CITY OF BUNNELL, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

CITY COMMISSION

Catherine D. Robinson, Mayor
John R. Rogers, Vice Mayor
Pete Young
David Atkinson
Dean Sechrist

CITY MANAGER

Dr. Alvin B. Jackson, Jr.

FINANCE DIRECTOR

Kristi Moss

Prepared by:
City of Bunnell Finance Department

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Single Audit and Other Reports

JAMES MOORE

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bunnell, Florida, (the City), as of and for the year ended September 30, 2025, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and community redevelopment agency funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements and other schedules, and schedule of expenditures of federal awards and state financial assistance as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Section 215.97, Florida Statutes, *Florida Single Audit Act*; and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules, and 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 basic financial statements. The information has been subjected to the auditing procedures 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 supplementary information is 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 July 7, 2026, 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 the 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.

James Moore & Co., P.L.

Daytona Beach, Florida
July 7, 2026

As management of the City of Bunnell, we offer readers of the City of Bunnell's financial statements this narrative overview and analysis of the financial activities of the City of Bunnell for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of the City of Bunnell exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $44,579,301 (net position). There is currently a net deficit on unrestricted net position related to large capital construction projects in process as well as increases in pension and OPEB liabilities.

- As of the close of the current fiscal year, the City of Bunnell's governmental funds reported combined ending fund balances of $908,531 a decrease of $6,657,357. This decrease is related to the completion of the New City Hall construction project and a grant reimbursement that was not received before fiscal year end.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City of Bunnell's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, 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, public safety, public works, parks and recreation, human services and community development. The business-type activities of the City include water, sewer and solid waste services.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bunnell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Bunnell maintains four major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the CRA Fund, Impact Fees Fund and the Debt Service Fund.

The City of Bunnell adopts annual appropriated budgets for the General Fund and CRA fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds – The City of Bunnell maintains three proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Bunnell uses enterprise funds to account for its water, sewer and solid waste activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water, sewer, and solid waste activities, all of which are considered to be major funds of the City of Bunnell.

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

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Bunnell's schedule of proportionate share of net pension liability for the Florida Retirement System (FRS), the schedule of contributions to FRS, and the schedule of changes in total other post-employment benefits (OPEB) liability and related ratios.

Government-Wide Financial Analysis – As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Bunnell, net position at the close of the most recent fiscal year is $44,579,301.

The largest portion of the City of Bunnell's net position $35,803,897 (80%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, equipment); less any related debt used to acquire those assets that is still outstanding. The City of Bunnell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Bunnell's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, $5,728,510 (13%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, 3,046,894 (6.8%, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the city can report a positive balance in net position, for its business-type activities.

Total net position increased by $13,471,181 due to the acquisition of capital/completion of capital improvements.

CITY OF BUNNELL'S NET POSITION
September 30, 2025

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 2,514,393	$ 9,022,333	$ 13,773,247	$ 15,333,305	$ 16,287,640	$ 24,355,638
Capital Assets	16,852,705	8,931,985	41,145,150	24,461,751	57,997,855	33,393,736
Total Assets	19,367,098	17,954,318	54,918,397	39,795,056	74,285,495	57,749,374
Total Deferred Outflows	1,378,489	1,879,559	401,287	556,272	1,779,776	2,435,831
Long-term Liabilities	14,310,599	14,467,413	10,506,226	5,896,641	24,816,825	20,364,054
Other Liabilities	1,947,052	2,116,667	3,780,991	5,916,635	5,728,043	8,033,302
Total Liabilities	16,257,651	16,584,080	14,287,217	11,813,276	30,544,868	28,397,356
Total Deferred Inflows	728,912	516,336	212,190	163,394	941,102	679,730
Net Investment in Capital Assets	6,038,392	5,613,026	29,765,505	19,598,843	35,803,897	25,211,869
Restricted	592,498	688,424	5,136,012	5,223,795	5,728,510	5,912,219
Unrestricted	(2,871,866)	(3,567,989)	5,918,760	3,552,020	3,046,894	(15,969)
Total Net Position	$ 3,759,024	$ 2,733,461	$ 40,820,277	$ 28,374,658	$ 44,579,301	$ 31,108,119

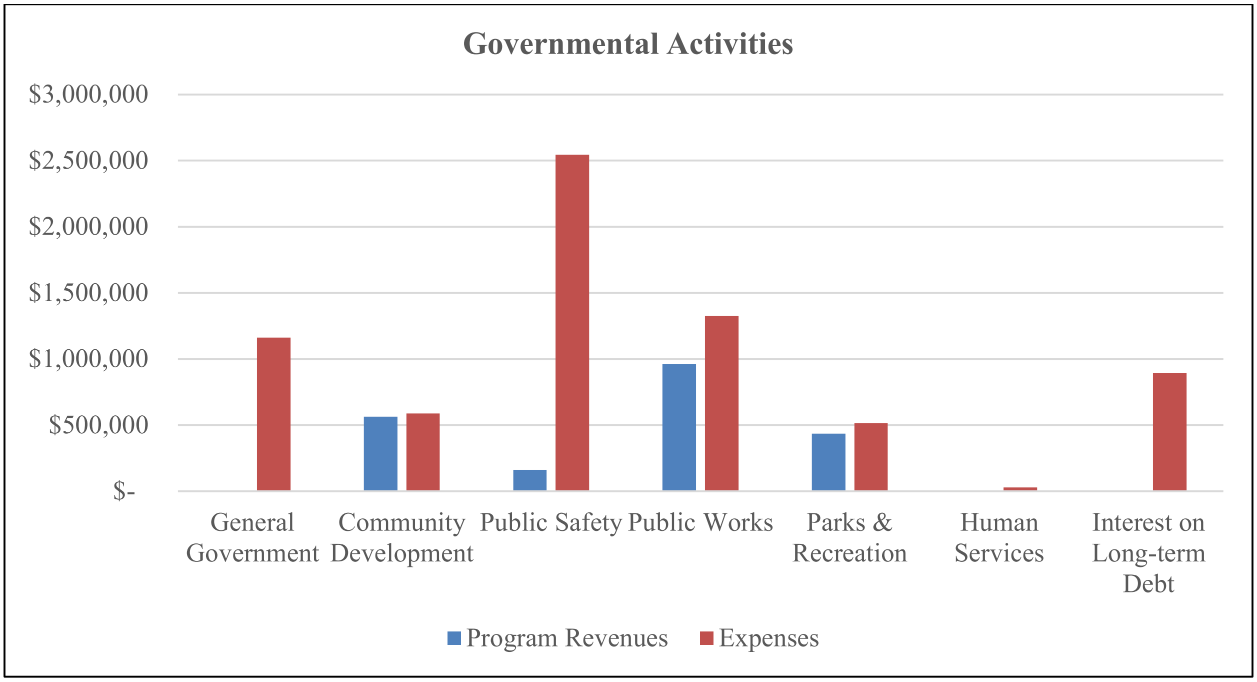
Fiscal year 2025 governmental activities increased the City's net position by $1,025,563 to $3,759,024. Revenues increased by $1,908,986 compared to fiscal year 2024, This increase included: property taxes $347,546 related to new development, Grant Funds for Historic Coquina City Hall and a reimbursement n of $322,096 for improvements at the new City Hall. The governmental activities expenses increased over fiscal year 2024 expenses by $448,658. This increase is related to the debt service costs for the new Administration/PD Building and wages and pension increases in city-wide departments as the city expands its workforce.

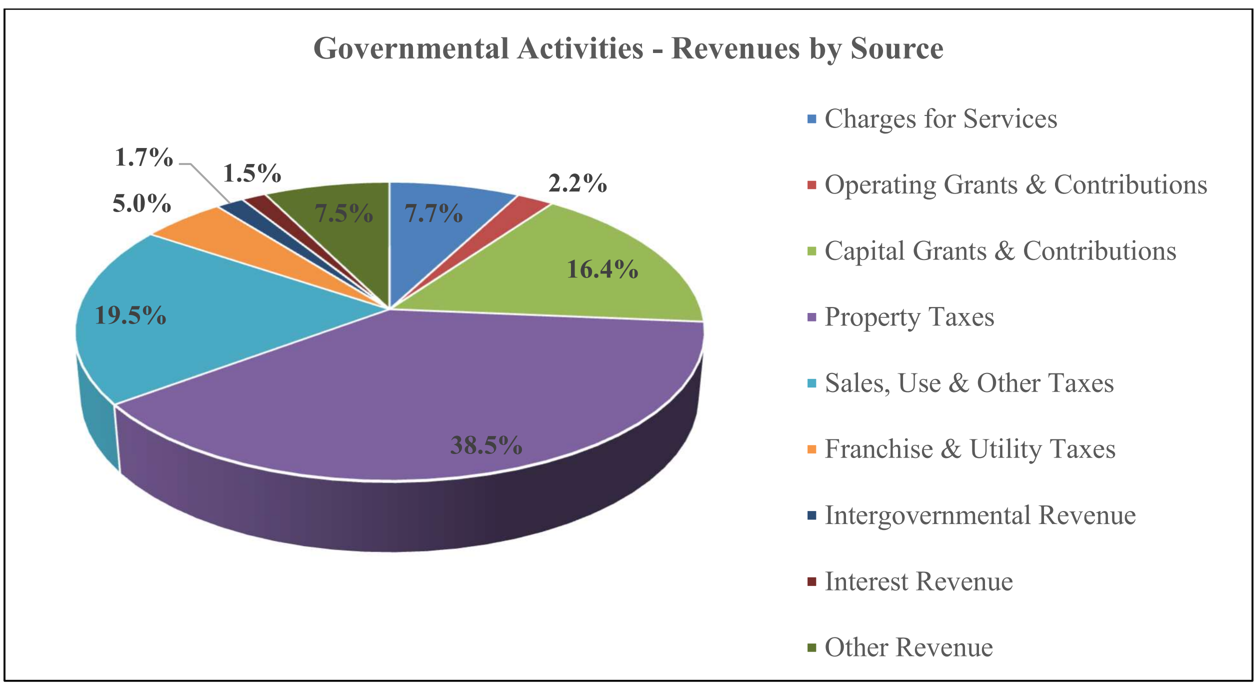
Business-Type Activities increased by $12,445,618. This increase is due to grant funding for the Wastewater Treatment Plant Expansion Project Business-Type Expenses increased in the Sewer Fund as the city is working on capital projects related to the 10-year master plan.

