

# 2024

City of DeFuniak Springs, Florida

Financial Statements and  
Independent Auditor's Report

September 30, 2024

**PURVIS GRAY**  
CERTIFIED PUBLIC ACCOUNTANTS

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
DEFUNIAK SPRINGS, FLORIDA**

**SEPTEMBER 30, 2024**

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**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR’S REPORT**

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
DEFUNIAK SPRINGS, FLORIDA**

**SEPTEMBER 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

### Report on the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of DeFuniak Springs, Florida (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

##### *Adoption of New Accounting Standard*

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections*, as of October 1, 2023. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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City of DeFuniak Springs  
DeFuniak Springs, Florida

## INDEPENDENT AUDITOR'S REPORT

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the City's proportional share of net pension liability, schedules of the City's contributions, and schedule of changes in the City's total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

## INDEPENDENT AUDITOR'S REPORT

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of the City.

The combining non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures that would have been applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling, such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Purvis Gray*

June 18, 2025  
Tallahassee, Florida

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

The City of DeFuniak Springs, Florida’s (the City) discussion and analysis provides an objective overview of the City’s financial activities for the fiscal year ended September 30, 2024. The analysis provides summary financial information for the City and should be read in conjunction with the City’s financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of the City exceeded total liabilities and deferred inflows by approximately \$52.3 million (net position). Of this amount, a deficit of approximately \$5.6 million is unrestricted for governmental activities, and approximately \$9.1 million is unrestricted for business-type activities. Total net position includes approximately \$6.3 million of net investment in capital assets in the governmental activities and approximately \$33.2 million in the business-type activities.
- Revenues for governmental activities decreased by approximately \$2.7 million or 19%, primarily from a decrease in grant revenues for the Airport Fund which has been moved to business-type activities effective October 1, 2023.
- Revenues for business-type activities increased by approximately \$4.4 million or 34.8%, primarily from an increase in capital grants and charges for services in combination with the Airport Fund which has been moved to business-type activities effective October 1, 2023.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The focus of financial statements is on both the City as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the City’s accountability.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements of the City consist of: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. A brief description of these different reporting sections follows.

**Government-Wide Financial Statements**

Designed to be corporate-like, the government-wide financial statements consolidate governmental and business-type activities into two columns, which sum to a total for Primary Government. This provides readers with a broad overview of the City’s finances in a manner similar to a private-sector business. Two statements, the statement of net position and the statement of activities, are utilized to provide information on a government-wide basis.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term available resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the City.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (city council, city manager, administration, finance and public works), public safety (planning, police and fire), physical environment (cemetery), transportation (streets and fleet maintenance), culture and recreation (parks and recreation, grounds maintenance, facilities maintenance, cultural services, and Christmas reflections), and debt service interest. The business-type activities of the City include the utilities (water, sewer, gas, and sanitation) and the airport.

#### **Fund Financial Statements**

The fund financial statements provide more detailed information than the government-wide financial statements. Governmental fund financial statements provide information on the assets and liabilities of the General Fund, changes in current financial resources (revenue and expenditures), and current available resources. The proprietary fund financial statements provide information on all assets and liabilities of the fund, changes in the economic resources (revenues and expenses), and total economic resources available. In the case of governmental funds, outlays for long-lived assets are reported as expenditures, and long-term liabilities such as revenue bonds, are not included in the fund financial statements. A reconciliation is provided to facilitate a comparison between the fund financial statements and the government-wide financial statements.

The fund financial statements for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The City's General Fund includes a statement of revenues, expenditures, and changes in fund balances – budget and actual. For the proprietary funds, a statement of net position, statement of revenues, expenses, and changes in net position, as well as a statement of cash flows are provided.

#### **Notes to Financial Statements**

The financial notes provide additional detail concerning the financial activities and financial balances of the City. Additional information concerning the City's significant accounting policies, investments of the City, as well as capital assets and long-term obligations are just a few of the items included in the financial notes.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

As discussed in Note 1 of the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections*, as of October 1, 2023. The City's financial statements were impacted by the implementation of this statement as of October 1, 2023, in that the Airport Fund was separated from the General Fund to an Enterprise Fund. In addition, the City separated its Water, Sewer, Sanitation, and Gas funds from the former Utilities Fund. The 2023 figures in the condensed financial information below have not been restated to reflect this change.

**FINANCIAL ANALYSIS OF THE CITY**

The following table reflects the condensed statement of net position:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 6,734,897	\$ 10,906,162	\$ 20,900,804	\$ 15,768,015	\$ 27,635,701	\$ 26,674,177
Capital Assets	8,894,268	21,833,201	44,410,729	29,343,197	53,304,997	51,176,398
Total Assets	<u>15,629,165</u>	<u>32,739,363</u>	<u>65,311,533</u>	<u>45,111,212</u>	<u>80,940,698</u>	<u>77,850,575</u>
Deferred Outflows of Resources	<u>2,698,596</u>	<u>1,893,182</u>	<u>425,867</u>	<u>250,611</u>	<u>3,124,463</u>	<u>2,143,793</u>
Long-Term Liabilities	11,579,525	11,044,213	12,647,947	12,366,382	24,227,472	23,410,595
Other Liabilities	2,452,054	6,412,218	3,949,652	1,226,691	6,401,706	7,638,909
Total Liabilities	<u>14,031,579</u>	<u>17,456,431</u>	<u>16,597,599</u>	<u>13,593,073</u>	<u>30,629,178</u>	<u>31,049,504</u>
Deferred Inflows of Resources	<u>942,172</u>	<u>545,937</u>	<u>226,796</u>	<u>66,828</u>	<u>1,168,968</u>	<u>612,765</u>
Net Position						
Net Investment in Capital Assets	6,373,724	19,171,604	33,208,973	17,610,233	39,582,697	36,781,837
Restricted	2,595,721	2,075,092	6,560,399	8,919,578	9,156,120	10,994,670
Unrestricted	(5,615,435)	(4,616,519)	9,143,633	5,172,111	3,528,198	555,592
Total Net Position	<u>\$ 3,354,010</u>	<u>\$ 16,630,177</u>	<u>\$ 48,913,005</u>	<u>\$ 31,701,922</u>	<u>\$ 52,267,015</u>	<u>\$ 48,332,099</u>

The City is able to report positive balances in all three categories of net position for the business-type activities. However, for the governmental activities, the unrestricted net position reflects a deficit balance. Capital assets (e.g., land, buildings and equipment) are utilized to provide services to citizens and, therefore, are not available for future spending. This investment in capital assets, net of related debt, is the largest portion of the City's total net position. The restricted net position is comprised of funds required to be used for the retirement of the City's debt obligations, as well as impact fees that can only be used for the expansion of the City's systems.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

The following table provides a summary of the changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,389,007	\$ 1,867,996	\$ 14,386,610	\$ 10,393,411	\$ 15,775,617	\$ 12,261,407
Operating Grants and Contributions	225,691	342,924	-	-	225,691	342,924
Capital Grants and Contributions	417,982	3,480,206	2,430,155	2,148,109	2,848,137	5,628,315
General Revenues:						
Property Taxes	2,424,585	1,658,894	-	-	2,424,585	1,658,894
Gas Taxes	312,531	310,766	-	-	312,531	310,766
Sales Taxes	2,989,957	2,985,462	-	-	2,989,957	2,985,462
Franchise and Utility Taxes	1,735,293	1,655,419	-	-	1,735,293	1,655,419
State-Shared Revenues	1,975,516	2,081,264	-	-	1,975,516	2,081,264
Miscellaneous	175,096	42,044	-	-	175,096	42,044
Investment Earnings (Losses)	69,974	30,585	180,336	72,120	250,310	102,705
<b>Total Revenues</b>	<b>11,715,632</b>	<b>14,455,560</b>	<b>16,997,101</b>	<b>12,613,640</b>	<b>28,712,733</b>	<b>27,069,200</b>
<b>Expenses</b>						
Primary Government:						
General Government	3,737,048	3,405,334	-	-	3,737,048	3,405,334
Public Safety	5,493,401	4,987,098	-	-	5,493,401	4,987,098
Physical Environment	162,717	246,327	-	-	162,717	246,327
Transportation	1,777,584	2,959,844	-	-	1,777,584	2,959,844
Culture and Recreation	1,645,302	1,436,439	-	-	1,645,302	1,436,439
Interest on Long-Term Debt	64,028	64,211	-	-	64,028	64,211
Business-Type Activities:						
Utilities	-	-	-	7,857,664	-	7,857,664
Water	-	-	2,667,267	-	2,667,267	-
Sewer	-	-	2,985,192	-	2,985,192	-
Sanitation	-	-	4,179,141	-	4,179,141	-
Airport	-	-	921,196	-	921,196	-
Gas	-	-	1,144,941	-	1,144,941	-
<b>Total Expenses</b>	<b>12,880,080</b>	<b>13,099,253</b>	<b>11,897,737</b>	<b>7,857,664</b>	<b>24,777,817</b>	<b>20,956,917</b>
Change in Net Position Before Transfers	(1,164,448)	1,356,307	5,099,364	4,755,976	3,934,916	6,112,283
Transfers	843,791	1,306,015	(843,791)	(1,306,015)	-	-
Change in Net Position	(320,657)	2,662,322	4,255,573	3,449,961	3,934,916	6,112,283
<b>Net Position at Beginning of Year</b>	<b>16,630,177</b>	<b>13,967,855</b>	<b>31,701,922</b>	<b>28,251,961</b>	<b>48,332,099</b>	<b>42,219,816</b>
<b>Change Within Reporting Entity</b>	<b>(12,955,510)</b>	<b>-</b>	<b>12,955,510</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position at End of Year</b>	<b>\$ 3,354,010</b>	<b>\$ 16,630,177</b>	<b>\$ 48,913,005</b>	<b>\$ 31,701,922</b>	<b>\$ 52,267,015</b>	<b>\$ 48,332,099</b>

- Property Taxes and Sales Taxes account for 20.7% and 25.5%, respectively, of the City's revenues from governmental activities. Decreases were noted during the year primarily due to grants and contributions for the Airport Fund moving to business-type activities.
- Public safety accounts for 42.7% of the total expenses for governmental activities, while General government and Transportation expenses account for 42.8% of total expenses for governmental activities. Overall increases were noted in expenses related to personnel costs as well as operating costs, such as fuel costs during the year. The decrease in Transportation expenses were due to moving the Airport Fund to business-type activities.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

- Capital grants and contributions decreased by approximately \$3 million in governmental activities, primarily because of grant funding related to airport improvements moving to business-type activities. Capital grants and contributions increased by \$282 thousand in business-type activities, primarily because the City moved its Airport Fund from governmental activities.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

#### *General Fund*

The main operating fund of the City is the General Fund. As of September 30, 2024, total assets for the General Fund were approximately \$6.1 million, and the total liabilities were approximately \$2.8 million. Unassigned fund balance was approximately \$1.5 million, and total fund balance was approximately \$3.3 million.

### **Proprietary Funds**

The City's Proprietary Funds consist of five enterprise funds which are used to report the same functions presented as business-type activities in the City-wide financial statements. The City has four utility services, water, sewer, natural gas, and sanitation, as well as an airport. The asset makeup is very capital intensive with capital assets, net of accumulated depreciation, representing 68.0% of the fund's total assets.

During fiscal year 2024, the Proprietary Funds had an increase in net position of approximately \$17.2 million at the combined level. This increase was largely due to moving the Airport Fund to business-type activities. The total net position of this fund as of September 30, 2024, was approximately \$48.9 million.

### **General Fund Budgetary Highlights**

The City amended the FY 2023-24 budget for multiple funds on November 25, 2024. For the General Fund, the City received unanticipated revenues and determined actual cash balance forward dollars in excess of the original budget figures in the amount of \$3,985,509.

