeds from property loss and casualty insurance shall be deposited in the Renewal and Replacement Fund or other appropriate fund or account, and, together with other available funds of the County, shall be used to repair or replace the damaged portion of the System; provided, however, if the County makes a determination in accordance with the Resolution that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed $500,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in the Resolution, provided the County has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Outstanding Bonds for purposes of federal income taxation (other than Taxable Bonds) and will not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds, or (2) if such proceeds are less than $500,000, be deposited in the Revenue Fund.

**No Free Service**

The County has agreed in the Resolution not to render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; provided, however, the foregoing shall not be construed to prevent the County from establishing various classes of users based on any factors deemed necessary or desirable by the County. Different rates may be established for different classes. Whenever the County, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the County and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the County shall transfer from its general funds to the Revenue Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System. Notwithstanding the foregoing, the establishment by the County of repayment plans or deferrals of payments for users of services of the System shall not be considered a violation of the Resolution.

**No Impairment of Rights**

The County has agreed in the Resolution not to enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds in any material respect and will not permit the operation of any competing water or sewer service facilities in the County; provided, however, the County reserved the right in the Resolution to permit the ownership and operation of water or sewer service facilities or both by itself or by others in any territory which is not in any service area now or hereafter served by the System.

**Compulsory Connections**

In order better to secure the prompt payment of principal and interest on the Bonds, as well as for the purpose of protecting the health and welfare of the inhabitants of the County, and acting under authority of the general laws of the State, the County, to the extent permitted by law, will require, where service by the System is available, the owner of every lot or parcel of land within the jurisdiction of the County to connect to the water and/or sewer facilities of the System. The County may establish reasonable rules and regulations regarding such connections and may provide for reasonable exemptions from such connection policy.

**Enforcement of Charges**

The County has agreed in the Resolution to compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the County having to do with sewer and water connections and charges, and all of the rights and remedies permitted the County under law, including the requirement for the making of a reasonable deposit by each user, the requirement for lawful disconnection of services for all premises delinquent in the payment of any duly invoiced bill, and the securing of injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges. Notwithstanding the foregoing, the County may suspend or modify its enforcement policies or procedures during any state of emergency declared by a federal, State or local government entity without being in violation of the Resolution.

**Unit Bills**

In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the County has agreed in the Resolution to submit to the owner or occupant of such lot a single bill for both water and sewer service and shall, except under extraordinary circumstances, refuse to accept payment for either the water charge alone or sewer charge alone without payment of the other.

**Collection of Connection Fees**

The County has agreed in the Resolution to proceed diligently to perform legally and effectively all steps required in the collection of the Connection Fees, if and only to the extent such Connection Fees are levied by the County. Upon the due date of any such Connection Fees, the County shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law. NOTWITHSTANDING ANYTHING DESCRIBED HEREIN TO THE CONTRARY, THE COUNTY MAY WAIVE THE LEVY OR COLLECTION OF A CONNECTION FEE PROVIDED SUCH WAIVER IS IN ACCORDANCE WITH APPLICABLE LAW.

**No Competing Systems**

To the extent permitted by law, the County has agreed in the Resolution that it will not hereafter grant, or cause, consent to, or allow the granting of, any franchise or permit to any Person for the furnishing of water or sewer services within the jurisdiction of the County if such franchise or permit will have a material adverse effect on the County's ability to meet its obligations under the Resolution.

**Consulting Engineers**

The County has agreed in the Resolution to engage Consulting Engineers from time to time, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under the Resolution, and also to review the construction and operation of the System, to make an inspection of the System at least once every three years, and to submit to the County a report with recommendations as to the proper maintenance, repair and operation of the System, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. The Consulting Engineers shall, from time to time, recommend the amount of the Renewal and Replacement Fund Requirement. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the County for inspection by Bondholders, if such inspection is requested.

**Amendments Without Bondholder Consent**

Subject to the terms and provisions contained in the Resolution, under certain circumstances described in the Resolution, the County may make amendments to the Resolution without Bondholder consent. See "APPENDIX B – Composite of the Resolution" attached hereto.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2026 Bonds are expected to be applied as follows:

| | Total |
|---|---|
| SOURCES: | |
| Principal Amount | $ |
| [Plus/Less] [Net] Original Issue [Premium/Discount] | $ |
| Other Legally Available Monies | $ |
| TOTAL SOURCES | $ |
| USES: | |
| Deposit to Series 2026 Account | $ |
| Costs of Issuance(1) | $ |
| TOTAL USES | $ |

(1) Includes underwriting discount, municipal advisory, and legal fees and expenses, and rating agency fees.

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**DEBT SERVICE SCHEDULE**

The following table sets forth the Annual Debt Service schedule for the Series 2026 Bonds.

| Bond Year Ending June 1 | Series 2026 Bonds Principal | Interest | Annual Debt Service | Outstanding Parity Bonds Annual Debt Service | Combined Annual Debt Service |
|---|---|---|---|---|---|
| 2027 | | | | $5,938,465.56 | |
| 2028 | | | | 5,937,548.16 | |
| 2029 | | | | 5,931,046.56 | |
| 2030 | | | | 5,932,073.86 | |
| 2031 | | | | 5,934,299.76 | |
| 2032 | | | | 5,936,159.26 | |
| 2033 | | | | 4,539,610.30 | |
| 2034 | | | | 4,550,429.96 | |
| 2035 | | | | 2,299,450.00 | |
| 2036 | | | | 2,300,250.00 | |
| 2037 | | | | 999,100.00 | |
| 2038 | | | | | |
| 2039 | | | | | |
| 2040 | | | | | |
| 2041 | | | | | |
| 2042 | | | | | |
| 2043 | | | | | |
| 2044 | | | | | |
| 2045 | | | | | |
| 2046 | | | | | |
| 2047 | | | | | |
| 2048 | | | | | |
| 2049 | | | | | |
| 2050 | | | | | |
| 2051 | | | | | |
| 2052 | | | | | |
| 2053 | | | | | |
| 2054 | | | | | |
| 2055 | | | | | |
| 2056 | | | | | |
| 2057 | | | | | |
| TOTAL | | | | $50,298,433.42 | |

## THE SYSTEM

### Overview of the System

The System provides water and wastewater service within a service area that generally includes the entire unincorporated area of the County with the exception of certain portions of the central part of the County currently served by the City of Brooksville, Florida (the "City") and any other privately-owned utility systems that are located within the County. The County entered into an interlocal agreement with the City on August 5, 2002, which gave the City the first right of refusal to provide water and/or wastewater services to some parts of the unincorporated area of the County within five (5) miles of the City limits as allowed under Florida law. The majority of customers served by the System are single family and multi-family residential customers. Water and wastewater services are also provided to commercial customers of which only a small percentage would be classified as large users for billing purposes.

Currently, the System provides potable water service to approximately 77% of the County's population and wastewater service to approximately 39% of the County's population. Approximately $21.2 million of wastewater, reclamation and water main improvements were made during the Fiscal Year ended September 30, 2025.

As of September 30, 2025, the System provided utility service to 68,641 active water accounts and 34,721 active wastewater accounts. Of the water customers, approximately 96.5% are residential and 3.5% are commercial. Of the wastewater customers, approximately 95.4% are residential and 4.5% are commercial. The following table shows the recent historical growth of the System's customer base.

**Historic Growth of System Customers**

| As of | Number of Active Accounts | |
|---|---|---|
| September 30 | Water | Sewer |
| 2020 | 63,018 | 30,606 |
| 2021 | 63,910 | 31,415 |
| 2022 | 65,643 | 32,351 |
| 2023 | 66,136 | 32,648 |
| 2024 | 68,150 | 34,034 |
| 2025 | 69,665 | 34,604 |
| Average Annual Compound Growth Rate | 2.12% | 2.63% |

Source: Hernando County Utilities Department

The System's current customer base growth is derived primarily from new developments constructed within the service area of the System. The abandonment of older on-site septic systems and failed private wells also contributed to a portion of the growth (with more emphasis on the removal of the on-site septic systems). In the future, it is expected by the County that the extension of water and wastewater service to existing developed properties will continue to promote the regionalization of utility service, provide an improved ability to meet ongoing regulations, and improve environmental conditions within the County for the benefit of its residents. As can be seen above, the County’s water customer base had an average annual increase of approximately 2.12% between Fiscal Years 2020 and 2025 and the County’s wastewater had an annual increase of approximately 2.63% during the same time period (most new development receives both water and wastewater service). Florida law requires all properties within the utility service area of the System to connect to the wastewater system as sewer facilities become available. In accordance with Florida law, a property owner utilizing a septic system that can be reasonably connected to a wastewater system must connect to such system within one year of being notified of the availability of the wastewater facilities. The extension of water and wastewater service is expected to be funded from FDEP Grants, Southwest Florida Water Management District ("SWFWMD") grants, Connection Fees, and revenues of HCUD.

The County's water conservation program has continued to promote the efficient use of water for over eighteen years. In this time, the County's amount of water-per person per day has declined from a high per capita use of 186 gallons per person per day to 124 gallons per person per day. The withdrawal of water to serve the County's potable water customers is regulated by the SWFWMD. As part of the County's Water Use Permits (WUP) which are issued by the SWFWMD as part of the regulatory process, a water conservation program is mandatory. Among other things, the WUP rules of the SWFWMD state that WUP holders in the northern region of the SWFWMD (Hernando, Citrus, Sumter, Levy and Marion Counties) must maintain gallon per capita per day water use no higher than 150 gpd. For nearly 15 years, the County has met that threshold.

The County has implemented and maintained a comprehensive utility master planning effort for its utility infrastructure systems. The master plans consist of a comprehensive review of the needs of the respective utility systems and typically encompass a twenty-year planning horizon. The most recent Reclaimed Water Master Plan, which was funded by the SWFWMD, was completed in 2018. On December 18, 2018, Ordinance 28-560 was revised to include master plan updates. The County completed an update of our Water and Wastewater Master plans on September 2021 and July 2021, respectively. The Water Master Plan was further updated in October 2025 via a Technical Memorandum. As part of the water and wastewater master planning process, hydraulic models have been developed for both water and wastewater systems to allow the County to continually evaluate the ability to serve the water and wastewater demands throughout the utility service area of the County. Future Capital Improvement and Renewal and Replacement projects as identified in the strategic master planning process will be prioritized and included in the development of the next Capital Improvement Program and the development of projected rates for utility service. Operation and Maintenance needs are also identified over the 20-year planning horizon of the master plans.

**Organizational Structure of the System**

The County began operating its water and wastewater systems in 1968. The County originally created the Hernando County Water and Sewer District (the "District"), a dependent district of the County, to own, manage and administer, and operate the System. The members of the Board serve as the District's governing body and approve the annual budget of the District. The District is operated as an enterprise fund of the Board. Following the acquisition of the Spring Hill Utility System in 2004, the County transferred title of the Spring Hill Utility System to the District.

Pursuant to Chapter 28 of the Hernando County Code of Ordinances, as amended (the "Hernando Code"), the County, on behalf of the District, operates, maintains, manages, extends and improves the System. The County is authorized to incur debt from time to time, to finance or refinance improvements or expansions to the System, or for any other purpose related thereto, which obligations may be secured by a pledge of and/or lien on Pledged Funds, or any portion thereof. The County, on behalf of the District, is permitted to make such covenants and agreements relating to such debt as it deems appropriate, including but not limited to covenants relating to operation, maintenance, sale and disposal of the System, establishment of rates, fees, and charges for the services and products of the System and covenants relating to the use and disposition of the Pledged Funds. For all purposes of the Resolution, the Pledged Funds are considered property owned by the County. The District is not permitted to take action that will contravene, conflict with or adversely affect any provision in the Resolution. The District is required to take all actions requested by the County relating to enforcement of the provisions of the Resolution. The holders of the Bonds are third party beneficiaries to the provisions of this paragraph in the Hernando Code. The provisions of the Resolution, and/or the nature and composition of the governing body of the District, as established in Hernando County Ordinance 80-4, as amended and supplemented, may not be modified or amended in any manner which materially, adversely affects the security of the holders of the Bonds without the approval of a majority in aggregate principal amount of the affected holders. The County has the unobstructed right to all Pledged Funds collected in its capacity as governing body of the District. In addition, the County may delegate to the District various functions related to the operation of the System, subject to the provisions of the Resolution.

The System is managed and operated by the Hernando County Utilities Department ("HCUD"). The HCUD currently has 143 full-time positions, not including administrative support from other County departments. Biographical information on HCUD's key management staff follows:

**Brad Smith i**s the Utilities Director for the HCUD. His duties include complete oversight of all aspects of the water and wastewater utility, including operations, engineering, solid waste, customer service, finance, and water resources. Over the past 23 years, he has built a strong career in the HCUD various field, starting as a meter reader and working his way up through multiple promotional positions across the operations areas of the department. Mr. Smith has worked in the Engineering department since 2006 and has overseen the entire W&S departments CIP. Mr. Smith currently holds a Distribution Class 2 and a Collections Class C licenses. In 2026, he accepted the position of his current role as the Director of Utilities.

**Grace Sheppard** is the Utilities Chief Financial Officer for the Water and Sewer Enterprise Fund. She performs managerial work and is responsible for the coordination and direction of the Utilities Water and Sewer Finance Section, with particular emphasis on maintaining effective control of the budgeting and accounting functions for water and wastewater operations, capital projects, property management and HCUD debt. Ms. Sheppard came to the HCUD in 2006 bringing 17 years of accounting and finance experience, having previously worked for Coram Healthcare, Tampa, Florida, Largo Medical Center, Largo, Florida, and Community Hospital of New Port Richey, Florida. She holds a Bachelor of Science in Accounting and a Master in Business Administration with a concentration in Accounting, and also has a Fifth Year Advanced Study Certificate in Accounting, all from University of Tampa (Tampa College).

**Ricky Leach** is the Operations Manager for Water and Sewer Operations. He is responsible for management of planning, operations, administration, supervision, and training of personnel in the water and wastewater operations branches. In this position, Mr. Leach ensures that water and wastewater facilities and systems are operated and maintained efficiently, in accordance with federal, state, and local standards and regulations, and in a manner that protects and preserves the environment and public health. Mr. Leach began his career within the private sector of water and wastewater utilities in 1981. His tenure with HCUD began in 2003 with the purchase of Florida Water Services' Spring Hill utilities. He started as a Project Specialist and was promoted to Construction Manager and presently as Operations Manager. Mr. Leach holds an FDEP Class "A" license in both water and wastewater operations.

**Melissa Cosme** is the Utilities Business Manager for HCUD. She is responsible for overseeing personnel and operations related to customer service (both in-person and call center), billing, and meter reading divisions. Her duties include planning, training, coordination, and the development and implementation of procedures, processes, and policies related to the administration of water and wastewater ordinances and resolutions. She also oversees billing and payment collections for residential and commercial accounts, as well as activities related to meter reading and service work order requests. She holds a Bachelor's degree in Organizational Administration from Pasco-Hernando State College. Mrs. Cosme began her career with HCUD in July 2024 and brings over 21 years of prior experience with the City of Brooksville.

**Alys Brockway** is the Water Resource Manager for the HCUD. She holds a Bachelor of Science degree from Kansas State University and has been working with water and wastewater issues for nearly 30 years. Her responsibilities include implementation of Hernando County Utilities Water Conservation Program required by the State through the County Water Use Permit issued by SWFWMD. This includes public education and outreach. Brockway is responsible for HCUD's Public Supply Annual Report, a requirement of the County's Consolidated Water Use Permit. Much of her work emphasis springs protection efforts.

**The Water System**

The water system includes water supply, treatment, transmission and distribution facilities. It is made up of two regions, east and west, and four stand-alone systems. Each of the east and west systems is made up of multiple dedicated water treatment plants ("WTP"). These systems are bisected by the City. As of September 30, 2025, water service was provided to 69,665 active accounts. HCUD has 57 permitted wells, of which 49 are active permitted wells pumping water to the system. Three wells (two at the Wiscon Facility and one at Killian WTP) are drilled and permitted but not pumping water into the system at this time. Five other wells are permitted; however, these are not drilled and in the process of being designed and drilled. Each WTP is served by its own well or wells. The total design capacity of the 49 wells providing water to the public is 43.564 million gallons per day (MGD) and the combined annual daily average flow of the finished water produced for delivery to the water system for Fiscal Year ended September 30, 2025, was 22.552 MGD. There are approximately 1,100 miles of water pipeline in the distribution system.

**Water Source and Supply Facilities**

*Description of Facilities*

As stated above, HCUD operates 49 water supply wells with design capacity of 43.564 MGD. The wells range in depth from 110 to 602 feet below ground surface. Permitted withdrawals are 24.360 MGD for annual average daily flow and 31.912 MGD for peak day. The 22.552 MGD average daily flow listed above, represents 93% of the permitted average daily flow capacity.

In 2010, the County adopted and has maintained a permanent one day per week water irrigation schedule for all sources of water use (County, City, municipal services, private wells, lakes, rivers, streams, and/or ponds). This has been the driving force of the County's ability to maintain the per capita and pumping regulations required within the current WUP #20.005789.013 permitted capacity.

The water source for the County is from the Upper Floridan Aquifer ("UFA"). SWFWMD authorizes the use of groundwater from the UFA by the County pursuant to their Consolidated Water Use Permit #20.005789.013. On December 12, 2023, Consolidated WUP #20.005789.013 was issued, which encompassed all HCUD water systems into one water use permit which is valid until December 12, 2040. It is anticipated that the County will not experience any difficulty with respect to the renewal of WUP #20.005789.013 at consumption levels reflected in the current permit.

Through implementation of public education, irrigation restrictions and the use of water conserving fixtures, the per capita water usage has declined significantly in recent years. It is anticipated that the current permitted capacity of 23.299 MGD should meet the projected demands through at least 2034.

*Water Supply Quality Issues*

The groundwater quality in the County is generally very good. The groundwater supply requires only disinfection to meet the requirements of State and federal law relating to potable drinking water. HCUD continues to monitor 10 wells along the western side of the County to check for evidence of salt water intrusion. These results are reported to the SWFWMD.