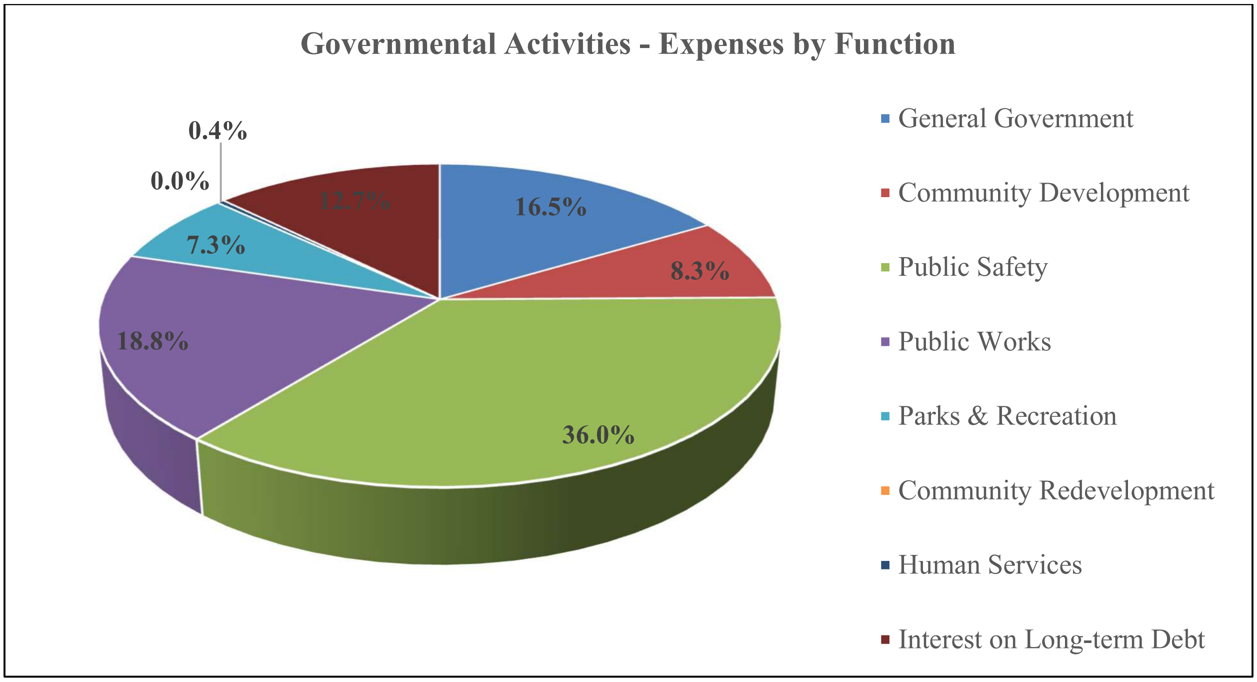
CITY OF BUNNELL'S CHANGE IN NET POSITION
September 30, 2025

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	$ 625,612	$ 394,172	$ 6,344,062	$ 6,201,311	$ 6,969,674	$ 6,595,483
Operating Grants & Contributions	178,073	136,493	-	-	178,073	136,493
Capital Grants & Contributions	1,326,151	344,786	11,445,656	1,791,938	12,771,807	2,136,724
General Revenues:						
Property Taxes	3,113,399	2,765,853	-	-	3,113,399	2,765,853
Sales & Use Taxes	502,846	465,665	-	-	502,846	465,665
Franchise & Utility Taxes	1,336,191	1,268,919	-	-	1,336,191	1,268,919
Intergovernmental Revenue	278,950	269,350	-	-	278,950	269,350
Interest Revenue	118,309	242,094	338,501	555,521	456,810	797,615
Other	358,016	41,229	(6,648)	26,354	351,368	67,853
Total Revenues	7,837,547	5,928,561	18,121,571	8,575,124	25,959,118	$14,503,685
Expenses:						
General Government	1,162,225	1,260,160	-	-	1,162,225	1,260,160
Community Development	588,452	661,385	-	-	588,452	661,385
Public Safety	2,543,373	2,785,139	-	-	2,543,373	2,785,139
Public Works	1,326,812	1,044,339	-	-	1,326,812	1,044,339
Parks & Recreation	514,781	462,172	-	-	514,781	462,172
Community Redevelopment	100	-	-	-	100	-
Human Services	28,233	27,638	-	-	28,233	27,638
Interest on Long-term Debt	893,993	368,478	-	-	893,993	368,478
Water	-	-	1,992,559	2,043,578	1,992,559	2,043,578
Sewer	-	-	2,273,379	2,076,325	2,273,379	2,076,325
Solid Waste	-	-	1,164,030	1,095,848	1,164,030	1,095,848
Total Expenses	7,057,969	6,609,311	5,429,968	5,215,751	12,487,937	11,825,062
Increase (Decrease) in Net Position Before Transfers	779,578	(680,750)	12,691,603	3,359,373	13,471,181	2,678,623
Transfers In (Out)	245,985	241,805	(245,985)	(241,805)	-	-
Debt issuance	-	-	-	(20,548)	-	(20,548)
Increase (Decrease) in Net Position	1,025,563	(438,945)	12,445,618	3,097,020	13,471,181	2,658,075
Net Position, Beginning	2,733,461	3,172,406	28,374,659	25,277,638	31,108,120	28,450,044
Net Position, Ending	$ 3,759,024	$ 2,733,461	$ 40,820,277	$ 28,374,658	$ 44,579,301	$ 31,108,119

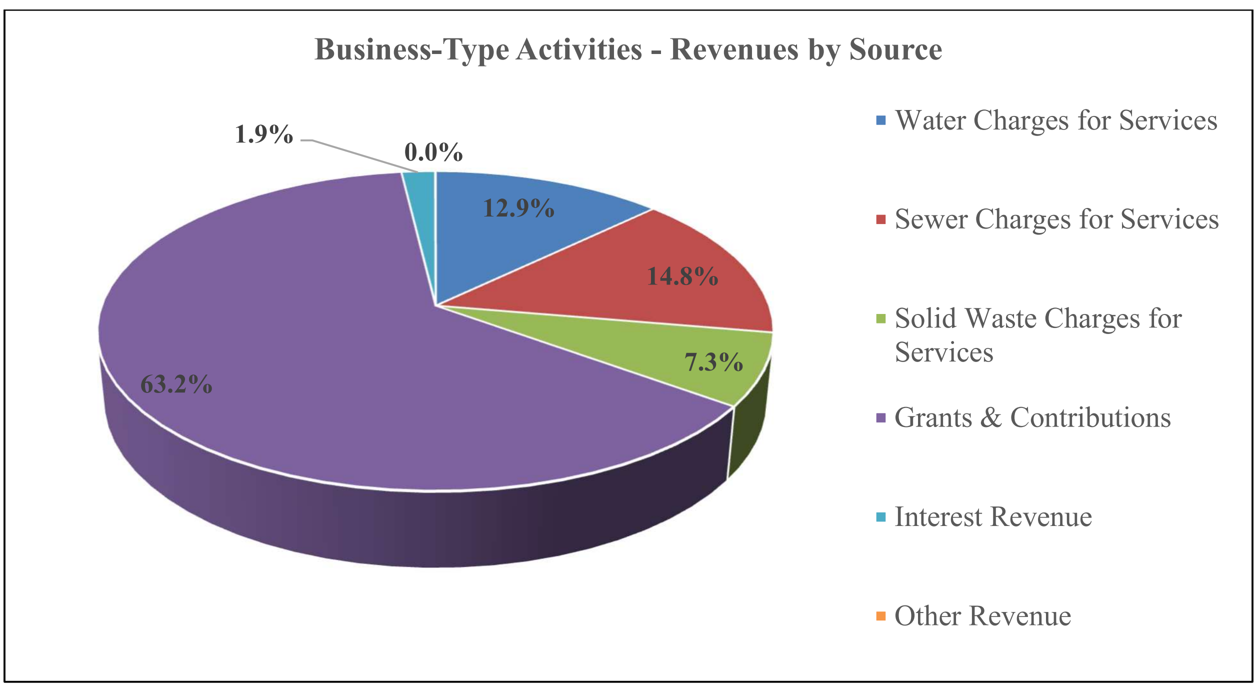
Governmental Activities – Governmental activities increased the City of Bunnell's net position by $1,025,563.

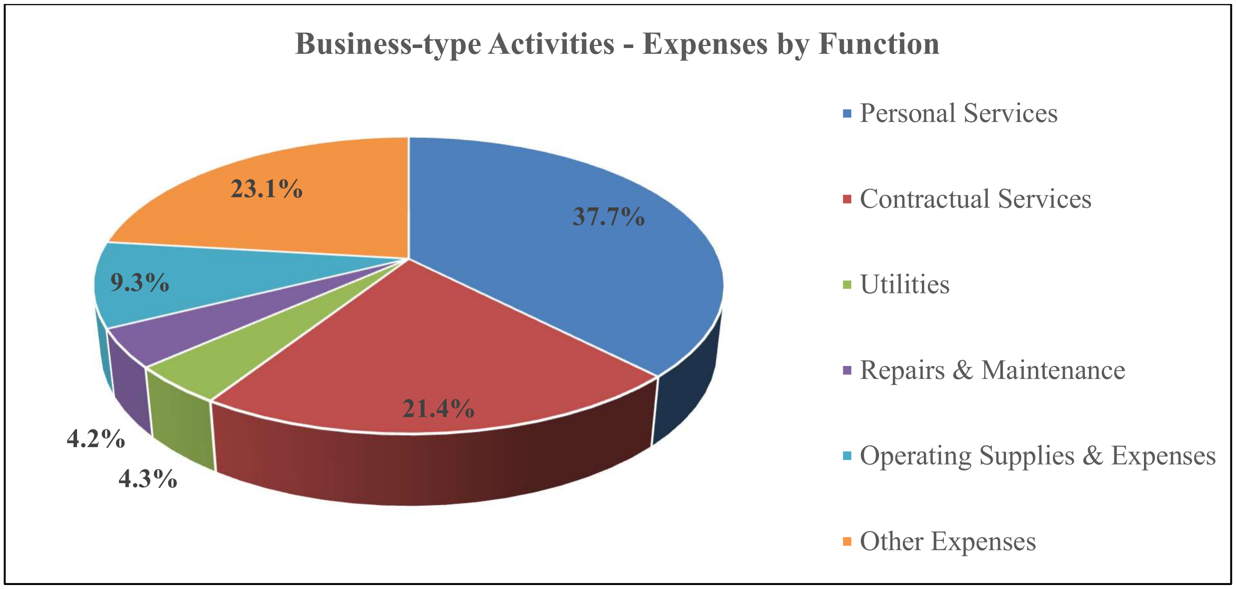






Business-type Activities – Business-type activities increased the City of Bunnell's net position by $12,445,618





Financial Analysis of the City's Funds – As noted earlier, the City of Bunnell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. During fiscal year 2016, the City adopted a Cash and Investment Equity Reserve Policy. The policy sets the desired unrestricted net equity of 54 days or 14.8% of the annual budget for the major operating funds. As of September 30, 2025, the City's Water Fund and Solid Waste Fund all had unrestricted net equity reserves greater than the required level established in the policy. The General Fund and the Sewer Fund fell short of the required percentage as they both have large capital projects ongoing. These reserves will be replenished in fiscal year 2026.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Bunnell's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of September 30, 2025, there was zero unassigned fund balances.

The General Fund is the main operating fund of the City. At the end of fiscal year 2025, the General Fund had a total fund balance of $518,897 a decrease of $6,667,010 from the prior fiscal year. This decrease is attributed to large carry-overs for the New City Hall/PD Admin project in fiscal year 2024 as well as grant funds that were not received by year end. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund has been included. The budget and actual comparison schedule shows the original budget, the final revised budget, actual results and the variance with the final budget.