### **Capital Asset Activity**

The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2024, was approximately \$53.3 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building, improvements, as well as machinery and equipment. See Note 5 for further details.

### **Debt Management**

At the end of the current fiscal year, the City had total bond debt and notes payable outstanding in the amount of approximately \$13.7 million. See Note 7 for further details.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2024**

**OTHER FINANCIAL INFORMATION**

The Constitution of the State of Florida does not allow a state personal income tax; therefore, the state operates primarily using sales, gasoline, and corporate income taxes. Local governments, such as the City, primarily rely on property and a limited array of other permitted taxes, such as gasoline and utility service taxes, along with fees such as franchise, occupational, and license fees for its governmental activities. There are also a limited number of state-shared revenues and grants from both the state and federal governments. The City's business-type, and to a much lesser degree certain governmental activities such as recreation, obtain funding by charging fees for their services.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning this report or requests for additional information should be addressed to City Manager, P.O. Box 685, DeFuniak Springs, Florida 32435.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,444,558	\$ 10,896,636	\$ 12,341,194
Investments	688,486	1,586,093	2,274,579
Accounts Receivable, Net	1,000	1,414,378	1,415,378
Lease Receivable	35,390	87,371	122,761
Due from Other Governments	675,646	450,376	1,126,022
Internal Balances	704,744	(704,744)	-
Prepaid Items	41,614	-	41,614
Restricted Assets:			
Cash and Cash Equivalents	3,132,229	6,893,352	10,025,581
Investments	11,230	277,342	288,572
Capital Assets:			
Assets Not Being Depreciated	557,300	12,603,691	13,160,991
Assets Being Depreciated, Net	8,336,968	31,807,038	40,144,006
<b>Total Assets</b>	<b>15,629,165</b>	<b>65,311,533</b>	<b>80,940,698</b>
<b>Deferred Outflows of Resources</b>			
Pension Related	2,648,376	417,940	3,066,316
OPEB Related	50,220	7,927	58,147
<b>Total Deferred Outflows of Resources</b>	<b>2,698,596</b>	<b>425,867</b>	<b>3,124,463</b>
<b>Liabilities</b>			
Accounts Payable	1,649,921	320,447	1,970,368
Accrued Liabilities	776,880	464,921	1,241,801
Due to Other Governments	-	58,229	58,229
Unearned Revenue	-	2,723,617	2,723,617
Payable from Restricted Assets:			
Accrued Interest	12,243	863	13,106
Customer Deposits	13,010	381,575	394,585
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	24,272	4,660	28,932
Notes Payable	263,884	128,350	392,234
Revenue Bonds Payable	-	415,400	415,400
Due in More Than One Year:			
Compensated Absences	461,166	88,544	549,710
Notes Payable	2,256,660	1,511,604	3,768,264
Revenue Bonds Payable	-	9,146,400	9,146,400
Other Postemployment Benefits	86,357	13,631	99,988
Net Pension Liability	8,487,186	1,339,358	9,826,544
<b>Total Liabilities</b>	<b>14,031,579</b>	<b>16,597,599</b>	<b>30,629,178</b>
<b>Deferred Inflows of Resources</b>			
Pension Related	769,230	121,391	890,621
OPEB Related	138,746	21,899	160,645
Leases	34,196	83,506	117,702
<b>Total Deferred Inflows of Resources</b>	<b>942,172</b>	<b>226,796</b>	<b>1,168,968</b>
<b>Net Position</b>			
Net Investment in Capital Assets	6,373,724	33,208,973	39,582,697
Restricted for:			
Debt Service	141,158	261,890	403,048
Capital Improvements	1,640,379	6,298,509	7,938,888
Redevelopment	814,184	-	814,184
Unrestricted (Deficit)	(5,615,435)	9,143,633	3,528,198
<b>Total Net Position</b>	<b>\$ 3,354,010</b>	<b>\$ 48,913,005</b>	<b>\$ 52,267,015</b>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2024**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,737,048	\$ 950,633	\$ 14,480	\$ 69,072	\$ (2,702,863)	\$ -	\$ (2,702,863)
Public Safety	5,493,401	190,595	143,151	73,919	(5,085,736)	-	(5,085,736)
Physical Environment	162,717	63,946	-	-	(98,771)	-	(98,771)
Transportation	1,777,584	37,641	45,456	-	(1,694,487)	-	(1,694,487)
Culture and Recreation	1,645,302	146,192	22,604	274,991	(1,201,515)	-	(1,201,515)
Debt Service Interest	64,028	-	-	-	(64,028)	-	(64,028)
<b>Total Governmental Activities</b>	<b>12,880,080</b>	<b>1,389,007</b>	<b>225,691</b>	<b>417,982</b>	<b>(10,847,400)</b>	<b>-</b>	<b>(10,847,400)</b>
<b>Business-Type Activities</b>							
Water	2,667,267	5,743,337	-	-	-	3,076,070	3,076,070
Sewer	2,985,192	3,627,610	-	-	-	642,418	642,418
Sanitation	4,179,141	2,963,654	-	-	-	(1,215,487)	(1,215,487)
Airport	921,196	728,234	-	2,430,155	-	2,237,193	2,237,193
Gas	1,144,941	1,323,775	-	-	-	178,834	178,834
<b>Total Business-Type Activities</b>	<b>11,897,737</b>	<b>14,386,610</b>	<b>-</b>	<b>2,430,155</b>	<b>-</b>	<b>4,919,028</b>	<b>4,919,028</b>
<b>Total</b>	<b>\$ 24,777,817</b>	<b>\$ 15,775,617</b>	<b>\$ 225,691</b>	<b>\$ 2,848,137</b>	<b>(10,847,400)</b>	<b>4,919,028</b>	<b>(5,928,372)</b>
<b>General Revenues</b>							
Taxes:							
					2,424,585	-	2,424,585
					312,531	-	312,531
					2,989,957	-	2,989,957
					1,735,293	-	1,735,293
					1,975,516	-	1,975,516
					175,096	-	175,096
					69,974	180,336	250,310
					843,791	(843,791)	-
					<b>10,526,743</b>	<b>(663,455)</b>	<b>9,863,288</b>
					<b>Change in Net Position</b>	<b>(320,657)</b>	<b>4,255,573</b>
					<b>Net Position, Beginning of Year, as Previously Reported</b>	<b>16,630,177</b>	<b>31,701,922</b>
					<b>Changes Within Reporting Entity (See Note 1)</b>	<b>(12,955,510)</b>	<b>12,955,510</b>
					<b>Net Position, Beginning of Year, as Restated</b>	<b>3,674,667</b>	<b>44,657,432</b>
					<b>Net Position, End of Year</b>	<b>\$ 3,354,010</b>	<b>\$ 52,267,015</b>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2024**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,293,771	\$ 150,787	\$ 1,444,558
Investments	619,224	69,262	688,486
Accounts Receivable	-	1,000	1,000
Due from Other Governments	675,646	-	675,646
Due from Other Funds	1,139,295	-	1,139,295
Prepaid Items	41,614	-	41,614
Lease Receivable	35,390	-	35,390
Restricted Assets:			
Cash and Cash Equivalents	2,303,994	828,235	3,132,229
Investments	11,230	-	11,230
<b>Total Assets</b>	<u>\$ 6,120,164</u>	<u>\$ 1,049,284</u>	<u>\$ 7,169,448</u>
<b>Liabilities</b>			
Accounts Payable	\$ 1,649,921	\$ -	\$ 1,649,921
Accrued Liabilities	770,074	6,806	776,880
Due to Other Funds	406,354	28,197	434,551
Customer Deposits	-	13,010	13,010
<b>Total Liabilities</b>	<u>2,826,349</u>	<u>48,013</u>	<u>2,874,362</u>
<b>Deferred Inflows of Resources</b>			
Leases	<u>34,196</u>	<u>-</u>	<u>34,196</u>
<b>Fund Balances</b>			
Non-Spendable - Prepaid Items	41,614	-	41,614
Restricted - Debt Service	141,158	-	141,158
Restricted - Capital Improvements	1,585,249	-	1,585,249
Restricted - Redevelopment	-	814,184	814,184
Committed - Special Revenue	-	187,087	187,087
Unassigned	1,491,598	-	1,491,598
<b>Total Fund Balances</b>	<u>3,259,619</u>	<u>1,001,271</u>	<u>4,260,890</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 6,120,164</u>	<u>\$ 1,049,284</u>	<u>\$ 7,169,448</u>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

Total Funds Balances - Governmental Funds \$ 4,260,890

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital Assets	\$ 18,431,284	
Less Accumulated Depreciation/Amortization	<u>(9,537,016)</u>	8,894,268

Deferred inflows of resources and deferred outflows of resources are not available/receivable or due/payable, respectively, in the current period and, therefore, are not reported in the governmental funds:

Deferred Outflows of Resources Related to Pension Plans	2,648,376	
Deferred Outflows of Resources Related to Other Postemployment Benefits	50,220	
Deferred Inflows of Resources Related to Pension Plans	(769,230)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>(138,746)</u>	1,790,620

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

Compensated Absences	(485,438)	
Accrued Interest	(12,243)	
Notes Payable	(2,520,544)	
Other Postemployment Benefits	(86,357)	
Net Pension Liability	<u>(8,487,186)</u>	<u>(11,591,768)</u>

Total Net Position - Governmental Activities \$ 3,354,010

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2024**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 6,387,696	\$ 1,074,672	\$ 7,462,368
License and Permits	32,443	39,400	71,843
Intergovernmental	2,234,370	-	2,234,370
Charges for Services	1,127,445	118,733	1,246,178
Investment Income	61,611	8,362	69,973
Miscellaneous	316,580	16,020	332,600
<b>Total Revenues</b>	<u>10,160,145</u>	<u>1,257,187</u>	<u>11,417,332</u>
<b>Expenditures</b>			
Current:			
General Government	3,157,494	317,845	3,475,339
Public Safety	5,114,221	-	5,114,221
Physical Environment	-	152,522	152,522
Transportation	1,568,785	-	1,568,785
Culture and Recreation	1,342,966	125,028	1,467,994
Capital Outlay	335,535	337,661	673,196
Debt Service:			
Principal	241,053	-	241,053
Interest	69,184	-	69,184
<b>Total Expenditures</b>	<u>11,829,238</u>	<u>933,056</u>	<u>12,762,294</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,669,093)</u>	<u>324,131</u>	<u>(1,344,962)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	163,055	-	163,055
Debt Proceeds	100,000	-	100,000
Transfers In	3,833,749	77,747	3,911,496
Transfer Out	(3,067,705)	-	(3,067,705)
<b>Total Other Financing Sources (Uses)</b>	<u>1,029,099</u>	<u>77,747</u>	<u>1,106,846</u>
<b>Net Changes in Fund Balances</b>	<u>(639,994)</u>	<u>401,878</u>	<u>(238,116)</u>
<b>Fund Balance, Beginning of Year, as Originally Reported</b>	4,132,203	599,393	4,731,596
<b>Changes Within Financial Reporting Entity (See Note 1)</b>	<u>(232,590)</u>	<u>-</u>	<u>(232,590)</u>
<b>Fund Balance, Beginning of Year, as Restated</b>	<u>3,899,613</u>	<u>599,393</u>	<u>4,499,006</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,259,619</u>	<u>\$ 1,001,271</u>	<u>\$ 4,260,890</u>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2024**

**Net Change in Fund Balances - Governmental Funds** \$ (238,116)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

Expenditures for Capital Assets	\$ 1,018,197	
Disposals of Capital Assets	(139,746)	
Less Current Year Depreciation/Amortization	<u>(880,501)</u>	(2,050)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt Proceeds	(100,000)	
Debt Service Payments	<u>241,053</u>	141,053