**Water Treatment Plants**

*General Description of Water Treatment Plants*

The County has 23 water treatment plants providing public water supply. Each water treatment plant is supplied by one or more groundwater wells. Disinfection is accomplished with liquid sodium hypochlorite only. Each water treatment plant has high service pumping facilities designed to meet peak demands. Emergency power generators have been installed at each water treatment plant per FDEP requirements. The following table presents the recent historical water flows from the County's water treatment plants:

**Historic Water Consumption Flows**

| Fiscal Year Ended September 30 | Average Daily Flow (MGD) | Peak Day Flow (MGD) |
|---|---|---|
| 2016 | 17.707 | 24.664 |
| 2017 | 18.766 | 27.684 |
| 2018 | 18.306 | 26.074 |
| 2019 | 18.832 | 26.68 |
| 2020 | 19.505 | 26.695 |
| 2021 | 19.867 | 31.118 |
| 2022 | 20.435 | 27.078 |
| 2023 | 21.598 | 29.468 |
| 2024 | 21.627 | 31.061 |
| 2025 | 22.552 | 30.500 |

Source: Hernando County Utilities Department

To augment the water supply during peak demand periods for water, the System has 16 storage facilities and booster pumping stations providing a total storage capacity of 21.6 million gallons ("MG").

*Capacity*

The treatment capacities of the County's water treatment plants are not currently identified in the FDEP permits. Because the source water is of high quality, the treatment process at each water plant consists only of chlorination for disinfection; therefore, treatment capacities are limited only by the chemical feed equipment. Since this equipment is typically adequately sized for the required dosage rates of the System's water treatment plants, the actual production capacity of the System's water treatment facilities is limited only by the wells or high service pumps.

**Water Transmission and Distribution Facilities**

There are approximately 1,100 miles of pipeline in the County's water transmission and distribution system. The pipe ranges from 2 inches to 24 inches in diameter. Most of the piping is polyvinyl chloride (PVC), but some of the larger pipelines are ductile iron. Water transmission pipelines typically have isolation valves spaced at approximately 1,000 foot intervals to permit isolation of the water system for repair and maintenance without shutting down the individual system. The System includes a pressure regulating valves and blow-off at dead-ends.

The HCUD meets the requirements of the FDEP for emergency back-up power generation at all water plants and pumping stations. In addition, the water system has an emergency interconnect with the City for the Royal Oaks water system, which is a County-owned one-well system located north of and adjacent to the City.

**Regulatory Compliance in Water System**

*Withdrawal Quantity*

SWFWMD administers the consumptive use of quantities of ground or surface water through its water use permitting system. The Florida Statues (Chapters 120 and 373) and Florida Administrative Code (Chapters 40D-1 and 40D-2) prescribe those rules. In Florida, groundwater is deemed to be a natural resource of the State. Permits are based on several factors, including (1) the water use being beneficial and reasonable, (2) water usage being in the public interest, and (3) usage not interfering with any other permit users. Presently, wells that supply source groundwater to the System are properly permitted through SWFWMD, and Consolidated Water Use Permit #5789 is current and approved. Actual withdrawals have not exceeded current permitted amounts.

*Treatment Requirements*

The United States Environmental Protection Agency ("EPA") and the FDEP regulate the quality of the System's water. FDEP is the public water system ("PWS") permitting authority for the System. The water system was constructed and is operated under multiple current FDEP PWS permits.

The County performs periodic sampling and submits monthly operating reports to FDEP as required by these permits. The water system operates in substantial compliance with treatment requirements contained in its permits.

*PFAS*

The County Utilities Department is taking steps to comply with newly established maximum contaminant levels (MCLs) set by the EPA for per- and polyfluoroalkyl substances ("PFAS") in drinking water, specifically targeting PFOA and PFOS at a threshold of 4.0 parts per trillion. PFAS, sometimes called "forever chemicals", are a series of man-made chemical compounds that persist in the environment for long periods of time and pose a risk to human health when consumed.

Under the EPA's National Primary Drinking Water Regulation for PFAS, public water systems are required to take corrective measures if PFAS concentrations in drinking water surpass established limits. These systems have a three-year window to complete initial testing for PFAS compounds. Monitoring results must also be reported in the Annual Water Quality Reports provided to customers. If PFAS levels exceed the new standards, water systems will have five years to implement treatment solutions to lower those levels.

Additionally, they are obligated to inform the public whenever regulated PFAS concentrations exceed allowable thresholds. Recent sampling within the System's well network has identified PFAS and PFOA concentrations exceeding the EPA's MCL of 4.0 ppt. The HCUD aims to evaluate whether alternative operational strategies can effectively reduce these levels to achieve regulatory compliance, and if not, to identify the necessary actions required to meet EPA standards. HCUD will conduct a desktop analysis to analyze existing PFAS concentrations in the System's drinking water sources and propose alternative strategies to ensure the system meets PFAS regulatory requirements. Analysis to include the following elements:

- Evaluate existing PFAS data for obvious trends (e.g. geographic areas, well conditions, etc. that may be correlated to higher PFAS concentrations)
- Identify operational strategies to achieve compliance with the PFAS regulations (e.g. decommissioning or limiting operational runtime of select wells)
- Identify treatment requirements if necessary, where operational strategies are insufficient to meet regulatory requirements and propose associated projects for CIP budget.
- In the event treatment needs are identified, preliminary process recommendation will be made based on desktop assumptions and modeling (e.g. Hazen's PFAS Machine Learning Model).

The HCUD is also in phase 2 for a class action lawsuit to have cost associated with PFAS reimbursed.

**Wastewater System**

The wastewater system includes collection, transmission, treatment, and effluent disposal facilities that as of September 30, 2025, provided service to approximately 34,604 wastewater customers. System facilities consist of three water reclamation facilities and one wastewater treatment plant ("WWTP") and over 527 miles of collection and transmission gravity and force mains. The facilities have a combined design capacity of 9.900 MGD. The primary methods of effluent disposal are either through percolation ponds/rapid infiltration basins or the reclaimed water system.

The WWTP operates under a current FDEP permit. No wastewater system discharges directly to surface waters therefore there is no requirement for obtaining National Pollution Discharge Elimination Service permits.

**Wastewater Collection and Transmission Facilities**

The wastewater collection and transmission system collect sewage produced by residential and commercial customers and transports the flow to the WWTPs for treatment. The collection and transmission system includes gravity sewer piping, manholes, wastewater pumping stations, and force mains. Approximately 95% of wastewater piping is PVC with the remainder consisting of ductile iron piping. Wastewater transmission force mains typically have isolation valves spaced at approximately 1,000 foot intervals to facilitate maintenance. The wastewater collection and transmission systems have been in service for approximately 47 years coincident with the development of the County. The systems consist of more than 490 miles of gravity sewer and sewage force mains ranging in size from 4 inches to 20 inches in diameter. The gravity sewer system includes manholes for maintenance and operational access. Typical manhole size in the collection system is 4 feet in diameter. Manholes range in depth from 3 to 28 feet, with the average depth being approximately 7 feet.

In addition, the wastewater system has 329 sewage pump stations, with the majority of the stations equipped with external generator receptacles to receive power from a portable generator in case of power failure. There are 52 major pump stations which have stationary, automatic generators for emergency power. Smaller pumping stations are typically equipped with 2-3 submersible pumps ranging in size from 1 to 30 horsepower.

Revinu, Inc. was awarded a 24-month contract which expires March 2027, for the removal, transportation and disposal on an as-needed basis of bio-solids generated at the County's WWTPs. The County is in the process of rebidding for a new contract and expects to have a new contract prior to the expiration date of March, 2027.

**Wastewater Treatment Plants**

*Description of Facilities*

Three WWTPs make up the current treatment and disposal capacity of the County wastewater system and include the Airport WRF, and Glen WRF on the west side of the County, and Ridge Manor WWTF on the east side. These WWTP's use screening, aerobic and anaerobic biological processes, and chlorine disinfection.

HCUD has been working to regionalize wastewater treatment within its utility service area. Several smaller WWTP's have been removed from service and their flows diverted to regional facilities. The retired WWTP's include Berkley Manor, Brookridge, Spring Hill, Weeki Wachee and Hernando Beach.

The Airport WRF phase 3 expansion is completed and has increased the treatment capacity from 3.5 MGD to 6 MGD.

All WWTP’s have percolation ponds used to recharge the aquifer with treated wastewater. HCUD provides reclaimed water for golf course irrigation to one customer, Timber Pines.

HCUD has upgraded the Airport WRF and is upgrading the Glen WRF’s to include advanced level nitrogen removal (3 mg/l) to comply with the state’s Weeki Wachee Basin Management Action Plan. The State has determined the Weeki Wachee Springs and River are impaired by excess nitrogen and has mandated reduction in nitrogen discharged to groundwater.

The average day wastewater flow treated in the HCUD system for Fiscal Year 2025 was 5.088 MGD. The Fiscal Year 2026 wastewater flows are currently 5.122 MGD to the current date of June 2026. The treatment capacity of the Wastewater System is expected to be adequate through the 20-year planning horizon of the wastewater master plan. The wastewater flow demands as contained in the master plan predicts the Ridge Manor WWTP will reach capacity and need to be expanded by 2036. The plan also suggests that the Glen WRF may reach capacity and will need to be expanded prior to 2034.

The following table sets forth the historical wastewater treatment flows from the WWTPs:

**Historic Wastewater Treatment Plant Flows**

| Fiscal Year Ended September 30 | Average Daily Flow (MGD) |
|---|---|
| 2016 | 4.470 |
| 2017 | 4.802 |
| 2018 | 4.546 |
| 2019 | 4.645 |
| 2020 | 4.453 |
| 2021 | 4.586 |
| 2022 | 4.578 |
| 2023 | 4.693 |
| 2024 | 4.947 |
| 2025 | 5.088 |

Source: Hernando County Utilities Department

*Condition/Performance/Capacity*

Overall, the WWTPs which are not scheduled for decommission are well operated and maintained, and the facilities are in good overall condition. It is anticipated that all WWTPs in the System have sufficient capacity to treat current and short-term future flows taking into account the County's capital improvement program. See "- Capital Improvement Program and Funding Sources" below.

**Regulatory Compliance in Wastewater System**

The EPA and FDEP regulate the operation of wastewater treatment facilities in Florida. Regulations primarily involve the quality of effluent discharge from the WWTPs, the disposal of wastewater solids generated at the WWTPs, the discharge of pollutants into the groundwater, and the nature of material discharged into the collection facilities. FDEP is the permitting authority for these facilities. The WWTPs are properly permitted and do not have a history of permit violations. The System is not facing or expecting any EPA or FDEP mandated schedules for elimination of discharges, or any sewage related administrative orders or consent decree decisions. The System is currently operating in substantial compliance with state and federal regulations relating to its wastewater treatment facilities and processes.

**Capital Improvement Program and Funding Sources**

The County estimates that it will make improvements to the System in the Fiscal Year ending September 30, 2026 through and including the Fiscal Year ending September 30, 2025 (the "Forecast Period) of approximately $106 million. Improvements are anticipated to include expansion of water supply, treatment, and distribution facilities; wastewater collection, treatment and disposal facilities; and replacement/rehabilitation of aging infrastructure.

It is the County's goal to remain flexible enough in its capital planning to allow changes in projects to accommodate extraordinary growth patterns and changing needs identified in the water and sewer master plans. If any additional projects are identified as a result of current studies underway, the County anticipates utilizing existing and future reserve balances to fund such unidentified improvements. The County expects to pay for the expenses of the Capital Improvement Program from revenues of the System (including without limitation Connection Fees and amounts on deposit in the Renewal and Replacement Fund), SWFWMD grants and reserves, all as further described below. The County does not expect to issue any Additional Bonds or Subordinated Indebtedness during the Forecast Period to fund the Capital Improvement Program. A summary of the Capital Improvement Program by major type of utility function and need is summarized below:

**[TO BE UPDATED]**

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**Five-Year Capital Improvements Program and Funding Sources for**

**Five-Year Capital Improvements Program**

| | Fiscal Year Ending September 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **Total** |
| Capital Projects (Expenditures)(1): | | | | | | | |
| Water System(1) | $28,815.47 | $8,944.68 | $23,352.71 | $31,720.42 | $3,749.31 | $8,230.66 | $104,813.25 |
| Wastewater System(1)(2) | 72,066.38 | 100,179.92 | 32,228.04 | 5,321.85 | 5,737.62 | 7,601.19 | 223,135.00 |
| Department Capital(1)(3) | 1,458.50 | 1,509.55 | 1,562.38 | 1,617.06 | 1,673.66 | 1,732.24 | $9,553.39 |
| Total System Capital Projects(1) | $102,340.55 | $110,634.15 | $57,143.13 | $38,659.33 | $11,160.59 | $17,564.10 | $337,501.64 |
| | | | | | | | |
| Funding Sources: | | | | | | | |
| Rate Revenues/Annual Operations | $1,458,499 | $1,509,547 | $1,562,381 | $1,617,065 | $1,673,661 | $1,732,240 | $9,553,393 |
| Revenue Fund | 4,563,075 | - | - | - | 5,737,615 | - | 10,300,690 |
| Connection Fee Fund | 11,986,579 | 310,500 | 3,213,675 | 1,330,462 | - | 15,202,384 | 32,043,600 |
| Capital Fund | 51,762,169 | 15,406,182 | 3,877,836 | 3,337,241 | 2,891,758 | 629,474 | 77,904,660 |
| American Rescue Plan Act | 6,595,224 | - | - | - | - | - | 6,595,224 |
| Grants and Other Contributions | 13,375,215 | 19,884,406 | 5,547,365 | - | - | - | 38,806,986 |
| Renewal and Replacement Fund | 3,360,591 | 3,958,513 | 321,368 | 4,656,615 | - | - | 12,2997,087 |
| Series 2026 Bonds | 9,239,000 | 69,565,000 | 21,196,000 | - | - | - | 100,000,000 |
| Series 2028 Bonds | - | - | 21,424,500 | 27,717,947 | 857,553 | - | 50,000,000 |
| Total Funding Sources | $102,340,352 | $110,634,148 | $57,143,125 | $38,659,330 | $11,160,587 | $17,564,098 | $337,501,640 |

(1) Amounts shown in thousands.

(2) Amount shown for the Wastewater System – capital improvement plan includes the recognition of the 2026 Project as discussed in the Financial Feasibility Report with funds being expended over a multi-year period.

(3) Amounts shown are not considered by the District as a component of the System capital improvement plan; amounts do represent capital expenditures that are funded annually from operations (Rate Revenues) such as equipment and vehicles and are a classified as capital expenditure for financial reporting purposes.

Source: Financial Feasibility Report attached hereto as APPENDIX D.

**Renewal and Replacement Fund Summary**

Pursuant to the terms and conditions of the Resolution, the County must establish and maintain a Renewal and Replacement Fund. With respect to the Renewal and Replacement Fund, such amounts shall be used by the County for the purpose of paying the costs of major repairs, extensions, improvements or additions to, or the replacement or renewal of capital assets, of the System, or extraordinary repairs to the System. The required annual deposit to such fund equals the amount necessary to maintain the Renewal and Replacement Fund Requirement as described below. No deposit to such Fund is required if the amount on deposit is equal to (i) 5% of the Gross Revenues received in the immediately preceding Fiscal Year; or (ii) or such greater or lesser amount as determined and certified by the County's Consulting Engineers as an amount appropriate for the purposes of the Resolution (the "Renewal and Replacement Fund Requirement"). Typically, the County annually funds a deposit to the Renewal and Replacement Fund in order to accrue moneys for capital asset replacement and betterment even though there currently exists funds sufficient to meet the Renewal and Replacement Fund Requirement. The County expects to annually transfer approximately 15% of the current year's sales revenues from rates to continue accruing funds for future facility replacement and betterment and to minimize the use of debt financing for capital projects. The amount is greater than the minimum funding requirements of the Resolution. This amount is funded annually from utility rates and is expected by the County to be set aside in the Renewal and Replacement Fund for current or future projects as identified and will not be used to fund daily operating expenses of the System.

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**Ten Largest Customers**

The top ten customers of the System for the most recently completed Fiscal Year ended September 30, 2020 are listed below:

**Top Ten Utility Customers (Based on Sales Revenue)[(1)]**

| Customer | Class | Meter Size | Type of Service | System Revenue | % of Total County Sales Revenue |
|---|---|---|---|---|---|
| Oak Hill Hospital | Commercial | 6" | W/WW | $415,323 | 0.74% |
| Hernando County Jail | Commercial | 6" | W/WW | 235,927 | 0.42 |
| Oak Hill Hospital – Cooling Tower | Commercial | 2" | W | 176,652 | 0.31 |
| Hernando Correctional Institute | Commercial | 6" | W/WW | 145,480 | 0.26 |
| Boing US Holdco, Inc. | Commercial | 1.5" | W/WW | 141,229 | 0.25 |
| Bridgewater Club Apartments | Commercial | 6" | W/WW | 94,352 | 0.17 |
| Apamea Management & Leasing | Commercial | 4" | W/WW | 78,210 | 0.14 |
| Brooksville Regional Hospital | Commercial | 6" | W/WW | 72,903 | 0.13 |
| Evergreen Woods | Commercial | 4" | W/WW | 67,254 | 0.12 |
| Vitality Living Spring Hill | Commercial | 4" | W/WW | 66,908 | 0.12 |
| Hernando County School Board | Commercial | 6" | W/WW | 64,441 | 0.11 |
| | | | | $1,558,679 | 2.77% |
| Total Hernando County Sales Revenues | | | | $56,502,705 | |

(1) Based on information provided by the County; reflects amounts for the Fiscal Year ended September 30, 2025.
(2) Reflects multi-unit residential service.
Source: Hernando County Utilities Department

**Rates, Fees and Charges**

*Monthly User Charges*

Current user rates, fees and charges were established by the Board multi-year rate-phasing plan for Fiscal Years ended September 30, 2020 through 2024, in accordance with Resolution No. 2019-151 adopted by the Board on September 24, 2019 (the "Rate Resolution"). The current existing rates and future adopted rates are effective as of October 1, of each corresponding Fiscal Year.