After the original budget is adopted, it may be amended for a variety of reasons such as unforeseen circumstances, new grant awards, revised estimates, receipt of donations, etc. During fiscal year 2025, the General Fund revenue budget had one amendment totaling $860,071.

Actual General Fund revenues totaled $8,145,846 which is $542,759 or 6.2% less than the final budget primarily due to miscellaneous revenues budgeted for capital projects that were budgeted in the General Fund but received in the Impact Fee Fund. There was a small decrease in interest revenue as funds for capital projects are being spent.

General Fund Expenditures totaled $15,653,240, which is $835,613 or 5.6% more than the final budget. This is a result of a budget amendment for the Hymon Circle Drainage project and the purchase of capital equipment that was not initiated by the end of fiscal year 2025.

The Community Redevelopment Agency collected revenues in the amount of $62,798, which brings the fund balance to $181,036. This will be used to fund future CRA projects.

Proprietary Funds – The City of Bunnell's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Water Fund at the end of the year was $2,041,733, which is a $522,036 decrease from the prior fiscal year.

The unrestricted net position of the Sewer Fund was $3,123,266 which is a $2,702,853 increase in unrestricted net position.

The Solid Waste Fund showed an overall increase in unrestricted net position of $185,923 making the unrestricted net position $753,761 at year end.

Capital Assets and Debt Administration

Capital Assets – The City of Bunnell's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $57,997,855 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, right to use assets, subscription asset, and construction in progress. The total change in the City of Bunnell's investment in capital assets for the current fiscal year was a $7,920,720 increase in net capital assets for governmental activities and a $16,683,399 increase in net capital assets for business-type activities.

Major capital asset events during the current fiscal year included the following:

- New City Hall/PD Admin Building: $6,691,338
- Dump Truck: $40,000
- Ventrac Mower: $45,875
- Coquina Restoration: $549,394
  John Deere Tractor: $64,003
- Bob Cat Excavator: $15,000
- Water Shed: $15,042
- Waste Water Treatment Plant Construction: $12,934,843
- Commerce Parkway Utilities: $1,504,376
- Commerce Parkway Road: $143,646
- Hymon Circle Improvements: $670,867
- Brackish Water Reverse Osmosis $517,961

CITY OF BUNNELL'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	$ 419,524	$ 26,991	$ 446,515
Construction in Progress	1.189,968	21,267,053	22,457,021
Buildings and Improvements	17,888,198	28,009,514	45,897,712
Equipment	1,584,362	3,505,474	5,089,836
Right-to-assets	937,220	60,130	997,350
Subscription Assets	-	211,673	211,673
Less: accumulated depreciation	(5,166,567)	(11,935,685)	(17,102,252)
Total	$ 16,852,705	$ 41,145,150	$ 57,997,855

Additional information on the City of Bunnell's capital assets can be found in Note 6 in the notes to the financial statements.

Long-Term Debt – At the end of fiscal year 2025, the City of Bunnell had total debt outstanding of $19,897,857

CITY OF BUNNELL'S OUTSTANDING DEBT
Long- and Short-Term Obligations

	Governmental Activities	Business-type Activities	Total
Notes & Bonds Payable	$ 9,500,000	$ 3,949,995	$ 13,449,995
SRF Notes Payable	-	5,122,469	5,122,469
Subscription Liabilities	-	147,219	147,219
Leases	777,591	49,978	827,569
Compensated Absences	249,670	100,935	350,605
Total	$ 10,527,261	$ 9,370,596	$ 19,897,857

Additional information on the City's long-term debt can be found in Note 7 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The City's taxable value of commercial and residential property increased by 8.1% for 2026.
- The property values and assessments have stabilized over the past few years and the city is experiencing new growth. Changes in legislation may affect future tax revenues.
- The millage rate of 7.93 was approved in September 2025, maintaining the same rate adopted in 2024. This is 39% above the roll back rate of 5.6994.
- The City is looking to maintain a zero-based budget while we fund the first few years of debt service for the new Citty Hall/PD Administration Building.

Requests for Information

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report should be addressed to the City Manager, 2400 Commerce Parkway, Bunnell, Florida 32110.

CITY OF BUNNELL, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,279,355	$ 3,689,893	$ 4,969,248
Investments	45,449	-	45,449
Receivables, net	231,272	939,320	1,170,592
Due from other governments	457,319	3,810,149	4,267,468
Inventories	3,880	168,710	172,590
Prepaids	2,625	-	2,625
Restricted assets:			
Cash and cash equivalents	494,493	4,455,778	4,950,271
Investments	-	709,397	709,397
Capital assets:			
Land	419,524	26,991	446,515
Buildings and improvements	17,888,198	28,009,514	45,897,712
Equipment	1,584,362	3,505,474	5,089,836
Construction in progress	1,189,968	21,267,053	22,457,021
Right to use assets	937,220	60,130	997,350
Subscription asset	-	211,673	211,673
Accumulated depreciation/amortization	(5,166,567)	(11,935,685)	(17,102,252)
Total assets	19,367,098	54,918,397	74,285,495
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,378,489	401,287	1,779,776
Total deferred outflows	1,378,489	401,287	1,779,776
LIABILITIES			
Accounts payable	929,335	3,175,824	4,105,159
Accrued payroll and employee benefits	928,216	60,974	989,190
Customer deposits	3,920	515,030	518,950
Unearned revenue	85,581	-	85,581
Accrued interest payable	-	29,163	29,163
Noncurrent liabilities:			
Due within one year:			
Leases payable	180,153	11,714	191,867
Subscription liability	-	15,305	15,305
Bonds and notes payable	500,000	350,828	850,828
Compensated absences	62,418	25,234	87,652
Due in more than one year:			
Leases payable	597,438	38,264	635,702
Bonds and notes payable	9,000,000	8,721,636	17,721,636
Compensated absences	187,252	75,701	262,953
Subscription liability	-	131,914	131,914
Total OPEB liability	63,217	52,680	115,897
Net pension liability	3,720,121	1,082,950	4,803,071
Total liabilities	16,257,651	14,287,217	30,544,868
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	728,912	212,190	941,102
Total deferred inflows	728,912	212,190	941,102
NET POSITION			
Net investment in capital assets	6,038,392	29,765,505	35,803,897
Restricted for:			
Capital improvements	208,598	4,740,561	4,949,159
Debt service	202,864	395,451	598,315
Community redevelopment	181,036	-	181,036
Unrestricted	(2,871,866)	5,918,760	3,046,894
Total net position	$ 3,759,024	$ 40,820,277	$ 44,579,301

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
General government	$ 1,162,225	$ 3,943	$ -	$ -	$ (1,158,282)	$ -	$ (1,158,282)
Community development	588,452	563,568	-	-	(24,884)	-	(24,884)
Public safety	2,543,373	44,154	85,658	33,049	(2,380,512)	-	(2,380,512)
Public works	1,326,812	-	92,415	871,368	(363,029)	-	(363,029)
Parks and recreation	514,781	13,947	-	421,734	(79,100)	-	(79,100)
Community redevelopment	100	-	-	-	(100)	-	(100)
Human services	28,233	-	-	-	(28,233)	-	(28,233)
Interest and issuance costs on long-term debt	893,993	-	-	-	(893,993)	-	(893,993)
Total governmental activities	7,057,969	625,612	178,073	1,326,151	(4,928,133)	-	(4,928,133)
Business-type activities:							
Water	1,992,559	2,335,908	-	389,716	-	733,065	733,065
Solid Waste	1,164,030	1,323,518	-	-	-	159,488	159,488
Sewer	2,273,379	2,684,636	-	11,055,940	-	11,467,197	11,467,197
Total business-type activities	5,429,968	6,344,062	-	11,445,656	-	12,359,750	12,359,750
Total primary government	$ 12,487,937	$ 6,969,674	$ 178,073	$ 12,771,807	(4,928,133)	12,359,750	7,431,617
General revenues:							
Property taxes					3,113,399	-	3,113,399
Sales and use taxes					388,589	-	388,589
Franchise fees					405,553	-	405,553
Public service utility taxes					930,638	-	930,638
Other taxes					114,257	-	114,257
State revenue sharing					144,031	-	144,031
Other intergovernmental revenues					134,919	-	134,919
Investment earnings					118,309	338,501	456,810
Miscellaneous revenues					358,016	(6,648)	351,368
Transfers					245,985	(245,985)	-
Total general revenues and transfers					5,953,696	85,868	6,039,564
Change in net position					1,025,563	12,445,618	13,471,181
Net position - beginning					2,733,461	28,374,659	31,108,120
Net position - ending					$ 3,759,024	$ 40,820,277	$ 44,579,301

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General	Community Redevelopment Agency	Impact Fees	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,301,183	$ 181,036	$ 291,629	$ 1,773,848
Investments	45,449	-	-	45,449
Receivables, net	231,272	-	-	231,272
Due from other governments	457,319	-	-	457,319
Inventories	3,880	-	-	3,880
Prepaid items	2,625	-	-	2,625
Total assets	$ 2,041,728	$ 181,036	$ 291,629	$ 2,514,393
LIABILITIES				
Accounts payable	$ 1,289,360	$ -	$ 83,031	$ 1,372,391
Accrued payroll and employee benefits	143,970	-	-	143,970
Customer deposits	3,920	-	-	3,920
Unearned revenue	85,581	-	-	85,581
Total liabilities	1,522,831	-	83,031	1,605,862
FUND BALANCES				
Nonspendable:				
Inventories	3,880	-	-	3,880
Prepaid items	2,625	-	-	2,625
Restricted for:				
Community redevelopment	-	181,036	-	181,036
Capital improvements	-	-	208,598	208,598
Debt service	202,864	-	-	202,864
Assigned to:				
Subsequent year's budget	309,528	-	-	309,528
Unassigned	-	-	-	-
Total fund balances	518,897	181,036	208,598	908,531
Total liabilities and fund balances	$ 2,041,728	$ 181,036	$ 291,629	$ 2,514,393

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Fund balances - total governmental funds		$ 908,531
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 funds.		
Total governmental capital assets	22,019,272	
Less: accumulated depreciation/amortization	(5,166,567)	16,852,705
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(3,720,121)	
Deferred outflows related to pensions	1,378,489	
Deferred inflows related to pensions	(728,912)	(3,070,544)
On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.		
Total OPEB liability	(63,217)	(63,217)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Bonds and notes payable	(9,500,000)	
Leases payable	(777,591)	
Accrued interest payable	(341,190)	
Compensated absences	(249,670)	(10,868,451)
Net position of governmental activities		$ 3,759,024