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in Accrued Interest	5,156	
Change in Compensated Absences	(88,808)	
Change in Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension	(150,996)	
Change in Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB	<u>13,104</u>	<u>(221,544)</u>

**Change in Net Position - Governmental Activities** \$ (320,657)

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 6,912,248	\$ 6,912,248	\$ 6,387,696	\$ (524,552)
License and Permits	23,600	23,600	32,443	8,843
Intergovernmental	2,306,489	2,306,489	2,234,370	(72,119)
Charges for Services	1,099,849	1,099,849	1,127,445	27,596
Interest	-	-	61,611	61,611
Miscellaneous	179,800	234,755	316,580	81,825
<b>Total Revenues</b>	<u>10,521,986</u>	<u>10,576,941</u>	<u>10,160,145</u>	<u>(416,796)</u>
<b>Expenditures</b>				
Current:				
General Government	3,459,356	3,471,961	3,157,494	314,467
Public Safety	5,136,752	5,136,752	5,114,221	22,531
Transportation	1,702,786	1,702,786	1,568,785	134,001
Culture and Recreation	1,513,187	1,513,187	1,342,966	170,221
Capital Outlay	398,548	440,898	335,535	105,363
Debt Service:				
Principal	263,353	263,353	241,053	22,300
Interest	54,378	54,378	69,184	(14,806)
<b>Total Expenditures</b>	<u>12,528,360</u>	<u>12,583,315</u>	<u>11,829,238</u>	<u>754,077</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,006,374)</u>	<u>(2,006,374)</u>	<u>(1,669,093)</u>	<u>337,281</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	-	-	163,055	163,055
Debt Proceeds	277,270	277,270	100,000	(177,270)
Transfers In	3,428,588	3,428,588	3,833,749	405,161
Transfer Out	(3,444,459)	(3,744,459)	(3,067,705)	676,754
<b>Total Other Financing Sources (Uses)</b>	<u>261,399</u>	<u>(38,601)</u>	<u>1,029,099</u>	<u>1,067,700</u>
<b>Net Change in Fund Balances</b>	(1,744,975)	(2,044,975)	(639,994)	1,404,981
<b>Fund Balance, Beginning of Year</b>	1,744,975	5,675,529	4,132,203	(1,543,326)
<b>Changes Within Financial Reporting Entity</b>	-	-	(232,590)	(232,590)
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ 3,630,554</u>	<u>\$ 3,259,619</u>	<u>\$ (370,935)</u>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2024**

	Major Funds		
	Utilities Fund	Water	Sewer
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 2,868,666	\$ 3,411,174
Investments	-	108,556	998,136
Accounts Receivable, Net	-	716,746	411,897
Leases Receivable	-	-	-
Due from Other Funds	-	234,955	49,039
Due from Other Governments	-	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	2,866,539	3,994,414
Investments	-	-	277,342
<b>Total Current Assets</b>	<b>-</b>	<b>6,795,462</b>	<b>9,142,002</b>
Non-Current Assets:			
Capital Assets:			
Assets Not Being Depreciated	-	1,986,014	327,860
Assets Being Depreciated, Net	-	12,022,828	13,009,981
<b>Total Non-Current Assets</b>	<b>-</b>	<b>14,008,842</b>	<b>13,337,841</b>
<b>Total Assets</b>	<b>-</b>	<b>20,804,304</b>	<b>22,479,843</b>
<b>Deferred Outflows of Resources</b>			
Related to Pensions	-	125,413	98,429
Related to Other Postemployment Benefits	-	2,381	1,867
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>127,794</b>	<b>100,296</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	-	33,205	-
Accrued Liabilities	-	103,743	8,471
Due to Other Governments	-	41,392	11,487
Due to Other Funds	-	6,319	235,121
Unearned Revenue	-	-	-
Compensated Absences	-	1,444	1,444
Notes Payable	-	34,274	94,076
Revenue Bonds Payable	-	337,064	78,336
Payable from Restricted Assets:			
Accrued Interest	-	-	-
Customer Deposits	-	311,677	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>869,118</b>	<b>428,935</b>
Non-Current Liabilities:			
Compensated Absences	-	27,435	27,436
Notes Payable	-	178,478	1,333,126
Revenue Bonds Payable	-	7,894,305	1,252,095
Other Postemployment Benefits	-	4,094	3,211
Net Pension Liability	-	401,906	315,432
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>8,506,218</b>	<b>2,931,300</b>
<b>Total Liabilities</b>	<b>-</b>	<b>9,375,336</b>	<b>3,360,235</b>
<b>Deferred Inflows of Resources</b>			
Related to Pensions	-	36,426	28,589
Related to Other Postemployment Benefits	-	6,577	5,158
Related to Leases	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>43,003</b>	<b>33,747</b>
<b>Net Position</b>			
Net Investment in Capital Assets	-	5,564,721	10,580,206
Restricted for Capital Improvements	-	2,051,467	4,247,042
Restricted for Debt Service	-	237,175	24,715
Unrestricted	-	3,660,396	4,334,194
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ 11,513,759</b>	<b>\$ 19,186,157</b>

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

Major Funds		Non-Major Fund	
Sanitation	Airport	Gas	Total
\$ 481,447	\$ 3,399,123	\$ 736,226	\$ 10,896,636
6,251	-	473,150	1,586,093
145,728	(1,365)	141,372	1,414,378
-	87,371	-	87,371
67,090	-	-	351,084
-	450,376	-	450,376
-	32,399	-	6,893,352
-	-	-	277,342
<u>700,516</u>	<u>3,967,904</u>	<u>1,350,748</u>	<u>21,956,632</u>
-	10,286,036	3,781	12,603,691
-	4,784,560	1,989,669	31,807,038
-	15,070,596	1,993,450	44,410,729
<u>700,516</u>	<u>19,038,500</u>	<u>3,344,198</u>	<u>66,367,361</u>
-	69,299	124,799	417,940
-	1,313	2,366	7,927
-	<u>70,612</u>	<u>127,165</u>	<u>425,867</u>
285,270	1,972	-	320,447
-	343,343	9,364	464,921
-	120	5,230	58,229
335,318	469,072	9,998	1,055,828
-	2,723,617	-	2,723,617
-	652	1,120	4,660
-	-	-	128,350
-	-	-	415,400
-	-	863	863
-	31,014	38,884	381,575
<u>620,588</u>	<u>3,569,790</u>	<u>65,459</u>	<u>5,553,890</u>
-	12,390	21,283	88,544
-	-	-	1,511,604
-	-	-	9,146,400
-	2,258	4,068	13,631
-	222,080	399,940	1,339,358
-	236,728	425,291	12,099,537
<u>620,588</u>	<u>3,806,518</u>	<u>490,750</u>	<u>17,653,427</u>
-	20,128	36,248	121,391
-	3,629	6,535	21,899
-	83,506	-	83,506
-	<u>107,263</u>	<u>42,783</u>	<u>226,796</u>
-	15,070,596	1,993,450	33,208,973
-	-	-	6,298,509
-	-	-	261,890
79,928	124,735	944,380	9,143,633
<u>\$ 79,928</u>	<u>\$ 15,195,331</u>	<u>\$ 2,937,830</u>	<u>\$ 48,913,005</u>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2024**

	<b>Major Funds</b>		
	<b>Utilities Fund</b>	<b>Water</b>	<b>Sewer</b>
<b>Operating Revenue</b>			
Charges for Service	\$ -	\$ 5,576,072	\$ 3,480,935
Interlocal Agreement	-	-	-
Other Operating Income	-	167,265	146,675
<b>Total Operating Revenue</b>	<b>-</b>	<b>5,743,337</b>	<b>3,627,610</b>
<b>Operating Expenses</b>			
Cost of Sales	-	-	-
Personnel Services	-	348,897	324,201
Materials and Supplies	-	271,997	113,364
Repairs and Maintenance	-	205,036	434,403
Office and Utilities	-	255,533	281,524
Insurance Expense	-	43,962	17,446
Contractual Services	-	521,855	744,566
Billing Fees	-	264,730	264,729
Depreciation	-	532,483	739,068
Other Expenses	-	6,066	3,096
<b>Total Operating Expenses</b>	<b>-</b>	<b>2,450,559</b>	<b>2,922,397</b>
<b>Operating Income</b>	<b>-</b>	<b>3,292,778</b>	<b>705,213</b>
<b>Non-Operating Expense</b>			
Interest Expense	-	(216,177)	(62,795)
Investment Income	-	19,771	98,573
(Loss) on Disposal of Capital Assets	-	(531)	-
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>(196,937)</b>	<b>35,778</b>
<b>Income Before Capital Contributions and Transfers</b>	<b>-</b>	<b>3,095,841</b>	<b>740,991</b>
<b>Capital Grants and Contributions</b>			
Capital Grants and Contributions	-	-	-
<b>Transfers</b>			
Transfers In	-	-	-
Transfers Out	-	(2,471,125)	(344,847)
<b>Total Transfers</b>	<b>-</b>	<b>(2,471,125)</b>	<b>(344,847)</b>
<b>Change in Net Position</b>	<b>-</b>	<b>624,716</b>	<b>396,144</b>
<b>Net Position, Beginning of Year, as Previously Reported</b>	<b>31,701,922</b>	<b>-</b>	<b>-</b>
<b>Changes Within Financial Reporting Entity (See Note 1)</b>	<b>(31,701,922)</b>	<b>10,889,043</b>	<b>18,790,013</b>
<b>Net Position, Beginning of Year, as Restated</b>	<b>-</b>	<b>10,889,043</b>	<b>18,790,013</b>
<b>Net Position, End of Year</b>	<b>\$ -</b>	<b>\$ 11,513,759</b>	<b>\$ 19,186,157</b>

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

Major Funds		Non-Major Fund	
Sanitation	Airport	Gas	Total
\$ 827,669	\$ 699,037	\$ 1,298,506	\$ 11,882,219
2,132,465	-	-	2,132,465
3,520	29,197	25,269	371,926
<u>2,963,654</u>	<u>728,234</u>	<u>1,323,775</u>	<u>14,386,610</u>
-	278,476	267,815	546,291
-	176,292	347,647	1,197,037
-	43,197	82,392	510,950
-	29,656	51,491	720,586
-	38,675	6,068	581,800
-	15,241	47,452	124,101
4,046,195	37,764	-	5,350,380
-	-	213,903	743,362
-	294,282	122,758	1,688,591
132,946	7,613	-	149,721
<u>4,179,141</u>	<u>921,196</u>	<u>1,139,526</u>	<u>11,612,819</u>
<u>(1,215,487)</u>	<u>(192,962)</u>	<u>184,249</u>	<u>2,773,791</u>
-	-	-	(278,972)
12,927	2,628	46,437	180,336
-	-	(5,415)	(5,946)
<u>12,927</u>	<u>2,628</u>	<u>41,022</u>	<u>(104,582)</u>
<u>(1,202,560)</u>	<u>(190,334)</u>	<u>225,271</u>	<u>2,669,209</u>
-	2,430,155	-	2,430,155
3,679,651	-	-	3,679,651
<u>(1,707,470)</u>	<u>-</u>	<u>-</u>	<u>(4,523,442)</u>
<u>1,972,181</u>	<u>-</u>	<u>-</u>	<u>(843,791)</u>
<u>769,621</u>	<u>2,239,821</u>	<u>225,271</u>	<u>4,255,573</u>
-	-	-	31,701,922
<u>(689,693)</u>	<u>12,955,510</u>	<u>2,712,559</u>	<u>12,955,510</u>
<u>(689,693)</u>	<u>12,955,510</u>	<u>2,712,559</u>	<u>44,657,432</u>
<u>\$ 79,928</u>	<u>\$ 15,195,331</u>	<u>\$ 2,937,830</u>	<u>\$ 48,913,005</u>