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The current existing rates, fees and charges and the future adopted rates are shown below:

**Water System – Monthly User Rates**

| | Adopted Monthly User Rates | | | |
|---|---|---|---|---|
| | Existing Rates 2025 | FY 2026 | FY 2027 | FY 2028 |
| **Monthly Base Charge:** | | | | |
| Residential Service and Residential Irrigation Service: | | | | |
| Base Charge All Meter Sizes | $9.85 | $10.54 | $11.28 | $12.08 |
| General Service and General Service Irrigation Service: | | | | |
| Meter Size | | | | |
| 5/8" | $9.85 | $10.54 | $11.67 | $12.08 |
| 3/4" | 14.78 | 15.81 | 16.92 | 18.12 |
| 1" | 24.63 | 26.35 | 28.19 | 30.20 |
| 1-1/2" | 49.25 | 52.70 | 56.39 | 60.40 |
| 2" | 78.80 | 84.32 | 90.22 | 96.65 |
| 3" | 157.60 | 168.63 | 180.43 | 193.29 |
| 4" | 246.25 | 263.49 | 281.93 | 302.01 |
| 6" | 492.50 | 526.98 | 563.87 | 604.04 |
| 8" | 788.00 | 843.16 | 902.18 | 966.44 |
| 10" | 1,132.75 | 1,212.04 | 1,296.88 | 1,389.25 |
| 12" | 2,117.75 | 2,265.99 | 2,424.61 | 2,597.30 |
| **Consumption Charge Per 1,000 Gallons:** | | | | |
| Residential Service: | | | | |
| 0 – 5,000 Gallons | $1.75 | $1.87 | $1.94 | $2.01 |
| 5,001 – 10,000 Gallons | 2.14 | 2.29 | 2.37 | 2.45 |
| 10,001 – 20,000 Gallons | 3.42 | 3.66 | 3.79 | 3.92 |
| 20,001 – 30,000 Gallons | 5.14 | 5.50 | 5.69 | 5.89 |
| 30,001 – 50,000 Gallons | 7.38 | 7.90 | 8.18 | 8.47 |
| 50,001 – 75,000 Gallons | 10.49 | 11.22 | 11.61 | 12.02 |
| Above 75,000 Gallons | 14.45 | 15.46 | 16.00 | 16.56 |
| Residential Irrigation Service: | | | | |
| 0 – 10,000 Gallons | $2.14 | $2.29 | $2.37 | $2.45 |
| 10,001 – 20,000 Gallons | 3.42 | 3.66 | 3.79 | 3.92 |
| 20,001 – 30,000 Gallons | 5.14 | 5.50 | 5.69 | 5.89 |
| 30,001 – 50,000 Gallons | 7.38 | 7.90 | 8.18 | 8.47 |
| 50,001 – 75,000 Gallons | 10.49 | 11.22 | 11.61 | 12.02 |
| Above 75,000 Gallons | 14.45 | 15.46 | 16.00 | 16.56 |
| General Service and General Service Irrigation Service(1) | | | | |
| Tier 1 | $2.14 | $2.29 | $2.37 | $2.45 |
| Tier 2 | 3.20 | 3.66 | 3.79 | 3.92 |
| Tier 3 | 5.14 | 5.50 | 5.69 | 5.89 |
| Tier 4 | 7.38 | 7.90 | 8.18 | 8.47 |
| Tier 5 | 10.49 | 11.22 | 11.6 | 12.02 |
| Tier 6 | 14.45 | 15.46 | 16.00 | 16.56 |

**Wastewater System – Monthly User Rates**

| | Adopted Rates | | | |
|---|---|---|---|---|
| | Existing Rates 2025 | FY 2026 | FY 2027 | FY 2028 |
| **Monthly Base Charge:** | | | | |
| Residential Single-Family Service | | | | |
| Base Charge All Meter Sizes | $26.91 | $27.85 | $28.82 | $29.83 |
| Commercial and Residential Multi-Family Service: | | | | |
| Base Charge by Meter Size | | | | |
| 5/8" | $26.91 | $27.85 | $28.82 | $29.83 |
| 3/4" | 40.37 | 41.78 | 43.24 | 44.75 |
| 1" | 67.28 | 69.63 | 72.07 | 74.59 |
| 1-1/2" | 134.55 | 139.26 | 144.13 | 149.17 |
| 2" | 215.28 | 222.81 | 230.61 | 238.68 |
| 3" | 430.56 | 445.63 | 461.23 | 477.37 |
| 4" | 672.75 | 696.30 | 720.67 | 745.89 |
| 6" | 1,345.50 | 1,392.59 | 1,441.33 | 1,491.78 |
| 8" | 2,152.80 | 2,228.15 | 2,306.14 | 2,386.85 |
| 10" | 3,094.65 | 3,202.96 | 3,315.06 | 3,431.09 |
| 12" | 5,785.65 | 5,988.15 | 6,197.74 | 6,414.66 |
| **Consumption Charge (per 1,000 Gallons of Metered Water):** | | | | |
| Residential Service and General Service(2) | $6.22 | $6.44 | $6.67 | $6.90 |

(1) The application of the Water Usage Charges by water tier for the General Service customer classes vary by meter size and shall be applied in accordance with the Rate Resolution. Only the General Service Irrigation use the Tier 6 class.

(2) Wastewater Residential Service Consumption Charges are set for 0-10,000 Gallons with no charge for over 10,000 gallons of monthly usage. Wastewater General Service Consumption Charges are set for all usage.

## Connection Fees and Other Charges

_General_

Pursuant to the Rate Resolution, the County has adopted a schedule of fees, charges and deposits that are applicable to customers requesting services. Such fees, charges and deposits are generally imposed to recover the cost of specific services such as water and wastewater taps, utility turn-on fees or a deposit to defray the risk of non-payment.

_Connection Fees_

The County currently charges a Connection Fee based upon an equitable and proportionate share of the cost for: (i) water production and transmission facilities; and (ii) wastewater transmission, treatment and effluent disposal capacity of the System. The purposes of the Connection Fees are for paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess or unused capacity of the System in order to serve new users. If an existing customer requests an increase in water or wastewater capacity due to increased development, an additional capacity facility charge will be collected prior to the development consistent with the net increase in demand. The following table summarizes the water and wastewater system Connection Fees for each respective utility customer.

| | | Connection Fees | | |
|---|---|---|---|---|
| Meter Size | ERU Meter Factor | Water | Wastewater | Total |
| 5/8-inch | 1.0 | $2,397.00 | $5,563.00 | $7,960.00 |
| 3/4-inch | 1.5 | 3,595.00 | 8,344.50 | 11,940.00 |
| 1-inch | 2.5 | 5,992.50 | 13,907.50 | 19,900.00 |
| 1-1/2-inch | 5.0 | 11,985.00 | 27,815.00 | 39,800.00 |
| 2-inch | 8.0 | 19,176.00 | 44,504.00 | 63,680.00 |
| 3-inch | 16.0 | 38,352.00 | 89,005.00 | 127,360.00 |
| 4-inch | 25.0 | 59,925.00 | 139,075.00 | 199,000.00 |
| 6-inch | 50.0 | 119,760.00 | 278,150.00 | 398,000.00 |
| 8-inch | 80.0 | 191,760.00 | 445,040.00 | 636,800.00 |
| 10-inch | 115.0 | 275,655.00 | 639,745.00 | 915,400.00 |
| 12-inch | 215.0 | 515,355.00 | 1,196,045.00 | 1,711,400.00 |

Under Florida law, impact fees such as the Connection Fees may be validly imposed against new connections in order to fund capital improvements that are needed to serve new connections or for debt service for bonds or other obligations issued for such purposes and, therefore, can be applied only to pay debt service related to bonds issued to finance expansion of the System. Such lawfully available impact fees must be placed in separate accounts and used only for the capital improvements or debt service attributable to expansion or oversizing of the System through construction or acquisition. Impact fee revenues fluctuate with the amount of new construction which occurs within the System service area. There can, therefore, be no assurances that such revenues will not decrease or be eliminated altogether in the event that new construction, for whatever reason, might decrease or cease altogether within the System service area. Furthermore, pursuant to the Rate Resolution, the County may waive the levy or collection of a Connection Fee provided such waiver is in accordance with applicable law.

*Customer Deposits*

The County will require a deposit at the time of service application by a customer in order to defray the risk of non-payment for utility services. The deposit is based on the type of service (residential or general) requested by such customer. For a standard residential customer, the deposit requirement is as follows:

| | Deposit Amount – Residential Service | | |
|---|---|---|---|
| | Water Only | Wastewater Only | Water and Wastewater |
| Residential | $60.00 | $175.00 | $235.00 |

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For the general service class, the deposit is estimated on an individual account basis, and is equivalent to two of the months of the water and wastewater charge for such account as determined by the County.

Deposit Amount – Non-Residential Commercial

| Meter Size | Water | Wastewater | Water and Wastewater |
|---|---|---|---|
| 5/8-inch | $100.00 | $275.00 | $375.00 |
| 3/4-inch | 150.00 | 425.00 | 575.00 |
| 1-inch | 250.00 | 700.00 | 950.00 |
| 1-1/2-inch | 475.00 | 1,400.00 | 1,875.00 |
| 2-inch | 750.00 | 2,200.00 | 2,950.00 |
| 3-inch | 1,500.00 | 4,300.00 | 5,800.00 |
| 4-inch | 2,350.00 | 6,750.00 | 9,100.00 |
| 6-inch | 4,700.00 | 13,500.00 | 18,200.00 |
| 8-inch | 7,500.00 | 21,500.00 | 29,000.00 |
| 10-inch | 10,700.00 | 31,000.00 | 41,700.00 |
| 12-inch | 18,700.00 | 54,000.00 | 72,700.00 |

Failure to pay the Monthly Utility Service Rates may result in a deposit increase up to two times the annual deposit rate as delineated in the Rate Resolution or a specific amount as determined by the District for the particular customer account.

*Other Miscellaneous Service Charges*

In addition to the above-reference charges, the County also has several other charges that are applicable to miscellaneous or customer-requested services. A summary of other miscellaneous charges imposed by the County that are common in the utility industry include the following:

**Meter Installation and Service Line Charges**

| | **Water Meter Size** | **Minimum Charge** |
|---|---|---|
| 5/8-inch x 3/4-inch | Drop - In (Meter Only) – Residential and General Service | $350.00 |
| 3/4-inch and above | Drop - In (Meter Only) –General Service | Actual Cost |
| 5/8-inch x 3/4-inch | Drop – In and Service Line Installation –Residential Service | $1,015.00 |
| 5/8-inch x 3/4-inch | Drop – In and Service Line Installation –General Service | $1,620.00 |
| 3/4-inch | Drop – In and Service Line Installation –General Service | $1,660.00 |
| 1-inch | Drop – In and Service Line Installation –General Service | $1,735.00 |
| 1-1/2-inch | Drop – In and Service Line Installation –General Service | $2,750.00 |
| 2-inch and above | Drop – In and Service Line Installation –General Service | Actual Cost |

Special services or handling provided by the County at the request of the customer or to correct improper customers activities shall be charged in accordance with the fees and charges as shown in the Rate Resolution.

**Historical Operating Results**

*General*

The historical operating results for the System for the Fiscal Years ended September 30, 2021 through September 30, 2025, are summarized herein. The audited historical operating results for the System were prepared based on financial information included in the County's Comprehensive Annual Financial Reports for the respective fiscal years.

In general, the historical operating results have been prepared in a manner consistent with the requirements of the Resolution. Therefore, the amounts shown may reflect certain differences in the presentation of the financial results when compared to the Comprehensive Annual Financial Reports of the County. Specifically, these major differences relate to: (i) the determination of operating expenses (i.e., depreciation, amortization, interest and similar charges are not recognized); (ii) the treatment of interest income on certain funds held under the Resolution including the Construction Fund (i.e., does not include earnings on the water and wastewater Connection Fee funds which are restricted to such accounts); and (iii) recognition of total debt service (principal and interest requirements) on the Refunded Bonds. The historical operating results for the System are summarized below:

**[TO BE UPDATED]**

[Remainder of page intentionally left blank]

**Historical Operating Results and Debt Service Coverage**
**Fiscal Year Ended September 30, 2021 through 2025**

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Water and Wastewater Sales | $41,614,139 | $44,541,692 | $47,280,354 | $49,249,374 | $56,502,705 |
| Other Operating Revenues | 298,658 | 385,477 | 328,260 | 429,208 | 696,038 |
| Interest Income[(1)] | 101,977 | (2,301,508) | 2,804,962 | 6,792,666 | 4,755,069 |
| Total Gross Revenues[(2)] | $42,014,774 | $34,460,673 | $50,413,576 | $56,471,248 | $61,953,812 |
| | | | | | |
| Operating Expenses:[(3)] | | | | | |
| Personnel Services | $8,966,060 | $9,920,134 | $11,534,476 | $11,523,705 | $12,057,100 |
| Other Operating Expenses | 12,624,161 | 13,440,060 | 16,372,471 | 19,081,382 | 18,657,530 |
| Depreciation Equivalent Charges[(4)] | (816,113) | (1,067,592) | (1,421,479) | - | - |
| Total Operating Expenses | $20,774,108 | $17,862,835 | $26,485,468 | $20,358,499 | $30,714,630 |
| | | | | | |
| Net Revenues[(5)] | $21,240,666 | $20,333,059 | $23,928,108 | $25,866,161 | $31,239,182 |
| | | | | | |
| Connection Fees: | | | | | |
| Water Connection Fees | $1,214,679 | $1,091,244 | $1,157,000 | $1,577,111 | $3,45,893 |
| Wastewater Connection Fees | 2,150,737 | 1,908,221 | 2,919,017 | 3,948,989 | 6,896,784 |
| Total Connection Fees[(6)] | $3,365,416 | $2,999,465 | $4,076,018 | $5,526,100 | $10,382,677 |
| | | | | | |
| Net Revenues and Connection Fees[(7)] | $24,606,082 | $23,332,524 | $28,004,126 | $31,392,261 | $41,621,859 |
| | | | | | |
| Annual Debt Service on Bonds[(8)] | $1,830,428 | $5,361,035 | $5,938,466 | $5,934,337 | $5,934,011 |
| | | | | | |
| Actual Coverage on Net Revenues | 11.60x | 3.79x | 4.03x | 4.36x | 5.26x |
| Required Coverage[(9)] | 1.35x | 1.35x | 1.35x | 1.35x | 1.35x |
| | | | | | |
| Actual Coverage on Net Revenues and Connection Fees | 13.44x | 4.35x | 4.72x | 5.29x | 7.01x |
| Required Coverage[(9)] | 1.20x | 1.20x | 1.20x | 1.20x | 1.20x |

[Footnotes on the following page]

(1) Represents income derived from the investment of certain funds held under the Resolution. The increase in interest income from 2021 to 2025 is primarily attributable to higher market interest rates and the HCUD's ability to invest available cash in longer-term investments, which generally earned higher yields than short-term cash equivalents.

(2) Pursuant to the Resolution, does not include Sewer Connection Fees, Water Connection Fees or Special Assessment Proceeds. There are no Special Assessment Proceeds pledged to the holders of the Bonds.

(3) Pursuant to the Resolution, does not include amortization or depreciation expenses.

(4) For the determination of Operating Expenses, charges associated with replacement of vehicles have been excluded since this is a similar charge as depreciation expense associated with the funding of asset replacement. This is consistent with definition of Operating Expenses in the Resolution, which excludes depreciation, amortization and other similar charges.

(5) Net Revenues are defined in the Resolution as Gross Revenues less Operating Expenses.

(6) Includes all Connection Fees, only a portion of which are legally available to pay debt service on the Bonds under Florida law. See "SECURITY FOR THE BONDS – General" in the Official Statement. Generally under Florida law, impact fees such as the Connection Fees may be validly imposed against new construction or development in order to fund capital improvements or capacity which are necessitated by such new construction or development and to satisfy debt service for bonds or other obligations issued for such purposes. Proceeds of such Connection Fees may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service.

(7) Pledged Funds are defined in the Resolution as Net Revenues plus Connection Fees, together with certain other funds and accounts which are not accounted for in this table.

(8) Consists of Annual Debt Service on Refunded Bonds which are being refunded through the issuance of the Series 2026 Bonds. Does not include debt service on the Refunded Loans because it was Subordinated Indebtedness, which Refunded Loans will be prepaid through the issuance of the Series 2026 Bonds, which will be issued on a first lien basis.

(9) See "SECURITY FOR THE BONDS – Rate Covenant" herein. For purposes of these calculations, it has been assumed that the Fund Balance equaled $0.

Source: Hernando County Utilities Department

**Projected Operating Results**

Projected operating results for the System are presented for the Forecast Period, and as shown in the table below are taken from information presented in the Financial Feasibility Report ("Financial Feasibility Report") attached hereto as APPENDIX D. Such projections were prepared in accordance with the flow of funds prescribed by the Resolution and the assumptions and considerations used in the projections as described below.