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Community Redevelopment Agency	Impact Fees	Total Governmental Funds
REVENUES				
Taxes	$ 4,700,017	$ 60,161	$ -	$ 4,760,178
Licenses and permits	642,551	-	-	642,551
Intergovernmental	1,579,337	-	-	1,579,337
Charges for services	679,082	-	-	679,082
Fines and forfeitures	55,828	-	-	55,828
Impact fees	-	-	192,901	192,901
Investment gain (loss)	103,545	2,637	12,127	118,309
Miscellaneous	385,486	-	-	385,486
Total revenues	8,145,846	62,798	205,028	8,413,672
EXPENDITURES				
Current:				
General government	1,819,289	-	-	1,819,289
Community development	596,044	100	-	596,144
Public safety	2,422,184	-	-	2,422,184
Public works	1,128,437	-	-	1,128,437
Parks and recreation	455,897	-	-	455,897
Human services	28,233	-		28,233
Capital outlay	7,996,331	-	318,234	8,314,565
Debt service:				
Principal	623,315	-	-	623,315
Interest and fiscal charges	583,510	-	-	583,510
Total expenditures	15,653,240	100	318,234	15,971,574
Excess (deficiency) of revenues over (under) expenditures	(7,507,394)	62,698	(113,206)	(7,557,902)
Other financing sources (uses)				
Transfers in	245,985	60,161	-	306,146
Transfers out	(60,161)	-	-	(60,161)
Lease proceeds	654,560	-	-	654,560
Total other financing sources (uses)	840,384	60,161	-	900,545
Net change in fund balances	(6,667,010)	122,859	(113,206)	(6,657,357)
Fund balances, beginning of year	7,185,907	58,177	321,804	7,565,888
Fund balances, end of year	$ 518,897	$ 181,036	$ 208,598	$ 908,531

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds	$ (6,657,357)
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	8,314,565
Depreciation/amortization expense	(465,358)
Contributed capital assets	55,000
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold/disposed.	16,513
Governmental funds report contributions to defined benefit pension/OPEB plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension/OPEB expense in the statement of activities are amounts required to be amortized related to pension deferred inflows/outflows.	
Change in net pension liability and deferred inflows/outflows related to pensions	60,620
Change in total OPEB liability and deferred inflows/outflows related to OPEB	146,018
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Proceeds from issuance of leases	(654,560)
Principal repayment of long-term debt	623,315
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in accrued interest on long-term debt	(310,483)
Change in compensated absences liability	(102,710)
Change in net position of governmental activities	$ 1,025,563

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 4,559,482	$ 4,854,457	$ 4,700,017	$ (154,440)
Licenses and permits	526,000	526,000	642,551	116,551
Intergovernmental	893,600	1,451,600	1,579,337	127,737
Charges for services	701,690	701,690	679,082	(22,608)
Fines and forfeitures	37,600	37,600	55,828	18,228
Interest revenues	202,000	202,000	103,545	(98,455)
Miscellaneous	908,162	915,258	385,486	(529,772)
Total revenues	7,828,534	8,688,605	8,145,846	(542,759)
EXPENDITURES				
Current:				
General government:				
Legislative	254,568	254,582	244,579	10,003
Executive	515,385	509,062	525,551	(16,489)
Financial administration	629,963	630,015	674,398	(44,383)
Legal	90,736	90,736	84,195	6,541
Grants & special projects	31,380	31,380	30,298	1,082
Information systems	126,736	145,961	132,287	13,674
Municipal complex	118,289	123,489	127,981	(4,492)
Public safety:				
Police	2,643,699	2,706,699	2,422,184	284,515
Community development	741,158	741,158	596,044	145,114
Public works	1,096,022	1,096,022	1,128,437	(32,415)
Parks and recreation	468,720	472,777	455,897	16,880
Human services	31,920	28,920	28,233	687
Capital outlay	522,000	6,911,576	7,996,331	(1,084,755)
Debt service:				
Principal	500,000	500,000	623,315	(123,315)
Interest and fiscal charges	575,250	575,250	583,510	(8,260)
Total expenditures	8,345,826	14,817,627	15,653,240	(835,613)
Excess (deficiency) of revenues over (under) expenditures	(517,292)	(6,129,022)	(7,507,394)	(1,378,372)
Other financing sources (uses)				
Transfers in	253,976	253,976	245,985	(7,991)
Transfers out	-	-	(60,161)	(60,161)
Lease proceeds	-	-	654,560	654,560
Total other financing sources (uses)	253,976	253,976	840,384	586,408
Net change in fund balances	(263,316)	(5,875,046)	(6,667,010)	(791,964)
Fund balances, beginning of year	7,185,907	7,185,907	7,185,907	-
Fund balances, end of year	$ 6,922,591	$ 1,310,861	$ 518,897	$ (791,964)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 64,115	$ 64,115	$ 60,161	$ (3,954)
Interest revenues	100	100	2,637	2,537
Total revenues	64,215	64,215	62,798	(1,417)
EXPENDITURES				
Current:				
Community redevelopment	67,889	67,889	100	67,789
Total expenditures	67,889	67,889	100	67,789
Excess (deficiency) of revenues over (under) expenditures	(3,674)	(3,674)	62,698	66,372
Other financing sources (uses)				
Transfers in	-	-	60,161	60,161
Total other financing sources (uses)	-	-	60,161	60,161
Net change in fund balances	(3,674)	(3,674)	122,859	126,533
Fund balances, beginning of year	58,177	58,177	58,177	-
Fund balances, end of year	$ 54,503	$ 54,503	$ 181,036	$ 126,533

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Water	Sewer	Solid Waste	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,392,649	$ 441,015	$ 856,229	$ 3,689,893
Restricted cash and cash equivalents	74,096	44,295	18,730	137,121
Accounts receivable, net	364,809	388,933	185,578	939,320
Due from other governments	-	3,810,149	-	3,810,149
Inventories	139,157	29,553	-	168,710
Total current assets	2,970,711	4,713,945	1,060,537	8,745,193
Noncurrent assets:				
Restricted cash and cash equivalents	1,876,498	2,442,159	-	4,318,657
Restricted investments	355,119	354,278	-	709,397
Capital assets:				
Land	13,250	13,741	-	26,991
Buildings and improvements	11,925,220	16,084,294	-	28,009,514
Equipment	840,620	1,151,472	1,513,382	3,505,474
Construction in progress	589,763	20,677,290	-	21,267,053
Right to use asset	30,065	30,065	-	60,130
Subscription asset	-	211,673	-	211,673
Accumulated depreciation/amortization	(3,733,411)	(7,120,569)	(1,081,705)	(11,935,685)
Total noncurrent assets	11,897,124	33,844,403	431,677	46,173,204
Total assets	14,867,835	38,558,348	1,492,214	54,918,397
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	173,445	168,376	59,466	401,287
Total deferred outflows	173,445	168,376	59,466	401,287
LIABILITIES				
Current liabilities:				
Accounts payable	194,191	2,908,033	73,600	3,175,824
Accrued payroll	26,002	25,468	9,504	60,974
Deposits	254,856	214,017	46,157	515,030
Compensated absences	8,223	11,558	5,453	25,234
Current maturities on long-term debt	108,009	91,158	43,703	242,870
Current maturities on subscription liability	-	15,305	-	15,305
Current maturities on leases payable	5,857	5,857	-	11,714
Payable from restricted assets:				
Current maturities on long-term debt	53,370	40,667	13,921	107,958
Accrued interest payable	20,726	3,628	4,809	29,163
Total current liabilities	671,234	3,315,691	197,147	4,184,072
Noncurrent liabilities:				
Notes payable	3,156,270	5,298,985	266,381	8,721,636
Leases payable	19,132	19,132	-	38,264
Total OPEB liability	24,082	24,083	4,515	52,680
Net pension liability	468,074	454,396	160,480	1,082,950
Subscription liability	-	131,914	-	131,914
Compensated absences	24,668	34,674	16,359	75,701
Total noncurrent liabilities	3,692,226	5,963,184	447,735	10,103,145
Total liabilities	4,363,460	9,278,875	644,882	14,287,217
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	91,713	89,033	31,444	212,190
Total deferred inflows	91,713	89,033	31,444	212,190
NET POSITION				
Net investment in capital assets	6,259,387	23,398,446	107,672	29,765,505
Restricted for:				
Capital improvements	2,026,757	2,713,804	-	4,740,561
Debt service	258,230	123,300	13,921	395,451
Unrestricted	2,041,733	3,123,266	753,761	5,918,760
Total net position	$ 10,586,107	$ 29,358,816	$ 875,354	$ 40,820,277

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water	Sewer	Solid Waste	Total
Operating revenues				
Charges for services	$ 2,335,908	$ 2,684,636	$ 1,323,518	$ 6,344,062
Total operating revenues	2,335,908	2,684,636	1,323,518	6,344,062
Operating expenses				
Personal services	853,830	827,822	326,226	2,007,878
Contractual services	280,219	407,736	454,428	1,142,383
Repairs and maintenance	74,457	72,719	77,126	224,302
Supplies	219,397	170,564	105,078	495,039
Utilities	77,313	141,438	8,333	227,084
Other expenses	103,347	93,543	39,601	236,491
Depreciation/amortization	318,755	544,394	131,853	995,002
Total operating expenses	1,927,318	2,258,216	1,142,645	5,328,179
Operating income (loss)	408,590	426,420	180,873	1,015,883
Nonoperating revenues (expenses)				
Interest earnings	188,059	132,593	17,849	338,501
Other income (expense)	941	9,322	(16,911)	(6,648)
Interest expense	(65,241)	(15,163)	(21,385)	(101,789)
Total nonoperating revenues (expenses)	123,759	126,752	(20,447)	230,064
Income (loss) before capital grants, capital contributions, and transfers	532,349	553,172	160,426	1,245,947
Capital grants	294,275	10,856,195	-	11,150,470
Capital contributions and impact fees	95,441	199,745	-	295,186
Transfers out	(76,818)	(117,167)	(52,000)	(245,985)
Change in net position	845,247	11,491,945	108,426	12,445,618
Net position, beginning of year	9,740,860	17,866,871	766,928	28,374,659
Net position, end of year	$ 10,586,107	$ 29,358,816	$ 875,354	$ 40,820,277