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

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2024**

	Major Funds		
	Utilities Fund	Water	Sewer
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers and Users	\$ -	\$ 5,728,803	\$ 3,747,417
Payments to Employees for Services	-	(376,002)	(293,225)
Payments to Suppliers for Goods and Services	-	(1,452,767)	(1,859,987)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>-</b>	<b>3,900,034</b>	<b>1,594,205</b>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Transfers In	-	-	-
Transfers Out	-	(2,471,125)	(344,847)
Interfund Borrowings	-	(2,120,789)	(199,132)
<b>Net Cash Provided by (Used in) Non-Capital Financing Activities</b>	<b>-</b>	<b>(4,591,914)</b>	<b>(543,979)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and Construction of Capital Assets	-	(1,094,503)	(225,087)
Interest Paid	-	(216,177)	(62,795)
Principal Payments on Notes and Bonds Payable	-	(362,748)	(165,033)
Capital Grants	-	-	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>-</b>	<b>(1,673,428)</b>	<b>(452,915)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	(5,318)	(84,844)
Interest Received on Investments	-	19,771	98,573
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>-</b>	<b>14,453</b>	<b>13,729</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>-</b>	<b>(2,350,855)</b>	<b>611,040</b>
<b>Cash and Cash Equivalents, Beginning of Year, As Originally Reported</b>	<b>12,917,358</b>	<b>-</b>	<b>-</b>
<b>Change Within Financial Reporting Entity</b>	<b>(12,917,358)</b>	<b>8,086,060</b>	<b>6,794,548</b>
<b>Cash and Cash Equivalents, Beginning of Year, As Restated</b>	<b>-</b>	<b>8,086,060</b>	<b>6,794,548</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ 5,735,205</b>	<b>\$ 7,405,588</b>
<b><u>Cash and Cash Equivalents at End of Year Consist of</u></b>			
Unrestricted	\$ -	\$ 2,868,666	\$ 3,411,174
Restricted	-	2,866,539	3,994,414
<b>Total Cash and Cash Equivalents</b>	<b>\$ -</b>	<b>\$ 5,735,205</b>	<b>\$ 7,405,588</b>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>			
<b><u>Provided by Operating Activities</u></b>			
Operating Income	\$ -	\$ 3,292,778	\$ 705,213
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities:			
Depreciation	-	532,483	739,068
Decrease (Increase) in Assets:			
Accounts Receivable, Net	-	(35,990)	129,264
Leases Receivable	-	-	-
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Liabilities	-	116,412	(859)
Customers Deposits	-	21,455	-
Due to Other Governments	-	1	(9,457)
Deferred Inflow of Resources - Leases	-	-	-
Net Pension Liability and Related Deferred Inflows and Outflows	-	(28,490)	27,782
Compensated Absences	-	3,030	3,031
Other Postemployment Benefits and Related Deferred Inflows and Outflows	-	(1,645)	163
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ -</b>	<b>\$ 3,900,034</b>	<b>\$ 1,594,205</b>

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

Major Funds		Non-Major	
Sanitation	Airport	Fund	Total
		Gas	
\$ 2,686,149	\$ 730,582	\$ 1,356,176	\$ 14,249,127
-	(199,730)	(363,167)	(1,232,124)
<u>(3,893,871)</u>	<u>(885,055)</u>	<u>(665,050)</u>	<u>(8,756,730)</u>
<u>(1,207,722)</u>	<u>(354,203)</u>	<u>327,959</u>	<u>4,260,273</u>
3,679,651	-	-	3,679,651
(1,707,470)	-	-	(4,523,442)
<u>2,909,268</u>	<u>(34,355)</u>	<u>(760,217)</u>	<u>(205,225)</u>
<u>4,881,449</u>	<u>(34,355)</u>	<u>(760,217)</u>	<u>(1,049,016)</u>
-	(2,427,995)	(77,601)	(3,825,186)
-	-	-	(278,972)
-	-	(3,429)	(531,210)
-	6,077,795	-	6,077,795
-	<u>3,649,800</u>	<u>(81,030)</u>	<u>1,442,427</u>
(402)	-	(38,478)	(129,042)
12,927	2,628	46,437	180,336
<u>12,525</u>	<u>2,628</u>	<u>7,959</u>	<u>51,294</u>
<u>3,686,252</u>	<u>3,263,870</u>	<u>(505,329)</u>	<u>4,704,978</u>
-	-	-	12,917,358
<u>(3,204,805)</u>	<u>167,652</u>	<u>1,241,555</u>	<u>167,652</u>
<u>(3,204,805)</u>	<u>167,652</u>	<u>1,241,555</u>	<u>13,085,010</u>
<u>\$ 481,447</u>	<u>\$ 3,431,522</u>	<u>\$ 736,226</u>	<u>\$ 17,789,988</u>
\$ 481,447	\$ 3,399,123	\$ 736,226	\$ 10,896,636
-	32,399	-	6,893,352
<u>\$ 481,447</u>	<u>\$ 3,431,522</u>	<u>\$ 736,226</u>	<u>\$ 17,789,988</u>
\$ (1,215,487)	\$ (192,962)	\$ 184,249	\$ 2,773,791
-	294,282	122,758	1,688,591
(13,122)	1,432	26,911	108,495
-	(87,371)	-	(87,371)
285,270	(434,433)	4,071	(29,539)
-	6,795	2,080	30,330
-	(2,014)	3,410	(8,060)
-	83,506	-	83,506
-	(25,654)	(10,425)	(36,787)
(264,383)	3,423	(3,955)	(258,854)
-	(1,207)	(1,140)	(3,829)
<u>\$ (1,207,722)</u>	<u>\$ (354,203)</u>	<u>\$ 327,959</u>	<u>\$ 4,260,273</u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Note 1 - Summary of Significant Accounting Policies**

**Description of City**

The City of DeFuniak Springs, Florida (the City) is a political subdivision of the state and was created by Laws of Florida, Chapter 5341 in 1901. The City provides police and fire protection, general government, parks and recreation, and public works services to its residents. In addition, the City operates water, sewer, gas, and sanitation enterprises.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City.

**The Reporting Entity**

As required by GAAP, the financial statements present the City as the primary government. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB standards for determining financial accountability of potential component units in evaluating all potential component units. In accordance with these standards, the City is financially accountable if it appoints a voting majority of the potential component unit's governing board, and it is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on, the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In September 2018, the City Council approved City Ordinance No. 895, which established a redevelopment trust fund (the CRA) and provided for funding within the community redevelopment area via tax increments. The governing body of the CRA is the City Council, and it is considered a component unit of the City.

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Walton County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1
Levy Date	October 1
Due Date	November 1
Delinquent Date	April 1

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

Discounts of 1% are granted for each month taxes are paid prior to March of the subsequent year.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2023 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

**Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for utility services. The City considers 75% of capacity fee revenue as capital contributions for the water and sewer system; therefore, only 25% of capacity fee revenues are included in operating revenue. Operating expenses for enterprise funds include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following two broad classifications are used to categorize the fund types used by the City:

*Governmental*

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The City has one major governmental fund:

General Fund – This is the City's primary operating fund and is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

*Proprietary*

Proprietary funds focus on the determination of net position, changes in net position and cash flows. The City's five proprietary funds are enterprise funds, as fees are charged to external users for services.

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

- Water Fund - This fund accounts for the operations and activities of the City’s water system.
- Sewer Fund - This fund accounts for the operations and activities of the City’s sewer system.
- Sanitation Fund - This fund accounts for the operations and activities of the City’s garbage collection activity.
- Airport Fund - This fund accounts for the operations and activities of the City’s airport.
- Gas Fund - This fund accounts for the operations and activities of the City’s natural gas system.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, Net Position or Fund Balance**

*Cash and Cash Equivalents*

The City defines cash and cash equivalents as cash on hand, demand deposits, certificates of deposit with maturities of two months or less when purchased, and all highly liquid debt instruments with maturities of three months or less when purchased. The City’s cash deposits are held by banks that qualify as public depositories under the *Florida Security for Public Deposits Act* as required by Chapter 280, Florida Statutes. The City’s cash deposits are fully insured by the Public Deposits Trust Fund.

*Receivables and Payables*

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. At the end of the fiscal year, loans outstanding between funds are referred to as either “due to other funds” or “due from other funds” (i.e., the current portion of interfund loans) or “advances” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All receivables in governmental funds are shown net of an allowance for doubtful accounts. At September 30, 2024, the City considers all governmental fund receivables collectible and, accordingly, does not have an allowance.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

All proprietary fund receivables are shown net of an allowance for doubtful accounts. The City’s estimate is based on historical collection experience and a review of the current status of accounts receivable. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established.

*Restricted Assets*

Certain resources of the City are restricted for specific purposes and are not available to be used for general operations. The City’s restricted assets consist of cash, cash equivalents, and investments restricted for the following purposes:

Cash Held for Customer Deposits	\$	350,561
Impact Fees Collected:		
Fire and Law Enforcement		613,336
Water and Sewer Systems		3,791,867
75% of Capacity Fees Collected		2,014,937
Debt Service and Other External Restrictions		3,543,452
<b>Total Restricted Cash, Cash Equivalents, and Investments</b>	<b>\$</b>	<b><u>10,314,153</u></b>

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

*Capital Assets*

Capital assets, which include construction in process, property, plant, equipment, and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life of more than one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through various allowable estimating techniques. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their acquisition value on the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until the completion of the project with interest earned on the invested proceeds over the same period.

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

<u>Assets</u>	<u>Years</u>
Buildings and Utility Systems	35-75 Years
Public Domain Infrastructure	50 Years
Furniture and Fixtures	10 Years
Vehicles	5 Years
Office Equipment	5 Years
Computer Equipment	5 Years

*Leases When the City is Lessee*

From time to time, the City enters into lease agreements where the City is lessee. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made at or before the lease commencement date, plus initial direct costs. The lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise, if any.

*Leases When the City is Lessor*

In situations where the City is lessor in a lease agreement, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and enterprise fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow or resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses the stated interest rate in the lease agreement if available and if not, utilizes its estimated rate of return on investments nearest to the date of lease commencement. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability, and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the lease amounts.

*Deferred Inflows/Outflows of Resources*

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows of resources are comprised of pension related and other postemployment benefit related items.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows of resources are comprised of pension related, other postemployment benefit, and lease related items.

*Compensated Absences*

The City accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. For proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year. In the fund financial statements, all the governmental-related compensated absences are considered long-term and, therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

*Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest methods. Bond issuance costs are expensed as they are incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Other Postemployment Benefits (OPEB) Liability*

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

*Net Pension Liability*

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) plans (Plans), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when due and payable in accordance with the benefit terms. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes.

*Classification of Fund Balance*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB No. 54, are comprised of the following:

- Non-Spendable – includes amounts that are: (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed – includes amounts that can only be used for the specific purposes determined by a formal action (an Ordinance) of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (an Ordinance) that imposed the constraint originally.

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- Assigned – includes spendable fund balance amounts that are intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by the City Council to assign amounts to be used for specific purposes. The City’s fund balance policy does not explicitly specify who is authorized to establish fund balance assignments. Only the City Council has the authority to establish fund balance assignments.
- Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

*Net Position*

Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted, or unrestricted. Net investment in capital assets represents net position related to property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted by enabling legislation. The City considers restricted amounts to be spent first when both restricted and unrestricted resources are available.