**[TO BE UPDATED]**

[Remainder of page intentionally left blank]

**Projected Debt Service Coverage**
**Fiscal Year Ended September 30, 2026 through and including 2030[(1)]**

| | Fiscal Year Ending September 30, | | | | | |
|---|---|---|---|---|---|---|
| Description | 2026 | 2027 | 2028 | 2029 | 2030 | 2031` |
| System Revenues: | | | | | | |
| Charges for Services[(2)] | $55,877,988 | $59,584,339 | $62,866,728 | $66,267,103 | $68,949,984 | $73,999,286 |
| Other Operating Revenues | 1,549,976 | 1,548,976 | 1,559,450 | 1,569,854 | 1,579,288 | 1,587,940 |
| Investment Income[(3)] | 2,232,600 | 1,286,100 | 927,000 | 810,800 | 798,200 | 831,300 |
| Total Gross System Revenues | $59,657,564 | $62,419,415 | $65,353,178 | $68,647,757 | $71,327,472 | $73,999,286 |
| Operating Expenses[(4)(5)] | $39,212,231 | $41,710,030 | $43,370,462 | $45,768,183 | $48,400,947 | $50,926,581 |
| Net Revenues | $20,445,333 | $20,709,385 | $21,982,716 | $22,879,574 | $22,926,525 | $23,072,705 |
| Annual Debt Service[(6)] | $5,932,099 | $9,895,424 | $11,262,102 | $14,076,122 | $14,081,399 | $14,080,375 |
| Annual Debt Service Covenant Compliance[(7)] | | | | | | |
| Net Revenues: | | | | | | |
| Calculated Coverage | 3.45x | 2.09x | 1.95x | 1.63x | 1.63x | 1.64x |
| Required Coverage | 1.35x | 1.35x | 1.35x | 1.35x | 1.35x | 1.35x |
| Required Transfers: | | | | | | |
| Debt Service Account (Annual Debt Service) | $5,932,099 | $9,895,424 | $11,262,102 | $14,076,122 | $14,081,399 | $14,080,375 |
| Debt Service Reserve Account | --- | --- | --- | --- | --- | --- |
| Subordinated Indebtedness Fund[(8)] | --- | --- | --- | --- | --- | --- |
| Renewal and Replacement Fund Requirement[(9)] | 2,898,529 | 2,982,878 | 3,120,971 | 3,267,659 | 3,432,388 | 3,566,374 |
| Payment-in-lieu-of-Franchise Fees (PILOFF)[(10)] | --- | --- | --- | --- | --- | --- |
| Rate Stabilization Fund (To)/From[(11)] | --- | --- | --- | --- | --- | --- |
| Total Required Transfers | $8,830,628 | $12,878,302 | $14,383,073 | $17,343,781 | $17,513,787 | $17,646,749 |
| Net Revenues after Required Transfers[(12)] | $11,614,705 | $7,831,083 | $7,599,643 | $5,535,793 | $5,412,738 | $5,425,956 |
| Connection Fees[(13)] | 7,656,926 | 7,633,127 | 8,726,058 | 8,475,300 | 7,773,369 | 7,378,137 |
| Amount Available for Other System Purposes | $19,271,631 | $15,464,210 | $16,325,701 | $14,011,093 | $13,186,107 | $12,804,093 |

[Footnotes on the following page]

(1) Amounts shown derived from Table 8 of the Financial Feasibility Report and based on assumptions predicated on financial and statistical information as provided by the County, the Municipal Advisor, and other sources and also made by the Financial Feasibility Consultant. The projected operating results are estimated and are subject to change based on changes in events that will occur.

(2) Amounts shown include estimated increase in Charges for Services associated with the adopted rate increases as approved by the Board pursuant to the 2024 Rate Resolution (discussed in the section of the Financial Feasibility Report entitled "Rates, Fees, and Charges").

(3) Amounts shown do not include interest income earned on estimated balances in the respective Construction Fund for each series of Additional Bonds assumed to be issued during the Forecast Period or the Water and Wastewater Connection Fee Funds, if any, which are restricted to such accounts.

(4) Amounts shown do not include depreciation and amortization expenses which are not considered as an Operating Expense per the Resolution.

(5) Amounts derived from Table 9 of the Financial Feasibility Report.

(6) Amounts derived from Table 11 of the Financial Feasibility Report. Pursuant to the Resolution, the Annual Debt Service shall mean the interest required to be paid during such period of time (i.e., fiscal year) and the principal amounts maturing during such period of time and therefore, is presented on an "as paid" basis; amounts shown do not represent the payments made from Net Revenues on a monthly basis to the Sinking Fund during such Fiscal Year (accrual method).

(7) The Rate Covenant as defined in the Resolution provides that Net Revenues shall be adequate at all times to pay in each Fiscal Year:

(a) at least equal to 135% of the Annual Debt Service becoming due in such Fiscal Year for the Bonds (calculated above), and

(b) the amount required to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy to pay Policy costs (there is no funding requirement projected for the Forecast Period).

(c) any amounts required to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund pursuant to the terms of Sections 4.06(A) and 4.07(A) of the Resolution (there is no funding requirement projected for the Forecast Period).

(8) No Subordinated Indebtedness currently is outstanding or projected to be secured during the Forecast Period.

(9) Amounts shown reflect deposits to the Renewal and Replacement Fund equal to the Renewal and Replacement Fund Requirement calculated at 5.0% of the previous Fiscal Year's Gross Revenues as provided in the Resolution; any additional deposits to the fund or for the reservation for capital expenditures in the Utility Reserve Fund would be made after all other required transfers to the other funds as delineated in the Resolution are made.

(10) The County adopted a PILOFF Policy whereby the payment shall not exceed 6.00% of the gross revenues derived from the monthly water and wastewater base and commodity rates (charges for services). No PILOFF fee is in effect (fee essentially set at 0.0%) and no payment was charged to the District by the County during the Historical Period and based on discussions with the County, the PILOFF fee is to remain at 0.0% for the Forecast Period (no PILOFF payments projected).

(11) Although provided in the Bond Resolution, the financial forecast assumes that the District will not make any deposits to or transfers from the Rate Stabilization Fund during the Forecast Period which is consistent with the transfer practice employed by the District for the Historical Period.

(12) Amounts represent additional funds for use by the District for capital re-investment/expenditures and other System reserves or represent transfers from available reserves of the District to fund the flow of funds of the District. Amounts do not include Connection Fees assumed to be realized during the Forecast Period.

(13) Connection Fees include estimated interest earnings on projected available cash balances on deposit in the Water and Sewer Connection Fee Funds.

Source: Financial Feasibility Report attached hereto as APPENDIX D.

**Conclusions of the Financial Feasibility Consultant**

Based upon the principal considerations and assumptions and the results of studies and analyses as summarized in the Financial Feasibility Report, which should be read in its entirety and in conjunction with the following, the Financial Feasibility Consultant is of the opinion that:

1. Based on the customer and water sales forecast and assuming the continuation of ongoing renewals, replacements, and the planned capital additions, which includes the 2026 Project, the water system is projected to have sufficient permitted water supply and treatment capacity to meet the projected Forecast Period service area needs of the water system assumed for the development of the financial forecast.

2. Based on the customer and wastewater flow forecast and assuming the continuation of ongoing renewals, replacements, and additions, the wastewater system currently has wastewater treatment capacity that is considered sufficient to meet the projected Forecast Period service area needs of the wastewater system assumed for the development of the financial forecast.

3. The forecasted growth in customer accounts, billed water sales and wastewater flow, and corresponding revenues were developed based on a review of recent historical trends and anticipated development or growth as identified by the County anticipated to occur within the System service area. Based on recent trends and the continuance of current economic conditions, the projected growth in System customers, applicable usage, and revenues during the Forecast Period for the System are considered to represent reasonable and attainable projections for the System.

4. The projections of the Operating Expenses of the System for the Forecast Period were presented to the County and are considered to represent reasonable projections for the purposes of the Financial Feasibility Report.

5. Based on financial information as provided or prepared by the County for the District, the County reports that the Gross Revenues realized from the operation of the System and the Connection Fees received on behalf of the System, have historically (for the past five historical fiscal years ended September 30, 2025) been sufficient to i) pay the annual Operating Expenses; ii) fund the Annual Debt Service on the Outstanding Bonds; iii) make the debt service payments on Subordinated Indebtedness allocable to the System, if any; iv) make the deposits to the Renewal and Replacement Fund at least equal to the Renewal and Replacement Fund Requirement for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of the System or extraordinary repairs of the System; and v) make additional deposits to the Utility Reserve Fund that are available for (dedicated to) additional capital expenditures, improvements, expansions, and betterments of the System. Net Revenues of the System have been sufficient for compliance with the rate covenant as delineated in the Resolution.

6. The Gross Revenues for the Forecast Period under the currently effective System rates along with the implementation of additional Board–approved (adopted) and additional estimated future rate adjustments based on the application of the price index application as adopted by the Board, all as contained in the Rate Resolution, should be sufficient to pay or make i) the annual Operating Expenses; ii) the Annual Debt Service on the Outstanding Bonds, the Series 2026 Bonds, and other additional parity bonds that may be issued as assumed in the financial forecast; iii) the debt service payments on Subordinated Indebtedness allocable to the System, if any; iv) the deposits to the Renewal and Replacement Fund at least equal to the Renewal and Replacement Fund Requirement for the purpose of paying the cost

of major extensions, improvements or additions to, or the replacement or renewal of capital assets of the System or extraordinary repairs of the System; and v) additional deposits to the Utility Reserve Fund that are available for (dedicated to) additional capital expenditures, improvements, expansions, and betterments of the System.

7. Based on the information provided by the County and the assumptions identified in the Financial Feasibility Report, the Net Revenues of the System are projected for the Forecast Period to comply with the rate covenant delineated in the Resolution. The forecast of projected operating results is considered by the Financial Feasibility Consultant as being reasonable and attainable and provides the basis for the County to meet the rate covenant as delineated in the Resolution.

8. The existing rates for water and wastewater service provided by the System are currently comparable to charges for similar service provided by other publicly owned utilities located in proximity to the County's System in the west-central portion of Florida. Based on the assumptions presented in the Financial Feasibility Report, additional rate increases have been adopted by the Board and are recognized to continue through the Fiscal Year 2029 to provide funds to meet the annual expenditure requirements of the System. The adopted and approved rate adjustments assumed for the financial projections are not expected by the County to negatively affect the long-term competitiveness of the District's monthly water and wastewater user rates over the Forecast Period. The Board does have the ability to increase rates in addition to what has been previously adopted.

9. The Connection Fees are generally comparable to the fees charged by neighboring utilities. Based on discussions with the District, the Connection Fees are based on the utility plant-in-service and the capital requirements of the System contained in the System's adopted Capital Improvement Program at the time of fee determination. The continued application of the Connection Fees is not expected by the County to negatively affect System growth.

The presentation of the estimated ability of the Net Revenues of the System to fund the Annual Debt Service payments and comply with the rate covenants as delineated in the Resolution are solely based on the assumptions and considerations as identified in the Financial Feasibility Report and information obtained during the preparation of the Financial Feasibility Report regarding the System and the associated financial conditions evaluated in the Financial Feasibility Report.

## RISK FACTORS

The purchase of the Series 2026 Bonds involves a degree of risk, as is the case with all investments. Factors that could affect the County's ability to perform its obligations under the Resolution, including the timely payment of principal of and interest on the Series 2026 Bonds, include, but are not limited to, the following:

1. Estimates of revenues and expenses contained in this Official Statement, including Appendix D and the realization of such estimates, are subject to, among other things, future economic and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the Series 2026 Bonds.

2. The State legislature, executive officers and agencies could enact legislation, executive orders or regulations that may have a material adverse effect on the finances and operations of the County and System. In addition, the United States Congress, federal executive officers and federal agencies could

also enact legislation, executive orders or regulations that may have a material adverse effect on the finances and operations of the County and System. There can be no assurance that such legislation, executive orders, regulations or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the finances and operations of the County and System. The County cannot predict future policies such agencies may adopt. Future changes could result in the County having to discontinue operations at certain facilities or to make significant capital expenditures and could generate litigation. The County's water and wastewater facilities are subject to regulation and control by numerous federal and state governmental agencies. Neither the County nor its consultants can predict future policies such agencies may adopt. Future changes could result in the County having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation.

In addition, the County's receipt of State and federal grants and aid is subject to various laws, policies and regulations. To the extent of a reduction in such aid or grants compared to historical levels as a result of new or amended policies, regulations or laws, the financial condition of the County could be adversely affected.

3. The State is naturally susceptible to the effects of extreme weather events and natural disasters including floods, droughts, and hurricanes, which could result in negative economic impacts on coastal communities such as the County. Such effects can be exacerbated by change in climate. The occurrence of such extreme weather events could damage the local infrastructure that provides essential services to the County. The economic impacts resulting from such extreme weather events could include a loss of property values, a decline in revenue base, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially impair the financial condition of the County. In order to address the ongoing challenges related to climate change, extreme weather events, and sea level rise, the County has a Comprehensive Emergency Management Plan and has a 4-point backup records/application system including an air gap with one of these 4 points located in Tallahassee for IT resiliency.

On August 30, 2023, Hurricane Idalia made landfall near Keaton Beach in Florida's Big Bend region as a Category 3 hurricane with sustained winds of approximately 125 miles per hour. The County was under a hurricane warning and storm surge warning, with peak storm surge forecast between 6 and 9 feet above high tide and sustained winds anticipated between 60–80 mph, with higher gusts along the coast. In advance of the storm, the Board declared a local state of emergency on August 27, 2023. Mandatory evacuations were ordered effective 7:00 a.m. on August 29, 2023, for all residents west of U.S. 19, residents in low-lying areas, and residents in manufactured homes countywide. Four shelters were opened to support general population, pet-friendly, and special needs residents. The Emergency Operations Center activated to full coordination with all emergency support functions engaged. The County experienced significant coastal flooding and storm surge impacts, particularly in Aripeka, Hernando Beach (North and South), Pine Island, and Weeki Wachee Gardens. Preliminary County-led damage assessments identified 113 structures with major damage, 9 with minor damage, and 3 affected. Debris removal operations were initiated with contractor support and monitoring. On September 2, 2023, FEMA approved a Major Disaster Declaration (DR-4734) for the County, including Individual Assistance and Public Assistance Categories A and B. Disaster Survivor Assistance Teams deployed to impacted areas and a Family Resource Center was established to support residents. Storm-related expenditures are expected to be reimbursed through FEMA Public Assistance. Projected FEMA Public Assistance totals for Hurricane Idalia include projects with a best available cost of approximately $11 million. As of the date hereof, a limited portion of funding has been obligated, and reimbursement processing is ongoing.

In late September 2024, Hurricane Helene strengthened into a major hurricane in the Gulf before making landfall in the Florida Big Bend region. Forecast guidance indicated the center would pass approximately 140 miles west of Tampa Bay, with tropical storm-force winds extending up to 350 miles from the center. On September 23, 2024, the Board declared a Local State of Emergency (2024-03), and the Governor issued Executive Order 24-209 including the County in the State's emergency declaration. The Emergency Operations Center activated to Level 1 – Full Activation on September 25, 2024. The County was placed under a hurricane warning and tornado watch. Forecast storm surge values increased to 8–12 feet along the coastline, with life-threatening inundation identified as the primary hazard. Rainfall totals of 3–6 inches, with locally higher amounts, were projected. Mandatory evacuations were issued for all areas west of U.S. 19, including Evacuation Zones A, B, and C, as well as coastal, low-lying areas and manufactured homes countywide. West Hernando Middle School opened as a general population, special needs, and pet-friendly shelter. More than 31,000 sandbags were distributed during the event. County offices were closed during peak impacts. National Guard high-water rescue assets were staged within the County. Hospitals remained operational with backup power and emergency measures in place. Projected FEMA Public Assistance estimates for Hurricane Helene includes 32 projects with a best available cost of approximately $5.73 million. As of the date hereof, a limited portion of funding has been obligated, and reimbursement processing is ongoing.

In October 2024, Hurricane Milton approached Florida's Gulf Coast as a powerful and dangerous major hurricane, with maximum sustained winds of 150 mph and forecast to maintain Category 4 or 5 intensity prior to landfall. Forecast guidance indicated life-threatening and potentially catastrophic storm surge impacts, destructive hurricane-force winds, heavy rainfall, and isolated tornadoes across West-Central Florida. The Board declared Local State of Emergency 2024-07 on October 6, 2024, and the City of Brooksville declared Local State of Emergency 24-35 on October 7, 2024. The County Emergency Operations Center activated to Level 2 – Partial Activation to coordinate emergency protective measures, with operational objectives focused on life safety, preservation of property, and coordinated public messaging regarding evacuations, sheltering, and sandbag availability. Mandatory evacuations were issued for Evacuation Zones A, B, and C, as well as all residents in coastal and low-lying areas and manufactured homes countywide, with access to evacuated areas restricted as weather conditions deteriorated and the County Sheriff's Office providing security to protect evacuated properties. Three shelters were opened and staffed through the night (with a fourth identified for expansion if needed), including Challenger K-8, West Hernando Middle School, and the Enrichment Center, with transportation continuing until winds reached 35 mph. Storm surge was forecast to exceed 9 feet above ground level, rainfall totals were forecast between 5–12 inches with localized totals up to 18 inches, and hurricane- and tropical storm-force winds (74–110+ mph) were expected to impact coastal and inland portions of the County. Four sandbag distribution sites were activated countywide, with an additional unmanned location operated by the City of Brooksville. Continuity of government measures included closure of County government offices, City of Brooksville offices, Court Administration, and Clerk and Comptroller offices through October 11, 2024. All major medical facilities remained operational during the operational period, while residents were advised to prepare for long-term power outages. Projected FEMA Public Assistance totals for Hurricane Milton include 42 projects with a best available cost of approximately $17.5 million. As of the date hereof, a limited portion of funding has been obligated, and reimbursement processing is ongoing.

4. The County, like many other governmental entities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. The increased use of artificial intelligence could cause the acceleration in the scale, speed, and sophistication of such threats. Computer networks and systems used for data transmission and collection are vital to the

efficient operations of the County. County systems provide support to departmental operations and constituent services by collecting and storing sensitive data, including intellectual property, security information, proprietary business process information, information applying to suppliers and business partners, and personally identifiable information of customers, constituents and employees. The secure processing, maintenance and transmission of this information is critical to departmental operations and the provision of citizen services. Increasingly, entities in every sector are being targeted by cyberattacks seeking to obtain confidential data or disrupt critical services. A rapidly changing cyber risk landscape may introduce new vulnerabilities that attackers/hackers can exploit in attempts to effect breaches or service disruptions. Employee error and/or malfeasance may also contribute to data loss or other system disruptions. Any such breach could compromise networks and the confidentiality, integrity and availability of systems and the information stored there.

