Annual Investment Report

Fiscal Year Ending September 30, 2025

Prepared by Greg James, Wakulla County Clerk of Court & Comptroller

Board of County Commissioners,

As your Clerk of Court, it is my constitutional duty to keep you informed of Wakulla County's (the County) investments and to provide an independent check and balance on County finances to ensure your tax dollars are safe and being used in a sound financial manner.

The Clerk's Office is tasked with the responsibility of being the clerk and accountant to the Board of County Commissioners and custodian of County funds, among many other duties, as outlined in Florida Constitution Article VIII 1(d) and Florida Statute 125.17.

As part of being the custodian of County funds, we have the responsibility to invest the County's excess or surplus funds. Surplus funds are those funds that are on hand at any point in time that are above and beyond the funds needed to pay the current obligations of the County. For example, the County collects most of its ad valorem taxes in the months of December – February, but most of these funds will not be needed until July – September. Some years have fewer surplus funds than others due to the number of or size of the capital projects ongoing during the fiscal year. These surplus funds are invested until they are needed. Wakulla County uses Section 218.415, Florida Statutes, entitled "Investment of Local Government Surplus Funds" as its Investment Policy.

In accordance with transparency, proper governance, and fiscal accountability, I provide you and the citizens of Wakulla County with an annual investment activity report. This report is written in such a manner that non-financial readers may have a better understanding of the County's investment policy, activity and how its investments impact the overall health of the County's finances. The report that follows is for the fiscal year ended September 30, 2025.

Our office is charged with four primary responsibilities related to the investment of the County's surplus funds – transparency, safety, liquidity, and competitive returns with minimal risk. The optimization of investment income will always be last to safety and liquidity. As the accountant to the BOCC, I am glad to report that the County's surplus funds remained secure and fully liquid throughout the fiscal year. While investment income is not the primary objective of the County's investment policy, it serves as an important and reliable component to the annual budget. This passive income allows the County to reduce the need for imposing additional taxes or service fees.

I am honored to serve as your Clerk of Court. I remain committed to promoting transparency and accountability in reporting the County's financial activities and in managing the investment of taxpayer dollars. If you have any questions concerning the contents of this or any other report from our office, please contact me or my staff.

In your service,

Greg James
Wakulla County Clerk of Courts

WAKULLA CO CLERK OF THE CIRCUIT COURT

TABLE OF CONTENTS

SUMMARY OF INVESTMENT POLICY

Section 218.415, Florida Statutes serves as the County's investment policy. The following is a summary of the key provisions contained in Section 218.415.

Scope

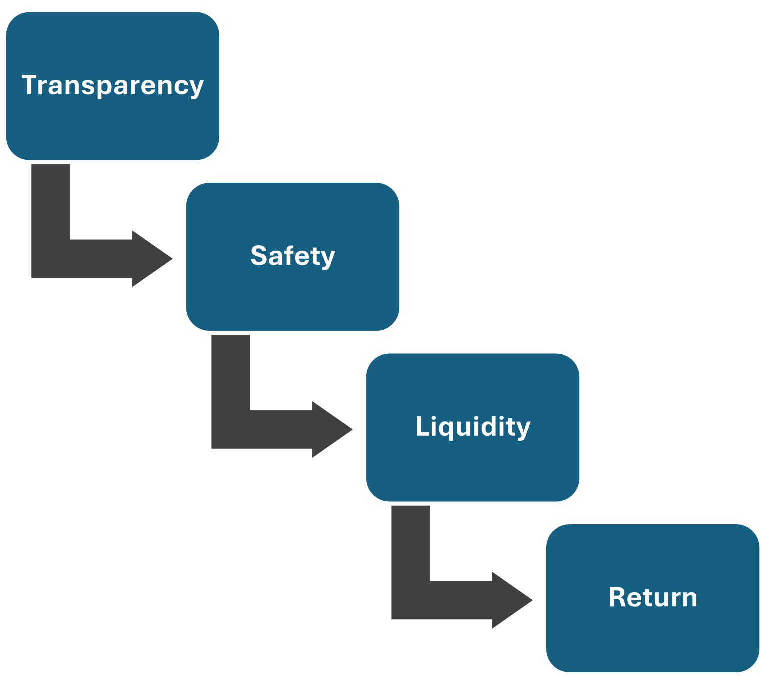
This policy applies to all cash in all funds, restricted or unrestricted, under the control of the Board of County Commissioners (BOCC) that is considered surplus, meaning funds in excess of those required to meet the County's current expenses and cash flow needs.

The investment policy does not apply to any cash or accounts in the County's possession that are required to meet current obligations or that must be held in a separate account pursuant to legally binding agreements such as debt sinking funds, grant funds, or other monies that are legally restricted.

A list of the County's surplus funds and funds not available for investment as of September 30, 2025, will be provided later in this report.

Investment Objectives

There are four (4) investment objectives of the County, listed in order of importance. The order of these objectives is intended to minimize the risks inherent to any investment of funds.



The County places the highest importance on <u>transparency</u> in how taxpayer dollars are invested. Although this report serves multiple purposes, its foremost goal is to ensure the public has clear insight into the County's investment activities.

The risks to the <u>safety</u> of County funds are minimized by limiting the types of investment instruments to those approved by F.S. 218.415(17) and only using qualified public depositories (QPD's) as defined in Chapter 280, Florida

Statutes, and by diversifying the County's funds across several investment options. The risks to the liquidity of County funds are minimized by measuring the short-term cash needed to meet the County's obligations and monitoring the weighted average maturity of its investments.

The risks to the return on investment of County funds are managed by monitoring market and economic conditions (i.e. fixed versus variable rates and length of maturity) on a routine basis.

There are five (5) components of investment risk: custodian credit risk, interest rate risk, credit risk, concentration risk and foreign currency risk. The Clerk's Office limits the County's exposure to these risks by following the sound investment policies established in F.S. 218.415. More information on these investment risks is discussed in the County's Annual Financial Report.