**Estimates**

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

**Implementation of New Accounting Standard**

During the year ended September 30, 2024, the City adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The statement enhances accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes as: (a) changes in accounting principles, and (b) changes in accounting requirements. Disclosure requirements include descriptions of accounting changes and error corrections and their quantitative effects on account balances. The City’s financial statements were impacted by the implementation of this statement as of October 1, 2023, in that the Airport Fund was separated from the General Fund to an Enterprise Fund. In addition, the City separated its Water, Sewer, Sanitation, and Gas funds from the former Utilities Fund. Beginning Fund Balances and Net Position were impacted as follows:

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	General Fund	Airport Fund	Governmental Activities	Business-Type Activites
<b>Fund Balance/Net Position as of Beginning of Year, as Previously Reported</b>	\$ 4,132,203	\$ -	\$ 16,630,177	\$ 31,701,922
Changes Within Financial Reporting Entity:				
Airport Fund Previously Reported Within General Fund	(232,590)	12,955,510	(12,955,510)	12,955,510
<b>Fund Balance/Net Position as of Beginning of Year, as Restated</b>	<u>\$ 3,899,613</u>	<u>\$ 12,955,510</u>	<u>\$ 3,674,667</u>	<u>\$ 44,657,432</u>

	Utilities Fund	Water Fund	Sewer Fund	Sanitation Fund	Gas Fund
<b>Net Position as of Beginning of Year, as Previously Reported</b>	\$ 31,701,922	\$ -	\$ -	\$ -	\$ -
Changes Within Financial Reporting Entity:					
Separation of Funds from Utilities Fund to Other Funds	(31,701,922)	10,889,043	18,790,013	(689,693)	2,712,559
<b>Net Position as of Beginning of Year, as Restated</b>	<u>\$ -</u>	<u>\$ 10,889,043</u>	<u>\$ 18,790,013</u>	<u>\$ (689,693)</u>	<u>\$ 2,712,559</u>

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgets**

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted by resolution for all governmental funds and the proprietary fund. However, a budget for the proprietary fund is not legally required to be reported on, and is not included in, the financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects. Budgetary data reflected in the financial statements are established by the following procedures: Prior to September 1 of each year, proposed budgets are received by the City Council from the City Finance Director. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Council. The City Council requires such changes as deemed necessary, sets proposed millage and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.

Prior to October 1, the budget for all governmental funds and the proprietary fund of the City is legally enacted through passage of a resolution. Budget amendments are periodically passed via resolutions throughout the fiscal year. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unassigned fund balance to the level required to accomplish current year objectives. The City's legal level of budgetary authority is the fund level.

**Note 3 - Deposits and Investments**

**Deposits**

The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow qualified public depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits

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greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

As of September 30, 2024, the bank balance of the City’s cash deposits was \$21,808,654, all of which was held by qualified public depositories under Chapter 280, Florida Statutes. The book balance of these deposits at September 30, 2024, was \$22,365,446 (excluding \$1,329 of petty cash), and is included in cash and cash equivalents in the accompanying statement of net position.

**Certificates of Deposit**

The City invests surplus funds into interest-bearing certificates of deposit at qualified public depositories in accordance with Section 218.415, Florida Statutes. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value.

**Investments**

The City does not have a written investment policy but has adopted the policy provided by Florida Statutes, Section 218.15, which authorizes the City to invest surplus funds in the following:

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

The Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 218.415, Florida Statutes. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The Trustees of the Trust are designated as having official custody of the funds, which are invested by the purchase of shares of beneficial interest in the Trust. The Trust operates as a fiduciary trust fund under governmental accounting rules that require the Trust to prepare a series of financial statements. The FMIVT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool for GASB reporting purposes. The City’s investment is the FMIVT portfolio, not the individual securities held within each portfolio. A copy of the FMIVT financial statements can be obtained from Florida Municipal Investment Trust, 301 S. Bronough Street, Suite 300, Tallahassee, Florida 32301.

As of September 30, 2024, the City held the following investments:

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Florida Municipal Investment Trust:			
1-3 Year High Quality Bond Fund	1.80	AAAf/S2	\$ 1,111,669
Intermediate High Quality Bond Fund	4.90	AAf/S3	<u>1,128,047</u>
			2,239,716
Certificates of Deposit	N/A	N/A	<u>323,435</u>
			<u>\$ 2,563,151</u>

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<b>Statement of Net Position</b>	
Investments – Unrestricted	\$ 2,274,579
Investments – Restricted	<u>288,572</u>
	<u>\$ 2,563,151</u>

*Credit Risk*

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities, as well as investments in external investment pools, money market funds, and other pooled investments of fixed-income securities. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, S&P).

*Custodial Credit Risk*

Under GASB Statement No. 40, disclosure of categorization by custodial credit risk is only required if investments are uninsured, unregistered, and held by either the counterparty or the counterparty’s trust department or agent, but not in the government’s name (this was “Category 3” in GASB Statement No. 3). Participants’ investments in the FMIvT are evidenced by shares of the pool. Investments in pools should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The City’s investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required. The City may make redemptions of its investment in the FMIvT twice a month with a five-business day notice.

*Concentration Risk*

GASB Statement No. 40 requires disclosure of the concentration of credit risk when five or more percent of the total assets of the portfolio are invested with a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the concentration of credit risk disclosure requirements. The City has no limit on the amount it may invest in any one issuer. The FMIvT is a pooled investment; therefore, no additional disclosure is required.

*Interest Rate Risk*

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt instruments as well as investment in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a “2a-7 like” pool.

Additionally, GASB Statement No. 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments. The City’s investment policy is limited to complying with the state’s investment statutes. The state law has not addressed an interest rate risk and, therefore, the City has not adopted an investment policy on that point. It is the City’s intention to make investments to provide sufficient liquidity to pay obligations as they become due. The City uses the WAM for its two investments with the FMIvT as previously presented.

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**Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The City's two investment funds in the FMIVT invest mainly in U.S. government and agency securities and asset-backed securities. The underlying securities have observable Level 1 quoted pricing inputs or observable Level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation. While the underlying asset values are based on quoted prices or market corroborated inputs, the net asset value of the portfolio is not publicly quoted. The City considers their shares in these funds as Level 2 since the value is based on market-corroborated data.

**Note 4 - Receivables**

Receivables and amounts due from other governments at year-end, were as follows:

	Governmental Activities		Business-Type Activities					Total
	General Fund	CRA	Water	Sewer	Sanitation	Airport	Gas	
Accounts Receivable	\$ -	\$ 1,000	\$ 847,013	\$ 689,016	\$ 153,922	\$ (1,365)	\$ 154,992	\$ 1,844,578
Less Allowance for Doubtful Accounts	-	-	(130,267)	(277,119)	(8,194)	-	(13,620)	(429,200)
Total Receivables, Net	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 716,746</u>	<u>\$ 411,897</u>	<u>\$ 145,728</u>	<u>\$ (1,365)</u>	<u>\$ 141,372</u>	<u>\$ 1,415,378</u>
Taxes Receivable	\$ 592,785	\$ -	\$ -	\$ -	\$ -	\$ 450,376	\$ -	\$ 1,043,161
Grants Receivable	82,861	-	-	-	-	-	-	82,861
Total Due from Other Governments	<u>\$ 675,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,376</u>	<u>\$ -</u>	<u>\$ 1,126,022</u>

**Due from Other Governments**

Amounts due from other governments relate to state and federal grants, half-cent sales taxes, local option fuel taxes, and telecommunications service tax.

**Lease Receivable**

In November of 2014, the City entered into a lease agreement with an unrelated party for a supercharger station on City-owned property. The initial term of the lease was five years with the option to renew for two additional five-year terms. The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. The City recognized lease revenue of \$6,513 and \$969 of interest income related to the lease.

In December of 2023, the City entered into a five-year lease agreement for hangar space at the Airport. The City recognized lease revenue of \$14,736 and interest income of \$2,628 related to the lease.

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**Note 5 - Changes in Capital Assets**

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Equity Transfer Airport	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 2,376,358	\$ (2,065,432)	\$ 240,872	\$ -	\$ 551,798
Construction in Progress	5,829,212	(5,823,710)	-	-	5,502
Total Capital Assets Not Being Depreciated	<u>8,205,570</u>	<u>(7,889,142)</u>	<u>240,872</u>	<u>-</u>	<u>557,300</u>
Capital Assets Being Depreciated:					
Buildings	12,241,319	(2,584,822)	96,789	(127,522)	9,625,764
Improvements Other Than Buildings	5,908,774	(5,874,086)	-	-	34,688
Machinery and Equipment	9,669,085	(700,189)	680,536	(1,435,900)	8,213,532
Total Capital Assets Being Depreciated	<u>27,819,178</u>	<u>(9,159,097)</u>	<u>777,325</u>	<u>(1,563,422)</u>	<u>17,873,984</u>
Less Accumulated Depreciation	<u>(14,191,547)</u>	<u>4,111,356</u>	<u>(880,501)</u>	<u>1,423,676</u>	<u>(9,537,016)</u>
Total Capital Assets Being Depreciated, Net	<u>13,627,631</u>	<u>(5,047,741)</u>	<u>(103,176)</u>	<u>(139,746)</u>	<u>8,336,968</u>
<b>Governmental Activities, Net</b>	<u>\$ 21,833,201</u>	<u>\$ (12,936,883)</u>	<u>\$ 137,696</u>	<u>\$ (139,746)</u>	<u>\$ 8,894,268</u>
<b>Business-Type Activities</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 589,488	\$ 2,065,432	\$ -	\$ -	\$ 2,654,920
Construction in Progress	738,039	5,823,710	3,387,022	-	9,948,771
Total Capital Assets Not Being Depreciated	<u>1,327,527</u>	<u>7,889,142</u>	<u>3,387,022</u>	<u>-</u>	<u>12,603,691</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	49,717,062	8,458,908	192,751	(1,253)	58,367,468
Machinery and Equipment	1,817,571	700,189	245,413	(296,762)	2,466,411
Total Capital Assets Being Depreciated	<u>51,534,633</u>	<u>9,159,097</u>	<u>438,164</u>	<u>(298,015)</u>	<u>60,833,879</u>
Less Accumulated Depreciation	<u>(23,518,963)</u>	<u>(4,111,356)</u>	<u>(1,688,591)</u>	<u>292,069</u>	<u>(29,026,841)</u>
Total Capital Assets Being Depreciated, Net	<u>28,015,670</u>	<u>5,047,741</u>	<u>(1,250,427)</u>	<u>(5,946)</u>	<u>31,807,038</u>
<b>Business-Type Activities, Net</b>	<u>\$ 29,343,197</u>	<u>\$ 12,936,883</u>	<u>\$ 2,136,595</u>	<u>\$ (5,946)</u>	<u>\$ 44,410,729</u>

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

**Depreciation/Amortization Expense**

**Governmental Activities**

General Government	\$ 204,202
Public Safety	333,494
Physical Environment	6,494
Transportation	177,653
Culture and Recreation	<u>158,658</u>
<b>Total Depreciation Expense – Governmental Activities</b>	<u>\$ 880,501</u>

**Business-Type Activities**

Water	\$ 532,483
Sewer	739,068
Airport	294,282
Gas	<u>122,758</u>
<b>Total Depreciation Expense – Business-Type Activities</b>	<u>\$ 1,688,591</u>

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**Note 6 - Defined Benefit Pension Plan – FRS**

All the City's employees can participate in the FRS. As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined, benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan).

Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration. As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Research and Education Section, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Pension Plan**

*Plan Description*

The Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) for eligible employees.

*Benefits Provided*

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. *Regular Class* members enrolled before July 1, 2011, who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.60% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

*Special Risk Class* members (police and firefighters) enrolled before July 1, 2011, who retire at or after age 55 with at least six years of credited service or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.00% of their final average compensation based on the five highest years of salary for each year of credited service.

*Senior Management Service Class* members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.00% of their final average compensation based on the five highest years of salary for each year of credited service.