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water	Sewer	Solid Waste	Total
Cash flows from operating activities				
Cash received from customers	$ 2,305,303	$ 1,207,392	$ 1,329,117	$ 4,841,812
Cash paid to employees	(867,128)	(828,882)	(339,955)	(2,035,965)
Cash paid to suppliers	(868,669)	(1,056,497)	(671,520)	(2,596,686)
Net cash provided by (used in) operating activities	569,506	(677,987)	317,642	209,161
Cash flows from noncapital financing activities				
Other income (expense)	941	9,322	(16,911)	(6,648)
Interfund transfers	(76,818)	(117,167)	(52,000)	(245,985)
Net cash provided by (used in) noncapital financing activities	(75,877)	(107,845)	(68,911)	(252,633)
Cash flows from capital and related financing activities				
Impact fees and capital contributions	95,441	199,745	-	295,186
Acquisition and construction of capital assets	(1,680,112)	(15,940,043)	-	(17,620,155)
Capital grants	294,275	7,733,745	-	8,028,020
Principal payments of long-term debt	(173,487)	(197,393)	(54,357)	(425,237)
Proceeds from issuance of long-term debt	-	4,773,744	-	4,773,744
Interest paid	(65,241)	(15,190)	(21,385)	(101,816)
Net cash provided by (used in) capital and related financing activities	(1,529,124)	(3,445,392)	(75,742)	(5,050,258)
Cash flows from investing activities				
Interest received	173,660	116,744	17,849	308,253
Purchases of investments	-	(1,450)	-	(1,450)
Net cash provided by (used in) investing activities	173,660	115,294	17,849	306,803
Net increase (decrease) in cash and cash equivalents	(861,835)	(4,115,930)	190,838	(4,786,927)
Cash and cash equivalents, beginning of year	5,205,078	7,043,399	684,121	12,932,598
Cash and cash equivalents, end of year	$ 4,343,243	$ 2,927,469	$ 874,959	$ 8,145,671
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 408,590	$ 426,420	$ 180,873	$ 1,015,883
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation/amortization	318,755	544,394	131,853	995,002
Changes in assets and liabilities:				
Accounts receivable	(44,753)	(7,862)	3,534	(49,081)
Inventories and prepaids	(19,755)	(3,885)	-	(23,640)
Accounts payable and accrued liabilities	(94,181)	(166,612)	13,046	(247,747)
Deposits	14,148	4,630	2,065	20,843
Unearned revenue	-	(1,474,012)	-	(1,474,012)
Compensated absences	9,266	19,304	1,456	30,026
Net pension liability	(10,257)	(8,058)	(6,055)	(24,370)
Total OPEB liability	(12,307)	(12,306)	(9,130)	(33,743)
Net cash provided by (used in) operating activities	$ 569,506	$ (677,987)	$ 317,642	$ 209,161
Cash and cash equivalents classified as:				
Unrestricted	$ 2,392,649	$ 441,015	$ 856,229	$ 3,689,893
Restricted	1,950,594	2,486,454	18,730	4,455,778
Total cash and cash equivalents	$ 4,343,243	$ 2,927,469	$ 874,959	$ 8,145,671

The accompanying notes to financial statements are an integral part of this statement.

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Bunnell, Florida (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City of Bunnell, Florida, as created by the Laws of Florida, Ch. 28955 (1953), adopted the City Charter by Ordinance No. 2002-01 on January 29, 2002. The Charter was approved by referendum by the voters and became effective on March 5, 2002. The City Charter vests all the legislative powers of the City with a city commission consisting of five members. The City Manager is appointed by the Commission and is the Chief Administrative Officer of the City.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Commission of the City of Bunnell, Florida, the reporting entity of government for which the City Commission is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements.

(b) **Blended component units**—Blended component units, although legally separate entities, are in substance part of the City's operations, and as a result, considered to be financially accountable. The following component unit is reported in the City's Annual Financial Report. In June 2007, the City passed an ordinance creating a dependent special district, the Bunnell Community Redevelopment Agency (Agency). The purpose of the Agency is to provide rehabilitation, conservation, or redevelopment of such areas as are necessary in the interest of public health, safety, or welfare of the residents of the City. The Agency is blended into the City's primary government although retaining separate legal identity. Separate financial statements are prepared for the Agency.

Based upon the application of the criteria set forth by GASB, there are no discretely presented potential component units or related organizations of the City.

(c) **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. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation/amortization) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

(1) **Summary of Significant Accounting Policies:** (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column, if any.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

As a general rule the effect of interfund City activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(d) **Measurement focus and basis of accounting—**The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing recognition in the financial statements of various kinds of transactions or events.

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

The 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. 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, claims and judgments, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

(1) **Summary of Significant Accounting Policies:** (Continued)

Taxes, intergovernmental revenue, sales taxes, franchise fees, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

(e) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Any non-major funds are combined in a column in the fund financial statements and detailed in the combining section. There are no non-major funds to report.

The City reports the following major governmental funds:

The ***General Fund*** accounts for several of the City's primary services (police, public works, community development, parks and recreation, etc.) and is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The ***Community Redevelopment Agency Fund*** is a special revenue fund that accounts for the activities of the Bunnell Community Redevelopment Agency.

The ***Impact Fee Fund*** is a capital projects fund that accounts for the governmental impact fees activities restricted for capital improvements.

The City reports the following major proprietary funds:

The ***Water Fund*** is a special revenue fund that accounts for the activities of the City's water distribution system.

The ***Sewer Fund*** is a special revenue fund that accounts for the activities of the City's sewage treatment plant, sewage pumping stations and collection systems.

The ***Solid Waste Fund*** is a special revenue fund that accounts for the activities of the City's solid waste collection and disposal.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting.

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

i. Sixty days prior to October 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and means of financing them.

ii. Budget workshops are scheduled by the City Manager as needed.

iii. The general summary of the budget and notice of public hearing is published in the local newspaper.

iv. Public hearings are conducted to obtain taxpayer comments.

v. Prior to October 1, the budgets are legally enacted through passage of a resolution.

vi. The City Manager is authorized to transfer budgeted amounts between divisions and departments; however, any revisions that alter the total appropriations of any fund must be approved by the City Commission.

vii. The level of classification detail at which expenditures may not legally exceed appropriations is the fund level.

viii. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. Appropriations for capital expenditures lapse five years henceforth.

ix. Budget for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The governmental funds have legally adopted annual budgets contained within a separate document.

x. The City Commission, by resolution, may make supplemental appropriations in excess of those originally estimated for the year, up to the amount of available revenues.

For the year ended September 30, 2025, expenditures exceeded appropriations as approved by the City Commission within the General Fund. General Fund expenditures exceeded the budgeted amount by $835,613.

(h) **Deposits and investments**—Cash consists of amounts held in demand deposits. Cash equivalents consist of short term investments having a maturity date of less than three months from the date acquired. Investments are reported at fair value.

(i) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(1) **Summary of Significant Accounting Policies:** (Continued)

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at year-end to recognize the sales revenues earned through the end of the fiscal year.

(j) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. Capital assets are defined by the City as assets with an initial individual cost of $5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives. Right-to-use equipment and subscription assets are amortized over the life of the associated contract. Land and construction in progress are not depreciated. Other useful lives are as follows:

Assets	Years
Buildings	10 – 50 years
Infrastructure (improvements other than buildings)	15 – 50 years
Equipment	3 – 25 years

(k) **Compensated absences**— City policy permits employees to accumulate a limited amount of earned, but unused, paid time off and compensatory leave. Employees may carry forward up to 480 hours of paid time off from one fiscal year to the next, and compensatory time is subject to a 60-hour carryforward limit. Upon separation from service, eligible employees may receive payment for 50% of unused paid time off and 100% of unused compensatory time, in accordance with City policy. The City also provides certain other leave benefits that may be used during employment but are not payable upon separation from service.

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt 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 method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when paid.

(1) **Summary of Significant Accounting Policies:** (Continued)

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

(m) **Net position flow assumption—**Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(n) **Fund equity—**In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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 such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Commission.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, it is the City's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unassigned.

(1) **Summary of Significant Accounting Policies:** (Continued)

(o) **Reserve policy**—The City Commission has approved a reserve policy, which addresses that the City's optimal level of net equity reserve has been determined to be 17% of the respective operating budgets at the beginning of the fiscal year or a net equity reserve equal to at least 54 consecutive days. Net Equity Reserve is defined as a specific fund's equity in pooled cash less liabilities due and payable within the next 12 months.

(p) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to pensions in the proprietary funds and government-wide statement of net position and are discussed further in Note (9).

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to pensions in the proprietary funds and government-wide statement of net position and are discussed further in Note (9). The City has deferred inflows related to unavailable revenue only in the governmental funds balance sheet. The governmental funds report unavailable revenues from operating grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(q) **Leases**—The City is the lessee in several noncancelable leases of vehicles, offices and equipment. The City determines if an arrangement is a lease at inception, and recognizes intangible right-to-use (RTU) assets and corresponding lease liabilities for all leases that are not considered short-term. RTU assets represents the City's right to use an underlying asset and the lease liabilities represent the City's obligation to make lease payments arising from the lease. RTU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Basis of lease classification – Leases that meet the following requirements will not be considered short term: (1) the maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months, and (2) the present value of lease payments for the lease is less than $5,000.

Discount Rate – Unless explicitly stated in the lease agreement, known by the City, or the City is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-to-use assets and liabilities will be the City's incremental borrowing rate (IBR), which will be the rate utilized for the subsequent fiscal year. The City's IBR was calculated at 2.14% at September 30, 2021, and was the discount rate utilized for applicable leases beginning October 1, 2022, and applicable lease conversions.

The City's lessee agreements do not contain any material residual value guarantees or material restrictive covenants.

(2) Reconciliation of Government-Wide and Fund Financial Statement:

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) Property Tax Calendar:

Under Florida law, the assessment of all properties and collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2025, was 7.9300 per $1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The City recognizes property tax revenues as received. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The City tax calendar is as follows:

Valuation Date:	January 1, 2024
Levy Date:	November 1, 2024
Due Date:	March 31, 2025
Lien Date:	June 1, 2025

(4) **Deposits and Investments:**

The City, for accounting and investment purposes, maintains a pooled interest bearing banking account and a pooled investment account for substantially all City funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. The cash and investments shown on the balance sheets and statements of net position represent the amount owned by each fund.

State statutes authorize the City to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2025, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the City is authorized to deposit funds only in Qualified Public Depositories.

The City invests temporarily idle resources in the Florida PRIME Investment Pool (Florida PRIME) that is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. Florida PRIME is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Codification Section I50, *Investments*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

As of September 30, 2025, the investment pool had a weighted average maturity of 47 days, was rated AAAm by Standard & Poor's (S&P), and had a carrying value of $754,846. The City held no assets or investments carried at fair value at September 30, 2025, and subject to the required disclosures of GASB Cod. Section I50.

(4) **Deposits and Investments:** (Continued)

Interest Rate Risk: The City's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. The investment of current operating funds will have maturities of no longer than three years. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but should not exceed ten years. From time to time the above parameters may require modification in order to meet specific construction draw schedules or other predetermined operating or capital needs, or to satisfy debt obligations, but in no event shall exceed ten years.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City's entire portfolio is invested in SBA funds, as described above.

Concentration of Credit Risk: The City has adopted no formal investment policy and follows the investment policies set forth in Florida Statutes, Chapter 218.

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2025, the City's investment of $754,846 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2025:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	$ 246,094	$ (14,822)	$ 231,272
Totals – Governmental Type Activities	246,094	(14,822)	231,272
Business-Type Activities:			
Water Fund			
Accounts receivable	551,068	(186,259)	364,809
Solid Waste Fund			
Accounts receivable	291,029	(105,451)	185,578
Sewer Fund			
Accounts receivable	625,581	(236,648)	388,933
Totals – Business-Type Activities	1,467,678	(528,358)	939,320
Totals	$ 1,713,772	$ (543,180)	$ 1,170,592

In addition to accounts receivable, the City also recorded amounts $4,267,468 due from other governments at September 30, 2025.