The safety and liquidity of the principal are more important than interest income. With these objectives in this order, the County has met its objectives of 1) no principal is ever lost, 2) surplus funds are available when needed to meet current obligations, and 3) if the surplus funds earned a reasonable and prudent level of interest income.

The Clerk's Office monitors the cash balances of the County's funds daily. The County's liquidity requirements to meet current obligations are based on recent historical averages, current capital project activity and routine conversations with the County Administrator. The Clerk's Office ensures that the County's investment portfolio does not have an average maturity level that exceeds these current liquidity needs. The maturity of investments can affect the liquidity of the funds invested. As of September 30, 2025, all the County's funds were held in instruments that were 100% liquid with all balances available on a daily or next day basis. As such, there is no weighted average maturity of investments as of September 30, 2025. This is important to note when comparing the interest rates the County is getting with the interest rates of other optional investment instruments that would require the surplus funds to be unavailable for a period of time (such as a 90-day Certificate of Deposit).

As of September 30, 2025, the County complied with the investment objectives outlined above. No principal was lost during the fiscal year, all current obligations were met on time, and the County earned a reasonable yield on its investments.

Prudence, Ethical Standards & Continuing Education

The Clerk's Office has adopted the "Prudent Person Rule" which states that "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

There are several ethical standards and codes of conduct which must be adhered to by the employees of the Clerk's Office. Those include but may not be limited to:

- Part III of Chapter 112, Florida Statutes – The Code of Ethics for Public Officers and Employees
- Article II, Section 8, Florida Constitution – The "Sunshine Amendment"
- Section 1.4 of Wakulla Ordinance 2015-2 – "Procurement Policy Ethics"

The Clerk's Office ensures that employees who are responsible for or involved in making investment decisions complete continuing education annually in subjects or courses of study related to investment practices and products. As of September 30, 2025, the Clerk's Office complied with these standards.

List Of Authorized Deposits & Investments

The County is authorized to deposit funds in any bank that meets the criteria of a "qualified public depository" (QPD) pursuant to Chapter 280, Florida Statutes. While not legally required, the Clerk's Office prefers to maintain deposits in QPD banks that have a local presence within the County.

Section 218.415(17) requires the County to restrict its investments to the following:

- The Local Government Surplus Funds Trust Fund (commonly referred to as Florida Prime)
- Any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act of 1969 as provided in Section 163.01, Florida Statutes
- Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes
- Direct obligations of the U.S. Treasury

Additionally, Section 218.415(23) allows the County to deposit any portion of surplus public funds in accordance with the following conditions:

- In a QPD, as selected by the unit of local government
- Financial deposit instruments that are insured by the Federal Deposit Insurance Corporation (FDIC) in federally insured banks or savings and loan associations

As of September 30, 2025, the County's deposits and investments were limited to these types of authorized investments. The County's funds were invested in intergovernmental investment pools, money market funds and QPD's.

Portfolio Composition, Risk & Diversification

The Clerk's Office routinely monitors the composition of the County's investment portfolio to ensure surplus funds are properly diversified to reduce "concentration risk". Since the risk to the safety and liquidity of County funds is minimized due to the investment restrictions listed above, there are no specific percentages or parameters that must be met in its portfolio composition.

While no exact portfolio composition was required as of September 30, 2025, the Clerk's Office ensured throughout the year that the County's investment portfolio was well diversified across several banking institutions and investment pools.

Safekeeping & Third-Party Custodial Agreements

Every security purchased by the County shall be properly earmarked and:

- <u>If registered with the issuer or its agents</u>, it must be immediately placed for safekeeping in a location that protects the County's interest in the security.
- <u>If in book entry form</u>, it must be held for the credit of the County by a depository chartered by the Federal Government, the State of Florida or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the Unites States which is authorized to accept and execute trusts and which is doing business in the State of Florida and must be kept by the depository in an account separate and apart from the assets of the financial institution.
- <u>If physically issued to the holder</u> but not registered with the issuer or its agents, it must be immediately placed for safekeeping in a secured vault. Securities should be held by a third-party and all securities purchased by the County and all collateral obtained by the County should be properly designated as an asset of the County.

As of September 30, 2025, the County's investments in intergovernmental investment pools were approved by the BOCC and an inter-local agreement or indenture of trust and an instrument of adoption was signed with each investment pool which outlines the safekeeping and custodial agreements with the County.

Acquisition & Bid Requirements
The Clerk's Office routinely monitors the availability of new or additional authorized investment options for the County's surplus funds. The Clerk's Office shall, upon approval of the Board, open new or additional investment accounts as it deems prudent in fulfilling the investment objectives and goals of the County. Due to the limited investment options, formal competitive bids are not required for the investment of surplus funds.

Investments in any intergovernmental investment pool, money market fund, time deposit or savings account, or U.S. Treasuries should be determined by its liquidity (maturity) and by the current interest rate being offered at the time of consideration – both of which are publicly advertised for all these investment options, so no bidding is required. As of September 30, 2025, all deposit accounts had been opened in accordance with the County's procurement policy and the investment accounts that were open were compared to other investment options and remain the most favorable for the County to meet its investment objectives (transparency, safety, liquidity, and return).

Sale & Disposition
Authorized personnel of the Clerk's Office may sell, in whole or in part, any portion of the County's investments if needed for operating purposes or for more optimal investments. All sale proceeds must be immediately placed into the proper account or fund of the County. For FY24/25, no investments were sold prematurely to meet any current financial obligations of the County. Numerous transfers between operating accounts and investment accounts were made throughout the fiscal year as needed and all transfers were recorded in accordance with generally accepted accounting principles.

Internal Controls
The Clerk's Office shall maintain written operational procedures as part of an overall system of internal controls which outlines how investment transactions are recorded, who must authorize and sign for these transactions, and who is authorized to deposit, withdraw and transfer investment funds. These internal controls are designed to prevent losses of funds from fraud, employee error, misrepresentation by third-parties or imprudent actions by employees and create sufficient segregation of duties within the investment framework. These internal controls are reviewed annually and audited by the independent audit firm of the County. As of September 30, 2025, the Clerk's Office had complied with all written operational procedures.