The County requires quarterly cybersecurity training to be completed by all personnel on the County's network. Additionally, IT does regular phishing tests to engage employees in regularly assessing email for security risks. The County has also undertaken a cybersecurity risk assessment. There are constant threats of which the County is well apprised and uses layers of security to mitigate. The County handles cyber security operations internally including a dedicated security analyst on staff.

In March of 2024, the County experienced an incursion on their network. The County took immediate steps to secure the network and remediate the incident, which included notifying law enforcement and engaging third-party specialists to investigate and determine the scope of the compromise. The investigation determined that limited information maintained on the County's network may have been acquired by an unauthorized actor. The County undertook an extensive review of the potentially affected information and determined the limited group of people that may be impacted. In an abundance of caution, the County has offered such group credit monitoring and identify protection services. While there were operational impacts which have since been remedied, there was no revenue loss or material increase in expenses as a result of the outage.

Additionally, during the 2022 State legislative session, CS/HB 7055 was passed which requires State agencies and local governments, such as the County, to report all ransomware incidents and high severity level cybersecurity incidents to the Cybersecurity Operations Center ("CSOC") and the Cybercrime Office within the Florida Department of Law Enforcement as soon as possible but no later than 48 hours after discovery of the cybersecurity incident and no later than 12 hours after discovery of a ransomware incident. Local governments must also report such incidents to their respective sheriff's office. CS/HB 7055 requires state agencies to report low level cybersecurity incidents and provides that local governments may report such incidents. It also requires state agencies and local governments to submit after-action reports to FLDS following a cybersecurity or ransomware incident. CS/HB 7055 requires the CSOC to notify the State legislature of high severity level cybersecurity incidents. State agency and local government employees are required to undergo certain cybersecurity training within 30 days of employment and annually thereafter. Further, local governments are required to adopt cybersecurity standards that safeguard the local government's data, information technology ("IT"), and IT resources and it is illegal for any local government in the State to pay ransoms when attacked. The effective date of CS/HB 7055 was July 1, 2022.

5. The County's financial performance can be affected by changes in the local, State, and national economy. Past recessions in the national economy which create higher unemployment and reduced discretionary income also negatively impacted Non-Ad Valorem Revenues. Federal policies on local and international trade can have a negative impact on economy which can increase costs for the County, such as proposed or implemented tariffs on certain imports to the United States. High levels of

inflation can negatively impact the cost of goods, including construction materials and products needed by the County. The County could encounter adverse effects resulting from labor shortages and supply chain issues, which can cause reduced operational capacity for the County and delays in necessary goods and construction materials for the completion of projects. As a result of various economic factors, the County may incur increased costs and longer project timelines. Therefore, for new projects that have not yet started, the County is taking these factors into account in budgeting and scheduling.

6. The outbreak of the highly contagious COVID-19 pandemic in the United States that occurred in March 2020 had a negative financial impact on local, state and national economies around the globe, including initially significantly increased unemployment in certain sectors including especially travel, hospitality and restaurants. COVID-19 is a respiratory virus which was first reported in China and thereafter spread around the world, including the United States. This led to quarantine, remote work and other "social distancing" measures throughout the United States which resulted in a period of less travel resulting in declines in certain revenue sources. While many of the effects of COVID-19 were temporary, it has altered the behavior of businesses and people in a manner resulting in negative impacts on global and local economies, including supply chain issues and rising inflation. There can be no guarantee that COVID-19 or another outbreak of a highly contagious disease will not have negative financial impacts on the finances and operations of the County and System.

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This section does not purport to summarize all risks that may be associated with purchasing or owning the Series 2026 Bonds and prospective purchasers are advised to read this Official Statement in its entirety for a more complete description of investment considerations relating to the Series 2026 Bonds.

## INVESTMENT POLICY OF THE COUNTY

Pursuant to the requirements of Section 218.415, Florida Statutes, the County adopted a written investment policy which applies to all funds held by or for the benefit of the Board (except for proceeds of bond issues which are governed by their bond documents). The investment policy was updated and revised on May 12, 2015.

The objectives of the investment policy, listed in order of importance, are:

1. Safety of investment capital
2. Provision of sufficient liquidity
3. Maximization of return while minimizing investment risk

The investment policy limits the securities eligible for inclusion in the County's portfolio. The investment policy also establishes criteria for suitable financial institutions and broker-dealers with which the County will conduct business. Internal investment controls are provided in the investment policy as are bidding requirements.

To enhance safety, the investment policy requires the diversification of the portfolio to reduce the risk of loss resulting from over-concentration of assets in a specific class of security. The investment policy provides guidelines for diversification, setting forth maximum percentages for the various allowable investments. The investment policy also provides maturity and liquidity requirements for investments. The responsibility for the administration of the investment program is granted to the Clerk of the Court and Comptroller who is authorized to employ an investment coordinator. Quarterly portfolio reports including all outstanding securities are required to be prepared and distributed to the Board and appropriate County officials.

The investment policy may be modified by the Board from time to time.

## LEGAL MATTERS

Certain legal matters incident to the validity of the Series 2026 Bonds are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, whose approving opinion in the form attached hereto as "APPENDIX E – Form of Opinion of Bond Counsel " will be furnished without charge to the purchasers of the Series 2026 Bonds at the time of their delivery. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion.

Bond Counsel has not been engaged or undertaken to review (i) the accuracy, completeness or sufficiency of this Official Statement or any other offering material related to the Series 2026 Bonds except as may be provided in the supplemental opinion of Bond Counsel to the Underwriter, upon which only they may rely, or (ii) the compliance with any federal or state law with regard to the sale or distribution of the Series 2026 Bonds.

Certain legal matters will be passed upon by Jon A. Jouben, Esq., County Attorney, and by Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel to the County. Certain legal matters will be passed upon by Squire Patton Boggs (US) LLP, Tampa, Florida, Counsel to the Underwriter. See also "CONTINGENT FEES" herein.

## LITIGATION

There is no pending or, to the knowledge of the County, any threatened litigation against the County of any nature whatsoever which in any way questions or affects the validity of the Series 2026 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Resolution, or the source of security described herein. The County does carry liability insurance, and is afforded the additional protection of coverage of sovereign immunity by the Florida Statutes, Section 768.28. Neither the creation, organization or existence, nor the title of the present members of the Board, or other officers of the County is being contested.

The County experiences claims, litigation, and various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the County or the System, but may, in the aggregate, have a material impact thereon. In the opinion of the County Attorney, however, the County will either successfully defend such actions or otherwise resolve such matters without any material adverse consequences to the financial condition of the County.

*Mason, et al, v. Hernando County, 5th Judicial Circuit Case No. H-27-2024-CA-540*. On June 6, 2024, Joseph M. Mason, Jr., the former attorney for the City of Weeki Wachee, and his law firm, McGee & Mason, P.A., filed suit against the County for damages. Mason claimed that the City of Weeki Wachee had incurred legal fees before the State legislature abolished the City of Weeki Wachee in 2020. Mason alleges that the County is responsible for paying the fees as the City of Weeki Wachee's successor-in-interest. The case is presently abated. Section 165.071(3), Florida Statutes, specifically authorizes a county to levy and collect ad valorem taxes in the same manner as other county taxes from the area of the preexisting municipality for repayment of any assumed indebtedness through a special district created for such purpose in accordance with Chapter 189, Florida Statutes. Accordingly, the County will not have to satisfy any adverse judgment that may be entered against it in this case from any of its current revenue sources, and therefore, the County does not expect such litigation to have a material adverse effect on its ability to pay debt service on the Series 2026 Bonds.

## DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities, other than general obligation bonds and those industrial or commercial development bonds where payments are made or unconditionally guaranteed by a person whose securities are exempt from registration under section 18(b)(1) of the Securities Act of 1933, as amended, of the County except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rule 69W-400.003, the FFSC has required the disclosure of the amount, date, status and type of each default, specified descriptions of any legal proceedings resulting from such defaults and discussion of any materially relevant pending legal proceedings, whether a trustee or receiver has been appointed over the assets of the County, and certain additional financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County is not and has not been in default on any bond issued since December 31, 1975, that would be considered material by a reasonable investor.

The County has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The County does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2026 Bonds because the County would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the County would have been pledged or used to pay such securities or the interest thereon.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Bond Counsel, the form of which is included as APPENDIX E hereto, the interest on the Series 2026 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax under existing statutes, regulations, rulings and court decisions. Failure by the County to comply subsequently to the issuance of the Series 2026 Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), including but not limited to requirements regarding the use, expenditure and investment of Series 2026 Bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the Series 2026 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance. The County has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2026 Bonds for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

**Internal Revenue Code of 1986**

The Code contains a number of provisions that apply to the Series 2026 Bonds, including, among other things, restrictions relating to the use of investment of the proceeds of the Series 2026 Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Series 2026 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2026 Bonds being included in gross income for federal income tax purposes retroactive to their date of issue.

**Collateral Tax Consequences**

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should be aware that the ownership of the Series 2026 Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2026 Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Series 2026 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2026 Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Series 2026 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2026 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE SERIES 2026 BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

**Other Tax Matters**

Interest on the Series 2026 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2026 Bonds should consult their tax advisors as to the income tax status of interest on the Series 2026 Bonds in their particular state or local jurisdictions.

The Inflation Reduction Act, H.R. 5376 (the "IRA"), was passed by both houses of the U.S. Congress and was signed by the President on August 16, 2022. As enacted, the IRA includes a 15 percent alternative minimum tax to be imposed on the "adjusted financial statement income", as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. Interest on the Series 2026 Bonds will be included in the "adjusted financial statement income" of such corporations for purposes of computing the corporate alternative minimum tax. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential tax consequences of owning the Series 2026 Bonds.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2026 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2026 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2026 Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2026 Bonds.

**Original Issue Discount**

Certain of the Series 2026 Bonds (the "Discount Bonds") may be offered and sold to the public at an original issue discount, which is the excess of the principal amount of the Discount Bonds over the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity was sold. Original issue discount represents interest which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. Original issue discount will accrue over the term of a Discount Bond at a constant interest rate compounded semi-annually. An initial purchaser who acquires a Discount Bond at the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such Discount Bonds and will increase its adjusted basis in such Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds. The federal income tax consequences of the purchase, ownership and prepayment, sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Owners of Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, prepayment or other disposition of such Discount Bonds and with respect to the state and local tax consequences of owning and disposing of such Discount Bonds.

**Original Issue Premium**

Certain of the Series 2026 Bonds (the "Premium Bonds") may be offered and sold to the public at a price in excess of the principal amount of such Premium Bonds, which excess constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of the Premium Bonds which term ends on the earlier of the maturity or call date for each Premium Bond which minimizes the yield on said Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. The federal income tax consequences of the purchase, ownership and sale or other disposition of Premium Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

## RATINGS

Fitch Ratings, Inc., and Moody's Investors Service, Inc. are expected to assign a rating of "_____" (_____) and "_____" (_____), respectively, to the Series 2026 Bonds. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, if in their judgment, circumstances so warrant. A downward change in or withdrawal of such ratings, may have an adverse effect on the market price of the Series 2026 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Fitch Ratings, Inc., 3 Whitehall Street, New York, New York 10004, and Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007.

## MUNICIPAL ADVISOR

The County has retained PFM Financial Advisors LLC, Tampa, Florida, as Municipal Advisor (the "Municipal Advisor") in connection with the County's financing plans and with respect to the authorization and issuance of the Series 2026 Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Municipal Advisor did not participate in the underwriting of the Series 2026 Bonds. The Municipal Advisor may receive a fee for bidding investments for certain proceeds of the Series 2026 Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2026 Bonds is contingent upon the issuance and delivery of the Series 2026 Bonds.

## AUDITED FINANCIAL STATEMENTS

The general purpose financial statements of the County as of September 30, 2025 and for the year then ended, attached hereto as "APPENDIX C – Audited Financial Statements for the Fiscal Year Ended September 30, 2025," have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing therein. The consent of the County's auditor to include in this Official Statement the aforementioned report was not requested, and the general purpose financial statements of the County are provided only as publicly available documents. The auditor was not requested nor did they perform any other procedures with respect to the preparation of this Official Statement or the information presented herein.

The Series 2026 Bonds are payable solely from the Pledged Funds as described in the Resolution and the Series 2026 Bonds are not otherwise secured by, or payable from, the general revenues of the County. The general purpose financial statements are presented for general information purposes only.

## ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2026 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution and the Series 2026 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX B – Composite of the Resolution" attached hereto for a description of events of default and remedies.

## CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Series 2026 Bondholders to provide certain financial information and operating data relating to the County and the Series 2026 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The County has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the U.S. Securities and Exchange Commission (the "SEC") to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The County has agreed to file notices of certain enumerated material events, when and if they occur, with the Repository either itself or through its dissemination agent. Currently, the County's dissemination agent is Digital Assurance Certification, LLC.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX F - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the County prior to the issuance of the Series 2026 Bonds. These covenants have been made in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

With respect to the Series 2026 Bonds, no party other than the County is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. In the previous five years the County did not timely file its Annual Reports for Fiscal Years 2023 and 2024 due primarily to interruptions of the County-wide IT network. See "RISK FACTORS" herein for more information on the network interruptions. The County made curative filings of the Annual Reports for Fiscal Years 2023 and 2024 as soon as they became available and filed notices of the respective failures to file the Annual Report to notify Bondholders prior to the April 30th deadline. Notwithstanding the foregoing, the County fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. The County complied with its Fiscal Year 2025 continuing disclosure requirements by filing its unaudited financial statements by April 30, 2026. The County subsequently filed its audited financial statement for Fiscal Year 2025 when it became available.

## UNDERWRITING

Morgan Stanley & Co. LLC (the "Underwriter") has agreed to purchase the Series 2026 Bonds at an aggregate purchase price of $__________ (representing the par amount of the Series 2026 Bonds of $__________ [plus/less] a[n] [net] original issue [premium/discount] of $__________ and less an Underwriter’s discount of $__________). The Underwriter's obligations are subject to certain conditions precedent described in a contract of purchase with the County, and the Underwriter will be obligated to purchase all of the Series 2026 Bonds if any Series 2026 Bonds are purchased. The Series 2026 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2026 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its respective affiliates may have certain creditor and/or other rights against the County in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the County. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## EXPERTS AND CONSULTANTS

The references herein to Raftelis Financial Consultants, Inc., Maitland, Florida, as Financial Feasibility Consultant, have been approved by said firm. The Financial Feasibility Report of the Financial Feasibility Consultant has been included as "APPENDIX D – Financial Feasibility Report" attached to this Official Statement. References to and excerpts herein from the Financial Feasibility Report do not purport to be an adequate summary of the Financial Feasibility Report or complete in all respects. The Financial Feasibility Report is an integral part of this Official Statement and should be read in its entirety for complete information with respect to the subjects discussed therein.

## FORWARD LOOKING STATEMENTS

This Official Statement contains certain "forward looking statements" concerning the County's operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success if development and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the County. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate," and similar expressions are meant to identify these forward looking statements. Actual results may differ materially from those expressed or implied by these forward looking statements.

## CONTINGENT FEES

The County has retained Bond Counsel, Disclosure Counsel and the Municipal Advisor with respect to the authorization, sale, execution and delivery of the Series 2026 Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriter (including the fees of its counsel) to be paid by the County are each contingent upon the issuance of the Series 2026 Bonds.

## ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the County and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2026 Bonds, the security for the payment of the Series 2026 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument. Copies of such documents may be obtained from either the office of the Clerk of the Court and Comptroller, 20 North Main Street, Room 263, Brooksville, Florida 34601, telephone: (352) 754-4201 or the County's Municipal Advisor, PFM Financial Advisors LLC, 501 E. Kennedy Blvd., Suite 1400, Tampa, Florida 33602, telephone (407) 406-5757.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and is believed to be correct as of the date of the Official Statement, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2026 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

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## AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the County. At the time of delivery of the Series 2026 Bonds, the County will furnish a certificate to the effect that nothing has come to their attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry only system of registration and the information contained under the caption "TAX MATTERS" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2026 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

**HERNANDO COUNTY, FLORIDA**

By:________________________________________
Jerry Campbell, Chairman
Board of County Commissioners

By:________________________________________
Doug Chorvat, Jr., Clerk of Court and
Comptroller, Hernando County, Florida

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY:

By:________________________________________
County Attorney's Office

## APPENDIX A

## GENERAL INFORMATION CONCERNING HERNANDO COUNTY

### General

Hernando County, Florida (the "County") is located in the west central region of the State of Florida (the "State"), allowing easy access to the Tampa and Orlando metropolitan areas. As part of the Tampa Bay region, it is bound by the Gulf of America on the west, Citrus County to the north, Sumter County to the east, and Pasco County to the south.

The County, established in 1843, covers 473 square miles and is named in honor of Spanish explorer Hernando De Soto, who led an expedition through the county in 1539. The County has one incorporated city: the City of Brooksville, the county seat, with a population of 9,752, rich in history and traditions. The County's unincorporated areas include Weeki Wachee, Ridge Manor, Bayport, Aripeka, Lake Lindsey, Istachatta/Nobleton, Masaryktown, Hernando Beach, and most notably, Spring Hill. Spring Hill located in the southwest part of the County, is the largest unincorporated County community.

The County is the heart of the Sunshine State's renowned Nature Coast. The County offers scenic rolling hills, spectacular parks and waterways, some of the best paved bike trails in the State, and eight locations along the Great Florida Birding Trail. Activities of the Nature Coast include hunting, camping, bird watching and hiking, as well as fishing, boating, paddling and kayaking on the County's many waterways.

Situated at the geographic center of the state with easy access to major highways like the Veterans/Suncoast Parkway, Interstate 75, State Road 50 and US Highway 41 make the County a strategic business location. The County is unique in the Tampa Bay area with its variety of industrial and manufacturing site options including a vibrant general aviation airport and business complex, private land, and existing buildings with significant room for growth. Major industries include manufacturing, precision machining, distribution and healthcare. Growing retail trade and a wide selection of professional services enables the County to offer significant choices for its residents.

The County government provides a full range of services including law enforcement, emergency medical services, fire protection, public and mass transportation services, health and social services, cultural and recreational services, water, wastewater, solid waste disposal and business development.