(6) **Capital Assets:**

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

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 419,524	$ -	$ -	$ 419,524
Construction in progress	5,294,453	7,510,672	(11,615,157)	1,189,968
Total assets not being depreciated	5,713,977	7,510,672	(11,615,157)	1,609,492
Capital assets being depreciated:				
Building & Improvements	6,273,041	11,615,157	-	17,888,198
Equipment	1,390,694	204,333	(10,665)	1,584,362
Right-to-use assets	535,593	654,560	(252,933)	937,220
Total assets being depreciated	8,199,328	12,474,050	(263,598)	20,409,780
Less accumulated depreciation and amortization for:				
Building & Improvements	(3,690,382)	(230,920)	-	(3,921,302)
Equipment	(982,561)	(100,060)	10,665	(1,071,956)
Right-to-use assets	(308,377)	(134,378)	269,446	(173,309)
Less: accumulated depreciation and amortization	(4,981,320)	(465,358)	280,111	(5,166,567)
Total capital assets being depreciated, net	3,218,008	12,008,692	16,513	15,243,213
Governmental activities capital assets, net	$ 8,931,985	$ 19,519,364	$ (11,598,644)	$ 16,852,705

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 26,991	$ -	$ -	$ 26,991
Construction in progress	6,994,434	17,543,870	(3,271,251)	21,267,053
Total assets not being depreciated	7,021,425	17,543,870	(3,271,251)	21,294,044
Capital assets being depreciated:				
Building & Improvements	24,678,048	3,331,466	-	28,009,514
Equipment	3,491,287	19,517	(5,330)	3,505,474
Subscription assets	211,673	-	-	211,673
Right-to-use assets	188,228	6,751	(134,849)	60,130
Total assets being depreciated	28,569,236	3,357,734	(140,179)	31,786,791
Less accumulated depreciation and amortization for:				
Building & Improvements	(8,903,963)	(625,289)	-	(9,529,252)
Equipment	(2,060,345)	(307,805)	-	(2,368,150)
Subscription assets	(6,940)	(20,820)	-	(27,760)
Right-to-use assets	(157,662)	(41,088)	188,227	(10,523)
Less: accumulated depreciation and amortization	(11,128,910)	(995,002)	188,227	(11,935,685)
Total capital assets being depreciated, net	17,440,326	2,362,732	48,048	19,851,106
Business-type activities capital assets, net	$ 24,461,751	$ 19,906,602	$ (3,223,203)	$ 41,145,150

Depreciation/amortization expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	$ 22,105
Public safety	167,454
Parks and recreation	65,151
Public works	210,418
Total depreciation/amortization expense – governmental activities	$ 465,358

(6) **Capital Assets:** (Continued)

Business-type activities:		
Water	$	318,755
Sewer		544,394
Solid waste		131,853
Total depreciation/amortization expense – business-type activities	$	995,002

(7) Long-Term Debt:

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2025, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes and bonds payable	$ 10,000,000	$ -	$ (500,000)	$ 9,500,000	$ 500,000
Leases	221,574	659,290	(103,273)	777,591	180,153
Compensated absences, net	146,960	102,710	-	249,670	62,418
Governmental activities – Total long-term liabilities	$ 10,368,534	$ 762,000	$ (603,273)	$ 10,527,261	$ 742,571
Business-type activities:					
Long-term debt:					
Notes and bonds payable	$ 4,240,185	$ -	$ (290,190)	$ 3,949,995	$ 300,191
SRF Notes payable	432,853	4,773,744	(84,128)	5,122,469	50,637
Subscription liabilities	162,200	-	(14,981)	147,219	15,305
Leases	27,670	59,075	(36,767)	49,978	11,714
Total long-term debt	4,862,908	4,832,819	(426,066)	9,269,661	377,847
Compensated absences, net	70,909	30,026	-	100,935	25,234
Business-type activities – Total long-term liabilities	$ 4,933,817	$ 4,862,845	$ (426,066)	$ 9,370,596	$ 403,081

*The change in the compensated absences liability is presented as a net change.

Annual debt service requirements to maturity for the City's revenue bonds and notes are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2026	$ 500,000	$ 545,750	$ 350,828	$ 87,534	$ 1,484,112
2027	500,000	516,250	448,546	165,900	1,630,696
2028	500,000	486,750	672,593	152,474	1,811,817
2029	500,000	457,250	688,572	137,625	1,783,447
2030	500,000	427,750	677,242	123,361	1,728,353
2031-2035	2,500,000	1,696,250	2,323,050	468,889	6,988,189
2036-2040	2,500,000	958,750	2,292,409	262,094	6,013,253
2041-2045	2,000,000	236,000	523,323	131,117	2,890,440
2046-2050	-	-	516,000	84,190	600,190
2051-2055	-	-	579,901	22,190	602,091
Total	$ 9,500,000	$ 5,324,750	$ 9,072,464	$ 1,635,374	$ 25,532,588

(7) **Long-Term Debt:** (Continued)

Notes and bonds payable in the City's governmental activities at September 30, 2025, are comprised of the following obligations:

General Fund Revenue Note, dated March 7, 2024, due in semiannual payments of varying amounts, including interest at 5.90% through March 1, 2044. Repayment of loan balance is secured by a pledge of non-ad valorem revenues.	$ 9,500,000
Total long-term debt, governmental activities	$ 9,500,000

Notes and bonds payable in the City's business-type activities at September 30, 2025, are comprised of the following obligations:

State Revolving Fund note payable, dated July 1, 2005, due in semiannual payments of $35,363, including interest at 2.60% through December 15, 2025. Repayment of loan balance is secured by a pledge of water & sewer utility revenues.	$ 34,062
Note payable to Florida Department of Transportation, in the original amount of $529,694, unsecured and noninterest bearing. Flagler County made a $264,647 payment in 2010, remaining payments will begin October 15, 2020, with ten annual payments of $26,505.	105,987
State Revolving Fund note payable, dated November 19, 2012, due in semiannual payments of $4,777 once the full amount has been drawn, including interest at 2.12% through June 15, 2035. Repayment of loan balance is secured by a pledge of water & sewer utility revenues.	133,532
Water and Sewer System Refunding Revenue Note, Series 2017: Water and Sewer Revenue note payable, in the original amount of $1,937,333, dated February 28, 2017; due serially to May 21, 2030, with interest at 2.39% (reduced to 1.95% effective December 15, 2020) payable annually. Repayment of year-end loan balance is secured by a pledge of water & sewer utility revenues.	776,103
Water and Sewer Bonds, in the original amount of $3,362,000, dated May 20, 2015; due serially to May 20, 2055, with interest at 1.875% payable annually. Repayment of year-end loan balance is secured by a pledge of water & sewer utility revenues.	2,743,900
Solid Waste Revenue Note, in the original amount of $440,000, dated November 30, 2023; due in semiannual payments of $37,871, including interest at 5.86% through July 1, 2030. Repayment of loan balance is secured by a solid waste utility revenues.	324,005
State Revolving Fund note payable, dated February 24, 2021, due in semiannual payments of $5,489 at 0% interest through November 15, 2041. The amount includes $19,959 of service fee rolled into the loan. Repayment of loan balance is secured by a pledge of sewer revenues.	181,129
State Revolving Fund note payable, dated August 14, 2024, due in semiannual payments of $209,488 at 1.73% interest through April 1, 2040. Repayment of loan balance is secured by a pledge of water & sewer utility revenues.	4,773,746
Total long-term debt, business-type activities	$ 9,072,464

(7) **Long-Term Debt:** (Continued)

Leases

The City is the lessee in several noncancelable leases of vehicles and equipment recorded in the General Fund, Water Fund, and Sewer Fund. A lease liability and a right-to-use asset was recorded for these leases in the Governmental Activities, Water Fund, and the Sewer Fund.

As of September 30, 2025, the total value of the lease liability was $827,569. The City is required to make monthly principal and interest payments. The City's IBR was calculated at 2.14% at September 30, 2021, and was the discount rate utilized for all leases. The right-to-use assets' useful lives range between 2 and 5 years and approximate the lease terms. The value of the right-to-use assets as of September 30, 2025, was $997,350 and had accumulated amortization of $183,833.

Lease expense for the right-to-use assets for the years ended September 30, 2025, was as follows:

September 30, 2025	**Governmental Activities**	**Business-type Activities**
Vehicle amortization expense	$ 70,487	$ 41,088
Equipment amortization expense	63,890	-
Interest on lease liabilities	8,569	1,206
Total	$ 142,946	$ 42,294

The principal and interest requirements to maturity for the lease liability as of September 30, 2025, is as follows:

Governmental Activities

Year Ending September 30,	**Principal**	**Interest**	**Total Payments**
2026	$ 180,153	$ 15,396	$ 195,549
2027	182,904	11,516	194,420
2028	186,856	7,563	194,419
2029	137,865	3,525	141,390
2030	89,813	718	90,531
Total future minimum lease payments	$ 777,591	$ 38,718	$ 816,309

Business-type Activities

Year Ending September 30,	**Principal**	**Interest**	**Total Payments**
2026	$ 11,714	$ 955	$ 12,669
2027	11,967	702	12,669
2028	12,226	443	12,669
2029	12,490	179	12,669
2030	1,580	4	1,584
Total future minimum lease payments	$ 49,977	$ 2,283	$ 52,260

(7) **Long-Term Debt:** (Continued)

Subscription liabilities

The City's business-type activities include subscription liabilities related to the operation and monitoring of the water facility's Supervisory Control and Data Acquisition (SCADA) system. The SCADA system provides automated control, data collection, and real-time monitoring of the City's water distribution operations.

As of September 30, 2025, the total value of the subscription liability was $147,219. The City is required to make monthly principal and interest payments. The City's IBR was calculated at 2.14% at September 30, 2021, and was the discount rate utilized for all subscription liabilities. The subscription asset's useful life is 10 years and approximate the subscription terms. The value of the subscription asset as of September 30, 2025, was $211,673 and had accumulated amortization of $27,760.

Amortization expense for the subscription asset for the years ended September 30, 2025, was as follows:

September 30, 2025	Governmental Activities	Business-type Activities
Subscription asset amortization expense	$ -	$ 20,820
Interest on subscription liabilities	-	3,298
Total	$ -	$ 24,118

The principal and interest requirements to maturity for the subscription liability as of September 30, 2025, is as follows:

Business-type Activities Year Ending September 30,	Principal	Interest	Total Payments
2026	$ 15,305	$ 3,001	$ 18,306
2027	15,636	2,670	18,306
2028	15,974	2,332	18,306
2029	16,319	1,987	18,306
2030	16,672	1,634	18,306
2031-2034	67,313	2,859	70,172
Total future minimum lease payments	$ 147,219	$ 14,483	$ 161,702

Conduit Debt

Pursuant to the provisions of Resolution 2008-01, the City authorized issuance of conduit debt in the total amount not to exceed $5,750,000 for SMA Healthcare Foundation, Inc. (the Borrower), a Florida not-for-profit corporation. On May 20, 2008, the Borrower issued a $5,750,000 Stewart-Marchman Foundation, Inc. Project Series 2008-A Revenue Bonds, secured with a mortgage. The proceeds were utilized for financing the acquisition, improvement, construction and equipping of certain real property to be used as a substance abuse treatment facility. Monthly interest payments were due at a rate of 4.43% per annum through maturity of February 28, 2018, at which time the full principal amount would become due. The issuing financial institution sold the bonds to another financial institution on September 30, 2014.