Reporting & Auditing
The Clerk's Office shall prepare and submit to the BOCC an annual investment report which outlines and highlights the investment activities of the fiscal year by investment class or type, book value (and market value if different), and income earned. The Clerk's Office provides periodic reports to County officials as needed. The County's independent audit firm who conducts the annual audit pursuant to Section 218.39, Florida Statutes, shall report, as part of the audit, whether the Clerk's Office has complied with Section 218.415, Florida Statutes.

This report is the annual investment report for September 30, 2025, for the County, and the assurance that the Clerk's Office complied with Section 218.415, Florida Statutes is found in the County's Annual Financial Report. It should be noted that this annual investment report for September 30, 2025, includes only BOCC accounts and does not include any accounts held by constitutional officers.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FY 2024/25 INVESTMENT REPORT

As of September 30, 2025

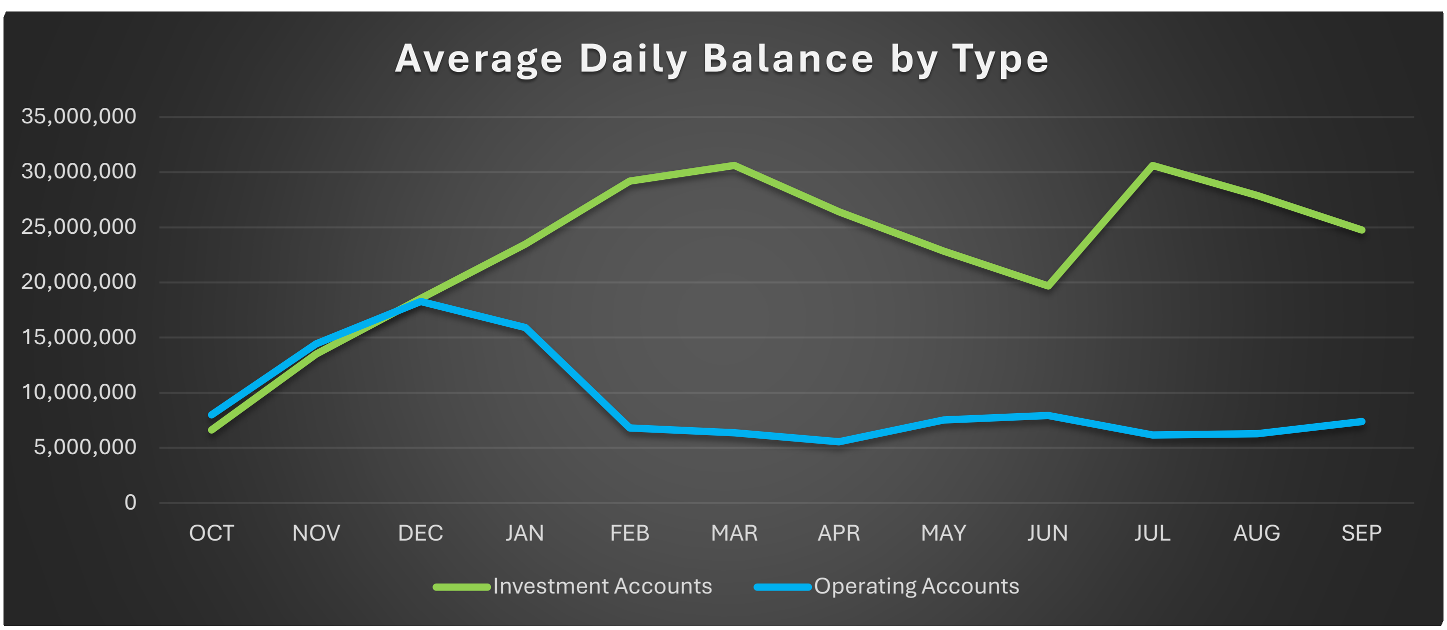
Total Comparative Cash & Investment Balances
Cash deposits and investments held by the County as of September 30, 2025, consisted of eighteen (18) bank and investment accounts. These included eight (8) investment accounts, two (2) restricted savings accounts, two (2) debt service accounts, five (5) operating and one (1) payroll/clearing accounts. On September 30, 2025, cash and investments amounted to $33,783,551 compared to $16,615,315 on September 30, 2024, an increase of $17,168,236. This increase is primarily the result of the receipt of project construction loan proceeds of $18,000,000 in July 2025.

Comparative Cash & Investment Balances as of September 30, 2025

	9/30/2025	9/30/2024	Change
Portfolio Balance	33,783,551	16,615,315	17,168,236
Portfolio Blended Avg. Yield	2.35%	2.78%	-0.44%
Fiscal Year Interest Income	1,040,262	1,151,716	(111,454)

There is a distinction between the cash balances at fiscal year-end (shown above) and average daily cash balances throughout the year. The average daily cash balance available for FY24/25 was $34,040,808 as compared to $32,160,767 in FY23/24. The County averaged $1,880,041 more in excess cash available for investment throughout the year, even though it ended the year with $17,168,236 more in cash than the previous fiscal year.

The County's daily cash balances are typically at their highest in December, January, February and March of the fiscal year, after most of the County's ad valorem taxes and special assessments are collected. For FY24/25, January was the month with the highest average daily cash balance at $41,539,707. The County's daily cash balances are typically at their lowest in October and November of the fiscal year just before the collection of these taxes. For FY24/25, October was the month with the lowest average daily cash balance at $16,628,947. The chart below illustrates the average daily balance of the investment and operating accounts. While they make up a portion of the County's portfolio, restricted savings, debt service and payroll clearing accounts have been excluded from the chart because they are unavailable for investment.



The composition of the County's cash and investment portfolio changes over the course of the fiscal year. The composition of funds in FY24/25 as compared to the prior fiscal year is summarized below.