The County Board of County Commissioners (the "Board"), as the legislative body for the County, budgets and provides all of the funding used by its Departments and the separate Constitutional Officers with the exception of certain fees collected by the Tax Collector, Clerk and Comptroller, Property Appraiser and Sheriff. The County operates under a five-member policy-making elected Board. The Board appoints a county administrator who in turn appoints various department managers. All five Board members and the five constitutional officers are elected to four-year terms. Under the direction of the Clerk and Comptroller, the Department of Financial Services maintains the accounting system for the Board and the Clerk and Comptroller. The Tax Collector, Property Appraiser, Supervisor of Elections and Sheriff maintain their own accounting systems. All of the Constitutional Officers invest their funds independently. The Clerk and Comptroller manages the investments of the Board and the Clerk and Comptroller.

Formal budgetary integration is employed as a management control device during the year for all significant funds. The Board adopts budgets on a basis consistent with Generally Accepted Accounting

Principles. The adoption and amendment of the budget is done consistent with the laws of the State. The legal level of control is established on a fund basis; however, operational control is maintained during the year at the lower of the department or fund level. Budgetary control is maintained through the use of encumbrances.

**Local Economy**

The population of the County is currently approximately 210,577, which is an increase of 20.4% over what it was 10 years ago. The County's population is projected to be almost 225,000 by 2030 and over 250,000 by 2040.

As part of the Tampa Bay region, the County enjoys being a part of the largest consumer market in the State.

Both residential and commercial development remain steady. The inventory of lots in existing developed subdivisions continues to decrease and new phases are being developed. Commercial development continues to be steady along SR 50 in Spring Hill, a major shopping corridor in the County. In addition, since 2022, Cabot Citrus Farms re-opened a high-end 1,200-acre resort style golf course with two 18-hole golf courses, one 10-hole course, an 11-hole par-3 course, and a practice facility. This has created substantial new taxable valuation in the County. In addition to golf, the property offers luxury accommodations, real estate opportunities, elevated food and beverage experiences, and off-course activities that include a Sport Club, a fishing pond, and sports courts, with expected future development.

The Building Department had a total of 20,228 permits in 2024-25. The County's Economic Development Department consistently manages 25 to 30 projects at various stages of development.

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**Population**

The following table reflects the average annual percentage of growth in the population of the County as compared to the population of the State.

**HERNANDO COUNTY, FLORIDA AND STATE OF FLORIDA**
**Population 2016-2025**

| Year | Hernando County Population | Increase/Decrease | State of Florida Population | Increase |
|---|---|---|---|---|
| 2016 | 179,503 | - | 20,613,477 | - |
| 2017 | 181,882 | 1.33% | 20,963,613 | 1.70% |
| 2018 | 185,604 | 2.05 | 21,244,317 | 1.34 |
| 2019 | 188,358 | 1.48 | 21,477,737 | 1.10 |
| 2020 | 194,515 | 3.27 | 21,538,187 | 0.28 |
| 2021 | 196,540 | 1.04 | 21,898,945 | 1.67 |
| 2022 | 199,207 | 1.36 | 22,276,132 | 1.72 |
| 2023 | 204,265 | 2.54 | 22,634,867 | 1.61 |
| 2024 | 210,577 | 3.09 | 23,014,551 | 1.68 |
| 2025 | 212,849 | 1.08 | 23,379,261 | 1.58 |

Source: Bureau of Economic and Business Research (BEBR), University of Florida

**Industry**

The major industries in the County include manufacturing, precision machining, distribution and healthcare. Growing retail trade and a wide selection of professional services enables the County to offer significant choices for its residents. The County has a significant service industry including three hospitals. The County is 45 miles north of the City of Tampa, and with direct access via the Suncoast Parkway, serves as a bedroom community to the Tampa metropolitan area. The County's growing manufacturing association base is centered in industrial parks around the County's airport, one of the largest non-urban airfields in the State, and in industrial areas around the Interstate Highway 75 and State Road 50 interchange in the east part of the County. Some of the largest non-public employers include Oak Hill Hospital, Walmart Distribution Center, TGH North (formerly Bravera Health and Bayfront Regional Healthcare), Barrette Outdoor Living, Cemex (formerly Rinker Materials/FCS), Accuform Signs Inc., Micro-Matic, Sparton Electronics, Premio Foods and Monster Transmissions.

**Tourism and Recreation**

The County offers many tourism and recreational opportunities. Tourist attractions include Weeki Wachee Springs, Withlacoochee River, Hernando Beach and the Gulf of Mexico.

**Educational System**

The school system is administered by the Hernando County School Board ("District"). The District covers the same geographic area as the County. During the fiscal year ended June 30, 2025, the District operated 89 schools, including 47 elementary schools, 15 middle schools, 15 viii high schools, 5 combination schools, Pasco eSchool, 3 specialized schools, one technical college and 2 contracted schools, in addition to sponsoring 14 charter schools. The District reported serving 91,852 full-time equivalent students for the fiscal year ended June 30, 2025 and projects it will enroll 93,901 students in 2025-26. It is the 10th largest school district in the State. The County also has the Hernando County Education Direct Support Organization, Inc. ("Foundation"), a not -for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, and the three charter schools, Brooksville Engineering, Science & Technology, Inc ., Gulf Coast Elementary School, Inc ., and Gulf Coast Academy of Science and Technology, Inc. The charter schools are not for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. Pasco-Hernando State College also has campuses within the County.

**Climate**

The climate in the County is characterized as subtropical, with a pronounced marine influence from the Gulf of America. Summer temperatures average in the 80's with highs in the low 90's a common occurrence. Winter, nighttime temperature readings average in the 50's with an occasional low into the 30's. Average mean temperature is 68.3 degrees (January 45.6 degrees, July 90.8 degrees). Rainfall averages about 52.8 inches annually with most of the precipitation occurring during the summer season.

**Transportation**

The County airport services general aviation needs of the area and the airport and adjoining industrial park cover approximately 2,400 acres. The airport has two concrete runways totaling 12,000 feet. Extensive air service is available in Tampa at Tampa International Airport, located approximately 45 miles south of Brooksville.

The County is located near the population and geographic center of the State and is serviced by Interstate 75, U.S. Highways 41 and 19, and the adjacent Suncoast Parkway. The Parkway is a 42 mile tolled highway which provides direct access to Hillsborough County (City of Tampa), Tampa International Airport and Pasco County. The City of Brooksville, which is the county seat, is located approximately 10 miles from the Interstate Highway 75 interchange and will experience major changes with the widening of its major roadway from three to six lanes. The roadway widening will extend south of the City of Brooksville as well. The majority of the funding for the project came through State and Federal agencies.

The County area is also served by rail transport and major truck transport, as well as a mass transit service between the two most populous areas of the County.

**Medical Facilities**

The County’s Health Department operates in every community in the County under the direction of a medical doctor and a staff of trained specialists, including public health workers, nurses, sanitarians and clinical psychologists. There are three hospitals in the County: TGH Spring Hill (114 beds), TGH Brooksville (120 beds) and Oak Hill Hospital (350 beds). There are also numerous medical centers, dental clinics, chiropractic clinics and nursing homes, providing medical services to the citizens of the County.

**Utilities and Services**

Duke Energy and the Withlacoochee River Electric Cooperative are the two electric companies serving the County. Telephone service is provided by Spectrum and AT&T. Law enforcement is provided by the County Sheriff. The Sheriff's office is serving the City of Brooksville via contract for law enforcement.

**HERNANDO COUNTY, FLORIDA**
**TOTAL BONDED INDEBTEDNESS**
**Computation of Direct Debt**
**As of September 30, 2025**

| | Non-Self-Supporting Revenue Debt |
|---|---|
| **COUNTY:** | |
| Non-Ad Valorem Revenue Note, Series 2025 | $5,966,000 |
| Non-Ad Valorem Revenue Note, Series 2024 | 4,380,000 |
| Non-Ad Valorem Revenue Note, Series 2023 | 3,407,000 |
| Non-Ad Valorem Revenue Bonds, Series 2022 | 31,285,000 |
| Non-Ad Valorem Refunding Revenue Note, Series 2012 | 4,472,000 |
| Non-Revolving Line of Credit Draws | 8,462,926 |
| Lease Financing | 4,941 |
| SBITA Financing | 285 |
| TOTAL COUNTY DEBT: | $57,978,152 |

Source: Annual Comprehensive Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2025.

[Remainder of page intentionally left blank]

**HERNANDO COUNTY, FLORIDA**
**Fair Market, Assessed Value and Taxable Value of Property**
**Last Ten Fiscal Years**
**(dollars expressed in thousands)**

| | Fair Market[a][i] | | Assessed Value[b][i] | | Exemptions[c][i] | | Taxable Value[d][i] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Real Property[f] | Personal Property [g] | Real Property[f] | Personal Property[g] | Real Property[f] | Personal Property[g] | Real Property[f] | Personal Property[g] | Centrally Assessed[h] | Total | Total Direct Tax Rate[e] |
| 2016 | $11,208,262 | $1,703,765 | $10,044,161 | $1,703,015 | $3,473,220 | $596,852 | $6,570,941 | $1,106,163 | $8,326 | $7,685,430 | 8.5942 |
| 2017 | 12,247,949 | 1,834,656 | 10,572,795 | 1,766,495 | 3,555,440 | 600,848 | 7,017,354 | 1,165,647 | 7,483 | 8,190,484 | 8.9692 |
| 2018 | 13,300,360 | 1,846,816 | 11,165,701 | 1,776,293 | 3,646,183 | 601,446 | 7,519,519 | 1,174,846 | 7,926 | 8,702,291 | 8.7342 |
| 2019 | 15,210,973 | 1,721,661 | 11,880,508 | 1,693,762 | 3,780,811 | 609,861 | 8,099,697 | 1,083,901 | 7,694 | 9,191,292 | 9.7344 |
| 2020 | 16,567,712 | 1,766,669 | 12,807,078 | 1,739,675 | 3,963,063 | 612,477 | 8,844,015 | 1,127,198 | 9,594 | 9,980,807 | 9.4844 |
| 2021 | 17,656,641 | 1,817,025 | 13,794,061 | 1,790,065 | 4,121,443 | 608,847 | 9,672,619 | 1,181,218 | 9,948 | 10,863,785 | 9.3844 |
| 2022 | 24,884,232 | 1,883,804 | 16,033,070 | 1,857,269 | 4,413,228 | 617,692 | 11,619,842 | 1,239,577 | 10,937 | 12,870,356 | 8.9344 |
| 2023 | 28,928,102 | 2,059,565 | 18,217,430 | 2,026,581 | 4,777,494 | 639,703 | 13,439,935 | 1,386,878 | 11,185 | 14,837,998 | 8.6429 |
| 2024 | 30,562,802 | 2,123,904 | 20,176,004 | 2,092,082 | 5,138,009 | 643,033 | 15,037,995 | 1,449,049 | 11,116 | 16,498,160 | 8.3929 |
| 2025 | 31,927,208 | 2,346,438 | 22,084,864 | 2,321,631 | 5,225,353 | 651,589 | 16,859,511 | 1,670,042 | 11,746 | 18,541,299 | 7.8275 |

(a) State law requires that "Just Value" of all property is determined each year. The Florida Supreme Court has declared Just Value to be legally synonymous to Full Cash Value and Fair Market Value. The Just Value or Fair Market Value is the amount it could sell for in a competitive open market, assuming that the buyer and seller both acted knowledgeably and without duress.
(b) Assessed value is different than just/market value for those properties that have assessment limitations on them. Examples of assessment limitations include Save Our Homes limitation for homestead properties, "greenbelt" for properties which have any agricultural use classification, and pollution control devices.
(c) There are a number of property tax exemptions which include, but are not limited to, homestead, widow/widowers, blind, disabled, veterans, government and institutional.
(d) Taxable value is the resulting value after all applicable exemptions have been deducted from the assessed value of the property. The taxable value is what the millage rates are applied to develop the ad valorem property tax.
(e) Total Direct Tax Rate is the weighted average of the direct rates in each area.
(f) Real Property means land, buildings, fixtures, and all other improvements to land.
(g) Personal Property commonly known as Tangible Personal Property is defined as furniture, fixtures and equipment used in the operation of a business.
(h) Centrally assessed property are the railroad tracks and train cars which cross county lines and are assessed by the Florida Department of Revenue who provide the assessed values to the respective Property Appraiser. No exemptions are applicable to Centrally Assessed Properties.
(i) The year previous to current year may be restated due to changes made subsequent to release of previous year's values.

Data represents the tax roll for the year effective January 1 of that year, and is collected to support the fiscal year that begins in that year.
Source: Annual Comprehensive Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2025.

**HERNANDO COUNTY, FLORIDA**
**Property Tax Levies and Tax Collections**
**Last Ten Fiscal Years**
**(dollars expressed in thousands)**

| Fiscal Year Ended September 30 | Taxes Levied for the Fiscal Year[a][d] | Collected Within the Fiscal Year of the Levy[b] | | Prior Year Taxes Collected[c] | Total Taxes Collected | |
|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2016 | $88,933 | $88,485 | 96.49% | $403 | $86,110 | 96.95% |
| 2017 | 92,969 | 91,320 | 94.95 | 451 | 88,881 | 95.44 |
| 2018 | 101,714 | 99,973 | 95.27 | 231 | 97,015 | 95.49 |
| 2019 | 118,155 | 116,432 | 95.49 | 107 | 112,824 | 95.58 |
| 2020 | 132,568 | 132,321 | 96.71 | 199 | 128,254 | 96.86 |
| 2021 | 138,406 | 138,301 | 96.57 | 168 | 133,732 | 96.70 |
| 2022 | 147,864 | 147,656 | 96.56 | 149 | 142,725 | 96.66 |
| 2023 | 161,913 | 161,369 | 96.22 | 273 | 155,537 | 96.39 |
| 2024 | 182,021 | 180,971 | 96.58 | 135 | 174,910 | 96.65 |
| 2025 | 197,541 | 197,100 | 96.66 | (49) | 190,473 | 96.64 |

(a) Certified taxes levied is the original tax assessment due to the County before any adjustments are determined by Property Appraiser and/or the Value Adjustment Board, and before any tax amounts are determined to be uncollectible due to insolvencies and/or litigation. Adjusted Taxes Levied reflects changes made through the fiscal year. The tax levy represents only the taxes due to the County financial reporting entity and therefore, excludes taxes due to the School Board, the City of Brooksville, Southwest Water Florida Management District and certain other governmental entities.

(b) In accordance with Florida Statutes, property taxes become due and payable on November 1 of each year and are delinquent on April 1 of the following year. A four percent discount is allowed if the taxes are paid in November, with the discount declining by one percent each month thereafter. Taxes collected will not equal 100% of the tax levy due to insolvencies, litigation and county certificates. In the table above, taxes collected November 1, 2022 through March 31, 2023 are reflected as levied for the Fiscal Year Ended September 30, 2023. Tax Certificates for unpaid taxes and assessments for that year will be sold no later than June 1, 2023.

(c) Includes all delinquent tax collections received during the year regardless in which the taxes were originally levied.

(d) Includes non-ad valorem taxes that are not a part of the tax notice. Non-ad valorem taxes are separately reported as Special Assessments in Governmental Funds and as Charges for Services in Proprietary Funds.

Source: Annual Comprehensive Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2025.

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**HERNANDO COUNTY, FLORIDA**
**Principal Property Taxpayers**
**As of September 30, 2025**
**(dollars expressed in thousands)**

| | | Fiscal Year Ended September 30, 2025 | |
|---|---|---|---|
| Taxpayer | Type of Business | Taxable Assessed Value | Percent of Total Taxable Assessed Value |
| Cemex, Inc. | Manufacturing | $304,074 | 1.84% |
| Withlacoochee River Electric Co-op | Utility | 293,726 | 1.78 |
| Wal-Mart Regional Distribution | Distribution | 241,823 | 1.46 |
| Duke Energy | Utility | 162,093 | 0.98 |
| HCA Health Services of Florida, Inc. | Health Care | 91,763 | 0.56 |
| Wal-Mart Stores, Inc. | Retail Sales | 69,491 | 0.42 |
| BW Hibiscus Springs LLC | Real Estate | 67,750 | 0.41 |
| Cabot Citrus OPCO LLC | Real Estate | 65,455 | 0.40 |
| SV Tampa Land LP | Real Estate | 51,315 | 0.31 |
| Florida Gas Transmissions | Utility | 39,502 | 0.24 |
| Florida Power Development, LLC | Utility | 293,726 | 1.78 |
| TOTAL | | $1,386,992 | 8.40% |

Source: Annual Comprehensive Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2025.

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**Florida Retirement System**

*The information relating to the Florida Retirement System ("FRS") contained herein has been obtained from the FRS Annual Reports available at www.dms.myflorida.com and the Florida Comprehensive Annual Financial Reports available at www.myfloridacfo.com/aadir/statewide_financial_reporting. No representation is made by the County as to the accuracy or adequacy of such information or that there has not been any material adverse change in such information subsequent to the date of such information.*

General Information. The Florida Retirement System ("FRS") was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program ("DROP") under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy ("HIS") Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees are eligible to enroll as members of the state-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and escribed in detail. Such provisions may be amended at any time by further action from State legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

For the year ended September 30, 2025, the County's contributions to all Plans totaled $28,767,907. For further information of contributions by plan for each of the Constitutional Officers, see the schedule below:

| | Florida Retirement System (FRS) | Health Insurance Subsidy (HIS) | Investment Plan | Total |
|---|---|---|---|---|
| Board of County Commissioners | $10,454,154 | $1,131,325 | $1,305,509 | $12,890,988 |
| Clerk of Circuit Court | 768,897 | 131,054 | 202,437 | 1,102,388 |
| Property Appraiser | 382,974 | 53,226 | 74,990 | 511,190 |
| Tax Collector | 471,362 | 55,969 | 77,288 | 604,619 |
| Sheriff | 11,373,220 | 968,515 | 1,148,889 | 13,490,624 |
| Supervisor of Elections | 132,176 | 12,705 | 23,217 | 168,098 |
| | $23,582,783 | $2,352,794 | $2,832,330 | $28,767,907 |

Payables to the Pension Plan—The County reported a payable of $2,661,555 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2025.