(7) **Long-Term Debt:** (Continued)

Under the new financial institution, principal and interest payments are due in monthly installments at a rate of 3.225% through December 31, 2024. Commencing January 1, 2025, through the maturity date of July 1, 2028, the interest rate will be subject to an interest rate adjustment of 2.00% above the 5-Year Federal Home Loan Bank Rate, not to exceed 3.225%. This conduit debt was paid off during the year ended September 30, 2025.

Under the financing agreement, the City is not obligated to pay the Series 2008-A Bonds except from the proceeds derived from the repayment of the loan to the Borrower, or from the other security pledged thereof by the Borrower, and neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal or, premium, if any, or the interest on the obligation.

(8) Interfund Transfers:

For the year ended September 30, 2025, interfund transfers consisted of the following:

	Transfer From	Transfer To
Governmental Activities		
General Fund:		
Water Fund	$ 76,818	$ -
Sewer Fund	117,167	-
Solid Waste Fund	52,000	-
CRA Fund	-	60,161
CRA Fund:		
General Fund	60,161	-
Business-Type Activities		
Water Fund:		
General Fund	-	76,818
Sewer Fund:		
General Fund	-	117,167
Solid Waste Fund:		
General Fund	-	52,000
	$ 306,146	$ 306,146

The transfers from the Water, Sewer, and Solid Waste Funds to the General Fund represents payments in lieu of taxes. The transfer from the General Fund to the CRA Fund represents the City's match to the County's ad valorem tax increment contribution to the CRA.

(9) Employees' Retirement Plans:

A. Florida Retirement System:

Plan Description and Administration

As of June 1, 2004, the City began participating in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees.

(9) **Employees' Retirement Plans:** (Continued)

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Pension Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45 and the maximum payment is $225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date.The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds.

(9) **Employees' Retirement Plans:** (Continued)

The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Annual Comprehensive Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's web site (www.myfloridacfo.com).

An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000
(850) 488-5706 or toll free at (877) 377-1737

Contributions

Employers may participate in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2025, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2025	After June 30, 2025
Regular Class	13.63%	14.03%
Senior Management (SMSC)	34.52%	33.24%
Special Risk	32.79%	35.19%
Elected Official Class	58.68%	54.57%
DROP from FRS	21.13%	22.02%

Current-year employer HIS contributions were made at a rate of 2.00% of covered payroll, which are included in the above rates.

For the plan year ended June 30, 2025, actual contributions made for City employees participating in FRS and HIS were as follows:

City Contributions – FRS	$ 689,765
City Contributions – HIS	84,913
Employee Contributions	127,369

(9) **Employees' Retirement Plans:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2025, the City reported a liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	$ 3,585,340
HIS	1,217,731
Total	$ 4,803,071

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2025 and June 30, 2024, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2025	2024
FRS	0.011552519%	0.011516160%
HIS	0.009500577%	0.009544696%

For the plan year ended June 30, 2025, pension expense was recognized related to the FRS and HIS plan as follows:

FRS	$ 590,905
HIS	107,161
Total	$ 698,066

Deferred outflows/inflows related to pensions:

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 382,952	$ -	$ 7,269	$ (1,932)
Changes of assumptions	416,351	-	10,778	(294,538)
Net difference between projected and actual investment earnings	-	(598,609)	-	(1,014)
Change in proportionate share	503,929	(12,431)	247,626	(32,578)
Contributions subsequent to measurement date	188,612	-	22,259	-
Total	$ 1,491,844	$ (611,040)	$ 287,932	$ (330,062)

(9) **Employees' Retirement Plans:** (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2026.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2026	$ 751,617	$ (11,961)	$ 739,656
2027	62,526	(19,022)	43,504
2028	(31,293)	(6,543)	(37,836)
2029	(90,658)	(5,911)	(96,569)
2030	-	(20,952)	(20,952)
	$ 692,192	$ (64,389)	$ 627,803

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2024 for the period July 1, 2018, through June 30, 2023. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. The 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 calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.93%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2021.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2025 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below.

(9) **Employees' Retirement Plans:** (Continued)

Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Annual Arithmetic Expected Rate of Return
Cash	1.0%	3.2%
Fixed income	29.0%	5.5%
Global equities	45.0%	8.5%
Real estate	12.0%	8.4%
Private equity	11.0%	12.4%
Strategic investments	2.0%	6.5%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability(asset) of the City calculated using the current discount rates, as well as what the City's net pension liability(asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.70%	$ 7,036,174	$ 3,585,340	$ 692,210
HIS	5.20%	1,373,188	1,217,731	1,087,352

B. Defined Contribution Plan:

The City Commission has adopted the International City Management Association Retirement Corporation (ICMA-RC) Money Purchase Plan and Trust effective July 1, 2015. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMARC Money Purchase Plan and Trust for general employees shall be in the same percentages as the FRS. For the year ended September 30, 2025, actual employer contributions to this plan totaled $74,367.

(10) **Other Post-Employment Benefits (OPEB):**

Plan Description—No assets are held in trust for payment of the OPEB liability as the City had no OPEB liability other than as arising from the implicit rate subsidy. Retirees and their dependents are permitted to remain covered under the City's respective health care plans as long as they pay a full premium applicable to the coverage elected. Eligible participants include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report.

(10) **Other Post-Employment Benefits (OPEB):** (Continued)

Benefits Provided—The Other Post-Employment Benefits Plan is a single-employer benefit healthcare plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB Codification P52 calls this the "implicit rate subsidy."

Plan Membership—At October 1, 2024, the date of the latest actuarial valuation, plan participation consisted of 53 covered individuals, including one inactive employee and beneficiaries and 53 active employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

Actuarial Assumptions and Other Inputs—The total OPEB liability was measured at September 30, 2025, using the October 1, 2024, actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Discount rate	4.50%
Salary increases	3.00%
Healthcare cost trend rate	8.00% in 2025, downgraded 0.50% per year to 5.00% for 2031
Age-related morbidity	3.50% for each year of age
Retirees' share of benefit-related costs	100.00%

The City does not a have a dedicated trust to pay retiree healthcare benefits. The discount rate was based the S&P Municipal Bond 20-Year High Grade Index as of September 30, 2025.

Mortality rates were based on the sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2020.

Total OPEB Liability—Changes in the OPEB liability for the fiscal year ended September 30, 2025, were as follows:

	Total OPEB Liability
Balance at September 30, 2024	$ 214,356
Changes for a year:	
Service cost	19,993
Interest	5,140
Differences between expected and actual experience	(99,017)
Changes of assumptions	(17,720)
Benefit payments – implicit rate subsidy	(6,855)
Other changes	-
Net changes	(98,459)
Balance at September 30, 2025	$ 115,897

(10) **Other Post-Employment Benefits (OPEB):** (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City calculated using the discount rate of 4.50%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.50%) or 1% higher (5.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 127,762	$ 115,897	$ 105,403

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the City calculated using the healthcare cost trend rate of 8.00% graded down to 5.00%, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 100,283	$ 115,897	$ 134,889

OPEB Expense:

For the year ended September 30, 2025, the City recognized OPEB expense of $10,829.

(11) **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; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year. The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

a) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

b) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB 104 requires governments to provide detailed information about certain types of capital assets, including lease assets, intangible right-to-use assets, and subscription assets, in the notes to financial statements. The provisions for GASB 104 are effective for fiscal years beginning after June 15, 2025.

c) GASB issued Statement No. 105, *Subsequent Events*, in December 2025. GASB Statement No. 105 clarifies the subsequent events time frame and establishes accounting and disclosure requirements for recognized and nonrecognized subsequent events. The provisions of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

(13) **Economic Incentive:**

During the year ended September 30, 2025, and subsequent to year end, the City entered into several economic development grant agreements with companies conducting business within the City to abate certain ad valorem taxes in exchange for economic incentives. Article VII, Section 3 of the Florida Constitution and City of Bunnell Resolution 2019-23, provide the City Commission the authority to grant property tax exemptions for new business and expansion of existing businesses. The City Commission granted 75% ad valorem tax exemptions and 50% of net new tangible personal property tax exemptions for four and seven-year terms expiring in 2026 and 2029, respectfully. Taxes abated during the year ended September 30, 2025 were $244,458. The companies are expected to receive approximately $216,000 in economic incentives from the City in the form of annual $39,000 rebate on their ad valorem taxes over the terms of their agreements.

(14) **Other Commitments:**

During the year ended September 30, 2025, and subsequent to year end, the City has entered into the following construction commitments, which will result in future financial obligation.

Commitments	**Amount**
Wastewater Treatment Plant Expansion	$ 44,799,303
Brackish Water Reverse Osmosis	4,500,000
Army Corp of Engineers Flood Plain Management Services	200,000
Total	$ 49,499,303

CITY OF BUNNELL, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Proportion of the net pension liability	0.011552519%	0.011516160%	0.009840088%	0.008595047%	0.008761131%	0.008527139%	0.008105469%	0.005902651%	0.005736974%	0.006115975%
Proportionate share of the net pension liability	$ 3,585,340	$ 4,454,992	$ 3,920,964	$ 3,198,048	$ 661,804	$ 3,695,788	$ 2,791,411	$ 1,777,909	$ 1,696,958	$ 1,544,288
Covered payroll	4,245,630	4,040,411	3,176,889	2,598,900	2,497,792	2,308,323	2,724,119	1,706,317	1,676,346	1,669,149
Proportionate share of the net pension liability as a percentage of covered payroll	84.45%	110.26%	123.42%	123.05%	26.50%	160.11%	102.47%	104.20%	101.23%	92.52%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%
Health Insurance Subsidy Program (HIS)										
Proportion of the net pension liability	0.009500577%	0.009544696%	0.008016866%	0.007129873%	0.007053978%	0.006649536%	0.008143556%	0.005223074%	0.005258092%	0.005855760%
Proportionate share of the net pension liability	$ 1,217,731	$ 1,431,798	$ 1,273,185	$ 755,167	$ 865,276	$ 811,898	$ 911,182	$ 552,816	$ 562,219	$ 682,465
Covered payroll	4,245,630	4,040,411	3,176,889	2,598,900	2,497,792	2,308,323	2,724,119	1,706,317	1,676,346	1,669,149
Proportionate share of the net pension liability as a percentage of covered payroll	28.68%	35.44%	40.08%	29.06%	34.64%	35.17%	33.45%	32.40%	33.54%	40.89%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

CITY OF BUNNELL, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)

	For the Fiscal Year Ended September 30,									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Florida Retirement System (FRS)										
Contractually required contribution	$ 697,967	$ 656,575	$ 538,063	$ 381,110	$ 351,949	$ 283,319	$ 251,328	$ 168,221	$ 149,348	$ 167,167
Contributions in relation to the contractually required contribution	697,967	656,575	538,063	381,110	351,949	283,319	251,328	168,221	149,348	167,167
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,254,676	$ 4,099,052	$ 3,475,488	$ 2,663,239	$ 2,606,495	$ 2,308,323	$ 2,724,119	$ 1,706,317	$ 1,676,346	$ 1,669,149
Contributions as a percentage of covered payroll	16.40%	16.02%	15.48%	14.31%	13.50%	12.27%	9.23%	9.86%	8.91%	10.02%
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	$ 85,094	$ 81,981	$ 61,247	$ 44,210	$ 43,268	$ 38,318	$ 45,220	$ 28,325	$ 27,827	$ 21,031
Contributions in relation to the contractually required contribution	85,094	81,981	61,247	44,210	43,268	38,318	45,220	28,325	27,827	21,031
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,254,676	$ 4,099,052	$ 3,475,488	$ 2,663,239	$ 2,606,495	$ 2,308,323	$ 2,724,119	$ 1,706,317	$ 1,676,346	$ 1,669,149
Contributions as a percentage of covered payroll	2.00%	2.00%	1.76%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