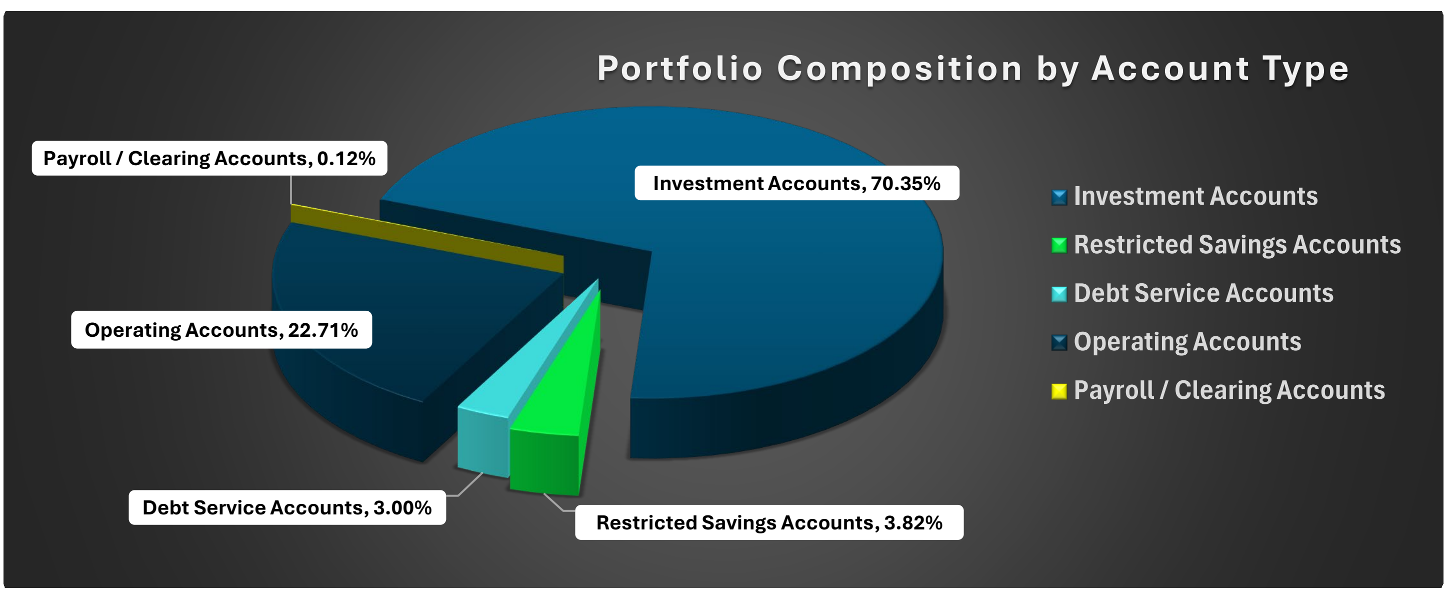
Comparative Distribution of Portfolio By Instrument Type						
Account / Investment Type	**FY24/25**		**FY23/24**		**Increase / (Decrease) from Prior Year**	
Investment Accounts	70.35%	23,768,379	47.86%	7,951,643	22.49%	15,816,736
Restricted Savings Accounts	3.82%	1,291,478	5.94%	986,591	-2.12%	304,887
Debt Service Accounts	3.00%	1,012,073	6.00%	996,253	-3.00%	15,820
Operating Accounts	22.71%	7,672,349	40.17%	6,674,622	-17.46%	997,727
Payroll / Clearing Accounts	0.12%	39,272	0.04%	6,207	0.08%	33,065
Total		**33,783,551**		**16,615,315**		**17,168,236**

Total Cash & Investment Balances by Instrument Type

Many of the accounts that the County has opened exist due to external requirements put upon the County by lenders and grant agencies or internal requirements established through resolution or ordinance of the BOCC. Many of these accounts either do not earn any interest or earn very minimal amounts of interest (operating, debt service and payroll/clearing accounts). As will be discussed later, this lowers the average or blended rate of return for the County. The Clerk's Office focuses more on the interest rates for the County's investment accounts as those surplus funds can be moved around to improve the overall interest income of the County. The following is a chart and graph of the County's cash and investment balances by type of account and the annual blended rate of return for each account type as of September 30, 2025:

Portfolio Breakdown as of September 30, 2025				
Account Type	**Accounts**	**Book Value**	**Portfolio**	**Blended**
Investment Accounts	8	23,768,379	70.35%	4.46%
Restricted Savings Accounts	3	1,291,478	3.82%	0.49%
Debt Service Accounts	1	1,012,073	3.00%	1.07%
Operating Accounts	5	7,672,349	22.71%	0.75%
Payroll / Clearing Accounts	1	39,272	0.12%	0.25%
Total	**18**	**33,783,551**	**100.00%**	**2.35%**

* The "Blended Interest Rate" is the average of all the interest rates of all the accounts held by the County over the course of the fiscal year.



Total Comparative Portfolio Growth

The funds available for investment are directly related to a) the health of the County's fund balances, b) the number and size of capital projects in the year and the amount of funds borrowed for capital projects. As fund balance improves, more funds are available for investment. At the same time, funds held and built up for the purpose of capital projects, for the purchase of vehicles and various equipment, or for infrastructure improvements will deplete funds available for investment when they are spent unless those funds are borrowed. The following is a multi-year comparison of the County's cash and investment portfolio at the date indicated.