Total pension expense was $14,338,833 for the fiscal year ended September 30, 2025.

Florida Retirement System Pension Plan

Plan Description. The FRS Pension Plan (the "Plan") is a cost-sharing, multiple-employer qualified defined benefit pension plan, with a DROP available for eligible employees. The general classes of membership applicable for the County are as follows:

- *Regular Class*—Members of the Plan who do not qualify for membership in the other classes.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.
- *Senior Management Service Class*—Members in senior management level positions.
- *Special Risk Class*—Members who are employed as law enforcement, fire and rescue and others who meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustment to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipts of monthly benefit payments while continuing employment with an FRS employer.

An employee may participate in DROP for a period not to exceed 96 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal year's earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Certain members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

| Class, Initial Enrollment and Retirement Age/Years of Service | Percent Value |
|---|---|
| Regular Class Members Initially Enrolled Before July 1, 2011: | |
| Retirement up to age 62 or up to 30 years of service | 1.60% |
| Retirement at age 63 or with 31 years of service | 1.63 |
| Retirement at age 64 or with 32 years of service | 1.65 |
| Retirement at age 65 or with 33 years of service | 1.68 |
| Regular Class Members Initially Enrolled on or After July 1, 2011: | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement at age 66 or with 34 years of service | 1.63 |
| Retirement at age 67 or with 35 years of service | 1.65 |
| Retirement at age 68 or with 36 years of service | 1.68 |
| Elected County Officers | 3.00 |
| Circuit and County Court Judges | 3.33 |
| Senior Management Service Class | 2.00 |
| Special Risk Class | |
| Service from December 1, 1970 thru September 30, 1974 | 2.00 |
| Service on and after October 1, 1974 | 3.00 |

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The State legislature establishes contribution rates for participating employers and employees. Contribution rates during the fiscal year ended September 30, 2025, were as follows:

| | Year Ended June 30, 2025 Percent of Gross Compensation | | Year Ending June 30, 2026 Percent of Gross Compensation | |
|---|---|---|---|---|
| Membership Class | Employee | Employer | Employee | Employer |
| FRS, Regular | 3.00% | 11.57% | 3.00% | 14.03% |
| FRS, Special Risk Regular | 3.00 | 30.73 | 3.00 | 35.19 |
| FRS, Elected County Officers | 3.00 | 56.62 | 3.00 | 62.66 |
| FRS, Circuit and County Court Judges | 3.00 | 43.39 | 3.00 | 49.14 |
| FRS, Senior Management Service | 3.00 | 32.46 | 3.00 | 33.24 |
| DROP, Applicable to Members from all of the Above Classes | 0.00 | 19.13 | 0.00 | 22.02 |

(1) These rates include the normal cost and unfunded actuarial liability contributions but do not include the 2.00% contribution for the Retiree Health Insurance Subsidy and the fee of 0.06% for administration of the FRS Investment Plan and provision of educational tools for both plans.

The County contributions, including employee contributions, to the Plan totaled $23,582,783 for the fiscal year ended September 30, 2025. This excludes the HIS and Investment Plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2025, the County reported a liability of $118,278,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The County's proportionate share of the net pension liability was based on the County's fiscal year ended September 30, 2025, contributions relative to the fiscal year ended September 30, 2025, contributions of all participating members. At June 30, 2025, the County's proportion was 0.381110153%, which was an increase of .014496601% from its proportion measured as of June 30, 2024.

For the year ended September 30, 2025, the County recognized pension expense of $13,112,575 related to the Plan. At September 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Contributions Subsequent to the Measurement Date | $6,795,209 | - |
| Difference between Expected and Actual Experience | 12,633,339 | - |
| Changes in Assumptions | 13,735,153 | - |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | $19,747,711 |
| Employer Specific Amounts Due to Changes in Employer Proportion | 9,711,688 | 2,698,787 |
| Total | $42,875,389 | $22,446,498 |

The deferred outflows of resources related to pensions, totaling $6,795,209, resulting from County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending | Amount |
|---|---|
| 2026 | $20,411,847 |
| 2027 | (1,098,375) |
| 2028 | (2,741,738) |
| 2029 | (2,938,052) |
| Total | $13,633,682 |

For information regarding the Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources by Constitutional Officer, see the table below:

| | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|---|
| Board of County Commissioners | $52,999,929 | $16,211,974 | $10,213,610 |
| Clerk of Circuit Court | 3,895,768 | 1,226,351 | 849,545 |
| Property Appraiser | 2,081,872 | 577,584 | 530,875 |
| Tax Collector | 2,429,199 | 730,436 | 516,132 |
| Sheriff | 56,151,618 | 23,895,847 | 10,104,751 |
| Supervisor of Elections | 719,650 | 233,197 | 231,585 |
| | $118,278,036 | $42,875,389 | $22,446,498 |

Actuarial Assumptions. The total pension liability in the July 1, 2025, actuarial valuation was determined using the individual entry age cost method and the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.40% |
| Salary Increases | 3.50% Average, Included Inflation |
| Discount Rate | 6.70% |
| Long-term Expected Rate of Return, Net of Investment Expense | 6.70% |
| Municipal Bond Index | N/A |

Mortality rates were based on the PUB2010 Base Table, varying by member, category & sex, projected generationally with SCALE MP 2021.

The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment or the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.0% | 3.2% | 3.2% | 1.1% |
| Fixed Income | 29.0 | 5.5 | 5.4 | 4.0 |
| Global Equity | 45.0 | 8.5 | 6.9 | 18.3 |
| Real Estate | 12.0 | 8.4 | 7.1 | 16.8 |
| Private Equity | 11.0 | 12.4 | 8.8 | 28.4 |
| Strategic Investments | 2.0 | 6.5 | 6.1 | 8.7 |
| Total | 100.0% | | | |
| Assumed Inflation-Mean | | | 2.4% | 1.5% |

Discount Rate. The discount rate used to measure the total pension liability in the July, 2025 valuation was 6.70%. The Plan's fiduciary net pension position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.70%) or 1-percentage-point higher (7.70%) than the current rate:

| | 1% Decrease 5.70% | Current Discount Rate 6.70% | 1% Increase 7.70% |
|---|---|---|---|
| Employer's Proportionate Share of Net Pension Liability (Asset) | $232,118,821 | $118,278,036 | $22,835,569 |

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems annual comprehensive financial report Health Insurance Subsidy Program

**Health Insurance Subsidy Program**

Plan Description. The HIS Pension Plan (the "HIS Plan") is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The State legislature established and amends the contribution requirements and benefit terms of the Retiree Health Insurance Subsidy Program ("HIS"). The benefit is a monthly payment to assist retirees of State of Florid-administered retirement systems in paying their health insurance costs.

Benefits Provided. For the fiscal year ended June 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplies by $7.50. The minimum HIS payment is $45 and the maximum payment is $225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under the State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the State legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2025, the contribution rates were 2.0% of payroll, pursuant to Section 112.363, Florida Statutes. The County contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide a full subsidy benefit to all participants, benefits may be reduced or cancelled.

The County's contributions to the HIS Plan totaled $2,352,794 for the fiscal year ended September 30, 2025. This excludes the Pension Plan and Investment Plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2025, the County reported a liability of $33,072,897 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The County’s proportionate share of the net pension liability was based on the County’s fiscal year ended September 30, 2025, contributions relative to the fiscal year ended September 30, 2025, contributions of all participating members. At June 30, 2025, the County’s proportion was 0.258030366%, which was an increase of .009567350% from its proportion measured as of June 30, 2024.

For the year ended September 30, 2025, the County recognized pension expense of $1,226,258 related to the Plan. At September 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Contributions Subsequent to the Measurement Date | $647,005 | $- |
| Difference between Expected and Actual Experience | 197,423 | 52,463 |
| Changes in Assumptions | 292,733 | 7,999,485 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | 27,527 |
| Employer Specific Amounts Due to Changes in Employer Proportion | 2,687,593 | 463,989 |
| Total | $3,824,754 | $8,543,464 |

The deferred outflows of resources related to pensions, totaling $647,005, resulting from County contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending | Amount |
|---|---|
| 2026 | $(1,163,314) |
| 2027 | (1,488,204) |
| 2028 | (1,229,360) |
| 2029 | (892,191) |
| 2030 | (592,646) |
| Total | $(5,365,715) |

For information regarding the Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources by Constitutional Officer, see the table below:

| | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|---|
| Board of County Commissioners | $16,033,629 | $1,063,037 | $4,286,072 |
| Clerk of Circuit Court | 1,849,233 | 212,440 | 452,162 |
| Property Appraiser | 760,472 | 59,611 | 221,654 |
| Tax Collector | 779,196 | 43,731 | 219,243 |
| Sheriff | 13,458,870 | 2,418,147 | 3,287,907 |
| Supervisor of Elections | 191,497 | 27,788 | 76,426 |
| | $33,072,897 | $3,824,754 | $8,543,464 |

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Actuarial Assumptions. The total pension liability in the July 1, 2025 actuarial valuation, was determined using the individual entry age cost method and the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.40% |
| Salary Increases | 3.50% Average, Included Inflation |
| Discount Rate | 5.20% |
| Long-term Expected Rate of Return, Net of Investment Expense | N/A |
| Municipal Bond Index | 5.20% |

Mortality rates were based on the Generational PUB 2010 with Projection Scale MP 2021.

The actuarial assumptions used in the June 30, 2025, valuation, were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

Discount Rate. The discount rate used to measure the total pension liability was 5.20%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

| | 1% Decrease 4.20% | Current Discount Rate 5.20% | 1% Increase 6.20% |
|---|---|---|---|
| Employer's Proportionate Share of Net Pension Liability (Asset) | $37,295,017 | $33,072,897 | $29,531,883 |

Pension Plan Fiduciary Net Pension. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems annual comprehensive financial report.

**FRS-Defined Contribution Pension Plan**

The County contributes to the FRS Investment Plan (the "Investment Plan"), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA and is reported in the SBA's annual financial statements and in the State annual comprehensive financial report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to the individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the State legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officials, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the Investment members' accounts during the County fiscal year ended September 30, 2025, are as follows:

| | Percent of Gross Compensation | |
|---|---|---|
| | Employee | Employer |
| FRS, Regular | 3.00% | 8.30% |
| FRS, Special Risk Regular | 3.00 | 16.00 |
| FRS, Elected County Officers | 3.00 | 13.34 |
| FRS, Senior Management Service | 3.00 | 9.67 |

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Plan is transferred to the Investment Plan, the member must have the years of service required for Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeit benefits of Investment Plan members. For the fiscal year September 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

Pension expense for the County's Investment Plan totaled $2,832,330 for the fiscal year ended September 30, 2025.

**Post Employment Benefits Other Than Pension**

*Summary and Plan Description*

In addition to the retirement plan described in Note J of the County's ACFR for fiscal year ended September 30, 2025, the County provides post-retirement health care benefits in accordance with Section

112.0801, Florida Statutes, to all employees who retire from employment with the County. This is administered via a single-employer defined benefit healthcare plan (the "OPEB Plan"). In most cases, the retiree pays 100% of the premium cost for the retiree to participate in the County's insurance program. Because retirees are paying for insurance at the County group rate, the cost is lower than age adjusted rates they would acquire on their own. When a single premium is established for both active employees and retirees, the retiree 'benefits' from an abnormally low premium. Governmental Accounting Standards Board ("GASB") Statement No. 45 describes such an arrangement as an 'implicit rate subsidy' and mandates that it be treated as Other Post-Employment Benefits ("OPEB") even though the employer makes no payments directly on behalf of retirees. The OPEB Plan provides healthcare benefits including medical coverage, prescription drug benefits, vision care, dental care and life insurance coverage to both active and eligible retired employees. Dental and vision care benefits are immaterial and are not believed to result in an OPEB; therefore, they are not included in the OPEB calculation. The Plan does not issue a separate financial report.

Currently, there are no direct subsidies provided by any of the County agencies to retired employees. The Sheriff's Office has offered a subsidy to help pay the premium required to continue coverage under the County's plan, but effective November 1, 2010, that was discontinued.

Eligibility for participation in the OPEB Plan is limited to full time employees of the County, employees who are active participants in the Plan at the time of retirement, who retire and are either vested with the FRS, are vested in the FRS and are age 62, have 30 years of creditable service before age 62, or meet alternative criteria if disabled or a member of a Special Risk Class. Surviving spouses or dependents of participating retirees may continue in the OPEB Plan if eligibility criteria specific to those classes are met. In an open session, the County approves the OPEB Plan rates for the enrollment period, and may amend the Plan with changes to the benefits, premiums and/or levels of participant contribution at any time.

The actuarial valuation of the OPEB liabilities was determined as of September 30, 2024, with a measurement date of September 30, 2024. These liabilities are used for the reporting period ended September 30, 2025.

| | |
|---|---|
| Actuarial Valuation Date | 9/30/2024 |
| Measurement Date | 9/30/2024 |
| County's Reporting Date | 9/30/2025 |

At September 30, 2024, the date of the latest actuarial valuation, plan participation consisted of:

| | |
|---|---|
| Active Participants | 1550 |
| Retirees and Beneficiaries Receiving Benefits | 97 |
| Total Membership | 1647 |

*Funding Policy*

Currently, the County's OPEB benefits are unfunded. The County has the authority to establish and amend a funding policy; however, no Trust contributions are legally or contractually required, and no assets are accumulated in a trust that meets the criteria of GASB Statement 75.

*Total OPEB Liability*

The components of the County's OPEB Liability at the Measurement Date of September 30, 2024 are as follows:

| | |
|---|---|
| Total OPEB Liability | $32,194,683 |
| OPEB Plan Fiduciary Net Position | - |
| County's Net OPEB Liability | $32,194,683 |
| OPEB Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 0.00% |

*Changes in Total OPEB Liability*

The components of the County's OPEB Liability at the Measurement Date of September 30, 2024 are as follows:

| | |
|---|---|
| Total OPEB Liability | |
| Service Cost | $918,005 |
| Interest on Total OPEB Liability | 1,140,525 |
| Charges of Benefit Terms | - |
| Difference between Expected and Actual Expense Liability | 814,065 |
| Changes in Assumptions and Other Inputs | 6,371,271 |
| Benefit Payments | (1,529,074) |
| Net Change in Total OPEB Liability | 7,714,792 |
| Total OPEB Liability-Beginning | 24,479,891 |
| Total OPEB Liability-Ending | 32,194,683 |
| Covered Employee Payroll | 102,529,842 |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 31.40% |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following table presents the total OPEB liability, calculated using the discount rate of 3.81%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (2.81%) or one percentage-point higher (4.81%) than the current discount rate:

| | 1% Decrease 2.81% | Current Discount Rate 3.81% | 1% Increase 4.81% |
|---|---|---|---|
| Total OPEB Liability | $35,170,033 | $32,194,683 | $29,488,157 |

*Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates*

The following table presents the total OPEB liability of the County using the healthcare cost trend rate of 6.50% decreasing to 4.00%, as well as what the County's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rate.

| | 1% Decrease (5.50% Decreasing to 3.00%) | Current Healthcare Discount Rate Assumption (6.50% Decreasing to 4.00%) | 1% Increase (7.50% Decreasing to 5.00%) |
|---|---|---|---|
| Total OPEB Liability | $35,170,033 | $32,194,683 | $29,488,157 |

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

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the measurement period, the average of the expected remaining service lives for purposes of recognizing the applicable combined deferred outflows and inflows of resources established in the measurement period is 13.6 years.

For the year ended September 30, 2025, the County recognized OPEB expense of $2,052,215.

| | |
|---|---|
| OPEB Expense: | |
| Service Cost | $918,005 |
| Interest on Total OPEB Liability | 1,140,525 |
| Current-Period Benefit Changes | - |
| OPEB Plan Administrative Expense | - |
| Outflow(Inflow) of Resources due to Liability | (6,315) |
| Total OPEB Expense | $2,052,215 |

At September 30, 2025, the County has Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Amounts |
|---|---|---|---|
| Differences between Expected and Actual Experience | $2,680,826 | $- | $2,680,826 |
| Changes in Assumptions and Other Inputs | 8,206,398 | 3,149,603 | 5,056,795 |
| Benefits Paid after the Measurement Date | 1,569,529 | - | 1,569,529 |
| | $12,456,753 | $3,149,603 | $9,307,150 |

Deferred Inflows of Resources by Year are recognized in future OPEB expenses:

| Fiscal Year Ending | Amount |
|---|---|
| 2024 | $522,019 |
| 2025 | 522,019 |
| 2026 | 522,019 |
| 2027 | 566,960 |
| 2028 | 634,648 |
| Thereafter | 4,969,956 |
| Total | $7,737,621 |

Estimated Deferred Outflow of Resources due to benefits paid after the measurement date is $1,569,529.

*Actuarial Methods and Assumptions*

The total OPEB liability at September 30, 2025 was based on actuarial valuation data, from the Measurement Date of September 30, 2024, using the following actuarial assumptions:

| | |
|---|---|
| Actuarial cost method | Entry Age Normal |
| Inflation | 2.50% |
| Discount Rate | 3.81% |
| Salary Increases | 3.65% - 8.5% |
| Retirement Age | FRS actuarial calculated |
| Mortality Rates | Tables of Regular and Special Risk Class members of 7/1/2024 Florida Retirement System actuarial valuation |
| Healthcare Cost Trend Rates | Getzen Model, trend starting at 6.50% (20.5% for premiums to reflect actual increase) for 2025, 6.25% for 2026 and gradually decreasing to an ultimate trend rate of 4.00% |
| Aging factors | 2013 SOA Study "Health Care Costs-From Birth to Death |
| Expenses | Administrative expenses included in the per capital health costs |

**Property Tax Reform**

*Millage Rollback Legislation*. In 2007, the State legislature adopted a property tax plan which significantly impacted ad valorem tax collections for State local governments (the "Millage Rollback Legislation"). One component of the Millage Rollback Legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 Fiscal Year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the Rollback Legislation also limited how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

*Constitutional Exemptions*. Certain exemptions from property taxes have been enacted. Constitutional exemptions include, but are not limited to, property owned by a municipality and used exclusively by it for municipal or public purposes, certain household goods and personal effects to the value fixed by general law, certain locally approved community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as defined by general law and historic preservation ad valorem tax exemptions to owners of historic properties, $25,000 of the assessed value of property subject to tangible personal property tax, the assessed value of solar devices or renewable energy source devices subject to tangible personal property tax may be exempt from ad valorem taxation, subject to limitations provided by general law, and certain real property dedicated in perpetuity for conservation purposes, including real property encumbered by perpetual conservation easements or by other perpetual conservation protections, as defined by general law.