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*Elected Officers' Class* members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.00% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Pension Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for *Regular, Senior Management Service, and Elected Officers' Class* members, and to age 60 or 30 years of service regardless of age for *Special Risk Class* members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent 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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

*Contributions*

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3.00% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for each of the prior three years are as follows:

	<u>07/01/2024 - 06/30/2025</u>	<u>07/01/2023 - 06/30/2024</u>	<u>07/01/2022 - 06/30/2023</u>
Regular Class	13.63%	13.57%	11.91%
Special Risk	32.79%	32.67%	27.83%
Senior Management Class	34.52%	34.52%	31.57%
DROP	21.13%	21.13%	18.60%

These employer contribution rates include 1.66% for HIS Plan subsidies for the periods October 1, 2016 through June 30, 2023, and 2.00% for the period July 1, 2023 through June 30, 2025. The rates also include the fee of 0.06% for administration of the FRS Investment Plan and provision of education tools for both for all periods presented for all classes except DROP. The City's contributions, including employee contributions, to the Pension Plan totaled \$1,160,106 and \$907,495 for the fiscal years ended September 30, 2024 and 2023, respectively.

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*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources*

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024.

At September 30, 2024, the City reported a liability of \$7,642,190 for its proportionate share of the Pension Plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the FRS, relative to the contributions of all participating governments. The City's proportionate share of the net pension liability was .01975507000%, representing an increase of .00224940400% from the previous year.

For the fiscal year ended September 30, 2024, the City recognized pension expense of \$1,281,861. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experiences	\$ 772,066	\$ -
Change of Assumptions	1,047,432	-
Net Difference Between Projected and Actual Earnings of Pension Plan Investments	-	507,940
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	716,056	117,578
City Pension Plan Contributions Subsequent to the Measurement Date	315,949	-
	<b>\$ 2,851,503</b>	<b>\$ 625,518</b>

A component of deferred outflows of resources related to the Pension Plan of \$315,949, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<b>Fiscal Year Ending September 30:</b>	<b>Amount</b>
2025	\$ 6,682
2026	1,383,989
2027	260,547
2028	148,991
2029	109,827
	<b>\$ 1,910,036</b>

*Actuarial Assumptions*

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation		2.40%
Salary Increases		3.50%, Average, Including Inflation
Investment Rate of Return	6.70%, Net of Pension Plan Investment Expense, Including Inflation	
Actuarial Cost Method		Individual Entry Age

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
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Mortality rates were based on Generational PUB-2010 with Scale MP-2021.

The actuarial assumptions that determined the total pension liability as of June 30, 2024, were based on the results of an actuarial experience study for the period of July 1, 2018 – 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 for 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.30%	3.30%	1.10%
Fixed Income	29.0%	5.70%	5.60%	3.90%
Global Equity	45.0%	8.60%	7.00%	18.20%
Private Equity	11.0%	12.40%	8.80%	28.40%
Strategic Investments	2.0%	6.60%	6.20%	8.70%
Real Estate (Property)	12.0%	8.10%	6.80%	16.60%
<b>Total</b>	<u>100.00%</u>			
Assumed Inflation – Mean			2.40%	1.50%

(1) As Outlined in the Pension Plan's Investment Policy.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.7%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for the calculation of the total pension liability is equal to the long-term expected rate of return.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<u>1% Decrease 5.70%</u>	<u>Current Discount Rate 6.70%</u>	<u>1% Increase 7.70%</u>
City's Proportionate Share of the Net Pension Liability	\$ 13,442,345	\$ 7,642,190	\$ 2,783,330

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
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*Pension Plan Fiduciary Net Position*

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

**HIS Plan**

*Plan Description*

The HIS Plan is a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided*

For the fiscal year ended September 30, 2024, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a 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 Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the plan fiscal years ended June 30, 2025 and 2024, the HIS contribution for the plan was 2.00%. The City 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$128,155, \$100,219, and \$84,569 for the fiscal years ended September 30, 2024, 2023, and 2022, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources*

At September 30, 2024, the City reported a liability of \$2,184,354 for its proportionate share of the HIS Plan's net pension liability. At June 30, 2024, the City's proportionate share was 0.0145614110%, which was an increase of .000406644% from the prior year.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. For the fiscal year ended September 30, 2024, the City recognized pension expense of \$120,609. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experiences	\$ 21,091	\$ 4,194
Change of Assumptions	38,658	258,599
Net Difference Between Projected and Actual Earnings of Pension Plan Investments	-	790
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	119,729	1,520
City Pension Plan Contributions Subsequent to the Measurement Date	35,335	-
	<b>\$ 214,813</b>	<b>\$ 265,103</b>

A component of deferred outflows of resources related to the HIS Plan, totaling \$35,335, resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<b>Fiscal Year Ending September 30:</b>	<b>Amount</b>
2025	\$ 3,455
2026	(9,122)
2027	(39,236)
2028	(26,677)
2029	(10,943)
Thereafter	(3,102)
	<b>\$ (85,625)</b>

*Actuarial Assumptions*

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.50%, Average, Including Inflation
Investment Rate of Return	3.93%
Actuarial Cost Method	Individual Entry Age

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

The actuarial assumptions that determined the total pension liability as of June 30, 2024, were based on the results of an actuarial experience study for the period of July 1, 2018 – June 30, 2023.

*Discount Rate*

The discount rate used to measure the total pension liability was 3.93%. 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,

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
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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. The discount rate was increased from the previous valuation which used 3.65%.

*Sensitivity of the Net Position Liability to Changes in the Discount Rate*

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.93%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<b>1% Decrease 2.93%</b>	<b>Current Discount Rate 3.93%</b>	<b>1% Increase 4.93%</b>
City's Proportionate Share of the Net Pension Liability	\$ 2,486,606	\$ 2,184,354	\$ 1,933,436

*Pension Plan Fiduciary Net Position*

Detailed information regarding 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.

**Note 7 - Long-Term Debt**

**Changes in Long-Term Debt Liabilities**

Long-term debt activity for the year ended September 30, 2024, is summarized as follows:

	Beginning Balance	Transfer to Airport	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Compensated Absences	\$ 406,249	\$ (9,619)	\$ 88,808	\$ -	\$ 485,438	\$ 24,272
OPEB Liability	92,530	(2,761)	-	(3,412)	86,357	-
Net Pension Liability	8,145,202	(243,004)	584,988	-	8,487,186	-
Notes Payable	2,661,597	-	100,000	(241,053)	2,520,544	263,884
<b>Total Governmental Activities</b>	\$ 11,305,578	\$ (255,384)	\$ 773,796	\$ (244,465)	\$ 11,579,525	\$ 288,156
<b>Business-Type Activities</b>						
Compensated Absences	\$ 78,056	\$ 9,619	\$ 5,529	\$ -	\$ 93,204	\$ 4,660
OPEB Liability	12,249	2,761	-	(1,380)	13,630	-
Net Pension Liability	1,078,218	243,004	18,136	-	1,339,358	-
Notes and Loans Payable	1,767,064	-	-	(127,110)	1,639,954	128,350
Revenue Bonds	9,965,900	-	-	(404,100)	9,561,800	415,400
<b>Total Business-Type Activities</b>	\$ 12,901,487	\$ 255,384	\$ 23,665	\$ (532,590)	\$ 12,647,946	\$ 548,410

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
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	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b>Notes Payable</b>			
Note payable with PNC Bank for a fire truck with an original cost of \$472,929; due in annual installments of \$99,958; payments through January 2026; bearing interest at a rate of 1.87%.	\$ 96,322	\$ 98,122	\$ 194,444
Note payable with Cadence Equipment Finance for the purchase of vehicles totaling \$100,000; due in annual installments of \$23,698; payments through December 2028; bearing interest at a rate of 5.78%.	17,762	82,238	100,000
Revenue note payable with Regions Bank for the purchase of City Hall totaling \$2,500,000; due in annual payments from \$127,400 to \$194,500 through December 2026; bearing interest at a rate of 2.2%.	149,800	2,076,300	2,226,100
<b>Total Note Payable</b>	<u>263,884</u>	<u>2,256,660</u>	<u>2,520,544</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 263,884</u>	<u>\$ 2,256,660</u>	<u>\$ 2,520,544</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b>Loans Payable</b>			
State revolving loan payable (SRF#3) due in semi-annual payments of \$27,334, through May 15, 2038; bearing no interest; secured by anticipated net sewer system revenues.	\$ 52,809	\$ 686,520	\$ 739,329
State revolving loan payable (SRF#4) due in semi-annual payments of \$13,098, through April 15, 2041; bearing an interest rate of 0.41%; secured by anticipated net sewer system revenues.	5,431	84,258	89,689
State revolving loan payable (SRF#5) due in semi-annual payments of \$14,182, through November 15, 2041; bearing no interest; secured by anticipated net sewer system revenues.	19,339	496,360	515,699
State revolving loan payable (SRF#6) due in semi-annual payments of \$5,687 through 2043; bearing interest at 0.93%; secured by anticipated net sewer system revenues.	9,528	79,496	89,024
<b>Notes Payable</b>			
Note payable with the State of Florida, Department of Transportation for the relocation of water and sewer utilities with an original cost of \$625,925; annual payments of \$41,728; payments through March 2028; bearing no interest rate.	41,243	164,970	206,213
<b>Total Notes and Loans Payable</b>	<u>128,350</u>	<u>1,511,604</u>	<u>1,639,954</u>
<b>Revenue Bonds Payable</b>			
<b><i>Water and Sewer System Revenue Refunding Bonds - Series 2021</i></b>			
Authorized and issued \$6,897,700 at 2.29% per annum, principal and interest payable annually on September 1. Bonds are collateralized by a pledge of net revenues of the water and sewer system.	326,400	5,552,400	5,878,800
<b><i>Gas System Refunding Revenue Bonds - Series 2012</i></b>			
Authorized and issued \$885,000 at 2.30% per annum, principal payable annually on May 1, interest payable semi-annually on November 1 and May 1. Bonds are collateralized by a pledge of the local government half-cent sales tax pursuant to Florida Statutes.	89,000	3,594,000	3,683,000
<b>Total Revenue Bonds Payable</b>	<u>415,400</u>	<u>9,146,400</u>	<u>9,561,800</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 543,750</u>	<u>\$ 10,658,004</u>	<u>\$ 11,201,754</u>
<b>GRAND TOTAL LONG-TERM DEBT</b>			<u>\$ 13,722,298</u>

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**Requirement to Amortize All Long-Term Debt**

The annual requirements to amortize all debt outstanding except compensated absences as of September 30, 2024, is as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 263,884	\$ 56,898	\$ 543,750	\$ 246,101
2026	270,039	50,710	562,491	227,042
2027	176,334	44,354	571,603	216,774
2028	181,017	39,692	584,015	206,290
2029	185,770	34,883	592,729	195,510
2030-2034	872,500	111,632	2,692,320	812,389
2035-2039	571,000	19,027	2,219,811	555,208
2040-2045	-	-	1,838,335	344,754
2046-2049	-	-	1,058,700	150,586
2050-2052	-	-	538,000	29,755
<b>Total</b>	<b>\$ 2,520,544</b>	<b>\$ 357,196</b>	<b>\$ 11,201,754</b>	<b>\$ 2,984,409</b>

**Note 8 - Other Postemployment Benefits**

**OPEB Plan**

*Plan Description*

The City provides certain continuing health care and life insurance benefits for its retired employees. The plan is a single, employer-defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the City, employees, and retirees rests with the City Council in accordance with requirements of Florida State Statutes, Section 112.0801. The plan does not issue a separate report.

*Benefits Provided*

Medical benefits are provided through comprehensive plans and are made available to employees upon actual retirement. For employees participating in the FRS pension Plan, eligibility is the same as that of the Pension Plan. For non-FRS Pension Plan participants, employees are eligible to receive full benefits after 30 years.