Type of Account:	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Ameris Bank NOW Account	$ 1,556,594	$ 52,980	$ 8,330,248	$ 1,354,722
Ameris Bank Project Construction	14,015,088	137,970	-	-
Ameris Restricted Savings Accounts	1,291,478	986,591	811,620	893,911
Ameris Bank Debt Service Accounts	1,012,073	996,253	20,677,947	884,035
Ameris Bank Operating Accounts	7,672,349	6,674,622	2,018,858	3,094,684
Ameris Payroll / Clearing Accounts	-	-	-	10,021
Prime Meridian Money Market	44,977	1,917,669	4,591,516	3,953,114
Prime Meridian Payroll / Clearing	39,272	6,207	3,834	10,050
FL CLASS Investment Pool	2,630,161	544,073	2,702,805	5,535,878
FL FIT Investment Pool	2,795,205	3,680,493	2,551,909	1,767,735
FL SAFE Investment Pool	647,355	566,863	2,381,098	5,228,451
FL GIT Investment Pool	2,078,999	1,051,594	-	-
Total	**$ 33,783,551**	**$ 16,615,315**	**$ 44,069,835**	**$ 22,732,601**

A brief description of these accounts is as follows:

- The Ameris Bank NOW account, the Prime Meridian Bank Money Market account, the Florida Cooperative Liquid Assets Securities System (FLCLASS), the Florida Fixed Income Trust (FLFIT), the Florida Surplus Asset Fund Trust (FL SAFE), and the Florida Local Government Investment Trust account (FLGIT), represents the actual "surplus funds" available for investment.
    - Housing Prisoner monies held for the Sheriff's Office are in the Florida Fixed Income Trust (FLFIT). Several local resolutions have been passed such as Resolution 2000-52, which established a "rainy day fund" and set aside 10% of the Housing Prisoner fees as a savings account held by the Sheriff's Office. Resolution 2012-52 repealed 2000-52, maintained the setting aside of 10% into a rainy-day fund but required the funds to be held by the Clerk of Court as the custodian of County funds. Due to Federal policy changes, the BOCC ended the Housing Prisoner Program in FY20/21 due to a lack of inmates in the program.
    - The Project Construction Loan account is being included in the funds available for investment as each draw of loan funds are deposited in a lump sum advance and are invested until they are needed for capital infrastructure purposes.
- The Ameris Restricted Savings accounts represent the SHIP grant funds, and the Sheriff's Office Federal Forfeiture funds. The SHIP and Sheriff Forfeiture funds must be maintained in a separate account and cannot be invested as surplus funds.
- The Ameris Debt Service accounts represent monies held to pay the annual payments of the Solid Waste Landfill closure loan, and the Fire/EMS loan. These funds must be maintained in these accounts and cannot be invested as surplus funds.
- The Ameris Bank operating accounts are the accounts used to pay the daily bills of the County and include the General Operating account, the FLEX account, the Collections account, the Wastewater Treatment Plant (WWTP) account and the Wakulla Sands Golf Course account. As operating funds, these funds cannot be considered surplus funds.

- Prime Meridian Bank Payroll / Clearing account is the account used to process payroll and other similar clearing accounts for the Board of County Commissioners. As operating funds, these funds cannot be considered surplus funds.

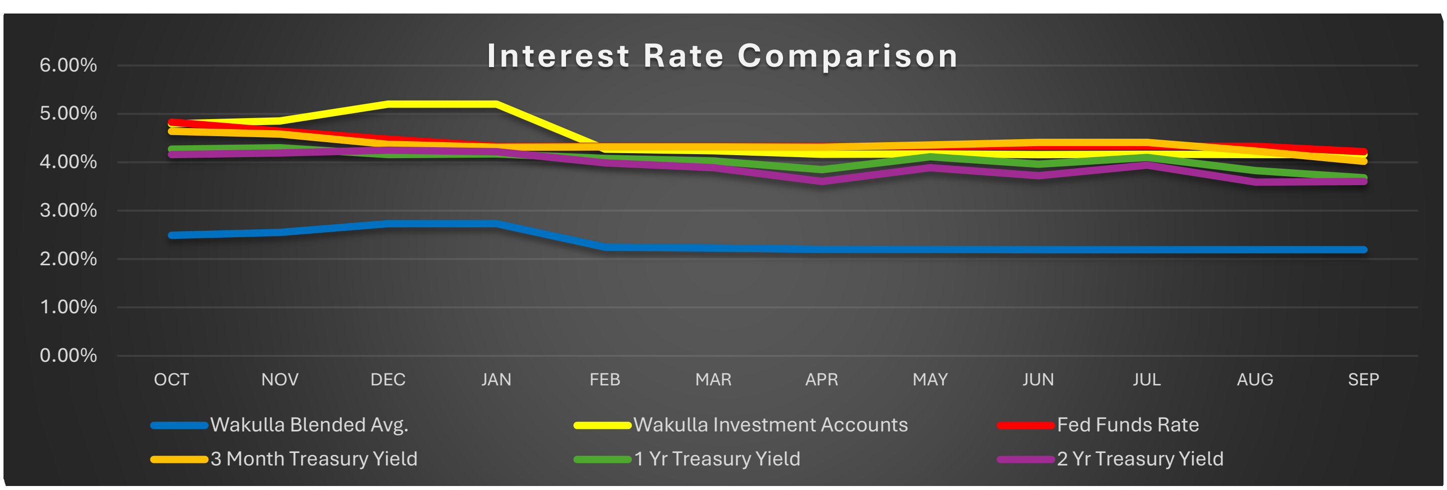
Total Comparative Investment Income

In FY24/25, investment income was $1,040,262, a decrease of $111,454, or 9.68% less than the prior year amount of $1,151,716. A significant factor for the decrease was the general downward trend of interest rates throughout FY24/25 as inflation eased and monetary policy shifted toward a more neutral stance. The County's blended average yield decreased (0.44%) compared to FY23/24, resulting in leaner returns on the invested surplus funds. Another factor affecting investment income was the accelerated use of funds from the second draw of the project construction line of credit, which reduced the time those balances remained available for investment.

The County's fund balances are robust and liquid, so cash-flowing daily operations is not a serious challenge (as discussed on the first page, liquidity is always a concern). As such, investing the County's "surplus" funds in longer term maturities to achieve a higher interest rate is possibly a viable option. The Clerk's office routinely examines the market rates of 3-month, 6-month, 1-year and 2-year maturities, bank certificates of deposit (CD's) and other intergovernmental investment pool options offered by various entities in the State of Florida. The current sentiment among management is to not impede immediate use of these funds and make use of the many investment options that offer competitive interest rates with daily liquidity. Due to the large number of capital projects slated for the near future, it would not be prudent to invest a significant percentage of the County's "surplus" funds longer than daily liquidity.