CITY OF BUNNELL, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	$ 19,993	$ 24,364	$ 24,789	$ 9,301	$ 17,788	$ 15,764	$ 15,635	$ 19,282
Interest	5,140	9,797	7,848	9,647	6,335	5,921	9,045	8,520
Differences between expected and actual experience	(99,017)	(24,566)	6,289	(25,925)	(36,197)	(6,090)	(11,523)	-
Changes of assumptions	(17,720)	(6,386)	55,287	(40,601)	(29,351)	(25,235)	18,203	-
Benefit payments – implicit rate subsidy	(6,855)	(11,492)	(13,087)	(7,633)	(9,465)	(7,324)	(7,537)	(3,612)
Net change in total OPEB liability	(98,459)	(8,283)	81,126	(55,211)	(50,890)	(16,964)	23,823	24,190
Total OPEB liability – beginning	214,356	222,639	141,513	196,724	247,614	264,578	240,755	216,565
Total OPEB liability – ending	$ 115,897	$ 214,356	$ 222,639	$ 141,513	$ 196,724	$ 247,614	$ 264,578	$ 240,755
Covered payroll	$ 3,449,541	$ 3,282,733	$ 3,308,407	$ 1,782,838	$ 1,925,743	$ 1,420,597	$ 1,461,205	$ 1,791,159
Total OPEB liability as a percentage of covered payroll	3.36%	6.53%	6.73%	7.94%	10.22%	17.43%	18.11%	13.44%
Measurement date	09/30/2025	09/30/2024	09/30/2023	09/30/2022	09/30/2021	09/30/2020	09/30/2019	09/30/2018
Actuarial valuation date	10/01/2024	10/01/2023	10/01/2022	10/01/2021	10/01/2020	10/01/2019	10/01/2018	10/01/2017
Changes of assumptions: Changes of assumptions reflect the effects of changes in the discount rate each period. To the right are the discount rates used in each period:	4.50%	4.06%	4.91%	4.77%	2.43%	2.14%	3.58%	3.64%

The monthly implied subsidy at age 62 for the 2024/25 fiscal year for the retiree and his spouse was decreased from $615.25 and $576.75 to $525 and $500, respectively.

There are no assets accumulated in a trust that pay for related benefits

Benefit Payments:
The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2025. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

* GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

CITY OF BUNNELL, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal / State Agency Pass-Through Entity Federal Program / State Project	AL / CSFA Number	Contract / Grant Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Housing and Urban Development			
Passed-through State of Florida Department of Economic Opportunity:			
Community Development Block Grant	14.228	22DB-OP-04-28-02-N09	$ 678,110
Total U.S. Department of Housing and Urban Development			678,110
U.S. Department of Justice			
Passed-through Office of Community Oriented Policing Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-24-GG-04224-MUMU	63,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15JCOPS-22-GG-03442-UHPX	22,658
Total U.S. Department of Justice			85,658
U.S. Department of Treasury, Coronavirus Relief Fund			
Direct:			
COVID-19 - ARPA Coronavirus State and Local Fiscal Recovery Fund	21.027	Y5040	1,474,012
Passed-through Florida Department of Transportation:			
COVID-19 Coronavirus State and Local FRF - City of Bunnell WWTF AWT and Capacity Expansion Improvements	21.027	WG045	1,141,814
Total U.S. Department of Treasury, Coronavirus Relief Fund			2,615,826
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,379,594
STATE AGENCY			
Florida Department of Environmental Protection			
Direct:			
Wastewater Treatment Facility Construction	37.077	WW180512	$ 10,321,609
Stan Mayfield Working Waterfronts Program	37.079	LPA0481	294,275
Total Florida Department of Environmental Protection			10,615,884
Florida Division of Historical Resources			
Direct:			
Acquisition, Restoration of Historic Properties	45.032	100.084	375,000
Total Florida Division of Historical Resources			375,000
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 10,990,884

The accompanying notes to the schedule of expenditures of federal awards
and state financial assistance are a integral part of this schedule.

CITY OF BUNNELL, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

(1) Basis of Presentation:

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal grant activity of the City of Bunnell, Florida (the City), The information in this schedule is presented in accordance with the 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. 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.

(2) Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or Chapter 10.550, Rules of the Auditor General, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

No grant awards for the year ended September 30, 2025, have been passed through to subrecipients.

(3) De Minimis Indirect Cost Rate Election:

The City has elected not to use the de minimis indirect cost rate as allowed under Uniform Guidance.

(4) Contingency:

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

CITY OF BUNNELL, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	_X_ yes	_____ no
Significant deficiency(ies) identified?	_____ yes	_X_ none reported
Noncompliance material to financial statements noted?	_____ yes	_X_ no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified?	_____ yes	_X_ no
Significant deficiency(ies) identified?	_____ yes	_X_ none reported

Type of auditors' report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	_X_ none reported
Auditee qualified as a low-risk auditee?	_____ yes	_X_ no

Dollar threshold used to distinguish between type A and type B programs: $1,000,000

Identification of major Federal programs:

ALN Number	Program Name
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified?	_____ yes	__X__ no
Significant deficiency(ies) identified?	_____ yes	__X__ none reported

Type of auditors' report issued on compliance for major State projects:
Unmodified

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550?	_____ yes	__X__ none reported
Dollar threshold used to distinguish between type A and type B programs:		$750,000

Identification of major State programs:

CSFA Number	Program Name
37.077	SRF Wastewater Treatment Facility Construction

II. **Financial Statement Findings:**

2025-001: Preparation of Financial Statements and Audit Adjustments

Criteria: Management is responsible for maintaining complete and accurate accounting records in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This includes ensuring significant general ledger account balances are periodically reconciled and reviewed, including full accrual-based reconciliations at fiscal year-end.

Condition: Various material audit adjustments were required to correct general ledger account balances due to misclassifications in the original posting, reversal of prior year entries, and missing current-year accruals.

Cause: The City's controls did not include sufficient periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal year-end, to ensure all amounts were appropriately recorded and budgeted.

Effect: Without timely and complete reconciliations of significant account balances, there is an increased risk that errors or omissions in the accounting records will not be identified and corrected timely. This could result in incomplete or inaccurate financial reporting.

Recommendation: We recommend the City increase its review of general ledger account balances and related transactions, including a review for proper cutoff at fiscal year-end, to help ensure the completeness and accuracy of all financial reporting.

Federal Awards Program Findings and Questioned Costs: None.

III. **Prior Audit Findings:** See accompanying Schedule of Prior Audit Findings as included in the Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General.

IV. **Corrective Action Plan:** See management's response to findings on page 65.

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

To the Honorable Mayor, City Commission, and City Manager
City of Bunnell, Florida:

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Bunnell, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement*, and the requirements described in the Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2025. The City's major federal programs and state projects are 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2025.

Basis for Opinion on Each 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 are further described in the Auditors' 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 each major federal program and state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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. Noncompliance 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, 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 noncompliance, 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.

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, noncompliance 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 noncompliance 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 federal program or 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 Auditors' 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 the 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.

James Moore & Co., P.L.

Daytona Beach, Florida
July 7, 2026

JAMESMOORE

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

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bunnell, Florida (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying management's response to findings as noted in the table of contents. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

James Moore & Co., P.L.

Daytona Beach, Florida
July 7, 2026

JAMESMOORE

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

Report on the Financial Statements

We have audited the financial statements of City of Bunnell, Florida (the City) as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated July 7, 2026.

Auditors' 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in Accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated July 7, 2026, 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 or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following summarizes the status of prior year findings and recommendations. There were two findings in the preceding annual financial audit report, one of which was repeated from a prior year.

> **2024-001 Reconciliation of General Ledger Account Balances** – repeated as comment 2025-001; originally reported as 2023-001.

> **2024-002 Preparation and Review of Bank Reconciliations** – corrective action taken.

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 legal authority for the primary government of the reporting entity is disclosed in Note (1) of the basic financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

2025-002 – Budgetary Noncompliance

We noted the total expenditures in the General Fund exceeded the budgeted amounts by $835,613 as approved by the City Commission, resulting in the City not being within legal budgetary compliance. While various operating transactions were approved, no respective budget amendments were made to adjust for the additional budgetary authority. To avoid such instances in the future, we recommend the City actively monitor budget-to-actual comparisons of expenditures throughout the year and ensure that any necessary budget amendments are brought to the City Commissioners on a timely basis

Property Assessed Clean Energy (PACE) Programs

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy, or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit.

Special District Component Unit

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

In connection with our audit, we did not note any special district component unit that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

The required reporting item in accordance with Section 218.39(3)(c), Florida Statutes for the City of Bunnell Community Redevelopment Agency (the CRA) has been reported in the separately issued audited financial statements of the CRA.

Additional Matters

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

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 State granting agencies, the City Commission, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida
July 7, 2026

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

We have examined the City of Bunnell, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies,* for the year ended September 30, 2025. The City's management is responsible for the City's compliance with those requirements for the year ended September 30, 2025. Our responsibility is to obtain reasonable assurance by measuring (or evaluating) the investment policies of the City during the year ended September 30, 2025, against Section 218.415, Florida Statutes, *Local Government Investment Policies,* and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement (or evaluation) based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants. Those standards require that we obtain reasonable assurance by measuring (or evaluating) the City's investment policies against Section 418.415, Florida Statutes, *Local Government Investment Policies,* and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the City's compliance for the year ended September 30, 2025. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the City's investment policies were not in accordance with Section 418.415, Florida Statutes, *Local Government Investment Policies,* for the year ended September 30, 2025, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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 examination engagement.

In our opinion, the City's investment policies were in accordance with aforementioned requirements for the year ended September 30, 2025, in all material respects.

James Moore & Co., P.L.

Daytona Beach, Florida
July 7, 2026

CATHERINE D. ROBINSON
MAYOR

JOHN ROGERS
VICE-MAYOR

DR. ALVIN B. JACKSON, JR.
CITY MANAGER

City Of BUNNELL
Incorporated - 1913
Crossroads of Flagler County

COMMISSIONERS:

PETE YOUNG

DAVID ATKINSON

DEAN SECHRIST

6/30/2026

Management's Response to Audit Finding

<u>2025-001: Preparation of Financial Statements and Audit Adjustments</u>

Finance will increase it's review of general ledger account balances and will enforce year end cutoff procedures.

<u>2025-002: Budgetary Noncompliance</u>

Budget-to-actual comparisons will be completed monthly and appropriate budget amendments will be brought to City Commission for approval.

Dr. Alvin B. Jackson, Jr
City Manager

The City of Bunnell is an Equal Opportunity Service Provider.
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