<u>Plan Membership as of September 30, 2024</u>	
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Active Plan Members	<u>118</u>
	<u>119</u>

**Net OPEB Liability**

*Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of October 1, 2023, using the following actuarial assumptions:

Measurement Date	September 30, 2024
Valuation Date	October 1, 2023
Actuarial Cost Method	Entry Age Normal (AMM)

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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Inflation	3.0% Annually
Salary Increase	4.0% Annually
Prior Discount Rate	4.87%
Discount Rate	4.06% Annually, Which is the S&P Municipal Bond 20-Year, High-Grade Rate Index as of September 30, 2024.
Retirement Age	Eligibility is the Same as the FRS Pension Plan
Mortality	Special Risk: PubS.H-2010 Mortality Table – Safety with Scale MP-2020; All Others: PubG.H-2010 Monthly Table – General with Scale MP-2020

*Changes in Net OPEB Liability*

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at September 30, 2023</b>	\$ 104,779	\$ -	\$ 104,779
Changes of the Year:			
Service Cost	9,827	-	9,827
Interest	4,767	-	4,767
Differences Between Expected and Actual Experience	(11,686)	-	(11,686)
Changes of Assumptions	6,086	-	6,086
Benefit Payments	(13,786)	-	(13,786)
Net Changes	(4,792)	-	(4,792)
<b>Balance at September 30, 2024</b>	<u>\$ 99,987</u>	<u>\$ -</u>	<u>\$ 99,987</u>

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

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 107,668	\$ 99,987	\$ 92,661

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:*

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 87,689	\$ 99,987	\$ 115,203

*OPEB Liabilities, OPEB Expense, and Deferred Inflows/Outflows of Resources*

For the fiscal year ended September 30, 2024, the City recognized OPEB expense of \$(3,149). In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	\$ 14,830	\$ 26,862
Change of Assumptions	43,317	133,783
	<u>\$ 58,147</u>	<u>\$ 160,645</u>

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Components of deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (income) as follows:

Fiscal Year Ending September 30:	Amount
2025	\$ (17,744)
2026	(17,744)
2027	(17,744)
2028	(17,744)
2029	(8,314)
Thereafter	(23,208)
	\$ (102,498)

**Note 9 - Interfund Balances and Transfers**

At September 30, 2024, interfund transfers relate to operational services and shared costs provided by the General Fund on behalf of other funds. Interfund receivables and payables represent such amounts that have not yet been reimbursed at year-end.

Interfund receivables and payables include the following at September 30, 2024:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,139,295	\$ 406,354
Water Fund	234,955	6,319
Sewer Fund	49,039	235,121
Sanitation Fund	67,090	335,318
Airport Fund	-	469,072
Gas Fund	-	9,998
Other Non-Major Governmental Funds:		
CRA	-	11,893
Christmas Reflections	-	364
Cemetery	-	15,940
	\$ 1,490,379	\$ 1,490,379

Interfund transfers include the following at September 30, 2024:

	Transfers In	Transfers Out
General Fund	\$ 3,833,749	\$ 3,067,705
Water Fund	-	2,471,125
Sewer Fund	-	344,847
Sanitation Fund	3,679,651	1,707,470
Other Non-Major Governmental Funds:		
Cemetery	77,747	-
	\$ 7,591,147	\$ 7,591,147

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**Note 10 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the FMIVT and other commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. The amount of settlements has not exceeded the insurance coverage in each of the past three years.

**Note 11 - Commitments and Contingencies**

**Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

**Interlocal Landfill Agreement**

The City entered into an interlocal agreement (the Agreement) with Walton County in 1995, as amended in 2013, whereby the City provides basic residential refuse collection and disposal services to residents of the City. The City will, in turn, receive from the County a sum of \$8.50 per residential unit collection. Additionally, the Agreement exempts the City from assessment of County Landfill tipping fees for disposal of solid waste, with the exception of construction and demolition debris and tires. Under the agreement, the City remits 100% of the City's one-cent sales tax proceeds to Walton County, and at the end of the fiscal year, a true-up calculation is performed by Walton County, with any remaining funds being remitted back to the City. During the year ended September 30, 2024, the City remitted approximately \$3 million to Walton County and received a check for approximately \$2.1 million from Walton County, representing funds remaining from the prior year's remittance.

**Legal Matters**

The City is involved in pending and threatened litigation. In the opinion of City Management, after consulting with legal counsel, the range of potential loss from all claims and actions should not materially affect the financial condition of the City.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)  
FLORIDA RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's Proportion of the Net Pension Liability (Asset)	0.000197551%	0.017505666%	0.016915465%	0.016844762%	0.018106068%	0.017761257%	0.017007130%	0.018309200%	0.018313000%	0.017258610%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,642,190	\$ 6,975,454	\$ 6,293,912	\$ 1,272,431	\$ 7,846,637	\$ 6,116,730	\$ 5,150,823	\$ 5,415,735	\$ 4,624,047	\$ 2,229,181
City's Covered Payroll	6,164,050	5,609,217	5,094,518	4,632,781	4,457,236	3,668,160	3,976,920	4,009,182	3,916,251	3,756,488
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	123.98%	124.36%	123.54%	27.47%	176.04%	166.75%	129.52%	135.08%	118.07%	59.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

\* The amounts for each fiscal year were determined as of 6/30.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)  
HEALTH INSURANCE SUBSIDY  
LAST 10 FISCAL YEARS**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's Proportion of the Net Pension Liability (Asset)	0.014561411%	0.014154767%	0.013976400%	0.013845127%	0.013511504%	0.012971022%	0.012419062%	0.012959050%	0.012515520%	0.012221600%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,184,354	\$ 2,247,966	\$ 1,480,324	\$ 1,698,313	\$ 1,649,733	\$ 1,451,328	\$ 1,314,447	\$ 1,385,641	\$ 1,458,631	\$ 1,246,411
City's Covered Payroll	6,164,050	5,609,217	5,094,518	4,632,781	4,457,236	3,668,160	3,976,920	4,009,182	3,916,251	3,756,488
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	35.44%	40.08%	29.06%	36.66%	37.01%	39.57%	33.05%	34.56%	37.25%	33.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

\* The amounts for each fiscal year were determined as of 6/30.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
FLORIDA RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,160,106	\$ 907,495	\$ 721,814	\$ 641,713	\$ 601,584	\$ 550,727	\$ 487,357	\$ 460,073	\$ 428,850	\$ 408,301
Contributions in Relation to the Contractually Required Contribution	<u>(1,160,106)</u>	<u>(907,495)</u>	<u>(721,814)</u>	<u>(641,713)</u>	<u>(601,584)</u>	<u>(550,727)</u>	<u>(487,357)</u>	<u>(460,073)</u>	<u>(428,850)</u>	<u>(408,301)</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,407,750	\$ 5,725,339	\$ 5,094,518	\$ 4,632,781	\$ 4,457,236	\$ 3,668,160	\$ 3,976,920	\$ 4,009,182	\$ 3,916,251	\$ 3,756,488
Contributions as a Percentage of Covered-Employee Payroll	18.10%	15.85%	14.17%	13.85%	13.50%	15.01%	12.25%	11.48%	10.95%	10.87%

\* The amounts presented for each fiscal year were determined as of 9/30.

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
HEALTH INSURANCE SUBSIDY  
LAST 10 FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 128,155	\$ 100,219	\$ 84,569	\$ 81,382	\$ 77,860	\$ 72,027	\$ 67,349	\$ 128,363	\$ 125,628	\$ 90,563
Contributions in Relation to the Contractually Required Contribution	<u>(128,155)</u>	<u>(100,219)</u>	<u>(84,569)</u>	<u>(81,382)</u>	<u>(77,860)</u>	<u>(72,027)</u>	<u>(67,349)</u>	<u>(128,363)</u>	<u>(125,628)</u>	<u>(90,563)</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,407,750	\$ 5,725,339	\$ 5,094,518	\$ 4,632,781	\$ 4,457,236	\$ 3,668,160	\$ 3,976,920	\$ 4,009,182	\$ 3,916,251	\$ 3,756,488
Contributions as a Percentage of Covered-Employee Payroll	2.00%	1.75%	1.66%	1.76%	1.75%	1.96%	1.69%	3.20%	3.21%	2.41%

\* The amounts presented for each fiscal year were determined as of 9/30.

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**SEPTEMBER 30, 2024**  
**LAST 10 FISCAL YEARS\***

Reporting Date	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>							
Service Cost	\$ 9,827	\$ 6,973	\$ 10,197	\$ 10,290	\$ 8,043	\$ 16,202	\$ 17,091
Interest	4,767	5,119	3,110	2,891	7,532	7,368	10,397
Differences Between Expected and Actual Experience	(11,686)	-	10,915	-	11,020	-	(44,068)
Changes of Assumptions <sup>1</sup>	6,086	(827)	(19,197)	(2,773)	(84,088)	1,370	(66,627)
Other Changes	-	-	-	-	(7,548)	-	-
Benefit Payments	(13,786)	(27,605)	(23,818)	(11,198)	(9,695)	(23,863)	(25,556)
<b>Net Change in Total OPEB Liability</b>	<b>(4,792)</b>	<b>(16,340)</b>	<b>(18,793)</b>	<b>(790)</b>	<b>(74,736)</b>	<b>1,077</b>	<b>(108,763)</b>
<b>Total OPEB Liability, Beginning of Year</b>	<b>104,779</b>	<b>121,119</b>	<b>139,912</b>	<b>140,702</b>	<b>215,438</b>	<b>214,361</b>	<b>323,124</b>
<b>Total OPEB Liability, End of Year</b>	<b>\$ 99,987</b>	<b>\$ 104,779</b>	<b>\$ 121,119</b>	<b>\$ 139,912</b>	<b>\$ 140,702</b>	<b>\$ 215,438</b>	<b>\$ 214,361</b>
<b>Covered-Employee Payroll</b>	<b>\$ 5,924,012</b>	<b>\$ 5,725,339</b>	<b>\$ 5,094,518</b>	<b>\$ 4,632,781</b>	<b>\$ 4,457,236</b>	<b>\$ 3,528,523</b>	<b>\$ 3,528,523</b>
<b>City's Net OPEB Liability as a Percentage of Covered- Employee Payroll</b>	<b>1.69%</b>	<b>1.83%</b>	<b>2.38%</b>	<b>3.02%</b>	<b>3.16%</b>	<b>6.11%</b>	<b>6.08%</b>

**Notes to Schedule:**

<sup>1</sup> As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System to match the pension plan assumptions.

\* This schedule is not available for earlier years.