The chart below shows a comparison of the average monthly interest rates earned by the County as compared to some of the more secure rates on the open market. An analysis of the chart shows:

- Wakulla's blended average interest rate (the dark blue line) was below the more secure rates on the open market throughout the year. This is due to the County's entire account portfolio containing numerous operating and payroll accounts that earn very little interest.
- The County's investment accounts (the yellow line), while maintaining daily liquidity, were above or in line with most of the other rates for the entire fiscal year. The investment accounts outperformed the Fed Funds Rate from November through February. But near the middle of the fiscal year, the County's investment accounts dipped, and the Fed Funds Rate outperformed them from March through September.
- The County's investment accounts outperformed the 1 Year Treasury and the 2 Year Treasury for all twelve months of the fiscal year.
- In summary, Wakulla County has been able to earn strong interest rates in comparison to other various treasuries, while maintaining daily or overnight liquidity.



Investment fees should also be taken into consideration. The County's deposit and investment accounts incur two types of fees or costs – bank fees on the primary operating account of the County and investment fees on the intergovernmental investment pools. The County's primary operating account does incur bank fees offset by an earning credit monthly, based on the award of the banking RFQ issued and approved by the County. The FLGIT, FLFIT, FLCLASS, and FL SAFE investment accounts all charge a fee that is expressed as a percentage which covers the pool's management fee and portfolio expenses. The fees fluctuate, are calculated daily and netted against the daily gross interest earned. The investment income for these investments has been reported net of these fees.

Market, Economic & Investment Conditions

- Federal Funds Rate

  What is the "Federal Funds Rate"? It is the target interest rate at which banks lend money to one another overnight to meet loan reserve requirements. The federal funds rate is a tool used by the Unites State Federal Reserve System (USFRS) to control the supply of available money and therefore, inflation and other interest rates.

  The Federal Open Market Committee (FOMC) is the primary monetary policy making body of the USFRS. The FOMC meets approximately every six weeks and holds eight regularly scheduled meetings each year, and issues forecasts at four of the eight meetings. Each time it meets, the FOMC reviews the economic conditions of the US and decides whether to use "expansionary" or "contractionary" monetary policy. The FOMC's decisions have a significant impact by influencing interest rates, inflation and overall economic growth. Raising the rate makes it more expensive to borrow. That lowers the supply of available money, which helps keep inflation in check. Lowering the rate has the opposite effect. If the Fed Funds Rate is increased, you can expect slower economic growth (Contractionary monetary policy to slow inflation) and if they lower the rate, you can expect an increase in economic growth (Expansionary monetary policy to spur inflation).

  The FOMC raised the rate eleven (11) times between March 2022 and September 2023. Since that time, the FOMC had held the target range rate of 5.25%-5.50% until it voted in September 2024 to lower the target range by ½ percentage point to 4.75% to 5.0%. The annualized average rate for FY24/25 was 4.40% and the closing rate was 4.22%. https://www.federalreserve.gov/monetarypolicy/fomc.htm

- Future Rate Estimates

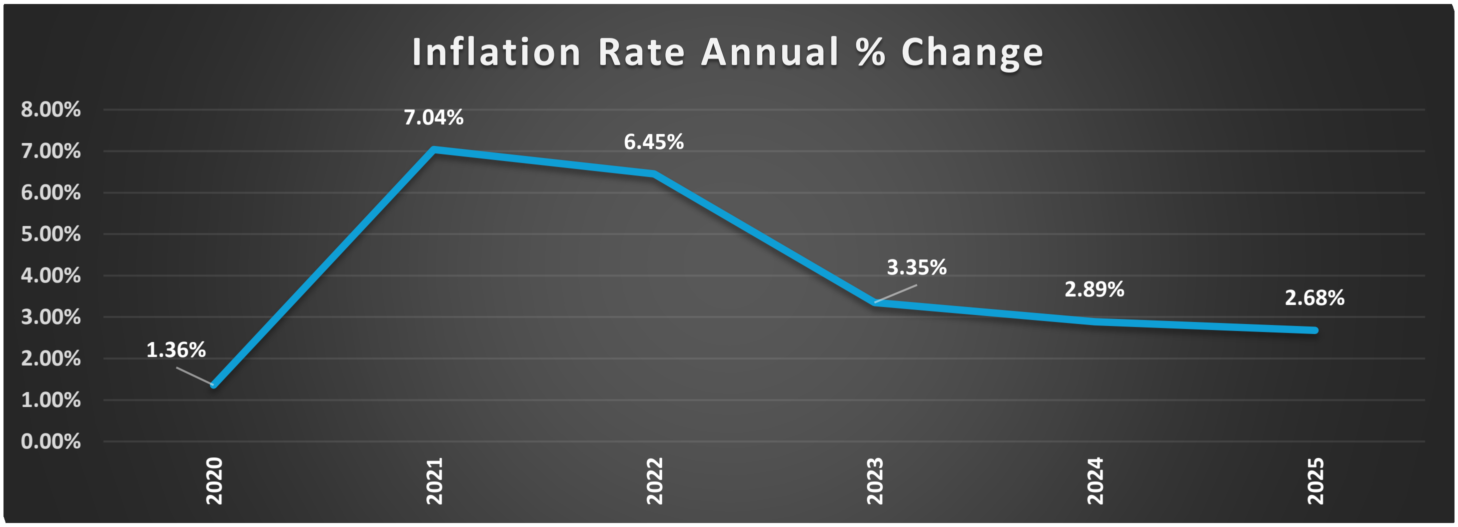
  As of the publish date of this report (July 2026), the Federal Funds Rate target currently rests between 3.50%-3.75%. Where will it be at the end of 2026, 2027, 2028? That depends on who you ask. The have been five (5) additional rate decreases since September 2024. On June 17, 2026, the FOMC indicated it would undertake open market operations as necessary to maintain the federal funds rate in a target range of 3.50% to 3.75%.