*Limitation on Increase in Assessed Value of Property*. The State Constitution limits the increases in assessed just value of homestead property to the lower of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. The accumulated difference between the assessed value and the just value is known as the "Save Our Homes Benefit." Further, upon any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status; new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead; and changes, additions, reductions or improvements to the homestead shall initially be assessed as provided for by general law.

Owners of homestead property may transfer up to $500,000 of their Save Our Homes Benefit to a new homestead property purchased within three years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead.

For all levies other than school district levies, assessment increases for specified nonhomestead real property may not exceed ten percent (10%) of the assessment for the prior year. This assessment limitation was, by its terms, to be repealed effective January 1, 2019; however, the legislature by joint resolution approved an amendment abrogating such repeal, which was approved by the electors in the November 6, 2018, general election and went into effect January 1, 2019.

Exempt Entities/Exempt Purposes. The State Constitution provides that all property owned by a municipality and used exclusively by it for municipal or public purposes shall be exempt from taxation. A municipality, owning property outside the municipality, may be required by general law to make payment to the taxing unit in which the property is located. Such portions of property as are used predominantly for educational, literary, scientific, religious or charitable purposes (exempt purposes) may be exempted by general law from taxation. State law provides that all property owned by an exempt entity, including educational institutions, and used exclusively for exempt purposes shall be totally exempt from ad valorem taxation and all property owned by an exempt entity, including educational institutions, and used predominantly for exempt purposes (at least 50%) shall be exempted from ad valorem taxation to the extent of the ratio that such predominant use bears to the nonexempt use.

*Household Goods and Personal Effects.* The State Constitution provides that there shall be exempt from taxation, cumulatively, to every head of a family residing in the State, household goods and personal effects to the value fixed by general law, not less than one thousand dollars and to every widow or widower or person who is blind or totally and permanently disabled, property not less than five hundred dollars. State law exempts from taxation to every person residing and making his or her permanent home in the State, all household goods and personal effects and exempt property up to the value of $500 of every widow, widower, blind person, or totally and permanently disabled person who is a resident of the State.

*Economic Development.* The State Constitution provides that any county or municipality may, for the purpose of its respective tax levy and subject to the State Constitution and general law, grant community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as defined by general law. Such an exemption may be granted only by ordinance of the county or municipality, and only after the electors of the county or municipality voting on such question in a referendum authorize the county or municipality to adopt such ordinance. An exemption so granted shall apply to improvements to real property made by or for the use of a new business and improvements to real property related to the expansion of an existing business and shall also apply to tangible personal property of such new business and tangible personal property related to the expansion of an existing business. The amount or limits of the amount of such exemption shall be specified by general law (up to 100% in certain circumstances) and the period of time for which such exemption may be granted to a new business or expansion of an existing business shall be determined by general law. State law provides that the authority to grant such exemption shall expire ten years from the date of approval by the electors of the county or municipality, and may be renewable by referendum as provided by general law and that exemptions may be granted for up to 10 or 20 years depending on the use of the applicable facility. The County has enacted an ordinance granting the exemption described in this paragraph.

*Historic Preservation.* The State Constitution provides that any county or municipality may, for the purpose of its respective tax levy and subject to the provisions of the State Constitution and general law, grant historic preservation ad valorem tax exemptions to owners of historic properties. This exemption may be granted only by ordinance of the county or municipality. The amount or limits of the amount of this exemption and the requirements for eligible properties must be specified by general law. State law provides that such exemption may be for an amount up to 50% of the assessed value of the property. The period of time for which this exemption may be granted may continue until the ordinance is repealed or the property no longer qualifies for the exemption. The County has not enacted an ordinance granting the exemption described in this paragraph.

*Tangible Personal Property and Solar Devices.* The State Constitution provides that by general law and subject to conditions specified therein, $25,000 of the assessed value of property subject to tangible personal property tax shall be exempt from ad valorem taxation. Effective January 1, 2018 through December 31, 2037, the assessed value of solar devices or renewable energy source devices subject to tangible personal property tax may be exempt from ad valorem taxation, subject to limitations provided by general law.

*Property Dedicated In Perpetuity for Conservation.* The State Constitution provides that there shall be granted an ad valorem tax exemption for certain real property dedicated in perpetuity for conservation purposes, including real property encumbered by perpetual conservation easements or by other perpetual conservation protections, as defined by general law.

*Homestead Exemption.* The State Constitution also provides for a homestead exemption. Every person who has the legal title or beneficial title in equity to real property in the State and who resides thereon and in good faith makes the same his or her permanent residence or the permanent residence of others legally or naturally dependent upon such person is eligible to receive a homestead exemption of up to $50,000. The first $25,000 applies to all property taxes, including school district taxes. The additional exemption, up to $25,000, applicable to the assessed value of the property greater than $50,000, applies to all levies other than school district levies, such amount shall be adjusted annually on January 1 of each year for inflation. A person who is receiving or claiming the benefit of an ad valorem tax exemption or a tax credit in another state where permanent residency, or residency of another legally or naturally dependent upon the owner, is required as a basis for the granting of that ad valorem tax exemption or tax credit is not entitled to the homestead exemption. In addition to the general homestead exemption described in this paragraph, the following homestead exemptions are authorized by State law.

*Certain Persons 65 or Older*. A board of county commissioners or the governing authority of any municipality may adopt an ordinance to allow an additional homestead exemption equal to (i) of up to $50,000 for persons age 65 or older with household income that does not exceed the statutory income limitation of $20,000 (as increased by the percentage increase in the average cost of living index each year since 2001) or (ii) the assessed value of the property with a just value less than $250,000, as determined the first tax year that the owner applies and is approved, for any person 65 or older who has maintained the residence as his or her permanent residence for not less than 25 years and whose household income does not exceed the statutory income. The County enacted an ordinance providing for the exemption from County ad valorem taxes described in this paragraph.

In addition, veterans 65 or older who are partially or totally permanently disabled may receive a discount from tax on homestead property if the disability was combat related and the veteran was honorably discharged upon separation from military service. The discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Department of Veteran's Affairs. A Surviving Spouse of a veteran who died from service while on active duty as a member of the United Stated Armed Forces is allowed the same ad valorem tax discount on homestead property for combat-disabled veterans age 65 or older to transfer to the surviving spouse of a veteran receiving the discount if the surviving spouse holds the legal or beneficial title to the homestead, permanently resides thereon, and does not remarry.

*Deployed Military Personnel*. The State Constitution provides that by general law and subject to certain conditions specified therein, each person who receives a homestead exemption who was a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard; and who was deployed during the preceding calendar year on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature shall receive an additional exemption equal to a percentage of the taxable value of his or her homestead property. The applicable percentage shall be calculated as the number of days during the preceding calendar year the person was deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature divided by the number of days in that year.

*Certain Active Duty Military and Veterans*. A military veteran who was honorably discharged, is a resident of the State, and who is disabled to a degree of 10% or more because of misfortune or while serving during wartime may be entitled to a $5,000 reduction in the assessed value of his or her property. This exemption is not limited to homestead property. A military veteran who was honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on homestead property. A similar exemption is available to disabled veterans confined to wheelchairs. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over these exemptions.

*Certain Totally and Permanently Disabled Persons*. Real estate used and owned as a homestead by a quadriplegic, less any portion used for commercial purposes, is exempt from all ad valorem taxation. Real estate used and owned as a homestead by a paraplegic, hemiplegic, or other totally and permanently disabled person, who must use a wheelchair for mobility or who is legally blind, is exempt from taxation if the gross household income is below statutory limits.

*Survivors of First Responders*. Any real estate that is owned and used as a homestead by the surviving spouse of a first responder (law enforcement officer, correctional officer, firefighter, emergency medical technician or paramedic), who died in the line of duty may be granted a total exemption on homestead property if the first responder and his or her surviving spouse were permanent residents of the State on January 1 of the year in which the first responder died.

*Save Our Homes Portability Affected by Storm Damage (SOH)*. Owners of homestead property that was significantly damaged or destroyed as a result of a named tropical storm or hurricane can elect to have the property deemed abandoned if the owner establishes a new homestead by January 1 of the second year immediately following the storm or hurricane. This will allow the owner of the homestead property to keep their SOH benefit if they move from the significantly damaged or destroyed property to establish a new homestead by the end of the year following the storm.

*Property Tax Relief for Natural Disasters.* In response to certain natural disasters, the State legislature created a property tax relief credit for homestead parcels. Section 197.319 Florida Statues provides for property tax relief for homestead parcels on which residential improvements are damaged or destroyed by a catastrophic event, including hurricanes. If a residential improvement is rendered uninhabitable for at least 30 days, the property owner may be eligible for a partial refund of ad valorem taxes for the applicable tax year.

*Other Exemptions.* Other exemptions include, but are not limited to, affordable housing, nonprofit homes for the aged (subject to income limits for residents), proprietary continuing care facilities, not for profit sewer water/wastewater systems, certain hospital facilities and nursing homes for special services, charter schools, certain historic property used for commercial purposes and certain tangible personal property.

*Recent Legislation and Constitutional Amendments Relating to Ad Valorem Taxation.* During the 2021 State legislative session, State Senate Bill 7061 was passed by the Senate and the House and signed into law by the Governor. This law exempts fully from ad valorem taxation certain affordable housing properties that previously received a 50% discount from ad valorem taxes, along with certain other insignificant or indeterminate modifications to State law regarding ad valorem taxes.

During the 2022 State legislative session, State House Bill 7071 was passed by the Senate and the House and signed into law by the Governor. This law contains provisions for tax relief and changes to tax policy including, but not limited to, the following: providing property tax relief for residential property rendered uninhabitable for 30 days or more due to a catastrophic event; providing property tax relief for property owners affected by the sudden and unforeseen collapse of a residential building; increasing the widows, widowers, blind, or totally and permanently disabled property tax exemption from $500 to $5,000; providing an alternative assessment methodology for land used in the production of aquaculture products; clarifying the extent of the homestead exemption on classified lands; updating the qualifying operations for the deployed service member property tax exemption; and providing alternative dates from which to calculate the 15-year required term of an affordable housing agreement for establishing qualification for a property tax exemption. This law took effect on July 1, 2022. Further, State House Bill 777 was passed by the Senate and the House, which would require a local government seeking voter approval to levy certain optional local taxes to be held at a general election. The bill applies to the following local option taxes:

tourist development taxes; tourist impact taxes; ad valorem taxes levied by a children's services independent special district; county, municipal and school district voted millage increase and local option fuel taxes and took effect on October 1, 2022.

During the 2023 State legislative session, State House Bill 7063 was passed by the Senate and the House and signed into law by the Governor. This law makes property tax exemptions for veterans, first responders, and surviving spouses more accessible by eliminating certain requirements related to residency and property ownership, and revises the definition of "first responder" to include federal law enforcement officers and their surviving spouses. Additionally, this law creates a property tax exemption for certain leased property used for educational purposes. State House Bill 7063 also provides that property that is used as a parsonage, burial grounds, or tomb and is owned by an exempt organization which owns a house of public worship is exempt for a religious purpose.

During the November 2024 general election, voters approved State House Joint Resolution 7017, Amendment 5, authorizing an amendment to Article VII, Section 6(a) of the State Constitution regarding the existing $25,000 homestead property tax exemption on property with an assessed valuation greater than $50,000 that is applicable to all ad valorem taxes except school district taxes. The amendment requires the homestead exemption to be adjusted annually for positive inflation growth. The State legislature passed and the Governor approved State House Bill 7019 during the 2024 legislative session which amended Section 196.031, Florida Statutes, to implement the annual positive inflation adjustment. The inflation adjustment began January 1, 2025. State House Bill 7019 also created Section 218.136, Florida Statutes, requiring the State legislature to appropriate funds to offset reductions in ad valorem revenue in fiscally constrained counties as a result of the annual positive inflation adjustment. The bill provides emergency rulemaking authority to the Department of Revenue to administer the provisions of the act.

During the 2025 State legislative session, the State legislature passed Committee Substitute for House Joint Resolution 1215 ("CS/HJR 1215") which would create a property tax exemption for certain agricultural tangible personal property from ad valorem taxation. CS/HJR 1215 is not subject to the Governor's veto power but is subject to approval by 60 percent of voters during the 2026 general election, if passed the bill will take effect on January 1, 2027. The State legislature also passed House Bill 7031 ("HB 7031") which includes new or expanded exemptions for affordable housing which will apply to the 2026 tax rolls. The Series 2026 Bonds are not secured by ad-valorem property taxes and the County does not believe such proposed legislation, if it becomes law, would impact its ability to pay debt service on the Series 2026 Bonds.

*Future Potential Legislation and/or Constitutional Amendments Relating to Ad Valorem Taxation.* Historically, various legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced by the State legislature. Many of these proposals have provided for the elimination or phase-out of non-school ad-valorem taxes on homestead property, new or increased exemptions from ad valorem taxation, limiting increases in the assessed valuation of certain types of property or have otherwise restricted the ability of local governments in the State to levy ad valorem taxes at then current levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would have a material adverse effect on the collection of ad valorem taxes by the County, the County's finances in general or the County's ad valorem taxing power.

To address property tax reform with the goal of placing a property tax reform amendment on the upcoming November 2026 ballot, the Governor of the State issued a proclamation calling a special legislative session that began on Monday, June 1, 2026. Senate Joint Resolution 2-F was filed on May 28, 2026, as amended, and proposed amendments to the State Constitution to, among other things, revise the limitation on annual assessment increases from 10% to 5% for specified real property, increase the homestead exemption for non-school ad valorem taxes to the first $150,000 of assessed value of homestead properties in 2027 and to the first $250,000 of assessed value of homestead properties in 2028, with a mandate for the Florida Legislature to create a schedule for full elimination of ad valorem taxes, and impose other limitations on the use of ad valorem taxes levied by counties and municipalities. House Joint Resolution 1F, an identical bill to Senate Joint Resolution 2-F, was subsequently passed the Florida House and Florida Senate, placing such amendments on the November 2026 ballot. For such amendments to become effective, they require approval by at least 60% of voters in the statewide November general election. If approved, the reduction in the ad valorem tax base and the restriction of the use of ad valorem taxes would increase the amount of non-ad valorem revenues needed to fund essential governmental functions, other operations, and debt service, which could materially and adversely affect local government finances. There can be no assurance that the statewide referendum will pass.

**HERNANDO COUNTY, FLORIDA**
**Civilian Labor Force Summary**
**2015-2024**

| Average Calendar Year | Civilian Labor Force | Employment | Unemployment | Annual Percent |
|---|---|---|---|---|
| 2015 | 66,373 | 61,707 | 4,666 | 7.0% |
| 2016 | 75,164 | 71,043 | 4,121 | 5.5 |
| 2017 | 76,274 | 72,637 | 3,637 | 4.8 |
| 2018 | 77,124 | 73,894 | 3,230 | 4.2 |
| 2019 | 78,783 | 75,742 | 3,041 | 3.9 |
| 2020 | 78,916 | 72,949 | 5,967 | 7.6 |
| 2021 | 81,823 | 77,966 | 3,857 | 4.7 |
| 2022 | 86,012 | 83,133 | 2,879 | 3.3 |
| 2023 | 89,903 | 86,788 | 3,115 | 3.5 |
| 2024 | 91,009 | 87,352 | 3,657 | 4.0 |

Source: Florida Insight, Florida Department of Economic Opportunity, Bureau of Labor Statistics and Economic Research, Local Area Unemployment Statistics (LAUS).

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**HERNANDO COUNTY, FLORIDA AND THE UNITED STATES**
**Unemployment Rates**
**2016-2025**

| Fiscal Year | County | State | United States |
|---|---|---|---|
| 2016 | 6.2% | 4.9% | 5.0% |
| 2017 | 4.3 | 4.3 | 4.3 |
| 2018 | 4.3 | 3.6 | 3.7 |
| 2019 | 3.6 | 3.2 | 3.5 |
| 2020 | 5.9 | 8.0 | 7.8 |
| 2021 | 4.2 | 4.7 | 4.7 |
| 2022 | 3.2 | 3.0 | 3.5 |
| 2023 | 4.2 | 2.9 | 3.7 |
| 2024 | 4.2 | 3.4 | 4.1 |
| 2025 | 4.2 | 3.9 | 4.4 |

Source: Annual Comprehensive Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2025, State of Florida Department of Economic Opportunity, Bureau of Labor Statistics and Economic Research, Local Area Unemployment Statistics (LAUS), and United States Department of Labor, United States Bureau of Labor Statistics, Civilian Unemployment Rate.

**HERNANDO COUNTY, FLORIDA**
**Per Capita Personal Income**
**2016-2025**

| | |
|---|---|
| 2016 | $34,889 |
| 2017 | 35,601 |
| 2018 | 36,878 |
| 2019 | 38,223 |
| 2020 | 41,385 |
| 2021 | 46,080 |
| 2022 | 45,456 |
| 2023 | 46,269 |
| 2024 | 49,176 |
| 2025 | 49,176 |

Source: Annual Comprehensive Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2025.

# APPENDIX B

# COMPOSITE OF THE RESOLUTION

# APPENDIX C

## AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

# APPENDIX D

# FINANCIAL FEASIBILITY REPORT

**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

# APPENDIX F

## FORM OF CONTINUING DISCLOSURE CERTIFICATE