## **SUPPLEMENTARY INFORMATION**

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2024**

	<u>CRA</u>	<u>Christmas Reflections</u>	<u>Cemetery</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ 44,661	\$ 106,126	\$ 150,787
Investments	-	-	69,262	69,262
Accounts Receivable	1,000	-	-	1,000
Restricted Assets:				
Cash and Cash Equivalents	828,235	-	-	828,235
<b>Total Assets</b>	<u>829,235</u>	<u>44,661</u>	<u>175,388</u>	<u>1,049,284</u>
<b>Liabilities</b>				
Accrued Liabilities	3,158	887	2,761	6,806
Due to Other Funds	11,893	364	15,940	28,197
Customer Deposits	-	-	13,010	13,010
<b>Total Liabilities</b>	<u>15,051</u>	<u>1,251</u>	<u>31,711</u>	<u>48,013</u>
<b>Fund Balances</b>				
Restricted - Redevelopment	814,184	-	-	814,184
Committed - Special Revenue	-	43,410	143,677	187,087
<b>Total Fund Balances</b>	<u>814,184</u>	<u>43,410</u>	<u>143,677</u>	<u>1,001,271</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 829,235</u>	<u>\$ 44,661</u>	<u>\$ 175,388</u>	<u>\$ 1,049,284</u>

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2024**

	<u>CRA</u>	<u>Christmas Reflections</u>	<u>Cemetery</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 1,074,672	\$ -	\$ -	\$ 1,074,672
Licenses and Permits	-	-	39,400	39,400
Charges for Services	-	94,188	24,545	118,733
Investment Loss	-	-	8,362	8,362
Miscellaneous	296	13,219	2,505	16,020
<b>Total Revenues</b>	<u>1,074,968</u>	<u>107,407</u>	<u>74,812</u>	<u>1,257,187</u>
<b>Expenditures</b>				
Current:				
General Government	317,845	-	-	317,845
Physical Environment	-	-	152,522	152,522
Culture and Recreation	-	125,028	-	125,028
Capital Outlay	337,661	-	-	337,661
<b>Total Expenditures</b>	<u>655,506</u>	<u>125,028</u>	<u>152,522</u>	<u>933,056</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>419,462</u>	<u>(17,621)</u>	<u>(77,710)</u>	<u>324,131</u>
<b>Other Financing Sources</b>				
Transfers In	-	-	77,747	77,747
<b>Net Change in Fund Balances</b>	419,462	(17,621)	37	401,878
<b>Fund Balances, Beginning of Year</b>	<u>394,722</u>	<u>61,031</u>	<u>143,640</u>	<u>599,393</u>
<b>Fund Balances, End of Year</b>	<u>\$ 814,184</u>	<u>\$ 43,410</u>	<u>\$ 143,677</u>	<u>\$ 1,001,271</u>

## **COMPLIANCE SECTION**

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

<u>Grantor/Pass-Through Agency</u>	<u>Assistance Listing Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>Federal Awards</b>				
<b>United States Department of Justice</b>				
Direct Projects:				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 500	\$ -
Passed Through Florida Department of Law Enforcement				
Project Safe Neighborhoods	16.609	K-6004	38,800	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	C-R7081	4,063	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	D-6N020	2,209	-
<b>Total United States Department of Justice</b>			<u>45,572</u>	<u>-</u>
<b>United States Department of Transportation</b>				
Federal Aviation Administration:				
Direct Projects:				
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-12-0018-013-2021	166,982	-
<b>United States Department of Transportation</b>				
Passed Through Florida Department of Transportation				
State and Community Highway Safety	20.600	G2U86	16,539	-
<b>Total United States Department of Transportation</b>			<u>183,521</u>	<u>-</u>
<b>United States Department of Treasury</b>				
Passed Through Florida Division of Emergency Management				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds *	21.027	Y5172	763,237	-
<b>Total United States Department of Treasury</b>			<u>763,237</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 992,330</u>	<u>\$ -</u>

\* Denotes major federal awards program

**CITY OF DEFUNIAK SPRINGS, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Grantor Agency	CSFA Number	Identifying Number	Expenditures	Passed Through to Subrecipients
<b>State Financial Assistance</b>				
<b>Florida Department of Agricultural and Consumer Services</b>				
Direct Projects:				
Volunteer Firefighter Grant Assistance Program	43.006	N/A	\$ 12,840	\$ -
<b>Total Department of Agricultural and Consumer Services</b>			<u>12,840</u>	<u>-</u>
<b>Florida Department of Transportation</b>				
Direct Projects:				
Aviation Grant Programs **	55.004	G1696	1,569,007	-
<b>Total Department of Transportation</b>			<u>1,569,007</u>	<u>-</u>
<b>Florida Department of Law Enforcement</b>				
Direct Projects:				
Florida Incident Based Reporting System	71.043	2021-FBSFA-F2-054	20,070	-
State Assistance for Fentanyl Eradication in Florida (SAFE)	71.122	N/A	24,826	-
<b>Total Department of Law Enforcement</b>			<u>44,896</u>	<u>-</u>
<b>Florida Department of Management Services</b>				
Direct Projects:				
Local Government Cybersecurity Grant Program	72.009	N/A	182,238	-
<b>Total Department of Management Services</b>			<u>182,238</u>	<u>-</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 1,808,981</u>	<u>\$ -</u>

\*\* Denotes major state awards program

**CITY OF DEFUNIAK SPRINGS, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**Note 1 - General**

The accounting policies and presentation of the accompanying schedule of expenditures of federal awards and state financial assistance of the City of DeFuniak Springs, Florida (the City) have been designed to conform with generally accepted accounting principles applicable to governmental units, including the reporting and compliance requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (federal awards); and Chapter 10.550, *Rules of the Auditor General* of the State of Florida.

The City reporting entity is defined in Note 1 to the City's basic financial statements for the year ended September 30, 2024. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the schedule.

**Note 2 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of the City for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance and Chapter 69I-5, *Schedule of Expenditures of State Financial Assistance*, Rules of the Department of Financial Services, and Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

**Note 3 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 69I-5, *Schedule of Expenditures of State Financial Assistance*, Rules of the Department of Financial Services, and Chapter 10.550, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 4 - Indirect Costs**

The City did not elect to use the 10% de minimis cost rate in 2024 as covered in 2 CFR 200.414.

**INDEPENDENT ACCOUNTANT’S REPORT ON AN EXAMINATION OF  
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,  
RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

We have examined the City of DeFuniak Springs, Florida’s (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2024. City management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including the assessment of the risks of material non-compliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

Our examination does not provide a legal determination on the City’s compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2024.

This report is intended solely for the information and use of the Florida Auditor General, the Mayor and City Council of the City of DeFuniak Springs, Florida, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Purvis Gray*

June 18, 2025  
Tallahassee, Florida

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

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of DeFuniak Springs, Florida (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

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City of DeFuniak Springs  
DeFuniak Springs, Florida

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*Purvis Gray*

June 18, 2025  
Tallahassee, Florida

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

**Report on Compliance of the Major Federal Program and State Project**

***Opinion on the Major Federal Program and State Project***

We have audited the City of DeFuniak Springs, Florida’s (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the Florida Department of Financial Services’ *State Projects Compliance Supplement*, that could have a direct and material effect on the City’s major federal programs and state projects for the year ended September 30, 2024. The City’s major federal program and state project is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program or state project for the year ended September 30, 2024.

***Basis for Opinion on the Major Federal Program and State Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Our responsibilities under those standards and Chapter 10.550 are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state project. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

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Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City’s federal programs and state projects.

**Auditor’s Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards; *Government Auditing Standards*; and Chapter 10.550, *Rules of the Auditor General*, will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City’s compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards; *Government Auditing Standards*; and Chapter 10.550, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Purvis Gray*

June 18, 2025  
Tallahassee, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
CITY OF DEFUNIAK SPRINGS, FLORIDA**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Auditor's Report Issued on Whether the Financial Statements Audited Were Prepared in Accordance with GAAP: Unmodified

Internal Control Over Financial Reporting:  
 Material weakness(es) identified? No  
 Significant deficiency(ies) identified? None Reported

Non-compliance material to financial statements noted? No

**Federal Awards and State Financial Assistance**

Internal Control Over Major Federal Programs and State Projects:  
 Material weakness(es) identified? No  
 Significant deficiencies identified? None Reported

Type of Auditor's Report Issued on Compliance for Major Federal Programs and State Projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*? No

Identification of Major Federal Programs and State Projects:

<b>Federal Programs</b>	<b>Assistance Listing No.</b>
Coronavirus State and Local Fiscal Recovery Funds	21.027

<b>State Projects</b>	<b>State CSFA No.</b>
Aviation Grant Program	55.004

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

Federal	\$750,000
State	\$542,694

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
CITY OF DEFUNIAK SPRINGS, FLORIDA**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The audit disclosed no financial statement findings; however, certain recommendations were made to improve financial management, which are reported in the Management Letter.

**SECTION III – FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS AND STATE PROJECTS**

The audit disclosed no findings for any major federal programs and state projects to be reported under the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*.

**SECTION IV – STATUS OF PRIOR AUDIT FINDINGS**

*FINDING 2023-004* – CSFA 55.004 - Aviation Grant Program and CSFA 55.014 – Intermodal; Separate Reporting was considered to be resolved.

## MANAGEMENT LETTER

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of DeFuniak Springs, Florida (the City) as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated June 18, 2025.

### Auditor’s Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*; our Independent Auditors’ Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*; our Schedule of Findings and Questioned Costs, and our Independent Accountant’s Report on an Examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 18, 2025, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted below.

Tabulation of Uncorrected Audit Findings	
2024	2023
2024-001	2023-005
2024-002	2023-007

## CERTIFIED PUBLIC ACCOUNTANTS

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Members of American and Florida Institutes of Certified Public Accountants

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

## MANAGEMENT LETTER

### **2024-001 - Water Line Loss**

It was noted during the testing of Proprietary Fund revenues that for fiscal year 2022-2023, only approximately 23% of the gallons of water documented as pumped by City wells were either billed or otherwise tracked through fire department usage, line flushing, etc. We recommend the City investigate their tracking reports for usage and production to ensure the figures reported are accurate and complete, and if they are, research options to mitigate the excessive line loss of approximately 74%.

#### ***Current Year Status:***

Gallons pumped compared to gallons sold for fiscal year 2023-2024 reported a 68% line loss. We continue to recommend the City investigate the reporting of gallons pumped versus sold and try and mitigate line losses of the water system.

#### ***Management's Response:***

The City Manager has tasked staff and consultants with identifying the City's water loss and work to provide options to address the issue. The City will investigate tracking reports and production to ensure that the figures reported are accurate and complete.

### **2024-002 - Sanitation Fund Reporting and Reconciliation**

It was noted during testing of the Sanitation Fund revenues that no reconciliation between amounts billed by Waste Management to the City, County customers being serviced, and amounts reimbursed by the County was being performed. Additionally, no rate study has been performed to determine whether costs of service to the City are being fully recovered by rates charged to customers and/or the County. Finally, it was noted that surtax proceeds meant to offset costs of residential sanitation pickup are being transferred to the General Fund rather than allocated to sanitation to cure deficits, resulting in an accumulated deficit fund balance in the Sanitation Fund. We recommend the City perform an assessment of current rates to determine whether all costs of service are being recovered, which may involve assessment of the sufficiency of the current County per-residential-unit reimbursement based on the Interlocal Landfill Agreement (See Note 11 of the financial statements). Additionally, we recommend that the City consider the need to cure accumulated fund balance deficits in the Sanitation Fund as necessary in anticipation of future separate fund-level reporting of enterprise funds.

#### ***Current Year Status:***

The City has cured the accumulated fund balance deficit in the Sanitation Fund but has not yet performed a rate study or an internal assessment of whether the costs of service to the City are being fully recovered by rates charged to customers and/or the County. In addition, the City has not performed a reconciliation of amounts billed by the waste hauler to customers being serviced and billed by the City. We continue to recommend the City perform a review of the costs and sanitation rates to determine their sufficiency and reconcile billings from the waste hauler to the billing system.

#### ***Management's Response:***

The City Manager, City Attorney, and Finance Director will work with the Walton County Board of County Commissioners administrative and finance staff to update the Interlocal Landfill Agreement and address the cost for residential services rate to ensure that the amount reimbursed per-residential-unit from Walton County Board of County Commissioners is equal to the amount per-residential-unit charged by Waste Management to the City. In addition, management will develop reconciliation procedures to ensure that all amounts billed by the waste hauler are being properly billed to customers.

Honorable Mayor and City Council  
City of DeFuniak Springs  
DeFuniak Springs, Florida

## MANAGEMENT LETTER

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority have been disclosed in Note 1 to the financial statements, and there were no component units related to the entity.

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was performed as of September 30, 2024.

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Property Assessed Clean Energy (PACE) Programs**

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the City is required to include a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. The City has not authorized the operation of a PACE program, and management is not aware of the operation of any such program, within the City's geographical boundaries.

### **Additional Matters**

Section 10.554(1)(i)3., *Rules of Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements or abuse that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such matters.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, members of the City Council, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Purvis Gray*

June 18, 2025  
Tallahassee, Florida

# PURVIS GRAY

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