- Economic Conditions

  The key to understanding the changes (actual or proposed) in the Federal Funds Rate is recognizing the relationships of the variables that make up our economy. There are many variables in the U.S. economy and understanding their relationships and effect on each other can get complicated, so this report only examines three (3): the inflation rate; the economic growth rate (GDP); and the unemployment rate. These economic variables, among others, are tracked by the Bureau of Economic Analysis https://www.bea.gov/ and the Bureau of Labor Statistics https://www.bls.gov/.

  - Inflation Rate

    Inflation, a general increase in the price of goods and services, showed only a slight decrease from 2.9% down to 2.7% in 2025. The inflation rate failed to meet the Federal Reserve's target of 2% as tariff-related expenses found their way to consumer goods and retail prices. See chart next page.



This decrease, or disinflation, is a complex phenomenon driven by several factors, including:

1. Tightening monetary policy
The USFRS (and other central banks) has been aggressively raising interest rates to curb inflation. Higher interest rates make borrowing more expensive, which slows down economic activity and reduces demand for goods and services. Reduced demand can lead businesses to slow or pause hiring, potentially increasing unemployment and further tempering spending and price increases.

2. Unwinding supply-side issues
The global economy experienced significant disruptions to supply chains during and after the pandemic, leading to shortages and contributing to higher prices. Those disruptions have largely been resolved, improving the availability of goods and helping to bring down prices in sectors like energy and durable goods. However, tariffs on imported goods introduced in 2025 have generally raised prices for consumers and increased production costs for businesses.

3. Moderating demand
Some economists suggest that the tightening of monetary policy has contributed to a decrease in aggregate demand, further dampening inflationary pressures. In 2025, U.S. consumer demand showed resilience but shifted toward caution. Demand was characterized by lower and middle-income groups pulling back. Intentions to spend on nonessentials declined. However, other indicators like restaurant reservations experienced some resilience suggesting that consumer spending hasn't fully retreated, and indicating a nuanced picture.

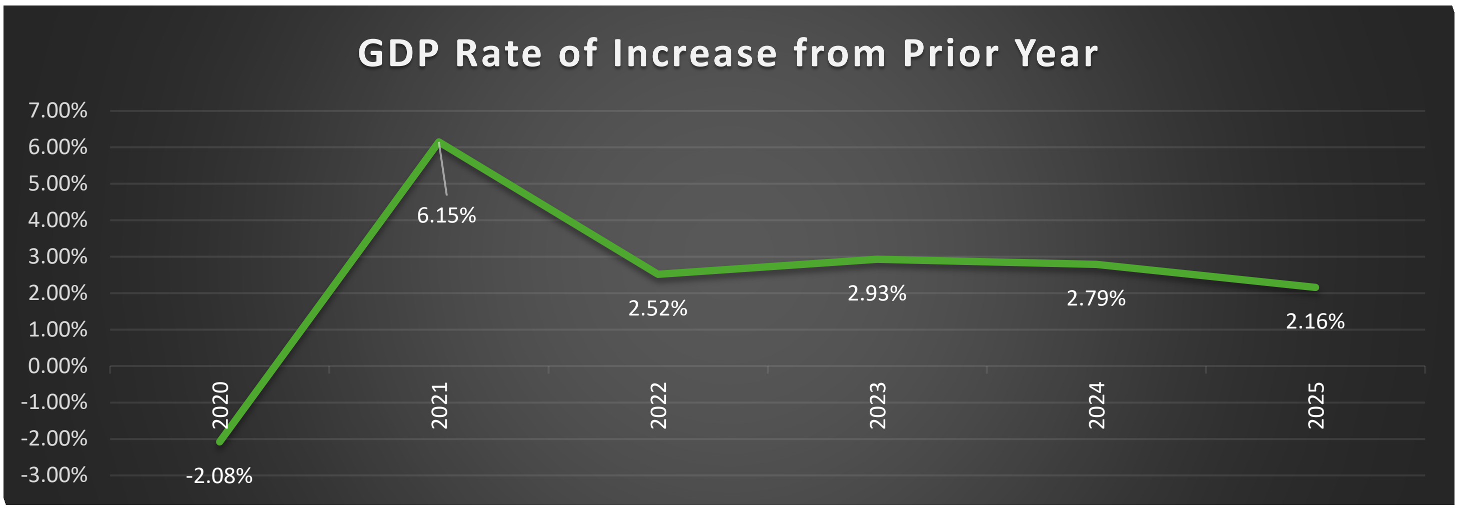
It's important to note that the decrease in inflation isn't uniform across all sectors, and some sectors like housing and energy services continue to experience higher price increases compared to the overall trend. Congress has mandated that the USFRS maintain the inflation rate at around 2%. The path back to the target inflation rate might not be linear, and some economists anticipate that inflation could pick up again in the near term due to factors like tariff impacts.

In October 2024, the inflation rate was 2.6% and the fiscal year ended at 3.0%. November, December, and January 2025 all increased over the previous month. April 2025 had the lowest inflation rate since 2021, at 2.3%.

Inflation projections for 2026 calendar year end vary but generally indicate that inflation will continue to gradually slow down easing toward the 2% target. The Congressional Budget Office (CBO) estimates that inflation, as measured by the PCE price index, will be 2.7% in 2026.

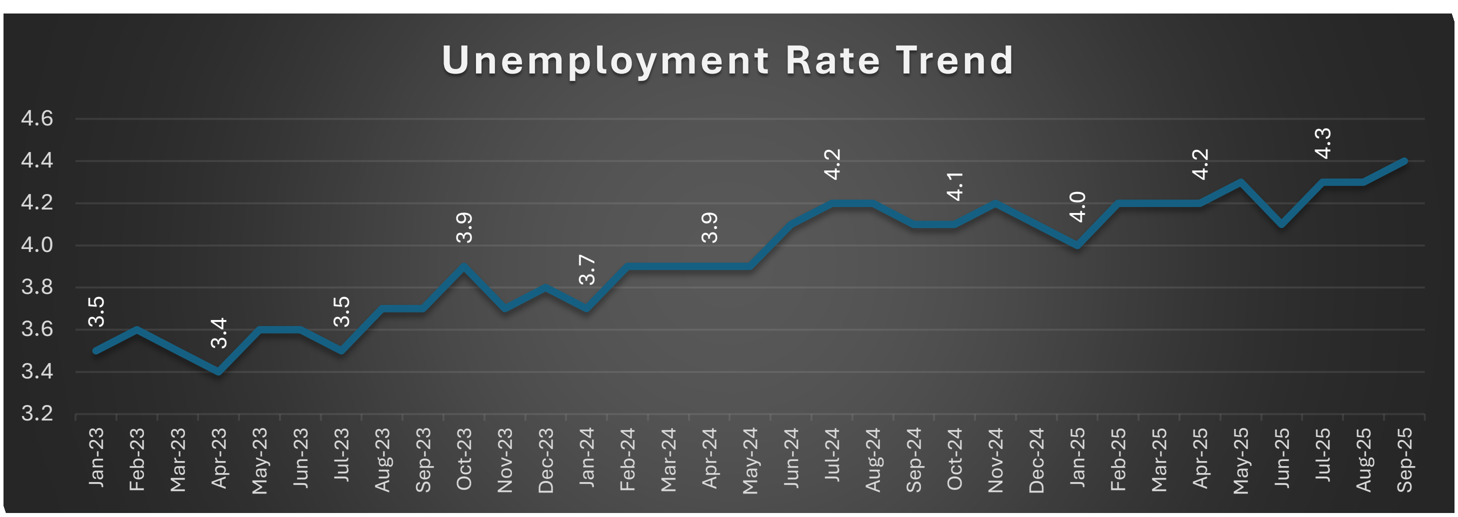
- Economic Growth Rate

Economic growth is also measured in a variety of ways but the rate of increase of gross domestic product (GDP), is a good, broad indicator of our economy's growth. There are many factors that affect GDP as well, such as domestic spending, net U.S. exports, the strength of the U.S. dollar, and the strength of foreign markets, just to name a few. The FOMC forecasts the GDP to increase 2.2% in 2026, slightly reduced from a previous 2.4% increase. The forecast is 2.3% for 2027 and 2.2% for 2028. These forecasts suggest a mixed economic growth rate in the near future with the longer run economic growth rate remaining at a sustainable level of 2.0%. The GDP rate of increase for 2025 was 2.16%, down from 2.79% in 2024.



- Unemployment Rate

As economic growth has slowed, the unemployment rate trend has undulated since January 2023, as demonstrated by the next chart. In January 2025, the unemployment rate was 4.0% and was 4.4% when the fiscal year ended. The lowest unemployment rate post-pandemic was in April 2023, at 3.4% and the highest was in September 2025, at 4.4%. The most recent data released for June 2026 shows a rate of 4.2%.



- Economic Forecast

  The economic forecast also depends on who you ask. The following is an economic forecast summary from an article titled *The Economic Outlook for 2023 to 2033 in 16 Charts* contributed by the CBO. While this report is nearly three years old, there is still relevance in 2028 to 2033 outlook. It states, "The economy's potential output is projected to grow much more slowly, on average, over the 2028-2033 period than it did in the second half of the 20th century, mainly because of the ongoing, long-term slowdown in the growth of labor force as well as slower growth of productivity."

  At the June 2026 meeting, the FOMC Members noted that inflation had increased further and remained well above the Committee's 2 percent longer-run objective and concluded that most measures of medium and longer-term inflation expectations remained at levels consistent with the Committee's 2% objective. Members emphasized that considerable uncertainty surrounded their inflation outlook and stressed the importance of closely monitoring inflation developments and inflation expectations. Members generally expected labor market conditions to remain stable in the near term, with the unemployment rate staying close to current levels. Members generally acknowledged that while the economy had demonstrated resilience to date, uncertainty surrounding the economic outlook remained elevated, partly due to the conflict in the Middle East.

Disclaimer, Disclosures & Notes

1. The Public Depositor Annual Report to the Chief Financial Officer was provided to the Department of Financial Services for the period ending September 30, 2025, as required by Chapter 280, Florida Statutes. All the County's bank accounts were either in qualified public depositories or in statutorily approved investment pools. For more information on what this means or to obtain this report, please contact the Finance Department of the Clerk of Court & Comptroller.
2. The information provided in this report is believed to be accurate and correct, but this report has not been audited. Future outcomes are not based on historical results and none of the information provided herein should be used to make personal financial or investment decisions. Although, pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited, this report is intended solely for the use of Wakulla County, Florida's management and is not intended to be and should not be used by any other party.

3. Some of the information and data provided within this report may be found at these sites:
   - Section 218.415, Florida Statutes – http://www.leg.state.fl.us/STATUTES/index.cfm?App_mode=Display_Statute&Search_String=&URL=0200-0299/0218/0218PARTIVContentsIndex.html
   - Chapter 280, Florida Statutes - http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0200-0299/0280/0280ContentsIndex.html&StatuteYear=2024&Title=%2D%3E2024%2D%3EChapter%20280
   - Florida Fixed Income Trust - https://fl-fit.com/
   - Florida Cooperative Liquid Assets Securities System - https://www.flclass.com/
   - Florida Local Government Investment Trust - http://www.floridatrustonline.com/
   - Florida Surplus Asset Fund Trust - https://gps.pmanetwork.com/
   - Federal Reserve's Open Market Committee - https://www.federalreserve.gov/monetarypolicy/fomc.htm
   - Federal Reserve Historical Interest Rates - http://www.federalreserve.gov
   - Bureau of Economic Analysis https://www.bea.gov/
   - Bureau of Labor Statistics https://www.bls.gov/.
   - Congressional Budget Office The Economic Outlook for 2023 to 2033 in 16 Charts (cbo.gov)

END OF REPORT